

SIRIUS SATELLITE RADIO INC

Form S-4

July 25, 2007

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As filed with the Securities and Exchange Commission on July 25, 2007

Registration No. 333-

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

Form S-4

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

SIRIUS SATELLITE RADIO INC.

(Exact name of registrant as specified in its charter)

Delaware

*(State or other jurisdiction of
incorporation or organization)*

4832

*(Primary Standard Industrial
Classification Code Number)*

52-1700207

*(I.R.S. Employer
Identification Number)*

**1221 Avenue of the Americas, 36th Floor
New York, New York 10020
(212) 584-5100**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Patrick L. Donnelly

**Executive Vice President, General Counsel & Secretary
Sirius Satellite Radio Inc.**

**1221 Avenue of the Americas, 36th Floor
New York, New York 10020
(212) 584-5100**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

**Gary L. Sellers, Esq.
Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, New York 10017
(212) 455-2000**

**Joseph M. Titlebaum
General Counsel and Secretary
XM Satellite Radio Holdings Inc.
1500 Eckington Place, NE
Washington, DC 20002
(202) 380-4000**

**Thomas H. Kennedy, Esq.
Skadden, Arps, Slate, Meagher
& Flom LLP
Four Times Square
New York, New York 10036
(212) 735-3000**

Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after this registration statement becomes effective and all other conditions to the proposed merger described herein have been satisfied or waived.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock, par value \$0.001 per share	1,701,908,350(1)	N/A	\$4,510,057,126(2)	\$138,458.75

- (1) The number of shares of common stock of the registrant being registered is based upon (x) an estimate of the maximum number of shares of Class A common stock, par value \$0.01 per share, of XM Satellite Radio Holdings Inc. (XM) presently outstanding or issuable or expected to be issued in connection with the merger of XM with a wholly-owned subsidiary of the registrant multiplied by (y) the exchange ratio of 4.6 shares of common stock, par value \$0.001 per share, of the registrant, for each such share of Class A common stock of XM.
- (2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(f) under the Securities Act of 1933, as amended. The proposed maximum aggregate offering price for the common stock is the product of (x) \$12.19, the average of the high and low sales prices of XM Class A common stock, as quoted on the NASDAQ Global Select Market, on July 24, 2007, and (y) 369,980,076, the estimated maximum number of shares of XM Class A common stock that may be exchanged for the shares of common stock of the registrant being registered.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further Amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this joint proxy statement/prospectus is not complete and may be changed. We may not sell the securities offered by this joint proxy statement/prospectus until the registration statement filed with the Securities and Exchange Commission is effective. This joint proxy statement/prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction where an offer, solicitation or sale is not permitted.

PRELIMINARY SUBJECT TO COMPLETION DATED JULY 25, 2007

PROPOSED MERGER YOUR VOTE IS VERY IMPORTANT

Each of the boards of directors of Sirius Satellite Radio Inc. and XM Satellite Radio Holdings Inc. has approved a strategic merger, combining SIRIUS and XM in what we intend to be a merger of equals. We believe that the proposed merger will allow XM and SIRIUS to provide more choices for their respective subscribers and that the combined company will be better positioned to compete in the rapidly evolving audio entertainment marketplace.

XM and SIRIUS have entered into an agreement and plan of merger pursuant to which XM and SIRIUS will combine their businesses through the merger of XM with a newly formed, wholly-owned subsidiary of SIRIUS, with XM thereupon becoming a wholly-owned subsidiary of SIRIUS.

In the proposed merger, XM stockholders will receive 4.6 shares of SIRIUS common stock for each share of XM Class A common stock, referred to as XM common stock. This exchange ratio is fixed and will not be adjusted to reflect stock price changes prior to the closing. SIRIUS stockholders will continue to own their existing shares, which will not be affected by the merger. Upon completion of the merger, XM's former stockholders will own approximately % of the then outstanding SIRIUS common stock, based on the number of shares of SIRIUS and XM outstanding on , 2007. The value of the merger consideration to be received in exchange for each share of XM common stock will fluctuate with the market price of SIRIUS common stock.

Based on the closing sale price for SIRIUS common stock on February 16, 2007, the last trading day before public announcement of the merger, the 4.6 exchange ratio represented approximately \$17.02 in value for each share of XM common stock. Based on the closing sale price for SIRIUS common stock on , 2007, the last trading day before the printing of this joint proxy statement/prospectus, which we refer to as this Proxy Statement, the 4.6 exchange ratio represented approximately \$ in value for each share of XM common stock.

SIRIUS common stock is listed on the NASDAQ Global Select Market under the symbol SIRI. XM common stock is listed on the NASDAQ Global Select Market under the symbol XMSR. We urge you to obtain current market quotations for the shares of SIRIUS and XM.

Your vote is very important. The merger cannot be completed unless SIRIUS stockholders approve the amendment to SIRIUS certificate of incorporation and the issuance of SIRIUS capital stock in the merger and XM stockholders adopt the merger agreement. Each of XM and SIRIUS is holding a special meeting of its stockholders to vote on the proposals necessary to complete the merger. Information about these meetings, the merger and the other business to be considered by stockholders is contained in this Proxy Statement. We urge you to read this Proxy Statement carefully. **You should also carefully consider the risk factors beginning on page 15.**

Whether or not you plan to attend your respective company's special meeting of stockholders, please submit your proxy as soon as possible to make sure that your shares are represented at that meeting.

The SIRIUS board of directors recommends that SIRIUS stockholders vote FOR the proposals to approve the amendment to SIRIUS certificate of incorporation and the issuance of SIRIUS capital stock in the merger, both of which are necessary to effect the merger.

The XM board of directors recommends that XM stockholders vote FOR the proposal to adopt the merger agreement.

Mel Karmazin
Chief Executive Officer
Sirius Satellite Radio Inc.

Gary M. Parsons
Chairman of the Board of Directors
XM Satellite Radio Holdings Inc.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued in connection with the merger or determined if this Proxy Statement is accurate or complete. Any representation to the contrary is a criminal offense.

This Proxy Statement is dated _____, 2007, and is first being mailed to stockholders of XM and SIRIUS on or about _____, 2007.

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ADDITIONAL INFORMATION

This Proxy Statement incorporates by reference important business and financial information about SIRIUS and XM from other documents that are not included in or delivered with this Proxy Statement. For a listing of the documents incorporated by reference into this Proxy Statement, see Where You Can Find More Information . This information is available to you without charge upon your written or oral request. You can obtain the documents incorporated by reference into this document through the Securities and Exchange Commission website at <http://www.sec.gov> or by requesting them in writing or by telephone at the appropriate address below:

By Mail: Sirius Satellite Radio Inc.
1221 Avenue of the Americas
36th Floor
New York, New York 10020
Attention: Investor Relations

By Telephone: (212) 584-5180

By Mail: XM Satellite Radio Holdings Inc.
1500 Eckington Place, NE
Washington, DC 20002
Attention: Investor Relations

By Telephone: (202) 380-4000

You may also obtain documents incorporated by reference into this Proxy Statement by requesting them in writing or by telephone from _____, SIRIUS proxy solicitor, or _____, XM's proxy solicitor, at the following addresses and telephone numbers:

To receive timely delivery of the documents in advance of the meetings, you should make your request no later than _____, 2007.

**VOTING ELECTRONICALLY OR
BY TELEPHONE**

SIRIUS stockholders of record on the close of business on _____, 2007, the record date for the SIRIUS special meeting, may submit their proxies by telephone or Internet by following the instructions on their proxy card or voting form. If you have any questions regarding whether you are eligible to submit your proxy by telephone or by Internet, please contact _____ by telephone at _____ (toll free) or via the Internet at _____.

XM stockholders of record on the close of business on _____, 2007, the record date for the XM special meeting, may submit their proxies by telephone or Internet by following the instructions on their proxy card or voting form. If you have any questions regarding whether you are eligible to submit your proxy by telephone or by Internet, please contact _____ by telephone at (toll free) or via the Internet at _____.

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**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD ON _____, 2007**

To the Stockholders of Sirius Satellite Radio Inc.:

A special meeting of stockholders of Sirius Satellite Radio Inc. will be held at _____, on _____, 2007 at _____ a.m., local time, for the following purposes:

1. To amend SIRIUS certificate of incorporation to increase the number of authorized shares of SIRIUS common stock (the Charter Amendment).
2. To approve the issuance of SIRIUS common stock, par value \$0.001 per share, and SIRIUS Series A convertible preferred stock, par value \$0.001 per share, a new series of SIRIUS preferred stock, pursuant to the Merger Agreement, dated as of February 19, 2007, by and among Sirius Satellite Radio Inc., Vernon Merger Corporation and XM Satellite Radio Holdings Inc., as the same may be amended from time to time (the Share Issuance).
3. To approve any motion to adjourn or postpone the special meeting to a later date or dates, if necessary, to solicit additional proxies if there are insufficient votes at the time of the special meeting.
4. To transact such other business as may properly come before the special meeting or any adjournment or postponement thereof.

Proposals 1 and 2 are conditioned on each other and approval of each is required for completion of the merger.

The accompanying Proxy Statement further describes the matters to be considered at the meeting. A copy of the merger agreement has been included as Annex A to the Proxy Statement.

The SIRIUS board of directors has set _____, 2007 as the record date for the special meeting. Only holders of record of SIRIUS common stock at the close of business on _____, 2007 will be entitled to notice of and to vote at the special meeting and any adjournments or postponements thereof. Any stockholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on such stockholder's behalf. Such proxy need not be a holder of SIRIUS common stock. **To ensure your representation at the special meeting, please complete and return the enclosed proxy card or submit your proxy by telephone or through the Internet.** Please vote promptly whether or not you expect to attend the special meeting. Submitting a proxy now will not prevent you from being able to vote at the special meeting by attending in person and casting a vote.

The SIRIUS board of directors recommends that you vote FOR the proposal to amend SIRIUS certificate of incorporation to increase the number of authorized shares of common stock, FOR the proposal to approve the issuance of SIRIUS common stock and SIRIUS Series A convertible preferred stock in the merger and FOR the proposal to approve any motion to adjourn or postpone the special meeting to a later date or dates if necessary to solicit additional proxies.

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By Order of the Board of Directors,

PATRICK L. DONNELLY

Executive Vice President, General Counsel and Secretary

New York, New York

, 2007

PLEASE VOTE YOUR SHARES PROMPTLY. YOU CAN FIND INSTRUCTIONS FOR VOTING ON THE ENCLOSED PROXY CARD. IF YOU HAVE QUESTIONS ABOUT THE PROPOSALS OR ABOUT VOTING YOUR SHARES, PLEASE CALL AT (TOLL FREE) OR VIA THE INTERNET AT .

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**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD ON _____, 2007**

To the Stockholders of XM Satellite Radio Holdings Inc.:

A special meeting of stockholders of XM Satellite Radio Holdings Inc. will be held at _____, on _____, 2007 at _____ a.m., local time, for the following purposes:

1. To adopt the Merger Agreement, dated as of February 19, 2007, by and among Sirius Satellite Radio Inc., Vernon Merger Corporation and XM Satellite Radio Holdings Inc. as the same may be amended from time to time.
2. To approve any motion to adjourn or postpone the special meeting to a later date or dates, if necessary, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the proposal to adopt the merger agreement.
3. To transact such other business as may properly come before the special meeting or any adjournment or postponement thereof.

The accompanying Proxy Statement further describes the matters to be considered at the special meeting. A copy of the merger agreement has been included as Annex A to this Proxy Statement.

The XM board of directors has set _____, 2007 as the record date for the special meeting. Only holders of record of shares of XM common stock at the close of business on _____, 2007 will be entitled to notice of and to vote at the special meeting and any adjournments or postponements thereof. **To ensure your representation at the special meeting, please complete and return the enclosed proxy card or submit your proxy by telephone or through the Internet.** Please vote promptly whether or not you expect to attend the special meeting. Submitting a proxy now will not prevent you from being able to vote at the special meeting by attending in person and casting a vote.

The board of directors of XM recommends that you vote FOR the proposal to adopt the merger agreement and FOR the proposal to approve any motion to adjourn or postpone the Special Meeting to a later date or dates if necessary to solicit additional proxies.

By Order of the Board of Directors,

Gary M. Parsons
Chairman of the Board of Directors

_____, 2007

PLEASE VOTE YOUR SHARES PROMPTLY. YOU CAN FIND INSTRUCTIONS FOR VOTING ON THE ENCLOSED PROXY CARD. IF YOU HAVE QUESTIONS ABOUT THE PROPOSALS OR ABOUT VOTING YOUR SHARES, PLEASE CONTACT _____ BY TELEPHONE AT _____ (TOLL FREE) OR VIA

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Satellite Radio Inc.

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QUESTIONS AND ANSWERS ABOUT THE MEETINGS

The following questions and answers briefly address some commonly asked questions about the SIRIUS and the XM special meetings. They may not include all the information that is important to stockholders of XM and SIRIUS. We urge stockholders to read carefully this entire Proxy Statement, including the annexes and the other documents referred to herein.

Q: Why am I receiving these materials?

A: We are sending you these materials to help you decide how to vote your shares of XM or SIRIUS stock with respect to their proposed merger.

The merger cannot be completed unless XM stockholders adopt the merger agreement, and SIRIUS stockholders approve the amendment of SIRIUS' certificate of incorporation and the issuance of SIRIUS capital stock in the merger. Each of SIRIUS and XM is holding its special meeting of stockholders to vote on the proposals necessary to complete the merger. Information about these meetings, the merger and the other business to be considered by stockholders is contained in this Proxy Statement.

We are delivering this document to you as both a joint proxy statement of XM and SIRIUS and a prospectus of SIRIUS. It is a joint proxy statement because each of our boards of directors is soliciting proxies from its stockholders. It is a prospectus because SIRIUS will exchange shares of its common stock for shares of XM in the merger.

Q: What will stockholders receive in the merger?

A: In the proposed merger, XM stockholders will receive 4.6 shares of SIRIUS common stock for each share of XM common stock. This exchange ratio is fixed and will not be adjusted to reflect stock price changes prior to the closing. SIRIUS' stockholders will continue to own their existing shares, which will not be affected by the merger.

Q: When do XM and SIRIUS expect to complete the merger?

A: XM and SIRIUS expect to complete the merger after all conditions to the merger in the merger agreement are satisfied or waived, including after stockholder approvals are received at the special meetings of XM and SIRIUS and all required regulatory approvals are received. SIRIUS and XM currently expect to complete the merger by the end of 2007. However, it is possible that factors outside of either company's control could require SIRIUS or XM to complete the merger at a later time or not to complete it at all.

Q: How do the boards of directors of SIRIUS and XM recommend that I vote?

A: The SIRIUS board of directors recommends that holders of SIRIUS common stock vote FOR the proposal to amend SIRIUS' certificate of incorporation and FOR the proposal to approve the issuance of SIRIUS common stock and preferred stock in the merger.

The XM board of directors recommends that XM stockholders vote FOR the proposal to adopt the merger agreement.

Q: What do I need to do now?

A: After carefully reading and considering the information contained in this Proxy Statement, please vote your shares as soon as possible so that your shares will be represented at your respective company's special meeting. Please follow the instructions set forth on the proxy card or on the voting instruction form provided by the record holder if your shares are held in the name of your broker or other nominee.

Q: How do I vote?

A: You may vote before your company's special meeting in one of the following ways:

use the toll-free number shown on your proxy card;

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visit the website shown on your proxy card to vote via the Internet; or

complete, sign, date and return the enclosed proxy card in the enclosed postage-paid envelope.

You may also cast your vote in person at your company's special meeting.

If your shares are held in street name, through a broker, bank or other nominee, that institution will send you separate instructions describing the procedure for voting your shares. Street name stockholders who wish to vote at the meeting will need to obtain a proxy form from the institution that holds their shares.

Q: When and where are the SIRIUS and XM special meetings of stockholders?

A: The special meeting of SIRIUS stockholders will be held at _____ at _____ a.m., local time, on _____, 2007. Subject to space availability, all stockholders as of the record date, or their duly appointed proxies, may attend the meeting. Since seating is limited, admission to the meeting will be on a first-come, first-served basis. Registration and seating will begin at _____ a.m., local time.

The special meeting of XM stockholders will be held at the _____ at _____ a.m., local time, on _____, 2007. Subject to space availability, all stockholders as of the record date, or their duly appointed proxies, may attend the meeting. Since seating is limited, admission to the meeting will be on a first-come, first-served basis. Registration and seating will begin at _____ a.m., local time.

Q: If my shares are held in street name by a broker or other nominee, will my broker or nominee vote my shares for me?

A: Your broker or other nominee does not have authority to vote on the proposals described in this Proxy Statement. Your broker or other nominee will vote your shares held by it in street name with respect to these matters ONLY if you provide instructions to it on how to vote. You should follow the directions your broker or other nominee provides.

Q: What constitutes a quorum?

Stockholders who hold a majority in voting power of the SIRIUS common stock issued and outstanding as of the close of business on the record date and who are entitled to vote must be present or represented by proxy in order to constitute a quorum to conduct business at the SIRIUS special meeting.

Stockholders who hold a majority in voting power of the XM common stock issued and outstanding as of the close of business on the record date and who are entitled to vote must be present or represented by proxy in order to constitute a quorum to conduct business at the XM special meeting.

Q: What vote is required to approve each proposal?

A: *To amend the certificate of incorporation of SIRIUS:* the affirmative vote of a majority of the outstanding shares of common stock of SIRIUS entitled to vote is required to approve the amendment to the certificate of incorporation to increase the authorized number of shares of common stock, which is referred to in this Proxy Statement as the Charter Amendment.

To issue SIRIUS common stock and Series A convertible preferred stock in the merger: the affirmative vote of a majority of the SIRIUS shares voting on the proposal is required to approve the issuance of SIRIUS common stock and Series A convertible preferred stock in the merger, which is referred to in this Proxy Statement as the Share Issuance.

To approve the merger agreement: the affirmative vote of a majority of the outstanding shares of XM common stock entitled to vote is required to approve the merger agreement, which is referred to in this Proxy Statement as the Merger Proposal.

Q: What if I do not vote on the matters relating to the merger?

A: If you are a SIRIUS stockholder and you fail to vote or fail to instruct your broker or other nominee how to vote on the Charter Amendment, your failure to vote will have the same effect as a vote against the Charter Amendment. If you respond with an abstain vote, your proxy will have the same effect as a vote against this

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proposal. If you respond but do not indicate how you want to vote on the Charter Amendment, your proxy will be counted as a vote in favor of the Charter Amendment.

If you are a SIRIUS stockholder and you fail to vote or fail to instruct your broker or other nominee how to vote on the Share Issuance, it will have no effect on the outcome of the vote for this proposal. Similarly, if you respond with an abstain vote, your proxy will have no effect on the outcome of the vote for this proposal. If you respond but do not indicate how you want to vote on the Share Issuance, your proxy will be counted as a vote in favor of the Share Issuance.

The approval of the Charter Amendment and the Share Issuance are conditioned on each other, and approval of each is required for completion of the merger.

If you are an XM stockholder and you fail to vote or fail to instruct your broker or other nominee how to vote on the Merger Proposal, it will have the same effect as a vote against the Merger Proposal. If you respond with an abstain vote on the Merger Proposal, your proxy will have the same effect as a vote against the Merger Proposal. If you respond but do not indicate how you want to vote on the Merger Proposal, your proxy will be counted as a vote in favor of the Merger Proposal.

Q: What if I hold shares in both XM and SIRIUS?

A. If you are a stockholder of both XM and SIRIUS, you will receive two separate packages of proxy materials. A vote as an XM stockholder for the Merger Proposal will not constitute a vote as a SIRIUS stockholder for the Charter Amendment or the Share Issuance, or vice versa. Therefore, please sign, date and return all proxy cards that you receive, whether from XM or SIRIUS, or vote as both a XM and SIRIUS stockholder by internet or telephone.

Q: May I change my vote after I have delivered my proxy or voting instruction card?

A: Yes. You may change your vote at any time before your proxy is voted at your special meeting. You may do this in one of four ways:

by sending a notice of revocation to the corporate secretary of SIRIUS or XM, as applicable;

by sending a completed proxy card bearing a later date than your original proxy card;

by logging onto the Internet website specified on your proxy card in the same manner you would to submit your proxy electronically or by calling the telephone number specified on your proxy card, in each case if you are eligible to do so and following the instructions on the proxy card; or

by attending your special meeting and voting in person. Your attendance alone will not revoke any proxy.

If you choose any of the first three methods, you must take the described action no later than the beginning of the applicable special meeting.

If your shares are held in an account at a broker or other nominee, you should contact your broker or other nominee to change your vote.

Q: What are the material U.S. federal income tax consequences of the merger?

A: SIRIUS and XM intend for the merger to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, which we refer to as the Code, for U.S. federal income tax purposes. Assuming the merger qualifies for such treatment, a holder of XM common stock generally will not recognize any gain or loss for U.S. federal income tax purposes upon the exchange of the holder's shares of XM common stock for shares of SIRIUS common stock pursuant to the merger.

Q: Do I have appraisal rights?

A: Holders of XM common stock or SIRIUS common stock will not be entitled to exercise any appraisal rights in connection with the merger.

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Q: Should I send in my stock certificates now?

A: No. Please do not send your stock certificates with your proxy card.

If you are a holder of XM common stock, you will receive written instructions from the exchange agent after the merger is completed on how to exchange your stock certificates for SIRIUS common stock. SIRIUS stockholders will not be required to exchange their stock certificates in connection with the merger. SIRIUS stockholders holding stock certificates should keep their stock certificates both now and after the merger is completed.

Q: What if I hold XM and SIRIUS stock options or other stock-based awards?

A: SIRIUS stock options and other equity-based awards, including restricted stock units, will remain outstanding and will not be affected by the merger.

In the merger, all outstanding XM employee stock options and other stock-based awards will be converted into options and stock-based awards of SIRIUS, and those options and awards will entitle the holder to receive SIRIUS common stock. The number of shares issuable under those options and awards, and, if applicable, the exercise prices for those options and awards, will be adjusted based on the exchange ratio.

Q: Who should I contact if I have any questions about the proxy materials or voting power?

A: If you have any questions about the merger or if you need assistance in submitting your proxy or voting your shares or need additional copies of the Proxy Statement or the enclosed proxy card, you should contact the proxy solicitation agent for the company in which you hold shares.

If you are a SIRIUS stockholder, you should contact _____, the proxy solicitation agent for SIRIUS. If you are an XM stockholder, you should contact _____, the proxy solicitation agent for XM. If your shares are held in a stock brokerage account or by a bank or other nominee, you should call your broker or other nominee for additional information.

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SUMMARY

*This summary highlights selected information contained in this joint proxy statement/prospectus, referred to as this Proxy Statement, and does not contain all the information that may be important to you. SIRIUS and XM urge you to read carefully this Proxy Statement in its entirety, as well as the annexes. Additional, important information is also contained in the documents incorporated by reference into this Proxy Statement; see *Where You Can Find More Information* beginning on page 91. Unless stated otherwise, all references in this Proxy Statement to SIRIUS are to Sirius Satellite Radio Inc., all references to XM are to XM Satellite Radio Holdings Inc. and all references to the merger agreement are to the Merger Agreement, dated as of February 19, 2007, by and among SIRIUS, Vernon Merger Corporation and XM, a copy of which is attached as Annex A to this Proxy Statement.*

The Merger

Each of the boards of directors of XM and SIRIUS has approved a strategic merger, combining XM and SIRIUS in what the parties intend to be a merger of equals. SIRIUS and XM have entered into an agreement and plan of merger pursuant to which SIRIUS and XM will combine their businesses through the merger of XM with a newly formed, wholly-owned subsidiary of SIRIUS, with XM thereupon becoming a wholly-owned subsidiary of SIRIUS. In the proposed merger, XM stockholders will receive 4.6 shares of SIRIUS common stock for each share of XM common stock. This exchange ratio is fixed and will not be adjusted to reflect stock price changes prior to the closing. SIRIUS stockholders will continue to own their existing shares, which will not be affected by the merger.

The Parties

SIRIUS

SIRIUS is a satellite radio provider in the United States. It offers over 130 channels to its subscribers 69 channels of 100% commercial-free music and 65 channels of sports, news, talk, entertainment, traffic, weather and data content. The core of the SIRIUS enterprise is programming; SIRIUS is committed to creating the best programming in all of radio.

SIRIUS broadcasts through its proprietary satellite radio system, which currently consists of three orbiting satellites, 127 terrestrial repeaters that receive and retransmit SIRIUS signal, a satellite uplink facility and its studios. Subscribers receive their service through SIRIUS radios, which are sold by automakers, consumer electronics retailers, mobile audio dealers and through SIRIUS website. Subscribers can also receive SIRIUS music channels and certain other channels over the Internet. As of March 31, 2007, SIRIUS had 6,581,045 subscribers.

For the year ended December 31, 2006, SIRIUS had revenues of approximately \$637 million and a net loss of approximately \$1.1 billion.

SIRIUS was incorporated in the State of Delaware as Satellite CD Radio Inc. on May 17, 1990. SIRIUS principal offices are located at 1221 Avenue of the Americas, 36th Floor, New York, New York 10020, and its telephone number is (212) 584-5100.

XM

XM is a satellite radio provider in the United States. It offers over 170 channels to its subscribers 69 channels of 100% commercial-free music and over 100 channels of news, talk, information, entertainment and sports

programming. XM believes that it appeals to consumers because of its innovative and diverse programming, nationwide coverage, many commercial-free music channels and digital sound quality.

XM broadcasts through its proprietary satellite radio system, which currently consists of two orbiting satellites, two in-orbit spare satellites, terrestrial repeaters that receive and retransmit XM's signal, satellite uplink facilities and its studios. Subscribers receive their service through XM radios, which are sold by automakers, consumer electronics retailers, mobile audio dealers and through XM's website. Subscribers can also receive XM music channels and certain other channels over the Internet. XM currently has over 8 million subscribers.

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For the year ended December 31, 2006, XM had revenues of approximately \$933 million and a net loss of approximately \$719 million.

XM is a holding company and was incorporated in the State of Delaware as AMRC Holdings, Inc. on May 16, 1997. XM's principal offices are located at 1500 Eckington Place, NE, Washington, DC 20002, and XM's telephone number at that location is (202) 380-4000.

Merger Sub

Vernon Merger Corporation, or Merger Sub, a wholly-owned subsidiary of SIRIUS, is a Delaware corporation formed on February 15, 2007, for the purpose of effecting the merger. Upon completion of the merger, Merger Sub will merge with and into XM, and XM will become a wholly-owned subsidiary of SIRIUS.

Merger Sub has not conducted any activities other than those incidental to its formation and the matters contemplated by the merger agreement, including the preparation of applicable regulatory filings in connection with the merger.

The Merger

A copy of the merger agreement is attached as Annex A to this Proxy Statement. We encourage you to read the entire merger agreement carefully because it is the principal document governing the merger. For more information on the merger agreement, see "The Merger Agreement" beginning on page 50.

Consideration to be Received in the Merger by XM Stockholders

Each outstanding share of XM common stock will be converted into the right to receive 4.6 shares of SIRIUS common stock in the merger, which we refer to as the exchange ratio. Each outstanding share of Series A convertible preferred stock of XM will be similarly converted into the right to receive 4.6 shares of SIRIUS Series A convertible preferred stock, a newly-designated series of preferred stock of SIRIUS, in the merger, having substantially the same powers, designations, preferences, rights and qualifications, limitations and restrictions as the stock so converted.

Holders of XM common stock will not receive any fractional SIRIUS shares in the merger. Instead, the total number of shares that each holder of XM common stock will receive in the merger will be rounded down to the nearest whole number, and SIRIUS will pay cash for any resulting fractional share that an XM stockholder otherwise would be entitled to receive. The amount of cash payable for a fractional share of SIRIUS common stock will be determined by multiplying the fraction by the average closing price for SIRIUS common stock on the last trading day immediately prior to the merger.

The merger agreement provides for adjustments to the exchange ratio to reflect fully the effect of any stock split, reverse stock split, stock dividend (including any dividend or distribution of securities convertible into XM Series A convertible preferred stock, common stock or SIRIUS common stock), reorganization, recapitalization, reclassification or other like change with respect to XM Series A convertible preferred stock, SIRIUS common stock or XM common stock with a record date prior to the merger. For a more complete description of the merger consideration, see "The Merger Agreement" "Consideration to be Received in the Merger" beginning on page 50.

Treatment of Stock Options and Other Stock-based Awards

SIRIUS

SIRIUS stock options and other equity-based awards, including restricted stock units, will remain outstanding and will not be affected by the merger.

XM

In the merger, all outstanding XM employee stock options and other stock-based awards will be converted into options and stock-based awards of SIRIUS, and those options and awards will entitle the holder to receive SIRIUS

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common stock. The number of shares issuable under those options and awards, and the exercise prices for those options and awards, will be adjusted based on the exchange ratio.

For a more complete discussion of the treatment of XM options and other stock-based awards, see *The Merger Agreement – Treatment of XM Options and Other Stock-based Awards* beginning on page 59.

Directors and Executive Management Following the Merger

The SIRIUS board of directors after the merger will initially consist of 12 directors. Mel Karmazin, SIRIUS Chief Executive Officer, or CEO, and a member of the SIRIUS board of directors, will remain CEO of the combined company and a member of the board of directors. Gary M. Parsons, XM's Chairman, will become chairman of the board of directors of the combined company. Of the remaining 10 directors, XM and SIRIUS will each designate four directors, who will qualify as independent directors, and XM will designate two additional directors (one will be a designee of General Motors and the other will be a designee of American Honda).

For a more complete discussion of the directors and management of SIRIUS, see *The Merger – Interests of Directors and Executive Officers in the Merger* beginning on page 41.

Recommendations of the SIRIUS Board of Directors

After careful consideration, the SIRIUS board of directors recommends that holders of SIRIUS common stock vote FOR the Charter Amendment and the Share Issuance.

For a more complete description of SIRIUS reasons for the merger and the recommendations of the SIRIUS board of directors, see *The Merger – Reasons for the Merger* and *SIRIUS Board of Directors Recommendations* beginning on pages 21 and 23, respectively.

Recommendation of the XM Board of Directors

After careful consideration, the XM board of directors recommends that holders of XM common stock vote FOR the Merger Proposal.

For a more complete description of XM's reasons for the merger and the recommendation of the XM board of directors, see *The Merger – Reasons for the Merger* and *XM Board of Directors Recommendation* beginning on pages 21 and 24, respectively.

Opinions of Financial Advisor

SIRIUS Financial Advisor

SIRIUS board of directors considered the analyses of Morgan Stanley & Co. Incorporated, and Morgan Stanley rendered an opinion that, as of February 18, 2007 and based upon and subject to the factors and assumptions set forth in the opinion, the exchange ratio pursuant to the merger agreement was fair, from a financial point of view, to SIRIUS. The full text of the Morgan Stanley opinion, dated February 18, 2007, is attached as Annex B to this Proxy Statement. You are urged to read the opinion carefully in its entirety for a description of the assumptions on the review undertaken.

Morgan Stanley provided its opinion for the use and benefit of the SIRIUS board of directors in connection with its consideration of the merger. The Morgan Stanley opinion is not intended to be and does not constitute a

recommendation to any stockholder as to how that stockholder should vote or act with respect to the proposed merger or any other matter described in this Proxy Statement. Morgan Stanley was not requested to opine as to, and its opinion does not in any manner address, SIRIUS' underlying business decision to proceed with or effect the merger. The summary of the Morgan Stanley opinion in this Proxy Statement is qualified in its entirety by reference to the full text of the opinion.

Pursuant to the terms of the engagement letter with Morgan Stanley, SIRIUS has agreed to pay Morgan Stanley a transaction fee of \$10 million for services rendered in connection with the merger, which will be paid only if the merger is successfully completed. Also, pursuant to the engagement letter, Morgan Stanley will be eligible to

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receive an incentive fee of up to \$7.5 million, payable at the sole discretion of the SIRIUS board of directors. In the event that the merger agreement is terminated, Morgan Stanley is entitled to receive 15% of any breakup fee paid to SIRIUS as a result of such termination, up to a maximum amount of \$10 million. In addition, SIRIUS has agreed to indemnify Morgan Stanley and its affiliates, their respective directors, officers, agents and employees and each person, if any, controlling Morgan Stanley or any of its affiliates against certain liabilities and expenses, including certain liabilities under the federal securities laws, related to or arising out of Morgan Stanley's engagement.

For a more complete description of Morgan Stanley's opinion, see *The Merger Opinion of Financial Advisor to the SIRIUS Board of Directors* beginning on page 25. See also Annex B to this Proxy Statement.

XM Financial Advisor

The XM board of directors considered the analyses of J.P. Morgan Securities Inc., and JPMorgan rendered its oral opinion that, as of February 18, 2007 and based upon and subject to the factors and assumptions set forth in its opinion, the exchange ratio in the merger was fair, from a financial point of view, to the holders of XM common stock. JPMorgan subsequently confirmed its oral opinion by delivering its written opinion, dated February 20, 2007, the full text of which is attached as Annex C to this Proxy Statement. You are urged to read the opinion carefully in its entirety for a description of the assumptions on the review undertaken.

JPMorgan provided its opinion for the use and benefit of the XM board of directors in connection with its consideration of the merger. The JPMorgan opinion is not intended to be and does not constitute a recommendation to any stockholder as to how that stockholder should vote or act with respect to the proposed merger or any other matter described in this Proxy Statement. JPMorgan was not requested to opine as to, and its opinion does not in any manner address, XM's underlying business decision to proceed with or effect the merger. The summary of the JPMorgan opinion in this Proxy Statement is qualified in its entirety by reference to the full text of the opinion.

For services rendered in connection with the merger (including the delivery of its opinion), XM has agreed to pay JPMorgan \$12,500,000, a substantial portion of which is dependent on completion of the merger. In addition, XM has agreed to reimburse JPMorgan for its expenses incurred in connection with its services, including the fees and disbursements of counsel, and will indemnify JPMorgan against certain liabilities, including liabilities arising under the federal securities laws.

For a more complete description of the JPMorgan opinion, see *The Merger Opinion of Financial Advisor to the XM Board of Directors* beginning on page 34. See also Annex C to this Proxy Statement.

Interests of Directors and Executive Officers in the Merger

You should be aware that some of the directors and officers of SIRIUS and XM have interests in the merger that are different from, or are in addition to, the interests of stockholders generally. These interests relate to the treatment of equity-based compensation awards held by directors and executive officers of XM in the merger, the appointment of Gary M. Parsons, currently XM's chairman, as chairman of the board of directors of the combined company, the appointment of Mel Karmazin, currently CEO and member of the board of directors of SIRIUS, as CEO of the combined company, the appointment of six designees of XM (which may be existing XM directors) and four SIRIUS designees (which may be existing SIRIUS directors) as directors of the combined company after the merger, change-in-control severance arrangements covering XM's executive officers and one SIRIUS executive officer, general severance provisions for other SIRIUS executive officers and the indemnification of XM's and SIRIUS directors and officers by SIRIUS.

For a further discussion of interests of directors and executive officers in the merger, see *The Merger* *Interests of Directors and Executive Officers in the Merger* beginning on page 41.

Material U.S. Federal Income Tax Consequences of the Merger

XM and SIRIUS intend for the merger to qualify as a reorganization within the meaning of Section 368(a) of the Code for U.S. federal income tax purposes. Assuming the merger qualifies for such treatment, a holder of XM common stock generally will not recognize any gain or loss for U.S. federal income tax purposes upon the exchange of the holder's shares of XM common stock for shares of SIRIUS common stock pursuant to the merger. It is a

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condition to each of XM's and SIRIUS' respective obligations to complete the merger that it receives a separate legal opinion, at the effective time of the merger, that the merger will be treated as a reorganization within the meaning of Section 368(a) of the Code for U.S. federal income tax purposes.

For a more complete description of the material U.S. federal income tax consequences of the merger, see "Material U.S. Federal Income Tax Consequences" beginning on page 48.

The tax consequences of the merger to you may depend on your own situation. In addition, you may be subject to state, local or foreign tax laws that are not addressed in this Proxy Statement. You are urged to consult with your own tax advisor for a full understanding of the tax consequences of the merger to you.

Accounting Treatment of the Merger

The merger will be accounted for as an acquisition by SIRIUS of XM under the purchase method of accounting according to U.S. generally accepted accounting principles.

No Appraisal Rights

Under Section 262 of the General Corporation Law of the State of Delaware, the holders of SIRIUS common stock and the holders of XM common stock do not have appraisal rights in connection with the merger. However, the holder of XM Series A convertible preferred stock will have the right to seek appraisal of the fair value of its shares under the Delaware General Corporation Law.

Regulatory Matters

FCC Approval. Both XM and SIRIUS are subject to regulation by the Federal Communications Commission, which we refer to as the FCC, and the FCC must approve the transfer to the combined company of control of certain licenses held by XM and SIRIUS or their respective subsidiaries as a result of the merger. As part of the approval process, the FCC released a public notice seeking comments on the consolidated application for authority to transfer control that SIRIUS and XM filed on March 20, 2007 and released a notice of proposed rule making seeking public comments on whether language prohibiting the transfer of control of both satellite radio licenses to a single entity in a 1997 order is a rule and if so whether the rule should be changed to allow the merger. While we believe that this approval will be obtained, there can be no assurance of this or that burdensome conditions will not be imposed as a condition of this approval. If such conditions would, individually or in the aggregate, reasonably be expected to have a material adverse effect on the combined company following the merger, the parties may determine not to proceed with the merger. This FCC approval may not be obtained before our stockholders vote on the merger. Each party's obligations to complete the merger are subject to receipt of FCC approval.

United States Antitrust Approval. The merger is also subject to the expiration or termination of the applicable waiting period under the U.S. antitrust laws. The merger agreement requires SIRIUS and XM to satisfy any conditions or divestiture requirements imposed upon them by regulatory authorities, unless the conditions or divestitures would reasonably be expected to have a material adverse effect on the combined company after completion of the merger. Subject to the terms and conditions of the merger agreement, each party will use its reasonable best efforts to prepare and file as promptly as practicable all documentation to effect all necessary applications, notices, filings and other documents and to obtain, as promptly as practicable, the required regulatory approvals in order to consummate the merger or any of the other transactions contemplated by the merger agreement.

For a more complete discussion of regulatory matters relating to the merger, see "The Merger - Regulatory Approvals Required for the Merger" beginning on page 45.

Conditions to Completion of the Merger

We expect to complete the merger after all the conditions to the merger in the merger agreement are satisfied or waived, including after we receive stockholder approvals at the special meetings of SIRIUS and XM and receive all required regulatory approvals. We currently expect to complete the merger by the end of 2007. However, it is

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possible that factors outside of our control could require us to complete the merger at a later time or not to complete it at all.

Each party's obligation to complete the merger is subject to the satisfaction or waiver of various conditions, including the following:

receipt of the required stockholder approvals;

receipt of NASDAQ authorization for listing of SIRIUS common stock to be issued in the merger or reserved for issuance upon exercise of converted XM equity awards;

receipt of FCC approval for the merger;

expiration or termination of the waiting period under U.S. antitrust laws;

receipt of any other required regulatory approvals;

the SEC declaring effective the registration statement, of which this Proxy Statement is a part, and the registration statement not being subject to any stop order or threatened stop order;

no injunctions, restraints, legal restraints or prohibitions preventing the consummation of the merger;

no action taken by any governmental entity, or other circumstance, which imposes any restriction upon SIRIUS or the combined company which would have a material adverse effect on SIRIUS after the effective time of the merger;

accuracy of the other party's representations and warranties in the merger agreement, including their representation that no material adverse change has occurred;

the other party's compliance with its obligations under the merger agreement; and

receipt of opinions of counsel relating to the U.S. federal income tax treatment of the merger.

The merger agreement provides that any or all of these conditions may be waived, in whole or in part, by SIRIUS or XM, to the extent legally allowed. Neither XM nor SIRIUS currently expects to waive any material condition to the completion of the merger. If either SIRIUS or XM determines to waive any condition to the merger that would result in a material and adverse change in the terms of the merger to XM or SIRIUS stockholders (including any change in the tax consequences of the transaction to XM stockholders), proxies would be resolicited from the SIRIUS or XM stockholders, as applicable. For a more complete discussion of the conditions to the merger, see "The Merger Agreement - Conditions to Completion of the Merger" beginning on page 54.

Debt Restructuring

As a result of the merger, an offer to repurchase a significant portion of XM's outstanding debt at 101% of the principal amount thereof may be required and additional funds to finance the repurchase may not be available on terms favorable to the combined company or at all. Any required repurchase offers would likely be financed with other debt. At March 31, 2007, the aggregate principal amount of XM's outstanding notes was \$1,464 million and none of XM's outstanding notes were trading above 101% of the outstanding principal amount. We believe that if the notes are trading above 101% at the time of any repurchase offer, a large majority of the holders would be unlikely to sell

their notes to XM in the repurchase offer. Moreover, SIRIUS may consider repurchasing outstanding debt in connection with the merger. Any repurchase would likely be financed with other debt. At March 31, 2007, the aggregate principal amount of SIRIUS outstanding notes was \$1,493 million.

Timing of the Merger

The merger is expected to be completed by the end of 2007, subject to the receipt of necessary regulatory approvals and the satisfaction or waiver of other closing conditions. For a discussion of the timing of the merger, see The Merger Agreement Closing and Effective Time of the Merger beginning on page 50.

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No Solicitation of Other Offers

In the merger agreement, each of XM and SIRIUS has agreed that it will not directly or indirectly:

solicit, initiate, encourage or knowingly facilitate any acquisition proposal;

participate in any discussions or negotiations regarding, or furnish to any person any confidential information in connection with, or knowingly facilitate any effort or attempt to make or implement, an acquisition proposal; or

approve or recommend, or enter into, any letter of intent, merger agreement, option agreement or other similar agreement related to any acquisition proposal or propose or agree to do any of the foregoing.

The merger agreement does not, however, prohibit either party from considering a bona fide acquisition proposal from a third party if certain specified conditions are met. For a discussion of the prohibition on solicitation of acquisition proposals from third parties, see [The Merger Agreement - No Solicitation](#) beginning on page 56.

Termination of the Merger Agreement

Generally, the merger agreement may be terminated and the merger may be abandoned at any time prior to the completion of the merger (including after stockholder approval):

by mutual written consent of SIRIUS and XM; or

by either party, if:

a governmental entity that must grant a requisite regulatory approval has denied approval of the merger and the denial has become final and non-appealable, or any governmental entity issues an order, decree or ruling or taken any other action permanently restraining, enjoining or otherwise prohibiting the merger, and such order, decree, ruling or other action has become final and non-appealable;

the merger is not consummated on or before March 1, 2008;

the other party breached any of the agreements or representations in the merger agreement, in a way that the related condition to closing would not be satisfied, and this breach is either incurable or not cured within 45 days;

the required approval by the stockholders of SIRIUS or XM has not been obtained at the respective stockholders meeting or any adjournment or postponement thereof; or

the board of directors of the other party changes its recommendation that its stockholders vote in favor of the merger.

In several circumstances involving a termination after a change in the recommendation of the board of directors of SIRIUS or XM to their stockholders, either of XM or SIRIUS may be required to pay a termination fee to the other of \$175 million. The termination fee could discourage other companies from seeking to acquire or merge with either XM or SIRIUS. See [The Merger Agreement - Termination](#), [Effect of Termination](#) and [Termination Fees and Expenses](#)

beginning on pages 57 and 58, respectively.

Matters to be Considered at the Special Meetings

SIRIUS

SIRIUS stockholders will be asked to vote on the following proposals:

to amend SIRIUS certificate of incorporation to increase the number of authorized shares of SIRIUS common stock in connection with the merger, which is referred to in this Proxy Statement as the Charter Amendment;

to approve the issuance of SIRIUS common stock, par value \$0.001 per share, and a new series of SIRIUS preferred stock in the merger, which is referred to in this Proxy Statement as the Share Issuance;

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to approve any motion to adjourn or postpone the SIRIUS special meeting to another time or place, if necessary, to solicit additional proxies; and

to conduct any other business that properly comes before the SIRIUS special meeting or any adjournment or postponement thereof.

The first two proposals listed above relating to the merger are conditioned upon each other and the approval of each such proposal is required for completion of the merger.

The SIRIUS board of directors recommends that SIRIUS stockholders vote FOR all of the proposals set forth above, as more fully described under SIRIUS Special Meeting beginning on page 62.

XM

XM stockholders will be asked to vote on the following proposals:

to adopt the merger agreement, which is referred to in this Proxy Statement as the Merger Proposal;

to approve any motion to adjourn or postpone the XM special meeting to another time or place, if necessary, to solicit additional proxies; and

to conduct any other business that properly comes before the XM special meeting and any adjournment or postponement thereof.

The XM board of directors recommends that XM stockholders vote FOR all of the proposals set forth above, as more fully described under XM Special Meeting beginning on page 67.

Voting by SIRIUS and XM Directors and Executive Officers

On _____, 2007, the record date set by the SIRIUS board of directors, directors and executive officers of SIRIUS and their affiliates owned and were entitled to vote _____ shares of SIRIUS common stock, or approximately _____ %, of the total voting power of the shares of SIRIUS common stock outstanding on that date. On _____, 2007, the record date set by the XM board of directors, directors and executive officers of XM and their affiliates owned and were entitled to vote _____ shares of XM common stock, or approximately _____ % of the shares of XM common stock outstanding on that date.

Table of Contents**SELECTED HISTORICAL FINANCIAL DATA OF SIRIUS**

The following table sets forth certain of SIRIUS' consolidated financial data as of and for each of the periods indicated. The financial information for the year ended December 31, 2002, 2003, 2004, 2005 and 2006, and as of December 31, 2002, 2003, 2004, 2005 and 2006 is derived from SIRIUS' audited consolidated financial statements which are incorporated by reference into this Proxy Statement. The consolidated financial information as of and for the three-month periods ended March 31, 2006 and 2007 is derived from SIRIUS' unaudited consolidated financial statements incorporated by reference into this Proxy Statement. In SIRIUS' opinion, such unaudited consolidated financial statements include all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of our financial position and results of operations for such periods. Interim results for the three months ended March 31, 2007 are not necessarily indicative of, and are not projections for, the results to be expected for the full year ending December 31, 2007.

The selected historical financial data below should be read in conjunction with the consolidated financial statements that are incorporated by reference into this document and their accompanying notes.

	Year Ended December 31,					Three Months Ended	
	2002	2003	2004	2005	2006	2006	2007
	(In thousands, except per share amounts)						
Statements of Operations Data:							
Total revenue	\$ 805	\$ 12,872	\$ 66,854	\$ 242,245	\$ 637,235	\$ 126,664	\$ 204,030
Loss from operations	(313,127)	(437,530)	(678,304)	(829,140)	(1,067,724)	(446,169)	(135,040)
Net loss(1)	(422,481)	(226,215)	(712,162)	(862,997)	(1,104,867)	(458,544)	(144,740)
Net loss applicable to common stockholders(1)	(468,466)	(314,423)	(712,162)	(862,997)	(1,104,867)	(458,544)	(144,740)
Net loss per share applicable to common stockholders (basic and diluted)	\$ (6.13)	\$ (0.38)	\$ (0.57)	\$ (0.65)	\$ (0.79)	\$ (0.33)	\$ (0.14)
Weighted average common shares outstanding (basic and diluted)	76,394	827,186	1,238,585	1,325,739	1,402,619	1,386,982	1,457,010
Balance Sheet Data:							
Cash and cash equivalents	\$ 18,375	\$ 520,979	\$ 753,891	\$ 762,007	\$ 393,421	\$ 630,831	\$ 259,160
Marketable securities	155,327	28,904	5,277	117,250	15,500	84,400	4,650
Restricted investments	7,200	8,747	97,321	107,615	77,850	108,315	78,160
Total assets	1,340,940	1,617,317	1,957,613	2,085,362	1,658,528	1,908,104	1,506,140
Long-term debt, net of current portion	670,357	194,803	656,274	1,084,437	1,068,249	1,083,929	1,067,330
	46,914						

accrued interest, net of							
current portion							
preferred stock	531,153						
accumulated deficit	(927,479)	(1,153,694)	(1,865,856)	(2,728,853)	(3,833,720)	(3,187,397)	(3,978,460)
stockholders' (deficit)							
liquidity(2)	36,846	1,325,194	1,000,633	324,968	(389,071)	134,703	(421,910)

- (1) Net loss and net loss applicable to common stockholders for the year ended December 31, 2003 included other income of \$256,538 related to our debt restructuring.
- (2) No cash dividends were declared or paid in any of the periods presented.

Table of Contents**SELECTED HISTORICAL FINANCIAL DATA OF XM**

The following table sets forth certain of XM's consolidated financial data as of and for each of the periods indicated. The financial information for the year ended December 31, 2002, 2003, 2004, 2005 and 2006, and as of December 31, 2002, 2003, 2004, 2005 and 2006 is derived from XM's audited consolidated financial statements which are incorporated by reference into this Proxy Statement. The consolidated financial information as of and for the three-month periods ended March 31, 2006 and 2007 is derived from XM's unaudited consolidated financial statements incorporated by reference into this Proxy Statement. In XM's opinion, such unaudited consolidated financial statements include all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of XM's financial position and results of operations for such periods. Interim results for the three months ended March 31, 2007 are not necessarily indicative of, and are not projections for, the results to be expected for the full year ending December 31, 2007.

The selected historical financial data below should be read in conjunction with the consolidated financial statements that are incorporated by reference into this document and their accompanying notes.

	Year Ended December 31,					Three Months Ended	
	2002	2003	2004	2005	2006	2006	2007
	(In thousands, except per share amounts)						
Statements of Operations Data:							
Total revenue	\$ 20,181	\$ 91,781	\$ 244,443	\$ 558,266	\$ 933,417	\$ 207,966	\$ 264,111
Loss from operations	(438,780)	(454,458)	(461,041)	(555,535)	(403,098)	(100,796)	(88,041)
Net loss(1)	(495,012)	(584,535)	(642,368)	(666,715)	(718,872)	(149,221)	(122,431)
Net loss applicable to common stockholders(1)	(515,871)	(604,880)	(651,170)	(675,312)	(731,692)	(151,370)	(122,431)
Net loss per share applicable to common stockholders (basic and diluted)	\$ (5.95)	\$ (4.83)	\$ (3.30)	\$ (3.07)	\$ (2.70)	\$ (0.60)	\$ (0.46)
Weighted average common shares outstanding (basic and diluted)	86,735	125,176	197,318	219,620	270,587	253,213	305,871
Balance Sheet Data:							
Cash and cash equivalents	\$ 32,818	\$ 418,307	\$ 717,867	\$ 710,991	\$ 218,216	\$ 520,820	\$ 319,391
Marketable securities				23,006	5,860	24,191	5,981
Restricted investments	29,742	4,151	4,492	5,438	2,098	5,418	39,111
Total assets	1,160,280	1,526,782	1,821,635	2,223,661	1,840,618	2,010,969	1,943,161
Long-term debt, net of current portion	412,540	743,254	948,741	1,035,584	1,286,179	995,165	1,478,931
Preferred stock	119	114	60	60	54	60	54

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accumulated deficit	(885,986)	(1,470,521)	(2,112,889)	(2,779,604)	(3,498,476)	(2,928,825)	(3,620,91
stockholders (deficit)							
ity(2)	592,311	532,888	336,163	80,948	(397,880)	11,375	(504,37

(1) Net loss and net loss applicable to common stockholders includes stock dividends and retirement losses relating to Series B and C preferred stock.

(2) No cash dividends were declared or paid in any of the periods presented.

Table of Contents**SUMMARY UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL DATA**

The following summary unaudited pro forma condensed combined financial information is designed to show how the merger of SIRIUS and XM might have affected historical financial statements if the merger had been completed at an earlier time and was prepared based on the historical financial results reported by SIRIUS and XM. The following should be read in connection with Unaudited Pro Forma Condensed Combined Financial Statements beginning on page 70 and the SIRIUS and XM audited consolidated financial statements, which are incorporated by reference into this Proxy Statement.

The unaudited pro forma balance sheet data assumes that the merger took place on March 31, 2007 and combines SIRIUS consolidated balance sheet as of March 31, 2007 with XM's consolidated balance sheet as of March 31, 2007. The unaudited pro forma statements of operations data for the three months ended March 31, 2007 and for the year ended December 31, 2006 give effect to the merger as if it occurred on January 1, 2006.

The pro forma condensed combined financial data is presented for illustrative purposes only and is not necessarily indicative of the financial condition or results of operations of future periods or the financial condition or results of operations that actually would have been realized had the entities been a single company during these periods.

	Year Ended December 31, 2006 (In thousands, except per share amounts)	Three Months Ended March 31, 2007 (In thousands, except per share amounts)
Statements of Operations Data:		
Total revenue	\$ 1,570,652	\$ 468,149
Loss from operations	(1,598,489)	(255,008)
Net loss	(1,934,639)	(294,908)
Net loss applicable to common stockholders	(1,947,459)	(294,908)
Net loss per share applicable to common stockholders (basic and diluted)	\$ (0.73)	\$ (0.10)
Weighted average common shares outstanding (basic and diluted)	2,663,151	2,879,881
		As of March 31, 2007 (In thousands)
Balance Sheet Data:		
Cash and cash equivalents		\$ 578,553
Marketable securities		10,635
Restricted investments		78,556
Total assets		10,029,063
Long-term debt, net of current portion		2,591,494
Preferred stock		25

Accumulated deficit	(3,978,465)
Stockholders' equity	5,099,804

Table of Contents**COMPARATIVE PER SHARE DATA (UNAUDITED)**

The following table shows per share data regarding loss from continuing operations, book value per share and cash dividends for SIRIUS and XM on a historical, pro forma combined basis. The pro forma book value per share information was computed as if the merger had been completed on March 31, 2007. The pro forma loss from continuing operations information was computed as if the merger had been completed on January 1, 2006. The XM pro forma equivalent information was calculated by multiplying the corresponding pro forma combined data by the exchange ratio of 4.6 to 1.0. This information shows how each share of XM common stock would have participated in the combined companies' losses from continuing operations and book value per share if the merger had been completed on the relevant dates. These amounts do not necessarily reflect future per share amounts of earnings (losses) from continuing operations and book value per share of the combined company.

The following unaudited comparative per share data is derived from the historical consolidated financial statements of each of SIRIUS and XM. The information below should be read in conjunction with the audited consolidated financial statements and accompanying notes of SIRIUS and XM, which are incorporated by reference into this Proxy Statement. We urge you also to read Unaudited Pro Forma Condensed Combined Financial Statements beginning on page 70.

		As of and For the Year Ended December 31, 2006	As of and For the Three Months Ended March 31, 2007
Sirius Satellite Radio Inc.			
Loss from continuing operations per common share	basic and diluted	\$ (0.79)	\$ (0.10)
Book value per share		(0.27)	(0.29)
Cash dividends			
XM Satellite Radio Holdings Inc.			
Loss from continuing operations per common share	basic and diluted	\$ (2.70)	\$ (0.40)
Book value per share		(1.30)	(1.65)
Cash dividends			
Sirius Satellite Radio Inc. Pro Forma Combined			
Loss from continuing operations per common share	basic and diluted	\$ (0.73)	\$ (0.10)
Book value per share		N/A	(1.77)
Cash dividends			

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The table below sets forth, for the calendar quarters indicated, the high and low sales prices per share of SIRIUS common stock and XM common stock, both of which trade on the NASDAQ Global Select Market under the symbol SIRI and XMSR, respectively.

	SIRIUS Common Stock		XM Common Stock	
	High	Low	High	Low
2005				
First Quarter	\$ 7.85	\$ 5.13	\$ 38.28	\$ 27.99
Second Quarter	6.80	4.42	34.83	26.16
Third Quarter	7.61	6.20	37.31	32.57
Fourth Quarter	7.98	5.70	36.91	26.99
2006				
First Quarter	6.82	4.36	30.46	19.66
Second Quarter	5.57	3.60	24.21	12.77
Third Quarter	4.77	3.62	14.98	9.63
Fourth Quarter	4.37	3.50	16.08	9.91
2007				
First Quarter	4.26	3.18	17.70	12.80
Second Quarter	3.25	2.66	13.04	10.37
Third Quarter (through July 24, 2007)	3.28	2.96	13.31	11.51

On February 16, 2007, the last trading day before the public announcement of the signing of the merger agreement, the sales price per share of SIRIUS common stock was \$3.70 and the last sales price per share of XM common stock was \$13.98, in each case on the NASDAQ Global Select Market. On _____, 2007, the latest practicable date before the date of this Proxy Statement, the last sales price per share of SIRIUS common stock was \$ _____ and the last sales price per share of XM common stock was \$ _____, in each case on the NASDAQ Global Select Market.

Dividends and Other Distributions

SIRIUS has never paid cash dividends on its common stock. It currently intends to retain earnings, if any, for use in its business and does not anticipate paying any cash dividends in the foreseeable future. SIRIUS 95/8% Senior Notes due 2013 and the terms of its credit facilities restrict its ability to pay dividends.

XM has never paid any dividends on its common stock. XM Satellite Radio Inc., a subsidiary of XM, is restricted by the indentures governing its senior notes from paying dividends to XM, which, in turn, significantly limits XM's ability to pay dividends. XM does not intend to pay cash dividends on its common stock in the foreseeable future.

The board of directors of the combined company will determine the new dividend policy, but it is expected that no dividends will be paid in the foreseeable future.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

We make forward-looking statements in this Proxy Statement and in the documents that are incorporated by reference. These forward-looking statements relate to outlooks or expectations for earnings, revenues, expenses, asset quality or other future financial or business performance, strategies or expectations, or the impact of legal, regulatory or supervisory matters on business, results of operations or financial condition. Specifically, forward looking statements may include:

statements relating to the benefits of the merger, including anticipated synergies and cost savings estimated to result from the merger;

statements relating to future business prospects, number of subscribers, revenue, income and financial condition; and

statements preceded by, followed by or that include the words estimate, plan, project, forecast, intend, anticipate, believe, seek, target or similar expressions.

These statements reflect management judgment based on currently available information and involve a number of risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. With respect to these forward-looking statements, each of XM and SIRIUS management has made assumptions regarding, among other things, subscriber and network usage, subscriber growth and retention, pricing, operating costs and the economic environment.

Future performance cannot be ensured. Actual results may differ materially from those in the forward-looking statements. Some factors that could cause actual results to differ include:

the ability to obtain governmental approvals of the merger on the proposed terms and time schedule, and without the imposition of significant terms, conditions, obligations or restrictions;

the risk that the businesses will not be integrated successfully;

expected cost savings from the merger may not be fully realized within the expected time frames or at all;

revenues following the merger may be lower than expected;

the effects of vigorous competition in the markets in which SIRIUS and XM operate;

an adverse change in the ratings afforded to debt securities by rating agencies or a lower rating afforded to the combined company's debt securities;

the possibility of one or more of the markets in which XM and SIRIUS compete being impacted by changes in political or other factors such as monetary policy, legal and regulatory changes or other external factors over which they have no control;

the ability of the combined company to obtain debt financing on terms favorable to it or at all, whether to complete any required repurchase of outstanding debt or otherwise;

changes in general economic and market conditions; and

other risks referenced from time to time in filings with the SEC and those factors listed or incorporated by reference into this Proxy Statement under **Risk Factors** beginning on page 15.

You are cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date of this Proxy Statement, or in the case of a document incorporated by reference, as of the date of that document. Except as required by law, neither SIRIUS nor XM undertakes any obligation to publicly update or release any revisions to these forward-looking statements to reflect any events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Additional factors that could cause actual results to differ materially from those expressed in the forward-looking statements are discussed in reports filed with the SEC by XM and SIRIUS. See **Where You Can Find More Information** beginning on page 91 for a list of the documents incorporated by reference.

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RISK FACTORS

In addition to the other information contained or incorporated by reference into this Proxy Statement, you should carefully consider the following risk factors in deciding how to vote on the merger. In addition, you should read and consider the risks associated with each of the businesses of SIRIUS and XM because these risks will also relate to the combined company. Certain of these risks can be found in the documents incorporated by reference into this Proxy Statement.

Because the market price of SIRIUS common stock will fluctuate, XM stockholders cannot be sure of the market value of the SIRIUS common stock that they will receive.

When we complete the merger, shares of XM common stock will be converted into the right to receive 4.6 shares of SIRIUS common stock. The exchange ratio is fixed and will not be adjusted for changes in the market price of either SIRIUS common stock or XM common stock. The merger agreement does not provide for any price-based termination right. Accordingly, the market value of the shares of SIRIUS common stock that SIRIUS grants and XM stockholders will be entitled to receive when we complete the merger will depend on the market value of shares of SIRIUS common stock at the time that we complete the merger and could vary significantly from the market value on the date of this Proxy Statement or the date of the XM special meeting. The market value of the shares of SIRIUS common stock will continue to fluctuate after the completion of the merger. For example, during the first and the second calendar quarters of 2007, the market price of SIRIUS common stock ranged from a low of \$2.66 to a high of \$4.26, all as reported on the NASDAQ Global Select Market. See **Market Prices and Dividends and Other Distributions** on page 13.

These variations could result from changes in the business, operations or prospects of XM or SIRIUS prior to or following the merger, regulatory considerations, general market and economic conditions and other factors both within and beyond the control of SIRIUS or XM. We may complete the merger a considerable period after the date of the SIRIUS special meeting and the XM special meeting.

The issuance of shares of SIRIUS common stock to XM stockholders in the merger will substantially reduce the percentage interests of SIRIUS stockholders.

If the merger is completed, SIRIUS will issue up to approximately 1.7 billion shares of SIRIUS common stock in the merger. Based on the number of shares of SIRIUS and XM common stock outstanding on the SIRIUS and XM record dates, XM stockholders before the merger will own, in the aggregate, approximately % of the fully diluted shares of common stock immediately after the merger, excluding shares issuable upon conversion of XM's outstanding convertible debt. The issuance of shares of SIRIUS common stock to XM stockholders in the merger and to holders of assumed options and restricted stock units to acquire shares of XM common stock and warrants will cause a significant reduction in the relative percentage interest of current SIRIUS stockholders in earnings, voting, liquidation value and book and market value.

Uncertainty about the merger and diversion of management could harm XM, SIRIUS or the combined company, whether or not the merger is completed.

In response to the announcement of the merger, existing or prospective subscribers, retailers, radio manufacturers, automakers and programming providers of XM or SIRIUS may delay or defer their purchasing or other decisions concerning XM or SIRIUS, or they may seek to change their existing business relationship. In addition, as a result of the merger, current and prospective employees could experience uncertainty about their future with XM or SIRIUS or

the combined company. These uncertainties may impair each company's ability to retain, recruit or motivate key personnel. Completion of the merger will also require a significant amount of time and attention from management. The diversion of management attention away from ongoing operations could adversely affect ongoing operations and business relationships.

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Failure to complete the merger for regulatory or other reasons could adversely affect SIRIUS and XM stock prices and their future business and financial results.

Completion of the merger is conditioned upon, among other things, the receipt of certain regulatory and antitrust approvals, including from the Federal Communications Commission and under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and approval of SIRIUS and XM's stockholders. There is no assurance that we will receive the necessary approvals or satisfy the other conditions to the completion of the merger. Failure to complete the proposed merger would prevent SIRIUS and XM from realizing the anticipated benefits of the merger. Each company will also remain liable for significant transaction costs at any time, including legal, accounting and financial advisory fees. In addition, the market price of each company's common stock may reflect various market assumptions as to whether the merger will occur. Consequently, the completion of, or failure to complete, the merger could result in a significant change in the market price of SIRIUS and XM's common stock.

Any delay in completion of the merger may significantly reduce the benefits expected to be obtained from the merger.

In addition to the required regulatory clearances and approvals, the merger is subject to a number of other conditions beyond the control of XM and SIRIUS that may prevent, delay or otherwise materially adversely affect its completion. See *The Merger Regulatory Approvals Required for the Merger* beginning on page 45 and *The Merger Agreement Conditions to Completion of the Merger* beginning on page 54. XM and SIRIUS cannot predict whether and when these other conditions will be satisfied. Further, the requirements for obtaining the required clearances and approvals could delay the completion of the merger for a significant period of time or prevent it from occurring. Any delay in completing the merger may significantly reduce the synergies and other benefits that SIRIUS and XM expect to achieve if they successfully complete the merger within the expected timeframe and integrate their respective businesses.

The ability to complete the merger is subject to the receipt of consents and approvals from government entities, which may impose conditions that could have an adverse effect on SIRIUS or XM or could cause either party to abandon the merger.

In deciding whether to grant regulatory or antitrust approvals, the relevant governmental entities will consider the effect of the merger on competition within their relevant jurisdictions. The terms and conditions of the approvals that are granted may impose requirements, limitations or costs or place restrictions on the conduct of the combined company's business.

The merger agreement may require us to accept significant conditions from regulatory bodies before either of us may refuse to close the merger on the basis of those regulatory conditions. Neither XM nor SIRIUS can provide any assurance that either company will obtain the necessary approvals or that any other conditions, terms, obligations or restrictions will not have a material adverse effect on the combined company following the merger. In addition, we can provide no assurance that these conditions, terms, obligations or restrictions will not result in the delay or abandonment of the merger. See *The Merger Regulatory Approvals Required for the Merger* beginning on page 45 and *The Merger Agreement Conditions to Completion of the Merger* beginning on page 54.

The anticipated benefits of the merger may not be realized fully or at all or may take longer to realize than expected.

The merger involves the integration of two companies that have previously operated independently with principal offices in two distinct locations. Due to legal restrictions, SIRIUS and XM have conducted only limited planning regarding the integration of the two companies. The combined company will be required to devote significant

management attention and resources to integrating the two companies. Delays in this process could adversely affect the combined company's business, financial results, financial condition and stock price. Even if SIRIUS and XM were able to integrate their business operations successfully, there can be no assurance that this integration will result in the realization of the full benefits of synergies, cost savings, innovation and operational

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efficiencies that may be possible from this integration or that these benefits will be achieved within a reasonable period of time.

Additionally, as a condition to their approval of the merger, regulatory agencies may impose requirements, limitations or costs or require divestitures or place restrictions on the conduct of the combined company's business. If SIRIUS and XM agree to these requirements, limitations, costs, divestitures or restrictions, the ability to realize the anticipated benefits of the merger may be impaired.

Because certain directors and executive officers of XM and SIRIUS have interests in seeing the merger completed that are different than those of XM's and SIRIUS' other stockholders, these persons may have conflicts of interest in recommending that XM and SIRIUS stockholders vote to approve the merger agreement.

Certain directors of XM and SIRIUS have arrangements or other interests that provide them with interests in the merger that are different than those of XM's or SIRIUS' other stockholders. For example, Mel Karmazin, the CEO of SIRIUS, who is also a director of SIRIUS, will, pursuant to the merger agreement, keep that title with the combined company and will remain on the board of directors of the combined company and Gary Parsons, the Chairman of XM, will become chairman of the board of directors of the combined company. In addition, up to six current XM directors and up to four SIRIUS directors may serve on the combined company's board. While other XM and SIRIUS directors will not become directors of the combined company after the merger, in either case, SIRIUS will indemnify and maintain liability insurance for each of the directors' services as directors before the merger. In addition, XM's executive directors and one executive officer of SIRIUS have change in control severance protections that would entitle them to enhanced severance if their employment were to terminate following the merger under specific circumstances. In addition, SIRIUS has employment agreements with each of its executive officers, which contain provisions regarding payments upon a termination of employment. These and other material interests of the directors and executive officers of XM and SIRIUS in the merger that are different than those of the other XM and SIRIUS stockholders are described under "The Merger - Interests of Directors and Executive Officers in the Merger" beginning on page 41.

The merger agreement contains provisions that could discourage a potential competing acquiror that might be willing to pay more to acquire XM or that may be willing to acquire SIRIUS.

The merger agreement contains "no shop" provisions that restrict SIRIUS' and XM's ability to solicit or facilitate proposals regarding a merger or similar transaction with another party. Further, there are only limited exceptions to SIRIUS' or XM's agreement that their respective board of directors will not withdraw or adversely qualify its recommendation regarding the merger agreement. Although each of the SIRIUS and XM boards are permitted to terminate the merger agreement in response to a superior proposal if they determine that a failure to do so would be inconsistent with their fiduciary duties, its doing so would entitle the other party to collect a \$175 million termination fee from the other party. In addition, if a third party publicly makes a proposal for a competing transaction with either SIRIUS or XM before the special meeting and its stockholders do not approve the merger, that party will be required to pay the other party a portion of the termination fee. We describe these provisions under "The Merger Agreement Termination" beginning on page 57 and "Termination Fees and Expenses" beginning on page 58.

These provisions could discourage a potential competing acquiror from considering or proposing that acquisition, even if it were prepared to pay consideration with a higher value than that proposed to be paid in the merger, or might result in a potential competing acquiror proposing to pay a lower per share price than it might otherwise have proposed to pay because of the added expense of the termination fee.

The combined company may need to refinance a substantial amount of indebtedness very shortly after the merger.

As a result of the merger, an offer to repurchase a significant portion of XM's outstanding notes at 101% of the principal amount thereof may be required under the terms of such debt. Any required repurchase would likely be financed with other debt and debt financing to fund such repurchase may not be available on terms favorable to the

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combined company or at all. At March 31, 2007, the aggregate principal amount of XM's outstanding notes was approximately \$1.46 billion, and no outstanding notes were trading above 101% of the outstanding principal amount. We believe that if the notes are trading above 101% at the time of any required repurchase offer, a large majority of holders would be unlikely to sell their notes in the repurchase offer. Moreover, SIRIUS may consider repurchasing outstanding debt in connection with the merger. Any repurchase would likely be financed with other debt. At March 31, 2007, the aggregate principal amount of SIRIUS' outstanding notes was approximately \$1.5 billion.

The combined company's indebtedness following the completion of the merger will be substantial. This indebtedness could adversely affect the combined company in many ways, including by reducing funds available for other business purposes.

The pro forma indebtedness of the combined company as of March 31, 2007, after giving effect to the merger, would have been approximately \$2.6 billion. As a result of this debt, demands on SIRIUS' cash resources may increase after the merger. The increased levels of indebtedness could reduce funds available for investment in research and development and capital expenditures or create competitive disadvantages compared to other companies with lower debt levels. In addition, existing covenants in the SIRIUS and XM debt instruments limit the transfer of cash between the two companies and require that inter-company dealings be effected on an arm's-length basis.

Resales of shares of SIRIUS common stock following the merger and additional obligations to issue shares of SIRIUS common stock may cause the market price of SIRIUS common stock to fall.

As of March 31, 2007, SIRIUS had approximately 1.46 billion shares of common stock outstanding and approximately 167 million shares of common stock subject to outstanding options and other rights to purchase or acquire its shares. SIRIUS currently expects that it will issue approximately 1.70 billion shares of SIRIUS common stock in connection with the merger. The issuance of these new shares of SIRIUS common stock and the sale of additional shares of SIRIUS common stock that may become eligible for sale in the public market from time to time upon exercise of options (including a substantial number of SIRIUS options that will replace existing XM options) could have the effect of depressing the market price for shares of SIRIUS common stock.

The trading price of shares of SIRIUS common stock after the merger may be affected by factors different from those affecting the price of shares of XM common stock or shares of SIRIUS common stock before the merger.

When we complete the merger, holders of XM common stock will become holders of SIRIUS common stock. The results of operations of SIRIUS, as well as the trading price of SIRIUS common stock, after the merger may be affected by factors different from those currently affecting SIRIUS' or XM's results of operations and the trading price of XM common stock. For a discussion of the businesses of XM and SIRIUS and of certain factors to consider in connection with those businesses, see the documents incorporated by reference into this Proxy Statement and referred to under "Where You Can Find More Information" beginning on page 91.

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THE MERGER

The following is a discussion of the merger and the material terms of the merger agreement between SIRIUS and XM. You are urged to read carefully the merger agreement in its entirety, a copy of which is attached as Annex A to this Proxy Statement and incorporated by reference herein.

Background of the Merger

Representatives of XM and SIRIUS first discussed the possibility of a business combination in late 2002 and early 2003, when XM and SIRIUS were experiencing certain financial challenges and were in the process of restructuring their respective debt and equity capital structures. However, XM and SIRIUS were unable to agree on a basis to proceed with discussions, and, as a result, those discussions were abandoned.

In February 2006, Mel Karmazin, the CEO of SIRIUS, contacted Gary M. Parsons, the Chairman of XM, to propose a meeting on a variety of topics of interest to the two companies and, on March 6, 2006, Mr. Karmazin met with Mr. Parsons and Hugh Panero, the CEO of XM. As part of this meeting, Mr. Karmazin explored with Messrs. Parsons and Panero their interest in a possible business combination. Mr. Karmazin discussed in general terms why a combination would make sense from a business and financial perspective for the two companies and their stockholders. Messrs. Parsons and Panero agreed to reflect on the possibility of entering into discussions regarding a business combination, and indicated that they would raise the possibility of merger discussions with the XM board of directors. The XM board of directors was informed of the possibility of merger discussions with SIRIUS in March of 2006.

No further substantive discussions were held until September 21, 2006, when Mr. Karmazin and David Frear, the Executive Vice President and Chief Financial Officer of SIRIUS, met with Messrs. Parsons and Panero and Joseph Euteneuer, the Executive Vice President and Chief Financial Officer of XM. At this meeting, Mr. Karmazin reiterated SIRIUS' interest in exploring a business combination with XM and generally discussed the possibility and benefits of entering into a discussion to combine their operations.

Messrs. Karmazin and Frear again met with Messrs. Parsons and Panero on October 17, 2006. Mr. Parsons expressed an interest in pursuing further discussions, provided there was a reasonable probability that required regulatory approvals for a business combination would be secured. As part of this meeting, SIRIUS and XM agreed to discuss with their respective counsel the likelihood of obtaining the required regulatory approvals for a combination. In the following weeks, SIRIUS had several discussions with its outside legal counsel, Simpson Thacher & Bartlett LLP and Wiley Rein LLP, about potential regulatory issues and received an initial assessment of these matters from both counsel.

On October 19, 2006, Messrs. Parsons and Panero briefed the XM board of directors on their meetings with SIRIUS, and recommended that XM retain the law firms of Jones Day and Latham and Watkins LLP to provide an assessment of potential antitrust and FCC issues, respectively. In the following weeks, XM had several discussions with its outside legal counsel about potential regulatory issues. On November 15, 2006, the XM board received an initial assessment of regulatory issues from outside counsel, and Messrs. Parsons and Panero recommended that XM engage an investment banking firm to evaluate the merits of a possible combination. Mr. Parsons described for the XM board the investment banking firms with whom he had already met and the concurring recommendation of the Finance Committee of the XM board of directors.

In late November 2006, Messrs. Parsons, Panero and Euteneuer met with representatives of JPMorgan to discuss engaging JPMorgan to act as financial advisor to XM to evaluate the merits of a possible combination and to assist in discussions regarding a possible transaction with SIRIUS. During the following weeks, representatives of XM and JPMorgan met a number of times to review financial information regarding a combined XM and SIRIUS.

In early December 2006, Mr. Karmazin briefed the SIRIUS board of directors on his upcoming meeting with management of XM and his desire to engage an investment banking firm, and described for the SIRIUS board the investment banking firms with whom he had already met. At this meeting, the SIRIUS board of directors authorized Mr. Karmazin to engage an investment banking firm to act as its financial advisor in connection with a possible

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combination. On December 8, 2006, Messrs. Karmazin and Frear and Andreas Lazar, the Senior Vice President of Business Development of SIRIUS, met with representatives of Morgan Stanley, to discuss engaging Morgan Stanley to act as financial advisor to SIRIUS in discussions of a possible transaction with XM. On December 14, 2006, Messrs. Karmazin, Frear and Lazar met with Morgan Stanley to discuss the financial aspects of a possible merger with XM. On December 15, 2006, JPMorgan presented its initial analysis to the XM board of directors and representatives of Jones Day and Latham and Watkins presented an analysis of the regulatory issues to the XM board of directors. At various times following this meeting, Mr. Parsons updated the board of directors of XM individually on the status of discussions between the companies. On December 18, 2006, Messrs. Karmazin, Frear and Lazar again met with Morgan Stanley to review financial information regarding a combined SIRIUS and XM.

On December 19, 2006, Messrs. Karmazin, Frear and representatives of Morgan Stanley met with Messrs. Parsons, Panero and Euteneuer of XM and representatives of JPMorgan to present their ideas regarding the possible structure of a combination with XM. At this meeting, Mr. Karmazin proposed that SIRIUS and XM enter into discussions regarding a stock-for-stock transaction on a merger of equals basis.

On January 11, 2007, representatives of JPMorgan and Morgan Stanley met to discuss assumptions regarding the calculation of the relative equity values of XM and SIRIUS.

On January 23, 2007, Mr. Karmazin discussed with the SIRIUS board of directors management's views regarding a possible business combination with XM, conversations between the respective financial advisors to XM and SIRIUS and expectations of XM regarding business valuations. After legal counsel reviewed with the SIRIUS board of directors the corporate and regulatory process anticipated in connection with a possible business combination with XM, the SIRIUS board of directors discussed at length the regulatory environment and potential challenges associated with seeking approval of a business combination with XM as well as the potential benefits and challenges of operating a combined enterprise.

On January 29, 2007, Mr. Karmazin and representatives of Morgan Stanley met with Mr. Parsons and representatives of JPMorgan to discuss a merger of SIRIUS and XM, including the materials that each side would review in refining a proposal and analyzing the potential benefits of a business combination. On February 1, 2007, JPMorgan provided additional analysis to the XM board of directors.

On February 8, 2007, Mr. Karmazin met with Mr. Parsons and Jack Shaw and Jeff Zients, members of the board of directors of XM, representatives of JPMorgan and representatives of Morgan Stanley. Mr. Karmazin and Mr. Parsons discussed a possible transaction whereby SIRIUS and XM would seek to negotiate a business combination on the basis of an exchange ratio of 4.6 shares of SIRIUS common stock for each share of XM common stock. Mr. Karmazin and Mr. Parsons agreed that each of SIRIUS and XM would commence detailed due diligence and contract negotiations promptly. At this meeting, the participants also reviewed financial models for a consolidated business and discussed various other matters. Mr. Karmazin, together with SIRIUS' financial and legal advisors, discussed these developments with the SIRIUS board at a telephonic meeting on February 9, 2007. The SIRIUS board requested that management continue discussions with XM and promptly begin negotiating the financial terms of a possible merger.

The following day, members of senior management of SIRIUS and XM and their respective financial advisors met telephonically to discuss how to proceed with the merger negotiations and to finalize details relating to their respective due diligence reviews. Around this time, SIRIUS, through its legal advisor Simpson Thacher, delivered a draft merger agreement to XM through XM's legal advisor, Skadden, Arps, Slate, Meagher & Flom LLP. During the following week, XM and SIRIUS and their respective representatives and advisors completed their due diligence reviews and negotiated the substantive terms and conditions of the merger agreement. Significant areas of negotiation included the scope and degree of reciprocity of representations and warranties and interim operating covenants, the conditions to closing, the terms upon which XM or SIRIUS could consider an alternative acquisition proposal and the process for

dealing with any such proposal, the amount and triggers for payment of termination fees and various benefit and employee related provisions.

The SIRIUS board held a lengthy telephonic meeting on February 18, 2007, and received reports from management on the status of discussions with XM and from its outside legal counsel about the negotiations on terms of the merger agreement. Simpson Thacher reviewed with the SIRIUS directors their fiduciary duties in connection

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with considering and approving the merger agreement. The SIRIUS board of directors discussed with SIRIUS management and Simpson Thacher and Wiley Rein the regulatory approvals that would be necessary to complete the merger. At that meeting, Morgan Stanley rendered its opinion that, as of the date of the meeting and based upon and subject to the factors, assumptions, matters, procedures, limitations and qualifications set forth in such opinion, the exchange ratio pursuant to the merger agreement was fair, from a financial point of view, to SIRIUS. At the February 18, 2007 SIRIUS board meeting, the SIRIUS board of directors unanimously determined, among other things, that the merger agreement and the merger contemplated thereby are advisable and in the best interest of SIRIUS and its stockholders, authorized the issuance of shares in the merger, resolved that the amendment to the SIRIUS certificate of incorporation to increase the number of authorized shares was advisable and in the best interest of SIRIUS and its stockholders and resolved to recommend that SIRIUS stockholders approve the share issuance and the amendment to SIRIUS certificate of incorporation.

The XM board held a lengthy telephonic meeting on February 18 and held another telephonic meeting on February 19, 2007. At such meetings, the XM board of directors received reports from management on the status of the discussions with SIRIUS, and received reports from its financial and legal advisors about the terms of the merger agreement. Skadden, Arps reviewed with the XM directors their fiduciary duties in connection with considering and approving the merger agreement. The XM board discussed with XM management and outside legal counsel, Jones Day and Latham & Watkins, the regulatory approvals that would be necessary to complete the merger. At the February 18, 2007 XM board of directors meeting, JPMorgan rendered its oral opinion that, as of the date of the meeting and based upon and subject to the factors, assumptions, matters, procedures, limitations and qualifications set forth in such opinion, the exchange ratio to be received by the holders of XM shares in the merger was fair, from a financial point of view, to such holders. JPMorgan subsequently confirmed its oral opinion by delivering its written opinion, dated February 20, 2007, to the board of directors of XM. At the February 19, 2007 XM board of directors meeting, the XM board of directors unanimously, with the XM director appointed by General Motors and the XM director appointed by American Honda each abstaining, determined that the merger agreement and the merger contemplated thereby are advisable and in the best interest of XM and its stockholders, approved, adopted and authorized the merger agreement, and resolved to recommend that XM stockholders adopt the merger agreement. The XM directors appointed by each of General Motors and American Honda abstained from voting with respect to the proposed merger, with the consent of the other XM directors, given XM's and SIRIUS' commercial and other arrangements with various automakers, including General Motors and American Honda.

Shortly after the conclusion of the XM board of directors meeting on February 19, 2007, SIRIUS, XM and Merger Sub executed and delivered to each other the merger agreement.

Reasons for the Merger

Both SIRIUS and XM believe that there are substantial potential strategic and financial benefits of the proposed merger of equals. This section summarizes the principal potential strategies and financial benefits that the parties expect to realize in the merger. For a discussion of various factors that could prohibit or limit the parties from realizing some or all of these benefits, see **Risk Factors** beginning on page 15.

Each of XM and SIRIUS believes that the merger will enhance stockholder value through, among other things, enabling SIRIUS and XM to capitalize on the following strategic advantages and opportunities:

Cost Synergies: SIRIUS and XM believe that the merger will create significant cost synergies for SIRIUS and XM. Wall Street equity analysts have published estimates of the present value of cost synergies ranging from \$3 billion to \$9 billion. SIRIUS and XM expect operating cost savings to be achievable in almost every cost item on the companies' income statement, including sales and marketing, subscriber acquisition, research and development, general and administrative expenses, product development, content, and programming operating

infrastructure. Moreover, over the long-term, the combined company expects to derive significant additional value by procuring its future generation satellites and terrestrial repeaters as a single entity. The combination of the fixed components of the two companies means that as the combined business grows, a greater portion of revenue will be realized as cash flow.

Better Competitive Positioning: The market for audio entertainment in the United States is robustly competitive and rapidly evolving. SIRIUS and XM must compete directly and intensely with a host of other

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audio providers for consumer attention. The combination will better position satellite radio to compete for consumers' attention and entertainment stability against a host of products and services in the highly competitive and rapidly evolving audio entertainment marketplace. In addition to existing competition from free over-the-air AM and FM radio as well as iPods and mobile phone streaming, satellite radio faces challenges from the rapid growth of HD Radio, Internet radio and next generation wireless technologies. In addition, cost reductions resulting from the combination of SIRIUS and XM will enable satellite radio to maintain competitive prices for subscription and devices.

Greater Programming Choice: SIRIUS and XM believe that the merger will permit the combined company to offer consumers more choices and value. XM and SIRIUS expect to be able to add the best of the other's lineup to their service, subject to obtaining permission of the applicable content provider as well as offer other new programming packages. XM and SIRIUS already broadcast a wide range of commercial-free music channels; exclusive and non-exclusive sports coverage; news, talk, entertainment, and religious programming; channels in Spanish, French and other foreign languages; as well as weather and traffic channels for many cities. In the long run, the combined company is expected to be able to consolidate redundant programming, making it possible to use channel capacity to enhance programming diversity, including additional programming related to public safety and homeland security, and programming aimed at minority and underserved communities. The merger also will help accelerate deployment of advanced technology, including improvements in products such as real-time traffic and rear seat video and development of a next-generation satellite system.

Advancements in Technology: XM and SIRIUS believe that the combined company will be able to offer consumers access to advanced technology sooner than would otherwise occur. In particular, the combination of the companies' two engineering organizations is expected to lead to better results from each dollar invested in research and development.

The merger is also expected to foster the commercial introduction of interoperable satellite radios. In originally implementing rules for the satellite radio service, the FCC required SIRIUS and XM to develop designs for a radio capable of receiving the signal of either system. In accordance with this requirement, SIRIUS and XM created a jointly funded engineering team that has developed radios that are interoperable with each other's networks. After the transaction is consummated, the marketplace itself will provide economic incentives to encourage further innovation and the subsidization and commercial distribution of interoperable radios. With appropriate subsidies to lower the costs, radio manufacturers would likely shift some amount of production, consistent with customer demand, to fabricating radios that tune to all channels of the combined service. Eventually, such radios are expected to enable the combined company to offer enhanced content and services.

Advertising Revenue Growth: The combined company is expected to be more attractive to large national advertisers, since it will have significantly more reach than either company on its own.

Compatible Cultures and Commitment to Excellence: XM and SIRIUS expect that the combined company will have a highly experienced management assembled from both companies, with extensive industry knowledge in radio, media, consumer electronics, engineering and technology.

Enhanced Stockholder Value: XM and SIRIUS believe that the combined company will provide significant, realizable cost synergies, strong future cash flows, and a broader audience. All these benefits will provide enhanced value for stockholders.

The actual synergistic benefits from the merger and costs of integration could be different from the foregoing estimates and these differences could be material. Accordingly, there can be no assurance that any of the potential benefits described above or included in the factors considered by the SIRIUS board of directors described under

SIRIUS Board of Directors Recommendation beginning on page 23 or by the XM board of directors described under XM Board of Directors Recommendation beginning on page 24 will be realized. See Risk Factors and Cautionary Statement Regarding Forward-Looking Statements beginning on pages 15 and 14, respectively.

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SIRIUS Board of Directors Recommendations

At a meeting on February 18, 2007, the SIRIUS board of directors (i) determined that the merger and entering into the merger agreement are advisable and in the best interest of SIRIUS and its stockholders, (ii) approved the merger and the merger agreement and the transactions contemplated thereby, including the Charter Amendment and the Share Issuance, and (iii) determined to recommend that the holders of SIRIUS common stock vote FOR the Charter Amendment and FOR the Share Issuance.

In connection with the foregoing actions, the SIRIUS board of directors consulted with SIRIUS management, as well as SIRIUS financial advisor and outside legal counsel and considered the following factors and risks in addition to the specific reasons described above under Reasons for the Merger :

The information concerning SIRIUS and XM's respective historic businesses, financial results and prospects, including the result of SIRIUS due diligence review of XM.

SIRIUS assessments that the two companies can effectively and efficiently be integrated.

The opinion of SIRIUS financial advisor, Morgan Stanley (which will receive a fee for its services as financial advisor to SIRIUS in connection with the merger, which is contingent upon the completion of the merger), that, as of February 18, 2007 and subject to the matters stated in its opinion, the exchange ratio pursuant to the merger agreement was fair, from a financial point of view, to SIRIUS.

The exchange ratio of 4.6 shares of SIRIUS common stock for each share of XM common stock and the fact that the exchange ratio is fixed and will not fluctuate based upon changes in SIRIUS stock price between signing and closing.

The strong commitment of both parties to complete the merger pursuant to their respective obligations under the terms of the merger agreement.

The risk that regulatory agencies may not approve the merger or may impose terms and conditions on their approvals that would materially and adversely affect the projected financial results of the combined company.

The expectation that XM stockholders, immediately after completion of the merger, would hold approximately 50.3% of the shares of common stock of the combined company on a fully diluted basis, excluding shares issuable on conversion of XM's outstanding 1.75% convertible senior notes due 2009.

The potential impact of the restrictions under the merger agreement on SIRIUS ability to take certain actions during the period prior to the closing of the merger (which may delay or prevent SIRIUS from undertaking business opportunities that may arise pending completion of the merger).

The potential for diversion of management and employee attention and for increased employee attrition during the period prior to the closing of the merger agreement, and the potential effect of these on SIRIUS business and relations with customers, suppliers and regulators.

The risk that an unanticipated technological development or damage to a satellite system may materially and adversely affect the business benefits anticipated to result from the merger.

The risk that certain members of SIRIUS' senior management might choose not to remain employed with SIRIUS prior to the completion of the merger or with the combined company.

The fact that the merger agreement provides that the SIRIUS board of directors after the merger will initially consist of 12 directors, and SIRIUS and XM will each designate four directors, who will qualify as independent directors, and XM will designate two additional directors (one will be a designee of General Motors and the other will be a designee of American Honda) with the remaining directors being Mel Karmazin, SIRIUS' CEO, and Gary M. Parsons, XM's Chairman, who will become chairman of the board of directors of the combined company.

The risk that certain of SIRIUS' directors and officers may have interests in the merger as individuals that are in addition to, or that may be different from, the interests of SIRIUS stockholders.

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The fees and expenses associated with completing the merger.

The risk that anticipated cost savings will not be achieved.

In view of the wide variety of factors considered in connection with its evaluation of the merger and the complexity of these matters, the SIRIUS board of directors did not find it useful to and did not attempt to quantify, rank or otherwise assign relative weights to these factors.

In addition, the SIRIUS board of directors did not undertake to make any specific determination as to whether any particular factor, or any aspect of any particular factor, was favorable or unfavorable to its ultimate determination, but rather the SIRIUS board of directors conducted an overall analysis of the factors described above, including discussions with the management team and outside legal and financial advisors. In considering the factors described above, individual members of the SIRIUS board of directors may have given different weight to different factors.

XM Board of Directors Recommendation

On February 19, 2007, the XM board of directors (i) determined that the approval of the merger agreement and the transactions contemplated thereby, including the merger, are in the best interests of XM and its stockholders, (ii) approved and adopted the merger agreement and the transactions contemplated thereby and (iii) resolved to recommend the adoption of the merger agreement to the stockholders of XM.

In reaching this conclusion, the XM board of directors consulted with XM's management, as well as its financial advisor and outside legal counsel, and considered the following factors in addition to the specific reasons described above under "Reasons for the Merger" beginning on page 21:

The information concerning XM's and SIRIUS' respective historic businesses, financial results and prospects, including the results of XM's due diligence review of SIRIUS.

XM's assessments that the two companies can effectively and efficiently be integrated.

The oral opinion of XM's financial advisor, JPMorgan (which will receive a fee for its services as financial advisor to XM in connection with the merger, a substantial portion of which is contingent upon the completion of the merger), that, as of February 18, 2007 and based upon and subject to the factors and assumptions set forth in its written opinion, the exchange ratio in the merger was fair, from a financial point of view, to the holders of XM common stock. Such oral opinion was subsequently confirmed by JPMorgan by delivery of its written opinion dated February 20, 2007.

The fact that the implied value of the merger consideration, based on the closing price of SIRIUS common stock on February 16, 2007 (the last trading day prior to announcement of the merger) represented a premium of 21.7% to the closing price of XM common stock on such date, and that the proposed exchange ratio represented a 31.1% premium to the average implied historical exchange ratio for the six month period ended February 16, 2007 and a substantial premium over other recent historical periods.

The expectation that XM stockholders, immediately after completion of the merger, would hold approximately 50.3% of the shares of common stock of the combined company on a fully diluted basis, excluding shares issuable on conversion of XM's outstanding 1.75% convertible senior notes due 2009, and will have the opportunity to share in the future growth and expected synergies of the combined company while retaining the flexibility of selling all or a portion of those shares.

The strong commitment on the part of both parties to complete the merger pursuant to their respective obligations under the terms of the merger agreement.

The terms of the merger agreement, including the termination fee, which, in the view of the XM board of directors, does not preclude a proposal for an alternative acquisition transaction involving XM.

The fact that the merger agreement allows the XM board of directors to change or withdraw its recommendation of the merger agreement if a superior proposal is received from a third party or if the XM board of directors determines that the failure to change its recommendation would be inconsistent with its fiduciary duties under applicable law, subject to the payment of a termination fee upon termination under certain circumstances.

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The fact that the merger agreement provides that the SIRIUS board of directors after the merger will initially consist of 12 directors, and SIRIUS and XM will each designate four directors, who will qualify as independent directors, and XM will designate two additional directors (one will be a designee of General Motors and the other will be a designee of American Honda) with the remaining directors being Mel Karmazin, SIRIUS CEO, and Gary M. Parsons, XM's Chairman, who will become chairman of the board of directors of the combined company.

The XM board of directors also identified and considered a number of uncertainties, risks and other potentially negative factors, including the following:

The risk that regulatory agencies may not approve the merger or may impose terms and conditions on their approvals that would materially and adversely affect the financial results of the combined company.

The potential impact of the restrictions under the merger agreement on XM's ability to take certain actions during the period prior to the closing of the merger (which may delay or prevent XM from undertaking business opportunities that may arise pending completion of the merger).

The potential for diversion of management and employee attention and for increased employee attrition during the period prior to the closing of the merger agreement, and the potential effect of these on XM's business and relations with customers, suppliers and regulators.

The risk that an unanticipated technological development or damage to a satellite system may materially and adversely affect the business benefits anticipated to result from the merger.

The fact that certain provisions of the merger agreement, although reciprocal, may have the effect of discouraging proposals for alternative acquisition transactions involving XM, including: (i) the restriction on XM's ability to solicit proposals for alternative transactions; (ii) the requirement that the XM board of directors submit the merger agreement to the XM stockholders for adoption in certain circumstances, even if it withdraws its recommendation for the merger; and (iii) the requirement that XM pay a termination fee of \$175 million to SIRIUS in certain circumstances following the termination of the merger agreement.

The risk that certain of XM's directors and officers may have interests in the merger as individuals that are in addition to, or that may be different from, the interests of the XM stockholders.

The fees and expenses associated with completing the merger.

The risk that certain members of XM's senior management might choose not to remain employed with XM prior to the completion of the merger or with the combined company.

The risk that anticipated cost savings will not be achieved.

The risks of the type and nature described above under Risk Factors.

The XM board recommends that XM common stockholders vote FOR the Merger Proposal.

In view of the wide variety of factors considered in connection with its evaluation of the merger and the complexity of these matters, the XM board of directors did not find it useful to and did not attempt to quantify, rank or otherwise assign relative weights to these factors.

In addition, the XM board of directors did not undertake to make any specific determination as to whether any particular factor, or any aspect of any particular factor, was favorable or unfavorable to its ultimate determination, but rather the XM board of directors conducted an overall analysis of the factors described above, including discussions with the management team and outside legal, financial and accounting advisors. In considering the factors described above, individual members of the XM board of directors may have given different weight to different factors.

Opinion of Financial Advisor to the SIRIUS Board of Directors

SIRIUS retained Morgan Stanley to provide financial advisory services and a financial fairness opinion to the board of directors of SIRIUS in connection with the merger. The board of directors selected Morgan Stanley to act

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as its financial advisor based on Morgan Stanley's qualifications, expertise, reputation and knowledge of the business of SIRIUS. At the special meeting of the SIRIUS board of directors on February 18, 2007, Morgan Stanley rendered its oral opinion, subsequently confirmed in writing as of the same date, that based upon and subject to the assumptions, qualifications and limitations set forth in the opinion, the exchange ratio pursuant to the merger agreement was fair from a financial point of view to SIRIUS.

The full text of Morgan Stanley's written opinion, dated February 18, 2007, which sets forth, among other things, the assumptions made, procedures followed, matters considered and qualifications and limitations of the reviews undertaken in rendering its opinion, is attached as Annex B to this Proxy Statement. The summary of Morgan Stanley's fairness opinion set forth in this Proxy Statement is qualified in its entirety by reference to the full text of the opinion. Stockholders should read this opinion carefully and in its entirety. Morgan Stanley's opinion is directed to the board of directors of SIRIUS, addresses only the fairness from a financial point of view of the exchange ratio pursuant to the merger agreement to SIRIUS as of the date of the opinion, and does not address any other aspect of the merger. Morgan Stanley's opinion does not constitute a recommendation to any stockholder of SIRIUS as to how such stockholder should vote with respect to the merger. In addition, this opinion does not in any matter address the prices at which SIRIUS common stock will trade following the consummation of the merger.

In connection with rendering its opinion, Morgan Stanley, among other things:

reviewed certain publicly available financial statements and other business and financial information of each of XM and SIRIUS;

reviewed certain internal financial statements and other financial and operating data concerning each of XM and SIRIUS;

reviewed certain financial projections prepared by the management of each of XM and SIRIUS in connection with the proposed transaction;

reviewed information relating to certain strategic, financial and operational benefits anticipated from the merger, prepared by the managements of each of XM and SIRIUS;

discussed the past and current operations and financial condition and the prospects of XM, including information relating to certain strategic, financial and operational benefits anticipated from the merger, with senior executives of XM;

discussed the past and current operations and financial condition and the prospects of SIRIUS, including information relating to certain strategic, financial and operational benefits anticipated from the merger, with senior executives of SIRIUS;

reviewed the pro forma impact of the merger on SIRIUS;

reviewed the reported prices and trading activity for the XM common stock and the SIRIUS common stock;

reviewed the financial terms, to the extent publicly available, of certain comparable merger of equals transactions;

participated in discussions and negotiations among representatives of XM and SIRIUS and their financial and legal advisors;

reviewed the merger agreement and certain related documents; and

performed such other analyses and considered such other factors as it deemed appropriate.

In arriving at its opinion, Morgan Stanley assumed and relied upon, without independent verification, the accuracy and completeness of the information supplied or otherwise made available to it by XM and SIRIUS for the purposes of its opinion. With respect to the financial projections, including information relating to certain strategic, financial and operational benefits anticipated from the merger, Morgan Stanley assumed that they were reasonably prepared on bases reflecting the best currently available estimates and judgments of the future financial performance of XM and SIRIUS. In addition, Morgan Stanley assumed, in all respects material to its analysis, that the

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merger will be consummated in accordance with the terms set forth in the merger agreement without any waiver, amendment or delay of any terms or conditions, including, among other things, that the merger will be treated as a tax-free reorganization pursuant to the Internal Revenue Code of 1986, as amended. Morgan Stanley assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents required for the proposed merger, no delays, limitations, conditions or restrictions will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived in the proposed merger. Morgan Stanley relied upon, without independent verification, the assessment by the managements of XM and SIRIUS of: (i) the strategic, financial and other benefits expected to result from the merger; (ii) the timing and risks associated with the integration of XM and SIRIUS; (iii) their ability to retain key employees of XM and SIRIUS, respectively; and (iv) the validity of, and risks associated with, XM and SIRIUS existing and future technologies, intellectual property, products, services and business models. Morgan Stanley is not a legal, tax or regulatory advisor and has relied upon, without independent verification, the assessment of SIRIUS and XM and their legal, tax and regulatory advisors with respect to such matters. Morgan Stanley did not make any independent valuation or appraisal of the assets or liabilities of XM, nor was it furnished with any such appraisals. Morgan Stanley's opinion was necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to us as of, February 18, 2007. Events occurring after February 18, 2007, may affect Morgan Stanley's opinion and the assumptions used in preparing it, and Morgan Stanley did not assume any obligation to update, revise or reaffirm its opinion.

The following is a summary of the material financial analyses performed by Morgan Stanley in connection with its oral opinion of February 18, 2007 and the preparation of its written opinion of the same date. Some of these summaries include information in tabular format. In order to understand fully the financial analyses used by Morgan Stanley, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the analyses.

XM Historical Share Price Analysis

To provide background information and perspective with respect to the relative historical share prices of XM, Morgan Stanley reviewed the stock price performance and trading volumes of XM during various periods ending on February 16, 2007.

Morgan Stanley noted that the range of low and high closing prices of XM common stock during the 52-week period ending on February 16, 2007 was approximately \$10 to \$24, during the 90-day period ending on February 16, 2007 was approximately \$13 to \$17 and during the 30-day period ending on February 16, 2007 was approximately \$13 to \$17. Morgan Stanley noted that the merger consideration as of February 16, 2007 was valued at \$17.02 per share of XM common stock. The \$17.02 merger consideration was calculated by multiplying the fixed transaction exchange ratio of 4.60 by the February 16, 2007 closing share price for SIRIUS common stock of \$3.70 per share.

Morgan Stanley next compared the transaction exchange ratio of 4.60 and implied merger consideration value of \$17.02 per share of XM common stock implied by the closing share prices of XM and SIRIUS shares of common stock as of February 16, 2007 of \$13.98 per share and \$3.70 per share, respectively, with historical exchange ratios and XM share prices for the 90-day period ending on February 16, 2007. The following table lists the implied exchange ratio and share price premiums represented by the merger consideration during the selected periods:

	Transaction Premium to Exchange Ratio (4.60x)(1)	Transaction Premium to Share Price (\$17.02)(1)
Days Trading		

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Feb 16, 2007(1)	22%	22%
5-Day	25%	28%
10-Day	24%	26%
20-Day	22%	23%
30-Day	19%	16%
60-Day	18%	15%
90-Day	26%	21%

(1) Based on XM share price of \$13.98 and SIRIUS share price of \$3.70, each as of February 16, 2007

Table of Contents***SIRIUS Share Price Analysis***

To provide background information and perspective with respect to the relative historical share prices of SIRIUS, Morgan Stanley reviewed the stock price performance and trading volumes of SIRIUS during various periods ending on February 16, 2007.

Morgan Stanley noted that the range of low and high closing prices of SIRIUS common stock during the 52-week period ending on February 16, 2007 was approximately \$3.55 and \$5.65, during the 90-day period ending on February 16, 2007 was approximately \$3.55 to \$4.30 and during the last 30 days ending on February 16, 2007 was approximately \$3.55 to \$4.15. Morgan Stanley noted that SIRIUS common stock price as of February 16, 2007 was \$3.70 per share.

Historical Exchange Ratio Analysis

Morgan Stanley analyzed the historical trading price of XM relative to SIRIUS common stock based on closing prices between February 16, 2005 and February 16, 2007 and calculated the historical exchange ratios during certain periods implied by dividing the daily closing prices per share of XM common stock by those of SIRIUS common stock and the average of those historical trading ratios for various periods ended on February 16, 2007. Morgan Stanley also calculated the exchange ratio implied by the closing price per share of common stock of each of XM and SIRIUS on February 16, 2007 of \$13.98 and \$3.70 per share, respectively. This analysis implied the following exchange ratios and premiums:

Days Trading	Implied Exchange Ratio(1)(2)	Transaction Premium to Share Price(1)
Feb 16, 2007	3.78x	22%
5-Day	3.67	25%
10-Day	3.72	24%
20-Day	3.76	22%
30-Day	3.88	19%
60-Day	3.89	18%
90-Day	3.66	26%

(1) Based on XM share price of \$13.98 and SIRIUS share price of \$3.70, each as of February 16, 2007.

(2) Based on transaction exchange ratio of 4.60x.

Equity Research Analyst Price Targets

Morgan Stanley reviewed public market trading price targets for XM's common stock prepared and published by equity research analysts. These targets reflect each analyst's estimate of the future public market trading price of XM's common stock. The range of equity analyst 12-month price targets for XM was from \$14.00 to \$25.00 per share of XM common stock. Morgan Stanley noted that the merger consideration as of February 16, 2007 was \$17.02 per share of XM common stock.

Morgan Stanley also reviewed public market trading price targets for SIRIUS common stock prepared and published by equity research analysts. These targets reflect each analyst's estimate of the future public market trading price of SIRIUS common stock. The range of equity analyst 12-month price targets for SIRIUS was from \$2.75 to \$8.00 per share of SIRIUS common stock. Morgan Stanley noted that the price per share of SIRIUS as of February 16, 2007 was \$3.70.

The public market trading price targets published by securities research analysts do not necessarily reflect current market trading prices for XM and shares of SIRIUS common stock and these estimates are subject to uncertainties, including the future financial performance of XM and SIRIUS and future financial market conditions.

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XM Discounted Cash Flow Analysis

Morgan Stanley calculated a range of equity values per share for XM based on a 14-year discounted cash flow analysis. In preparing certain of its analyses, Morgan Stanley relied upon two specific scenarios with respect to the projected future financial performance of XM. The scenario referred to as Wall Street research consensus estimates refers to results of XM derived from a broad range of publicly available equity research analysts' estimates. The scenario referred to as the XM management plan reflects certain projections prepared in connection with the proposed transaction based on discussions with XM's management transaction group from 2007 through 2010 and extrapolations by Morgan Stanley of those projections for the period of 2011 through 2020. The XM management plan has not been formally approved by the board of directors of XM and has not been prepared with a view toward public disclosure. XM does not publicly disclose internal information of the type provided to Morgan Stanley in connection with Morgan Stanley's analysis of the merger. The XM management plan was prepared in connection with the proposed transaction and is based on numerous variables and assumptions that are inherently uncertain and may be beyond the control of management, including, without limitation, factors related to general economic and competitive conditions and prevailing interest rates. Accordingly, actual results could vary significantly from those set forth in the XM management plan. Morgan Stanley noted that each of the projections described in this paragraph were based on numerous variables and assumptions that are inherently uncertain and may be beyond the control of management, including, without limitation, factors related to general economic and competitive conditions and prevailing interest rates. Accordingly, actual results could vary significantly from those set forth in such projections. With respect to the Wall Street research consensus estimates, Morgan Stanley noted that the public market trading price targets published by securities research analysts do not necessarily reflect current market trading prices for share of XM and SIRIUS common stock and these estimates are subject to uncertainties, including the future financial performance of XM and SIRIUS and future financial market conditions.

Utilizing such projections, Morgan Stanley calculated XM's annual after-tax unlevered free cash flows for fiscal years 2007 through 2020. Morgan Stanley estimated a range of terminal values calculated in 2020 utilizing perpetual growth rates. Morgan Stanley applied a range of perpetual growth rates of 1.0% to 4.0% to the unlevered free cash flows in the terminal year. Morgan Stanley then discounted the unlevered free cash flow streams and the estimated terminal value to a present value using a range of discount rates of 10.0% to 12.0%. Based on the aforementioned projections and assumptions, the discounted cash flow analysis of XM yielded an implied valuation range for XM common stock of \$13.80 to \$25.02 per share utilizing Wall Street research consensus estimates and \$24.74 to \$39.27 per share utilizing the XM management plan. Morgan Stanley noted that the per share merger consideration was \$17.02 as of February 16, 2007.

SIRIUS Discounted Cash Flow Analysis

Morgan Stanley calculated a range of equity values per share for SIRIUS based on a 14-year discounted cash flow analysis.

Similar to the XM discounted cash flow analysis discussed above, in preparing certain of its analyses, Morgan Stanley incorporated two specific scenarios with respect to the projected future financial performance of SIRIUS. The scenario referred to as Wall Street research consensus estimates refers to results of SIRIUS derived from a broad range of publicly available Wall Street equity research estimates. The scenario referred to as the SIRIUS management plan reflects certain projections prepared in connection with the proposed transaction based on discussions with SIRIUS management transaction group from 2007 through 2011 and extrapolations by Morgan Stanley of those projections for the period from 2012 through 2020. The SIRIUS management plan has not been formally approved by SIRIUS' senior management or by the board of directors of SIRIUS and has not been prepared with a view toward public disclosure. SIRIUS does not publicly disclose internal information of the type provided to Morgan Stanley in connection with Morgan Stanley's analysis of the merger. The SIRIUS management plan was prepared in connection with the proposed

transaction and is based on numerous variables and assumptions that are inherently uncertain and may be beyond the control of management, including, without limitation, factors related to general economic and competitive conditions and prevailing interest rates. Accordingly, actual results could vary significantly from those set forth in the SIRIUS management plan. In analyzing these extrapolated projections, Morgan Stanley relied upon observed trends as projected by Wall Street research consensus estimates

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with respect to the projected period beyond 2011. Morgan Stanley noted that each of the projections described in this paragraph are based on numerous variables and assumptions that are inherently uncertain and may be beyond the control of management, including, without limitation, factors related to general economic and competitive conditions and prevailing interest rates. Accordingly, actual results could vary significantly from those set forth in such projections.

Utilizing such projections, Morgan Stanley calculated SIRIUS' annual after-tax unlevered free cash flows for fiscal years 2007 through 2020. Morgan Stanley estimated a range of terminal values calculated in 2020 utilizing perpetual growth rates. Morgan Stanley applied a range of perpetual growth rates of 1.0% to 4.0% to the unlevered free cash flows in the terminal year. Morgan Stanley then discounted the unlevered free cash flow streams and the estimated terminal value to a present value using a range of discount rates of 10.0% to 12.0%. Based on the aforementioned projections and assumptions, the discounted cash flow analysis of SIRIUS yielded an implied valuation range for SIRIUS common stock of \$3.47 to \$5.58 per share utilizing Wall Street research consensus estimates and \$5.67 to \$8.77 per share utilizing the SIRIUS management plan. Morgan Stanley noted that the price per share of SIRIUS as of February 16, 2007 was \$3.70.

Contribution Analysis

Morgan Stanley also performed a contribution analysis which reviewed the pro forma contribution of each of XM and SIRIUS to the combined entity and implied contributions based on certain operational, financial and valuation metrics based upon each of Wall Street research consensus estimates and management plans for both XM and SIRIUS whenever applicable. Morgan Stanley reviewed the pro forma effect of the merger and computed the implied equity contribution of XM and SIRIUS for selected years from 2005 to 2010, depending on the relevance of the analyzed operational and financial metric within that period. Such operational, financial and valuation metrics included subscribers, revenue, EBITDA pre-equity compensation expenses, discounted cash flow, Wall Street analyst price targets and market equity values as of February 16, 2007. Morgan Stanley also noted the implied exchange ratio derived from the implied equity contributions across the selected metrics.

The computations resulted in the following equity contributions and implied exchange ratios:

Equity Contribution Analysis(1)	SIRIUS	XM	Implied Exchange Ratio
Based on the SIRIUS and XM Management Plans			
Subscribers			
2005A	36%	64%	8.24x
2006A	45%	55%	5.52
2007E	49%	51%	4.71
2008E	52%	48%	4.15
Revenue			
2005A	29%	71%	11.10
2006A	41%	59%	6.53
2007E	48%	52%	4.91
2008E	52%	48%	4.30
Adjusted EBITDA			
2009E	50%	50%	4.57
2010E	49%	51%	4.67
DCF Equity Value			

11% WACC, 3% Perpetual Growth Rate	53%	47%	4.11
Based on Research Consensus Estimates			
Subscribers			
2007E	48%	52%	4.86x
2008E	50%	50%	4.62

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Equity Contribution Analysis(1)	SIRIUS	XM	Implied Exchange Ratio
Revenue			
2007E	47%	53%	5.15
2008E	49%	51%	4.66
Adjusted EBITDA			
2009E	62%	38%	2.76
2010E	62%	38%	2.74
DCF Equity Value			
11% WACC, 3% Perpetual Growth Rate	52%	48%	4.22
Market Values			
Wall Street Price Targets			
Low	47%	53%	5.09
Average	57%	43%	3.66
High	61%	39%	3.13
Current Market Value	55%	45%	3.78

(1) Based on XM market capitalization of \$4.7 billion (share price: \$13.98, FDSO: 333MM) and net debt of \$1,054MM; and SIRIUS market capitalization of \$5.6 billion (share price: of \$3.70, FDSO; 1,521MM) and net debt of \$623MM as of February 16, 2007.

Morgan Stanley noted that the 4.60 exchange ratio of XM common stock to SIRIUS common stock would result in pro forma ownership of the combined company for holders of SIRIUS common stock equal to approximately 50%, consistent with a merger of equals.

Morgan Stanley also performed a quarterly historical contribution analysis which reviewed the pro forma contribution of each of XM and SIRIUS to the combined entity and implied contributions based on certain operational and financial metrics. Morgan Stanley reviewed the pro forma effect of the merger and computed the implied equity contribution of XM and SIRIUS on a quarterly basis for the period between the fourth quarter of 2004 and the fourth quarter of 2006. Such operational and financial results included subscribers, last twelve months revenue and run-rate revenue (run-rate revenue is calculated by annualizing the amount of revenue generated in each analyzed quarter). The computation showed, among other things, that SIRIUS implied equity contribution based on ending subscribers in each quarter increased from 26% in the fourth quarter of 2004 to 44% in the fourth quarter of 2006, increased from 21% in the fourth quarter of 2004 to 41% in the fourth quarter of 2006 based on last twelve months revenue, and increased from 23% in the fourth quarter of 2004 to 43% in the fourth quarter of 2006 based on run-rate revenue. The following table details the implied equity contributions for the selected metrics on a quarterly basis:

SIRIUS Implied Asset Value Contribution

	4Q 04	1Q 05	2Q 05	3Q 05	4Q 05	1Q 06	2Q 06	3Q 06	4Q 06
Ending Subscribers	26%	28%	29%	30%	36%	39%	40%	42%	44%
Run-Rate Revenue	23%	30%	29%	30%	31%	38%	40%	41%	43%
LTM Revenue	21%	25%	27%	29%	30%	33%	36%	38%	41%

Precedent Merger of Equals Analysis

Morgan Stanley reviewed the acquisition premium paid for a target's common stock one day, 5 days, 10 days, 20 days, 30 days and 90 days prior to the announcement of the applicable transaction in precedent merger of equals of U.S.-based public companies, focusing on deals with a transaction value above \$5.0 billion since 2004. Morgan Stanley reviewed transactions where the consideration paid consisted solely of stock. Morgan Stanley also reviewed the composition of the board of directors and senior management, and analyzed publicly available information, including the respective transaction values and pro-forma ownership, for the selected transactions reviewed.

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The following transactions were reviewed in connection with this analysis:

Bank of New York Company, Inc. / Mellon Financial Corporation

CVS Corporation / Caremark Rx, Inc.

Goldcorp Inc. / Glamis Gold Ltd.

Thermo Electron Corporation / Fisher Scientific International Inc.

Alcatel / Lucent Technologies, Inc.

AT&T Inc. / BellSouth Corporation

Symantec Corporation / Veritas Software Corporation

Based on these analyses, Morgan Stanley noted a reference range of premiums paid of 0% - 30% and a strong correlation between the premium paid and an acquirer's ability to nominate directors of the surviving company and appoint senior management.

No company or transaction utilized in the precedent transaction analyses is identical to XM, SIRIUS, or the merger. In evaluating the precedent transactions, Morgan Stanley made judgments and assumptions with regard to general business, market and financial conditions and other matters, which are beyond the control of XM and SIRIUS, such as the impact of competition on the business of XM, SIRIUS or the industry generally, industry growth and the absence of any adverse material change in the financial condition of XM, SIRIUS or the industry or in the financial markets in general, which could affect the public trading value of the companies and the aggregate value of the transactions to which they are being compared.

Pro-Forma Discounted Cash Flow Analysis

Morgan Stanley calculated a range of equity values per share for the combined company based on a 14-year discounted cash flow analysis of the pro-forma cash flow of the combined company, including estimated synergies, using two scenarios: (1) the pro-forma case based on Wall Street research consensus estimates for both SIRIUS and XM and (2) the pro-forma case based on management plans and extrapolations of management plans for both companies. In each of the Wall Street research consensus estimates and management plans, Morgan Stanley included cost synergies as projected by a broad range of Wall Street research analysts (revenue or capital expenditure synergies were not considered). Utilizing such projections, Morgan Stanley calculated the combined company's annual after-tax unlevered free cash flows for fiscal years 2007 through 2020. Morgan Stanley estimated a range of terminal values calculated for 2020 utilizing perpetual growth rates. Morgan Stanley applied a range of perpetual growth rates of 1.0% to 4.0% to the unlevered free cash flows in the terminal year. Morgan Stanley then discounted the unlevered free cash flow streams and the estimated terminal value to a present value using a range of discount rates of 10.0% to 12.0%.

Based on the aforementioned projections and assumptions, the discounted cash flow analysis of the combined company yielded an implied valuation range of common stock of \$4.41 to \$6.95 per share and an implied premium to the closing stock price of SIRIUS as of February 16, 2007 of 19.1% and 88.0% utilizing Wall Street research consensus estimates; and an implied valuation range of common stock of \$6.60 to \$10.06 per share and an implied premium to the closing stock price of SIRIUS as of February 16, 2007 of 78.5% and 172.0% utilizing the management plans.

Morgan Stanley also noted that based on the proposed transaction exchange ratio, the closing share prices of SIRIUS and XM as of February 16, 2007 and an illustrative value of synergies of approximately \$6 billion, calculated by reference to the equity research consensus estimates, the estimated value creation for SIRIUS and XM from the proposed transaction would be \$2.5 billion and \$3.5 billion, respectively.

Morgan Stanley performed a variety of financial and comparable analyses for purposes of rendering its opinion. The preparation of a financial opinion is a complex process and is not susceptible to partial analysis or summary description. In arriving at its opinion, Morgan Stanley considered the results of all of its analyses as a whole and did not attribute any particular weight to any analysis or factor considered. Furthermore, Morgan Stanley

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believes that the summary provided and the analyses described above must be considered as a whole and that selecting any portion of the analyses, without considering all of them as a whole, would create an incomplete view of the process underlying Morgan Stanley's analyses and opinion. In addition, Morgan Stanley may have given various analyses and factors more or less weight than other analyses and factors, and may have deemed various assumptions more or less probable than other assumptions. As a result, the ranges of valuations resulting from any particular analysis or combination of analyses described above should not be taken to be the view of Morgan Stanley with respect to the actual value of SIRIUS or XM common stock or the value of the combined company.

In performing its analyses, Morgan Stanley made numerous assumptions with respect to industry performance, general business, regulatory, and economic conditions and other matters, many of which are beyond the control of Morgan Stanley, SIRIUS or XM. Any estimates contained in the analyses of Morgan Stanley are not necessarily indicative of future results or actual values, which may be significantly more or less favorable than those suggested by such estimates.

Morgan Stanley conducted the analyses described above solely as part of its analysis of the fairness of the merger consideration pursuant to the merger agreement from a financial point of view to SIRIUS and in connection with the delivery of its opinion to SIRIUS' board of directors. These analyses do not purport to be appraisals or to reflect the prices at which shares of common stock of XM or SIRIUS might actually trade.

The merger consideration was determined through arm's-length negotiations between SIRIUS and XM and was approved by SIRIUS' board of directors. Morgan Stanley provided advice to SIRIUS during these negotiations. Morgan Stanley did not, however, recommend any specific merger consideration to SIRIUS or that any specific merger consideration constituted the only appropriate consideration for the merger.

The opinion of Morgan Stanley was one of the many factors taken into consideration by SIRIUS' board of directors in making its determination to approve the merger agreement. Consequently, the analyses as described above should not be viewed as determinative of the opinion of SIRIUS' board of directors with respect to the merger consideration or of whether SIRIUS' board of directors would have been willing to agree to a different merger consideration. The foregoing summary does not purport to be a complete description of all of the analyses performed by Morgan Stanley.

Morgan Stanley is an internationally recognized investment banking and advisory firm. Morgan Stanley, as part of its investment banking business, is continuously engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate, estate and other purposes. In the ordinary course of its trading, brokerage, investment management and financing activities, Morgan Stanley or its affiliates may actively trade the debt and equity securities of SIRIUS, XM and their affiliates for its own accounts or for the accounts of its customers and, accordingly, may at any time hold long or short positions in such securities.

Pursuant to an engagement letter, Morgan Stanley provided SIRIUS with financial advisory services and a financial opinion in connection with the merger. Pursuant to the terms of the engagement letter, SIRIUS has agreed to pay Morgan Stanley a transaction fee of \$10 million for services rendered in connection with the merger, which will be paid only if the merger is successfully completed. Also, pursuant to the engagement letter, Morgan Stanley will be eligible to receive an incentive fee of up to \$7.5 million, payable at SIRIUS' sole discretion. In the event that the merger agreement is terminated, Morgan Stanley is entitled to receive 15% of any breakup fee paid to SIRIUS as a result of such termination, up to a maximum amount of \$10 million. In addition, SIRIUS has agreed to indemnify Morgan Stanley and its affiliates, their respective directors, officers, agents and employees and each person, if any, controlling Morgan Stanley or any of its affiliates against certain liabilities and expenses, including certain liabilities under the federal securities laws, related to or arising out of Morgan Stanley's engagement and any related transactions. In the past, Morgan Stanley and its affiliates have provided financial advisory and financing services for

SIRIUS and have received fees for the rendering of these services. In particular, an affiliate of Morgan Stanley acts as the administrative agent and collateral agent under SIRIUS \$250 million term loan facility. Morgan Stanley may also seek to provide SIRIUS, XM or their affiliate s services in the future and may receive fees in connection with such services.

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Opinion of Financial Advisor to the XM Board of Directors

At the meeting of the board of directors of XM on February 18, 2007, JPMorgan rendered its oral opinion to the board of directors of XM that, as of such date and based upon and subject to the factors and assumptions set forth in its written opinion, the exchange ratio in the merger was fair from a financial point of view to the holders of common stock of XM. JPMorgan subsequently confirmed its oral opinion by delivering its written opinion, dated February 20, 2007, to the board of directors of XM. No limitations were imposed by XM's board of directors upon JPMorgan with respect to the investigations made or procedures followed by it in rendering its opinions.

The full text of the written opinion of JPMorgan, dated February 20, 2007, which sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations on the review undertaken in rendering its opinion, is attached as Annex C. The summary of JPMorgan's opinion set forth in this Proxy Statement is qualified in its entirety by reference to the full text of the opinion. Stockholders should read this opinion carefully and in its entirety. JPMorgan's opinion is directed to the board of directors of XM, addresses only the fairness from a financial point of view of the exchange ratio pursuant to the merger agreement to XM as of the date of the opinion, and does not address any other aspect of the merger. JPMorgan provided its advisory services and opinion for the information and assistance of the board of directors of XM in connection with its consideration of the proposed merger. The opinion of JPMorgan does not constitute a recommendation as to how any stockholder should vote with respect to the proposed merger. In addition, this opinion does not in any manner address the prices at which SIRIUS common stock will trade following the consummation of the merger.

In arriving at its opinion, JPMorgan, among other things:

reviewed a draft dated February 18, 2007 of the merger agreement;

reviewed certain publicly available business and financial information concerning XM and SIRIUS and the industries in which they operate;

reviewed the current and historical market prices of the common stock of XM and the common stock of SIRIUS;

reviewed certain internal financial analyses and forecasts prepared in connection with the proposed transaction by the managements of XM and SIRIUS relating to their respective businesses, financial forecasts prepared in connection with the proposed transaction by XM management (with the assistance of an independent consultant) relating to SIRIUS' business, as well as the estimated amount and timing of the cost savings and related expenses and other synergies expected to result from the merger, which are referred to in this Proxy Statement as the Synergies, and information provided by the managements of each of XM and SIRIUS relating to certain of their respective tax attributes; and

performed such other financial studies and analyses and considered such other information as JPMorgan deemed appropriate for the purposes of this opinion.

JPMorgan also held discussions with certain members of the management of XM and SIRIUS with respect to certain aspects of the merger, and the past and current business operations of XM and SIRIUS, the financial condition and future prospects and operations of XM and SIRIUS, the effects of the merger on the financial condition and future prospects of XM and SIRIUS, and certain other matters JPMorgan believed necessary or appropriate to its inquiry.

In giving its opinion, JPMorgan relied upon and assumed, without assuming responsibility or liability for independent verification, the accuracy and completeness of all information that was publicly available or was furnished to or discussed with JPMorgan by XM and SIRIUS or otherwise reviewed by or for JPMorgan. JPMorgan did not conduct and was not provided with any valuation or appraisal of any assets or liabilities, nor did JPMorgan evaluate the solvency of XM or SIRIUS under any state or federal laws relating to bankruptcy, insolvency or similar matters. In relying on financial analyses and forecasts provided to JPMorgan by the managements of XM and SIRIUS, including the Synergies, JPMorgan assumed that they were reasonably prepared based on assumptions reflecting the best then available estimates and judgments by management of XM and SIRIUS as to the expected future results of operations and financial condition of XM and SIRIUS to which such analyses or forecasts relate.

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JPMorgan expressed no view as to such analyses or forecasts (including the Synergies) or the assumptions on which they were based. JPMorgan also assumed that the merger will qualify as a tax-free reorganization for U.S. federal income tax purposes, have the tax consequences described in discussions with representatives of XM, that the other transactions contemplated by the merger agreement will be consummated as described in the merger agreement, and that the definitive merger agreement would not differ in any material respect from the draft thereof provided to JPMorgan. JPMorgan relied as to all legal, regulatory or tax matters relevant to the rendering of its opinion upon the assessments made by advisors to XM with respect to such issues. JPMorgan further assumed that all material governmental, regulatory or other consents, authorizations and approvals necessary for the consummation of the merger will be obtained without any adverse effect on XM and SIRIUS or on the contemplated benefits of the merger.

The JPMorgan opinion is necessarily based on economic, market and other conditions as in effect on, and the information made available to JPMorgan as of, the date of the JPMorgan opinion. Subsequent developments may affect the JPMorgan opinion, and JPMorgan does not have any obligation to update, revise or reaffirm the JPMorgan opinion. The JPMorgan opinion is limited to the fairness, from a financial point of view, to the holders of common stock of XM of the exchange ratio by which each share of XM common stock will be converted into shares of SIRIUS common stock should the merger be completed and JPMorgan has expressed no opinion as to the fairness of the merger to, or any consideration to be received by, the holders of any other class of securities, creditors or other constituencies of XM or as to the underlying decision by XM to engage in the merger. JPMorgan has also expressed no opinion as to the price at which the shares of XM or SIRIUS common stock will trade at any future time.

In accordance with customary investment banking practice, JPMorgan employed generally accepted valuation methods in reaching its opinion. The following is a summary of certain of the financial analyses undertaken by JPMorgan and delivered to the board of directors of XM on February 18, 2007, which analyses were among those considered by JPMorgan in connection with delivering the JPMorgan opinion.

Projections

In performing its analysis of XM, JPMorgan relied upon (1) estimates provided by the management of XM prepared in connection with the proposed transaction for the period 2006 to 2010, plus an extension of such estimates through the period ending 2016 prepared by JPMorgan and reviewed and approved by the management of XM, which are referred to in this Proxy Statement as the XM Management Case and (2) Wall Street analyst projections, which are referred to in this Proxy Statement as the XM Street Case. In performing its analysis of SIRIUS, JPMorgan relied on (1) a base case prepared in connection with the proposed transaction by the management of XM with the assistance of an independent consultant based on estimates provided by the management of SIRIUS for the period 2006 to 2010, plus an extension of such estimates through the period ending 2016 prepared by JPMorgan and reviewed and approved by the management of XM, which is referred to in this Proxy Statement as the SIRIUS Management Case (2) a sensitivity case prepared in connection with the proposed transaction by the management of XM with the assistance of an independent consultant for the period 2006 to 2010, plus an extension of such estimates through the period ending 2016 prepared by JPMorgan and reviewed and approved by the management of XM, which is referred to in this Proxy Statement as the SIRIUS Adjusted Management Case, and (3) Wall Street analyst projections, which are referred to in this Proxy Statement as the SIRIUS Street Case. These estimates were based on assumptions regarding the financial performance of XM and SIRIUS.

The projections furnished to JPMorgan for XM and SIRIUS were prepared by the managements of XM (with the assistance of an independent consultant) and SIRIUS in connection with the proposed transaction. Neither XM nor SIRIUS publicly discloses internal management projections of the type provided to JPMorgan in connection with JPMorgan's analysis of the merger, and such projections were prepared in connection with the proposed transaction and were not prepared with a view toward public disclosure. These projections were based on numerous variables and assumptions that are inherently uncertain and may be beyond the control of management, including, without

limitation, factors related to general economic and competitive conditions and prevailing interest rates. Accordingly, actual results could vary significantly from those set forth in such projections.

Table of Contents***Historical exchange ratio analysis***

JPMorgan reviewed the per share daily closing market price of SIRIUS common stock and XM common stock over the previous year, and calculated the implied historical exchange ratios during this period by dividing the daily closing prices per share of XM common stock by those of SIRIUS common stock and the average of those implied historical exchange ratios for the one-day, five-day, ten-day, one-month, three-month, six-month, one-year and two-year periods ending February 16, 2007. The analysis resulted in the following average implied exchange ratios for the periods indicated (rounded to the nearest hundredth):

	Exchange Ratio
Current (02/16/2007)	3.78x
1-day	3.61x
5-day	3.67x
10-day	3.72x
1-month	3.80x
3-month	3.86x
6-month	3.51x
1-year	3.62x
2-year	4.32x

JPMorgan noted that an historical stock trading analysis is not a valuation methodology and that such analysis was presented merely for informational purposes.

Relative Discounted Cash Flow Analysis

JPMorgan conducted a discounted cash flow analysis for each of XM and SIRIUS for the purpose of determining their respective fully diluted equity value per share on a stand-alone basis (i.e., without Synergies).

JPMorgan calculated the unlevered free cash flows that XM and SIRIUS are expected to generate during fiscal years 2007 through 2016 based upon financial projections prepared by the management of XM in connection with the proposed transaction. JPMorgan also calculated a range of terminal values of both XM and SIRIUS at the end of the 10-year period ending 2016 by applying a perpetual revenue growth rate ranging from 2.5% to 4.5%. The unlevered free cash flows and the range of terminal values were then discounted to present values using a range of discount rates from 10.0% to 14.0%, which were chosen by JPMorgan based upon an analysis of the weighted average cost of capital of XM and SIRIUS. The present value of the unlevered free cash flows and the range of terminal asset values were then adjusted for XM and SIRIUS' estimated 2006 fiscal year-end net debt to obtain fully diluted equity value.

As part of the total equity value calculated for XM, JPMorgan calculated the present value of the tax benefit from XM's estimated net operating loss carry-forwards (referred to as NOLs) balance as of December 31, 2006. As part of the total equity value calculated for SIRIUS, JPMorgan calculated the present value of SIRIUS' estimated NOLs balance as of December 31, 2006.

The analysis yielded the following implied equity value per share:

	XM		SIRIUS Adj.		
	Management	Street	Management	Management	Street
High	\$ 43.15	\$ 22.19	\$ 10.30	\$ 8.43	\$ 5.78
Mid-point	35.72	17.91	8.54	6.94	4.78
Low	30.40	14.86	7.29	5.87	4.04

JPMorgan compared the results for the XM Management Case to the SIRIUS Management Case and to the SIRIUS Adjusted Management Case. JPMorgan also compared the results for the XM Street Case to the SIRIUS Street Case. For each comparison, JPMorgan compared the highest equity value per share for XM to the lowest equity value per share for SIRIUS to derive the highest relative ownership implied by each pair of estimates.

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JPMorgan also compared the lowest equity value per share for XM to the highest equity value per share for SIRIUS to derive the lowest relative ownership implied by each pair of estimates. These relative equity ownerships yielded the following implied exchange ratios:

	Exchange Ratio
XM Management Case to SIRIUS Management Case	
Lowest XM equity value per share to highest SIRIUS equity value per share	3.0x
Highest XM equity value per share to lowest SIRIUS equity value per share	5.9x
XM Management Case to SIRIUS Adjusted Management Case	
Lowest XM equity value per share to highest SIRIUS equity value per share	3.6x
Highest XM equity value per share to lowest SIRIUS equity value per share	7.4x
XM Street Case to SIRIUS Street Case	
Lowest XM equity value per share to highest SIRIUS equity value per share	2.6x
Highest XM equity value per share to lowest SIRIUS equity value per share	5.5x

Contribution Analysis

JPMorgan analyzed the contribution of each of XM and SIRIUS to the pro forma combined company with respect to subscribers, EBITDA (pre-stock based compensation), operating cash flow, or OCF, and levered free cash flow, or LFCF (defined as OCF minus capital expenditures), for fiscal years 2006 through 2010 and, except for subscribers, 2007-2010 cumulative. Out of the four metrics, JPMorgan focused on subscriber projections and LFCF. A focus on subscriber contributions assumes that per subscriber profitability of XM and SIRIUS will converge over time. LFCF is more relevant than EBITDA and OCF because EBITDA and OCF do not take into account the impact of capital expenditure. Three sets of relative contribution analyses were prepared comparing: (i) XM Management Case and SIRIUS Management Case; (ii) XM Management Case and SIRIUS Adjusted Management Case; and (iii) XM Street Case and SIRIUS Street Case. These three sets of analyses yielded the following pro forma diluted equity value contributions and implied exchange ratios.

For purposes of the contribution analysis, JPMorgan assumed that the contributions with respect to subscribers, EBITDA and OCF reflected each company's contribution to the combined company's pro forma firm value. Equity value contributions were derived by adjusting firm value contributions for outstanding net debt. JPMorgan assumed that contributions with respect to LFCF reflected each company's contribution to the combined company's pro forma equity value.

i. XM Management Case and SIRIUS Management Case

Subscribers	2006	2007	2008	2009	2010
XM contribution	57%	53%	49%	49%	48%
Implied exchange ratio	6.1x	5.1x	4.5x	4.3x	4.3x

EBITDA	2006	2007	2008	2009	2010	2007-2010 Cumul.
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XM contribution	80%	65%	57%	44%	48%	50%
Implied exchange ratio	18.5x	8.5x	6.0x	3.6x	4.2x	4.5x

OCF	2006	2007	2008	2009	2010	2007-2010 Cumul.
XM contribution	49%	31%	46%	39%	49%	45%
Implied exchange ratio	4.4x	2.0x	4.0x	2.9x	4.4x	3.8x

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LFCF	2006	2007	2008	2009	2010	2007-2010 Cumul.
XM contribution	42%	NM	82%	42%	51%	47%
Implied exchange ratio	3.3x	NM	20.6x	3.3x	4.8x	4.1x

ii. XM Management Case and SIRIUS Adjusted Management Case

Subscribers	2006	2007	2008	2009	2010
XM contribution	57%	53%	51%	50%	50%
Implied exchange ratio	6.1x	5.1x	4.7x	4.5x	4.5x

EBITDA	2006	2007	2008	2009	2010	2007-2010 Cumul.
XM contribution	80%	74%	NM	60%	56%	72%
Implied exchange ratio	18.5x	13.1x	NM	6.8x	5.8x	11.8x

OCF	2006	2007	2008	2009	2010	2007-2010 Cumul.
XM contribution	49%	NM	NM	47%	56%	57%
Implied exchange ratio	4.4x	NM	NM	4.1x	5.8x	6.0x

LFCF	2006	2007	2008	2009	2010	2007-2010 Cumul.
XM contribution	42%	42%	NM	57%	61%	68%
Implied exchange ratio	3.3x	3.3x	NM	6.1x	7.1x	9.7x

iii. XM Street Case and SIRIUS Street Case

Subscribers	2006	2007	2008	2009	2010
XM contribution	55%	51%	50%	50%	49%
Implied exchange ratio	5.6x	4.8x	4.6x	4.5x	4.4x

EBITDA	2006	2007	2008	2009	2010	2007-2010 Cumul.
XM contribution	76%	73%	NM	40%	38%	49%

Implied exchange ratio	14.2x	12.1x	NM	3.1x	2.8x	4.4x
OCF	2006	2007	2008	2009	2010	2007-2010 Cumul.
XM contribution	47%	66%	45%	40%	39%	40%
Implied exchange ratio	4.0x	9.0x	3.7x	3.1x	2.9x	3.1x
LFCF	2006	2007	2008	2009	2010	2007-2010 Cumul.
XM contribution	43%	39%	NM	37%	40%	41%
Implied exchange ratio	3.5x	3.0x	NM	2.7x	3.1x	3.1x

JPMorgan then compared the exchange ratio in the proposed merger to: (1) the exchange ratios implied by the relative equity values per share in the discounted cash flow analysis and (2) the exchange ratios implied by the contribution analysis.

Historical premiums analysis

JPMorgan analyzed premiums paid on selected precedent mergers of equals (82 transactions since 1995) and selected acquisitions of U.S. targets, excluding mergers of equals, divided into transactions involving all-stock or mixed consideration and transactions involving all-cash consideration (a total of 2,848 transactions since 1999).

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Premium paid	<5%	5-10%	10-20%	20-30%	>30%
% of transactions	38%	35%	20%	4%	3%

The median derived from this analysis is 6.0%.

Acquisitions excluding MoE 100% stock and mixed consideration

Premium paid	<5%	5-10%	10-20%	20-30%	>30%
% of transactions	15%	8%	17%	18%	42%

The median derived from this analysis is 25.8%.

Acquisitions excluding MoE 100% cash consideration

Premium paid	<5%	5-10%	10-20%	20-30%	>30%
% of transactions	12%	6%	15%	18%	48%

The median derived from this analysis is 28.7%.

Based on the February 16, 2007 (the last trading day prior to the announcement of the transaction) closing prices of \$13.98 and \$3.70 for XM and SIRIUS respectively, the premium implied by the proposed 4.60x exchange ratio is 21.7%.

JPMorgan noted that an historical premiums analysis is not a valuation methodology and that such analysis was presented merely for informational purposes.

XM Per Share Accretion Analysis

JPMorgan prepared a multiples-based analysis of the pro forma financial impact of the merger. Based on the XM Management Case and SIRIUS Management Case projections, and XM and SIRIUS share prices and current net debt as of February 16, 2007, JPMorgan calculated implied 2010 trading multiples:

Metric	XM	SIRIUS
Firm value / 2010 EBITDA	6.5x	7.0x
Equity value / 2010 LFCF	4.4x	5.6x

JPMorgan calculated the implied pro forma trading multiples assuming that immediately after closing, the pro forma company traded at a constant price of \$3.70 (SIRIUS share price on February 16, 2007). JPMorgan also calculated the implied pro forma share price assuming that the combined entity will trade at a firm value to 2010 EBITDA multiple equal to the weighted average of XM and SIRIUS standalone multiples. Finally, JPMorgan calculated the implied pro forma share price assuming that the combined entity will trade at an equity value to 2010 LFCF multiple equal to the weighted average of XM and SIRIUS standalone multiples.

Pro forma net debt was adjusted to include the cost to achieve synergies and transaction costs, and pro forma EBITDA and LFCF projections reflected XM management's assumptions on the synergies that will be realized from the merger. The implied XM share price accretion/dilution impact was calculated based as SIRIUS' implied pro forma share price times the 4.60x proposed exchange ratio.

Metric	Constant Share Price	Constant 2010 FV/EBITDA	Constant 2010 EV/LFCF
Implied share price	\$ 3.70	\$ 4.39	\$ 3.97
Implied 2010 FV/EBITDA	5.8x	6.8x	6.2x
Implied 2010 EV/LFCF	4.7x	5.6x	5.1x
<i>Accretion to XM</i>	22%	44%	31%

Value Creation Analysis

JPMorgan conducted a value creation analysis that compared the share price of XM common stock derived from a discounted cash flow valuation on a stand-alone basis to the equity value per share pro forma for the merger.

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The pro forma equity value per share was equal to: (1) (a) XM's stand-alone discounted cash flow value (including the present value of the expected tax shield from NOLs), plus (b) SIRIUS' stand-alone discounted cash flow value, plus (including the present value of the expected tax shield from NOLs), (c) the present value of the synergies, less (d) the cost to achieve synergies and transaction costs, less (e) an NOL adjustment; divided by (2) pro forma diluted shares outstanding. The NOL adjustment represented the impact of the transaction on the present value of the tax shield from NOLs, taking into account limits on the ability to utilize each of XM's and SIRIUS' NOLs as a result of a change of control under Sec. 382 of the Code and each of XM's and SIRIUS' net unrealized built-in gains. The value creation analysis was repeated using different combinations of projections for the XM and SIRIUS discounted cash flow, or DCF, valuations: (1) XM Management Case and SIRIUS Management Case, (2) XM Management Case and SIRIUS Adjusted Management Case and (3) XM Street Case and SIRIUS Street Case.

JPMorgan also prepared a value creation analysis that compared the market price of XM common stock as of February 16, 2007 to the equity value per share pro forma for the merger. The pro forma equity value per share was equal to: (1) (a) the public market equity value of XM, plus (b) the public market equity value of SIRIUS, plus, (c) the value of expected synergies calculated by applying a multiple to XM management's estimate of run-rate synergies, less (d) the cost to achieve synergies and transaction costs divided by (2) the pro forma diluted number of shares outstanding.

XM valuation	SIRIUS Valuation	Accretion
DCF value XM Management Case	DCF value SIRIUS Management Case	20%
DCF value XM Management Case	DCF value SIRIUS Adj. Mgmt. Case	10%
DCF value XM Street Case	DCF value SIRIUS Street Case	44%
Market value	Market value	61%

The foregoing summary of certain material financial analyses does not purport to be a complete description of the analyses or data presented by JPMorgan. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. JPMorgan believes that the foregoing summary and its analyses must be considered as a whole and that selecting portions of the foregoing summary and these analyses, without considering all of its analyses as a whole, could create an incomplete view of the processes underlying the analyses and its opinion. In arriving at its opinion, JPMorgan did not attribute any particular weight to any analyses or factors considered by it and did not form an opinion as to whether any individual analysis or factor (positive or negative), considered in isolation, supported or failed to support its opinion. Rather, JPMorgan considered the totality of the factors and analyses performed in determining its opinion. Analyses based upon forecasts of future results are inherently uncertain, as they are subject to numerous factors or events beyond the control of the parties and their advisors. Accordingly, forecasts and analyses used or made by JPMorgan are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by those analyses. Moreover, JPMorgan's analyses are not and do not purport to be appraisals or otherwise reflective of the prices at which businesses actually could be bought or sold.

As a part of its investment banking business, JPMorgan and its affiliates are continually engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, investments for passive and control purposes, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements, and valuations for estate, corporate and other purposes. JPMorgan was selected on the basis of such experience and its familiarity with XM to advise XM in connection with the merger and to deliver a fairness opinion to the board of

directors of XM addressing only the fairness from a financial point of view of the exchange ratio pursuant to the merger agreement to XM as of the date of such opinion.

For services rendered in connection with the merger (including the delivery of its opinion), XM has agreed to pay JPMorgan \$12,500,000, a substantial portion of which is dependent on completion of the transaction. In addition, XM has agreed to reimburse JPMorgan for its expenses incurred in connection with its services, including the fees and disbursements of counsel, and will indemnify JPMorgan against certain liabilities, including liabilities arising under the federal securities laws.

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JPMorgan and its affiliates have performed in the past, and may continue to perform, certain services for XM, SIRIUS and their respective affiliates, all for customary compensation, including (1) acting as joint bookrunner in connection with XM's private offering of \$600 million of unsecured 9.75% senior notes due 2014 and \$200 million of unsecured senior floating rate notes due 2013 in May 2006, (2) acting as lead bookrunner in connection with XM's \$250 million senior secured credit facility in April 2006, (3) providing treasury and security services to XM on an ongoing basis, (4) acting as lead bookrunner in connection with SIRIUS' prospective offering of \$250 million of senior notes in March 2005, which was not priced due to market conditions, and (5) acting as underwriter of a block trade of SIRIUS common stock for Apollo Investment Fund IV, L.P. and Apollo Overseas Partners IV, L.P. in September 2005.

JPMorgan's commercial bank affiliate is agent bank and lender to XM under its \$250 million senior secured revolving credit facility. In the ordinary course of their businesses, JPMorgan and its affiliates may actively trade the debt and equity securities of XM or SIRIUS for their own accounts or for the accounts of customers and, accordingly, they may at any time hold long or short positions in such securities.

Interests of Directors and Executive Officers in the Merger

Interests of Directors and Executive Officers of XM in the Merger

In considering the recommendations of XM's board of directors with respect to its approval of the merger agreement, XM's stockholders should be aware that XM's executive officers and directors have interests in the merger that are different from, or in addition to, those of the XM stockholders generally.

Stock Options and Restricted Stock

In the merger, all outstanding XM employee stock options and restricted stock awards will be converted into options and restricted stock awards of SIRIUS, in each case, on terms substantially identical to those in effect immediately prior to the completion of the merger, and those options and restricted stock awards will entitle the holder to receive SIRIUS common stock. The number of shares issuable under those options and restricted stock awards, and, where applicable, the exercise prices for those options and awards, will be adjusted based on the exchange ratio. In addition, to the extent that the transfer of shares of XM common stock issuable upon exercise of any XM option (or issued in connection with any previously exercised XM option) is conditioned upon the fair market value of XM common stock achieving a specified percentage increase over the exercise price of such XM option, such restriction will be applied by requiring the same percentage increase in SIRIUS common stock over the exercise price of the corresponding converted option (or, in the case of a previously exercised XM option, the exercise price that would have been determined under the calculation above had such XM option been outstanding at the completion of the merger). A similar adjustment will occur with respect to any transfer restrictions applicable with respect to shares subject to, or acquired pursuant to, XM restricted stock awards.

In addition, restricted stock awards held by XM executive officers will become 100% vested upon an involuntary termination or resignation for good reason within one year of a change in control, stock options held by XM executive officers will become 100% vested upon an involuntary termination of employment or resignation for good reason within one year of a change in control, and stock options will be fully exercisable for up to twelve months following such termination. All trading restrictions on restricted shares and options will also lapse upon a qualifying termination. For these purposes, change in control is defined in a manner that includes consummation of the merger. The treatment of outstanding stock options and restricted stock awards held by the XM Chairman, CEO and COO are described below under Employment Agreements.

Employment Agreements

Chairman. XM has an employment agreement with Gary Parsons, its Chairman, dated August 6, 2004, last amended April 4, 2007. Pursuant to his employment agreement, in the event of a termination of employment of Mr. Parsons without cause, or if Mr. Parsons were to resign for good reason (which includes a change in control of XM), he will be paid a lump sum equal to two times the sum of base salary and target annual bonus for the year of termination and XM will continue to make available (or pay annually in a lump sum) all applicable benefits for two years. In the event of such a termination, Mr. Parsons also will be entitled to receive a pro-rated portion of his target annual bonus for the year in which such termination occurs. In addition, all options and restricted shares granted to

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Mr. Parsons will vest immediately and options will remain exercisable for eighteen months. In addition, contractual trading restrictions on all restricted shares and shares acquired pursuant to options granted under Mr. Parsons' employment agreement will lapse after termination without cause or resignation for good reason within one year following a change in control. For these purposes, change in control is defined in a manner that includes the consummation of the merger. The employment agreement also provides for a gross-up payment to be made to Mr. Parsons in the event of any excise tax penalties imposed by Section 4999 of the Code (relating to golden parachute payments).

Chief Executive Officer. XM has an employment agreement with Hugh Panero, its CEO, dated August 6, 2004, last amended April 4, 2007. Pursuant to the employment agreement, a severance amount equal to three times the sum of base salary and target bonus for the year of termination will be paid to Mr. Panero if XM and Mr. Panero mutually agree to terminate his employment prior to March 31, 2008 or if Mr. Panero is terminated without cause or resigns for good reason (which includes a change in control of XM, and also includes the departure of Mr. Parsons as the Chairman of XM unless the new chairman is reasonably acceptable to Mr. Panero). Under those circumstances XM will also make available (or pay annually in a lump sum) all applicable benefits for five years from the date of termination. In the event of such a termination, Mr. Panero also will be entitled to receive a pro-rated portion of his target annual bonus for the year in which such termination occurs. In addition, all options and restricted stock awards will vest immediately if Mr. Panero were to be terminated without cause or by mutual agreement or were to resign for good reason (other than restricted stock grants made in 2007, which will vest on completion of the consulting term described below). All options will remain exercisable for eighteen months. All trading restrictions on stock acquired pursuant to restricted share awards and options under the employment agreement will lapse. For these purposes, change in control is defined in a manner that includes stockholder approval of a merger. The agreement also provides that Mr. Panero will perform part-time consulting services if his employment terminates prior to the earlier of March 31, 2008 and consummation of the merger, with such services to be provided until the earlier of the foregoing dates. The agreement also provides for a gross-up payment to be made to Mr. Panero for any penalties imposed by Section 409A of the Code (relating to nonqualified deferred compensation), and in the event of any excise tax penalties imposed by Section 4999 of the Code (relating to golden parachute payments).

XM and Mr. Panero have agreed that his employment will terminate in August 2007, and Mr. Panero will receive the above-referenced payments and benefits in connection with such termination.

President and Chief Operating Officer. XM has an employment agreement with Nathaniel Davis, its President and COO, dated July 20, 2006, last amended April 4, 2007. The employment agreement provides for a severance amount equal to two times the sum of base salary and target bonus for the year of termination (or, if following a change in control, target bonus for the year of the change in control, if higher), as well as two years' benefits continuation, to be paid or provided if Mr. Davis is terminated without cause or resigns for good reason (which includes a change in control of XM, and the appointment of a new CEO of XM other than himself or Mr. Parsons). Mr. Davis also will be entitled to receive a pro-rated portion of his annual bonus for the year, based on target for the year of termination (or, if following a change in control, target bonus for the year of the change in control, if higher). The employment agreement also provides for all trading restrictions on stock acquired pursuant to restricted share awards and options under the employment agreement to lapse after termination without cause or resignation for good reason within one year following a change in control. For these purposes, change in control is defined in a manner that includes consummation of the merger. The agreement also provides for a gross-up payment to be made to the executive in the event of any excise tax penalties imposed by Section 4999 of the Code (relating to golden parachute payments).

Mr. Davis will serve as the interim CEO effective as of the termination of Mr. Panero's employment.

Severance Agreements

XM has entered into change in control severance agreements with each of the executive officers of XM other than the XM Chairman, CEO and COO. The agreements provide, among other things, that if a change in control of XM occurs and as a result the officer is either involuntarily terminated or terminates his or her employment for good reason, the officer will receive a lump sum cash payment equal to two times the sum of the officer's base salary and target annual bonus, a pro-rata target annual bonus in respect of the year of termination, continued health and

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insurance benefits for two years, and outplacement services for two years. All contractual trading restrictions on stock acquired pursuant to restricted share awards and options also will lapse. For these purposes, change in control is defined in a manner that would include consummation of the merger. The change in control agreements also provide for a gross-up payment to be made to the executive in the event of any excise tax penalties imposed by Section 4999 of the Code (relating to golden parachute payments).

Indemnification and Insurance

XM and each of its directors and executive officers have previously entered into indemnification agreements. Under the indemnification agreements, each director and executive officer is entitled to be indemnified against damages, judgments, fines penalties and settlements in connection with threatened or actual litigation related to his or her capacity as director or executive officer. XM's certificate of incorporation and its Bylaws provide that XM shall indemnify its directors and officers to the fullest extent not prohibited by the Delaware General Corporation Law. In addition, XM has obtained an insurance policy covering directors and officers for claims that such directors and officers may otherwise be required to pay or for which XM is required to indemnify them, subject to certain exclusions.

The merger agreement provides that, following the completion of the merger, the combined company will indemnify and hold harmless, and provide advancement of claims-related expenses to, all past and present directors, officers and employees of XM and its subsidiaries against all losses, claims, expenses or liabilities pertaining to matters occurring prior to the closing of the merger. This indemnification will apply to the same extent such persons are indemnified or have the right to advancement of expenses as of the date of the merger agreement by XM pursuant to XM's certificate of incorporation, bylaws and indemnification agreements in existence on the date hereof with any directors, officers and employees of XM and its subsidiaries.

The merger agreement also provides that SIRIUS shall maintain XM's current directors' and officers' liability insurance policies for a period of six years.

Designation of XM's Chairman as Chairman of the Board of Directors of the Combined Company

Under the merger agreement, Gary M. Parsons, XM's Chairman, will become chairman of the board of directors of the combined company upon completion of the merger.

Designation as Directors of the Combined Company

The SIRIUS board of directors after the merger will initially consist of 12 directors. Mel Karmazin, SIRIUS' CEO and a member of the SIRIUS board of directors, will remain CEO of the combined company and a member of the board of directors. Gary M. Parsons, XM's Chairman, will become chairman of the board of directors of the combined company. Of the remaining 10 directors, SIRIUS and XM will each designate four directors (who may be existing directors), who will qualify as independent directors, and XM will designate two additional directors (one will be a designee of General Motors and the other will be a designee of American Honda).

Continued Employment with the Combined Company

Certain of XM's current executive officers will be offered continued employment with the combined company after the effective time of the merger. The exact composition of the combined company's executive management following the merger has not been finalized as of the date of this Proxy Statement.

Interests of Directors and Executive Officers of SIRIUS in the Merger

In considering the recommendations of SIRIUS' board of directors with respect to its approval of the merger agreement, SIRIUS' stockholders should be aware that SIRIUS' executive officers and directors have interests in the merger that are different from, or in addition to, those of the SIRIUS stockholders generally.

CEO and Board of Directors

The CEO of SIRIUS, who is also a director of SIRIUS, will, pursuant to the merger agreement, remain CEO of the combined company and will remain on the board of directors of the combined company. In addition, four current SIRIUS directors will serve on the board of directors of the combined company.

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Employment Agreements

SIRIUS has entered into employment agreements with each of its executive officers, which contain provisions regarding payments upon a termination of employment.

Chief Executive Officer. In November 2004, SIRIUS entered into a five-year agreement with Mel Karmazin to serve as its Chief Executive Officer. Pursuant to SIRIUS' agreement with Mr. Karmazin, his stock options and shares of restricted stock will vest upon his termination of employment for good reason, upon his death or disability, and in the event of a change in control (defined in a manner that does not include the proposed merger with XM). In the event Mr. Karmazin's employment is terminated by SIRIUS without cause, his unvested stock options and shares of restricted stock will vest and become exercisable, and he will receive his current base salary for the remainder of the term and any earned but unpaid annual bonus. In the event that any payment we make, or benefit SIRIUS provides, to Mr. Karmazin would be deemed to be an excess parachute payment under Section 280G of the Code such that he would be subject to an excise tax, SIRIUS has agreed to pay Mr. Karmazin the amount of such tax and such additional amount as may be necessary to place him in the exact same financial position that he would have been in if the excise tax was not imposed.

President, Entertainment and Sports. Scott A. Greenstein has agreed to serve as SIRIUS' President, Entertainment and Sports, through July 2009. If Mr. Greenstein's employment is terminated without cause or he terminates his employment for good reason, he is entitled to receive a lump sum payment equal to (i) his base salary in effect from the termination date through July 2009 and (ii) any annual bonuses, at a level equal to 60% of his base salary, that would have been customarily paid during the period from the termination date through July 2009. In the event Mr. Greenstein's employment is terminated without cause or he terminates his employment for good reason, SIRIUS is also obligated to continue his medical, dental, and life insurance benefits for eighteen months following his termination. Medical, dental, and life insurance benefits will continue through July 2009 if the time period at termination is longer than eighteen months. If, following the occurrence of a change in control (defined in a manner that does not include the proposed merger with XM), Mr. Greenstein is terminated without cause or he terminates his employment for good reason, SIRIUS is obligated to pay Mr. Greenstein the lesser of (i) four times his base salary and (ii) 80% of the multiple of base salary, if any, that SIRIUS' Chief Executive Officer would be entitled to receive under his or her employment agreement if he or she was terminated without cause or terminated for good reason following such change in control. SIRIUS is also obligated to continue Mr. Greenstein's medical, dental, and life insurance benefits, or pay him an amount sufficient to replace these benefits, until the third anniversary of his termination date. In the event that any payment SIRIUS makes, or benefit it provides, to Mr. Greenstein would be deemed to be an excess parachute payment under Section 280G of the Code such that he would be subject to an excise tax, SIRIUS has agreed to pay Mr. Greenstein the amount of such tax and such additional amount as may be necessary to place him in the exact same financial position that he would have been in if the excise tax was not imposed.

President, Operations and Sales. SIRIUS has entered into an amended and restated employment agreement with James E. Meyer, dated June 6, 2007, to continue to serve as its President, Operations and Sales, through April 30, 2010 at his present salary. If Mr. Meyer's employment is terminated without cause or he terminates his employment for good reason, SIRIUS will pay him a lump sum payment equal to (i) his annual base salary in effect on the termination date plus, (ii) the greater of (x) a bonus equal to 60% of his annual base salary or (y) the prior year's bonus actually paid to him (the Designated Amount). Pursuant to the employment agreement, Mr. Meyer may elect to retire in April 2008, April 2009 or April 2010. In the event he elects to retire, SIRIUS has agreed to pay him a lump sum payment equal to the Designated Amount.

If, following the consummation of the merger, Mr. Meyer elects to retire (which he may do shortly following the merger or the next April following the merger), or Mr. Meyer is terminated without cause or he terminates his employment for good reason during the 12 month period following the merger, SIRIUS will pay him a lump sum

payment equal to two times the Designated Amount.

Upon the expiration of Mr. Meyer's employment agreement in April 2010 or following his retirement, if earlier, SIRIUS has agreed to offer Mr. Meyer a one-year consulting agreement. SIRIUS expects to reimburse Mr. Meyer for all of his reasonable out-of-pocket expenses associated with the performance of his obligations under this consulting agreement, but does not expect to pay him any cash compensation. Mr. Meyer's stock options will continue to vest and will be exercisable during the term of this consulting agreement.

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The employment agreement also provides for a gross-up payment to be made to Mr. Meyer in the event of any excise tax penalties imposed by Section 4999 of the Code (relating to golden parachute payments).

General Counsel and Secretary. Patrick Donnelly has agreed to serve as SIRIUS Executive Vice President, General Counsel and Secretary, through April 30, 2010. If Mr. Donnelly's employment is terminated without cause or he terminates his employment for good reason, SIRIUS is obligated to pay Mr. Donnelly his annual salary and the annual bonus last paid to him and to continue his medical and life insurance benefits for one year. In the event that any payment SIRIUS makes, or benefit it provides, to Mr. Donnelly would be deemed to be an excess parachute payment under Section 280G of the Code such that he would be subject to an excise tax, SIRIUS has agreed to pay Mr. Donnelly the amount of such tax and such additional amount as may be necessary to place him in the exact same financial position that he would have been in if the excise tax was not imposed.

Chief Financial Officer. David J. Frear has agreed to serve as our Executive Vice President and Chief Financial Officer through July 2008. If Mr. Frear's employment is terminated without cause or he terminates his employment for good reason, SIRIUS is obligated to pay Mr. Frear his annual salary and the annual bonus last paid to him and to continue his medical and life insurance benefits for one year. In the event that any payment SIRIUS makes, or benefit it provides, to Mr. Frear would be deemed to be an excess parachute payment under Section 280G of the Code such that he would be subject to an excise tax, SIRIUS has agreed to pay Mr. Frear the amount of such tax and such additional amount as may be necessary to place him in the exact same financial position that he would have been in if the excise tax was not imposed.

Accounting Treatment

The merger will be accounted for as an acquisition of XM by SIRIUS under the purchase method of accounting of U.S. generally accepted accounting principles. Under the purchase method of accounting, the assets and liabilities of the acquired company are, as of completion of the merger, recorded at their respective fair values and added to those of the reporting public issuer, including an amount for goodwill representing the difference between the purchase price and the fair value of the identifiable net assets. Financial statements of SIRIUS issued after the merger will reflect only the operations of XM after the merger and will not be restated retroactively to reflect the historical financial position or results of operations of XM.

All unaudited pro forma condensed combined financial statements contained in this Proxy Statement were prepared using the purchase method of accounting. The final allocation of the purchase price will be determined after the merger is completed and after completion of an analysis to determine the fair value of XM's assets and liabilities. Accordingly, the final purchase accounting adjustments may be materially different from the unaudited pro forma adjustments. Any decrease in the fair value of the assets or increase in the fair value of the liabilities of XM as compared to the unaudited pro forma information included in this Proxy Statement will have the effect of increasing the amount of the purchase price allocable to goodwill.

Regulatory Approvals Required for the Merger

Federal Communications Commission

Under the Communications Act of 1934, before the completion of the merger, the Federal Communications Commission, or FCC, must approve the transfer to SIRIUS of control of XM and those subsidiaries of XM that hold FCC licenses and authorizations as well as the deemed transfer of FCC licenses and authorizations held by SIRIUS and its subsidiary to the combined company. The FCC must determine whether SIRIUS is qualified to control these licenses and authorizations and whether the transfer is consistent with the public interest, convenience and necessity. SIRIUS and XM filed on March 20, 2007 a consolidated application for authority to transfer control with the FCC. On

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June 8, 2007, the FCC released a public notice seeking comment on the consolidated application. Comments and objections were filed on or before July 9, 2007 and SIRIUS and XM filed a joint reply on July 24, 2007. On June 27, 2007, the FCC released a notice of proposed rule making seeking public comment on whether language prohibiting the transfer of control of both satellite radio licenses to a single entity in a 1997 order is a rule and if so whether the rule should be changed to allow the merger. Comments are due August 13, 2007 and reply comments are due August 27, 2007.

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United States Antitrust Laws

Under the Hart-Scott-Rodino Act and the rules promulgated under that act by the Federal Trade Commission, or FTC, the merger may not be completed until notifications have been given and information furnished to the FTC and to the Antitrust Division of the Department of Justice and the specified waiting period has been terminated or has expired. XM and SIRIUS each filed notification and report forms under the Hart-Scott-Rodino Act with the FTC and the Antitrust Division on March 12, 2007. At any time before or after completion of the merger, the FTC or the Antitrust Division could take any action under the antitrust laws as it deems necessary or desirable in the public interest, including seeking to enjoin completion of the merger or seeking divestiture of substantial assets of XM or SIRIUS. The merger also is subject to review under state antitrust laws and could be the subject of challenges by states or private parties under the antitrust laws.

On April 12, 2007, XM and SIRIUS received from the Antitrust Division a request for additional information and material relating to the merger, generally referred to as a *Second Request*, under the Hart-Scott-Rodino Act. The effect of the *Second Request* is to extend the waiting period imposed by the Hart-Scott-Rodino Act until 30 days after XM and SIRIUS have substantially complied with the *Second Request*, unless that period is extended voluntarily by the parties or terminated sooner by the Department of Justice.

Restrictions on Sales of Shares of SIRIUS Common Stock Received in the Merger

SIRIUS shares of common stock issued in the merger will not be subject to any restrictions on transfer arising under the Securities Act of 1933, as amended, except for SIRIUS shares issued to any XM stockholder who may be deemed to be an affiliate of XM or SIRIUS.

Under Rule 145, former XM stockholders who were affiliates of XM at the time of the XM special meeting and who are not affiliates of SIRIUS after the completion of the merger may sell their SIRIUS shares at any time subject to the volume and sale limitations of Rule 144 under the Securities Act. In addition, so long as former XM affiliates are not affiliates of SIRIUS following the completion of the merger, and a period of at least one year has elapsed after the completion of the merger, the former XM affiliates may sell their SIRIUS shares without regard to the volume and sale limitations of Rule 144 under the Securities Act if there is adequate current public information available about SIRIUS in accordance with Rule 144. After a period of two years has elapsed following the completion of the merger, and so long as former XM affiliates are not affiliates of SIRIUS and have not been for at least three months before any sale, they may freely sell their SIRIUS shares. Former XM stockholders who are or become affiliates of SIRIUS after completion of the merger will remain or be subject to the volume and sale limitations of Rule 144 under the Securities Act until they are no longer affiliates of SIRIUS. The SEC has recently proposed revisions to Rule 145 which, if adopted as proposed, may change the applicability of Rule 145 to the merger. The anticipated timing for the adoption of any revisions to Rule 145 and whether such revisions will be adopted as proposed are unknown as of the date of this proxy statement. This Proxy Statement does not cover resales of SIRIUS received by any person upon completion of the merger, and no person is authorized to make any use of this Proxy Statement in connection with any resale.

Appraisal Rights

Under Section 262 of the General Corporation Law of the State of Delaware, holders of shares of SIRIUS common stock and XM common stock do not have appraisal rights in connection with the merger. However, the holder of XM Series A convertible preferred stock will have the right to seek appraisal of the fair value of its shares, under Delaware General Corporation Law.

NASDAQ Listing of SIRIUS Common Stock; Delisting and Deregistration of XM Common Stock

Before the completion of the merger, SIRIUS has agreed to use all reasonable efforts to cause the shares of SIRIUS common stock to be issued in the merger and reserved for issuance under any equity awards to be approved for listing on the NASDAQ Global Select Market. Such approval is a condition to the completion of the merger. If the merger is completed, XM common stock will cease to be listed on the NASDAQ and its shares will be deregistered under the Securities Exchange Act of 1934, as amended, or the Exchange Act.

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LITIGATION RELATING TO THE MERGER

On March 14 and March 20, 2007, two putative class action lawsuits entitled *Brockwell v. Sirius Satellite Radio, Inc., et al.*, Index No. 60019/07 and *Johnson v. Sirius Satellite Radio, Inc., et al.*, Index No. 600899/07, were filed against SIRIUS and its directors in the Supreme Court of the State of New York (New York County). The Brockwell and Johnson complaints allege that the directors breached their fiduciary duties and engaged in self-dealing by agreeing to merge SIRIUS with XM at an unfair exchange rate. More specifically, the lawsuit alleges that in agreeing to the merger with XM, the directors failed to adequately account for and consider: (i) the true value of SIRIUS and XM; (ii) certain XM litigation and regulatory liabilities; and (iii) the impact of concessions that SIRIUS and XM would need to make in order to obtain antitrust approval for the merger. Plaintiffs seek an order enjoining SIRIUS and the directors from consummating the merger with XM and an award of attorneys' fees.

Shortly after filing the original complaints, Plaintiffs' counsel in the Brockwell and Johnson actions advised SIRIUS that they intend to file an amended and/or consolidated class action complaint. Accordingly, on June 11, 2007, SIRIUS entered into a stipulation requiring plaintiffs to move to consolidate their actions within 30 days, and to file an amended and/or consolidated complaint within 30 days from the date the court enters a consolidation order. So far, the plaintiffs have not moved to consolidate or amend their actions.

SIRIUS believes the allegations in the Brockwell and Johnson actions are without merit and intends to fully defend against the asserted claims. At this time, however, the likely outcome of the cases cannot be predicted, nor can a reasonable estimate of loss, if any, be made.

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MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES

The following is a summary of the material U.S. federal income tax consequences of the merger applicable to a holder of shares of XM common stock. This discussion is based upon the Code, Treasury regulations, judicial authorities, published positions of the Internal Revenue Service (the IRS) and other applicable authorities, all as currently in effect and all of which are subject to change or differing interpretations (possibly with retroactive effect). This discussion is limited to U.S. holders (as defined below) that hold their shares of XM common stock as capital assets for U.S. federal income tax purposes (generally, assets held for investment). This discussion does not address all of the tax consequences that may be relevant to a particular XM stockholder or to XM stockholders that are subject to special treatment under U.S. federal income tax laws, such as:

stockholders that are not U.S. holders;

financial institutions;

insurance companies;

tax-exempt organizations;

dealers in securities or currencies;

persons whose functional currency is not the U.S. dollar;

traders in securities that elect to use a mark to market method of accounting;

persons who own more than 5% of the outstanding stock of XM;

persons that hold XM common stock as part of a straddle, hedge, constructive sale or conversion transaction; and

U.S. holders who acquired their shares of XM common stock through the exercise of an employee stock option or otherwise as compensation.

If a partnership or other entity taxed as a partnership holds XM common stock, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. Partnerships and partners in such a partnership should consult their tax advisers about the tax consequences of the merger to them.

This discussion does not address the tax consequences of the merger under state, local or foreign tax laws. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the tax consequences set forth below.

Holders of XM common stock are urged to consult with their own tax advisors as to the tax consequences of the merger in their particular circumstances, including the applicability and effect of the alternative minimum tax and any state, local or foreign and other tax laws and of changes in those laws.

For purposes of this section, the term U.S. holder means a beneficial owner of XM common stock that for U.S. federal income tax purposes is:

a citizen or resident of the United States;

a corporation, or other entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States or any State or the District of Columbia;

an estate that is subject to U.S. federal income tax on its income regardless of its source; or

a trust, the substantial decisions of which are controlled by one or more U.S. persons and which is subject to the primary supervision of a U.S. court, or a trust that validly has elected under applicable Treasury regulations to be treated as a U.S. person for U.S. federal income tax purposes.

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Tax Consequences of the Merger Generally

SIRIUS and XM intend the merger to qualify as a reorganization within the meaning of Section 368(a) of the Code. It is a condition to SIRIUS' obligation to complete the merger that SIRIUS receive a written opinion of its counsel, Simpson Thacher & Bartlett LLP, to the effect that the merger will be treated as a reorganization within the meaning of Section 368(a) of the Code. It is a condition to XM's obligation to complete the merger that XM receive an opinion of its counsel, Skadden, Arps, Slate, Meagher & Flom LLP, to the effect that the merger will be treated as a reorganization within the meaning of Section 368(a) of the Code. In rendering these opinions, counsel may require and rely upon representations contained in letters and certificates to be received from SIRIUS and XM. If the letters or certificates are incorrect, the conclusions reached in the tax opinions could be jeopardized. In addition, the opinions will be subject to certain qualifications and limitations as set forth in the opinions.

None of the tax opinions given in connection with the merger will be binding on the IRS. Neither SIRIUS nor XM intends to request any ruling from the IRS as to the U.S. federal income tax consequences of the merger. Consequently, no assurance can be given that the IRS will not assert, or that a court would not sustain, a position contrary to any of those set forth below. In addition, if any of the representations or assumptions upon which those opinions are based is inconsistent with the actual facts, the U.S. federal income tax consequences of the merger could be adversely affected.

Assuming that, in accordance with the opinions referred to above, the merger qualifies as a reorganization within the meaning of Section 368(a) of the Code, then, except as provided below with respect to cash received in lieu of fractional shares, a U.S. holder will not recognize any gain or loss as a result of the receipt of shares of SIRIUS common stock pursuant to the merger.

Cash received in lieu of fractional shares

A U.S. holder that receives cash in lieu of a fractional share of SIRIUS common stock in the merger will generally be treated as having received such fractional share and then as having received such cash in redemption of such fractional share interest. A U.S. holder generally will recognize gain or loss measured by the difference between the amount of cash received and the portion of the basis of the shares of XM common stock allocable to such fractional interest. Such gain or loss generally will constitute capital gain or loss and will be long-term capital gain or loss if the U.S. holder's holding period in the XM common stock exchanged was therefore greater than one year as of the date of the exchange.

Tax Basis and Holding Period

A U.S. holder's aggregate tax basis in the SIRIUS common stock received in the merger will equal such stockholder's aggregate tax basis in the XM common stock surrendered in the merger reduced by any amount allocable to a fractional share of SIRIUS common stock for which cash is received. The holding period for the shares of SIRIUS common stock received in the merger generally will include the holding period for the shares of XM common stock exchanged therefor.

Reporting Requirements

A U.S. holder who receives SIRIUS common stock as a result of the merger will be required to retain records pertaining to the merger. Each U.S. holder who is required to file a U.S. tax return and who is a significant holder that receives SIRIUS common stock will be required to file a statement with such holder's U.S. federal income tax return setting forth such holder's basis in the XM common stock and the fair market value of the SIRIUS common stock

received in the merger. A significant holder is a U.S. holder, who, immediately before the merger, owned at least 5% of the outstanding stock of XM.

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THE MERGER AGREEMENT

The following discussion summarizes material provisions of the merger agreement, a copy of which is attached as Annex A to this Proxy Statement and is incorporated by reference herein. The rights and obligations of the parties are governed by the express terms and conditions of the merger agreement and not by this summary. This summary is not complete and is qualified in its entirety by reference to the complete text of the merger agreement. We urge you to read the merger agreement carefully in its entirety, as well as this Proxy Statement, before making any decisions regarding the merger.

*The representations and warranties described below and included in the merger agreement were made by SIRIUS and XM to each other as of specific dates. The assertions embodied in those representations and warranties were made solely for purposes of the merger agreement and may be subject to important qualifications and limitations agreed to by SIRIUS and XM in connection with negotiating its terms. Moreover, the representations and warranties may be subject to a contractual standard of materiality that may be different from what may be viewed as material to stockholders, or may have been used for the purpose of allocating risk between SIRIUS and XM rather than establishing matters as facts. The merger agreement is described in this Proxy Statement and included as Annex A only to provide you with information regarding its terms and conditions, and not to provide any other factual information regarding SIRIUS, XM or their respective businesses. Accordingly, you should not rely on the representations and warranties in the merger agreement as characterizations of the actual state of facts about SIRIUS or XM, and you should read the information provided elsewhere in this Proxy Statement and in the documents incorporated by reference into this Proxy Statement for information regarding SIRIUS and XM and their respective businesses. See *Where You Can Find More Information* beginning on page 91 of this Proxy Statement.*

The Merger

Subject to the terms and conditions of the merger agreement and in accordance with Delaware law, XM will merge with and into Merger Sub, a wholly owned Delaware subsidiary of SIRIUS, and will survive the merger as a wholly owned subsidiary of SIRIUS.

Closing and Effective Time of the Merger

The merger will become effective upon the filing of a certificate of merger with the Secretary of State of the State of Delaware or at such later time as may be agreed upon by XM and SIRIUS and as specified in the certificate of merger. The filing of the certificate of merger will occur as soon as practicable after the conditions to completion of the merger have been satisfied or duly waived.

Directors and Executive Management Following the Merger

The SIRIUS board of directors after the merger will initially consist of 12 directors. Mel Karmazin, SIRIUS Chief Executive Officer, or CEO, and a member of the SIRIUS board of directors, will remain CEO of the combined company and a member of the board of directors. Gary M. Parsons, XM's Chairman, will become Chairman of the board of directors of the combined company. Of the remaining 10 directors, SIRIUS and XM will each designate four directors, who will qualify as independent directors, and XM will designate two additional directors (one will be a designee of General Motors and the other will be a designee of American Honda).

Consideration to be Received in the Merger

XM Common Stock

XM Common Stock. At the completion of the merger, each outstanding share of XM common stock (other than treasury stock and shares owned by SIRIUS immediately prior to the completion of the merger, which will be cancelled and extinguished, and shares owned by any wholly-owned subsidiary of SIRIUS or XM immediately prior to the completion of the merger, which shares will remain outstanding) will be converted into the right to receive 4.6 shares of SIRIUS common stock, together with any cash paid in respect of fractional shares.

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Fractional Shares. Holders of XM common stock will not receive any fractional SIRIUS shares in the merger. Instead, the total number of SIRIUS common stock that each holder of XM common stock will receive in the merger will be rounded down to the nearest whole number and SIRIUS will pay cash for any resulting fractional shares that an XM stockholder otherwise would be entitled to receive. The amount of cash payable for a fractional share of SIRIUS common stock will be determined by multiplying the fraction by the average closing price for a share of SIRIUS common stock on the last trading day immediately prior to the completion of the merger.

Warrants to Purchase Shares of XM Common Stock

XM will take all actions necessary to ensure that at the completion of the merger, each warrant to purchase shares of XM common stock shall be converted into a warrant to purchase shares of SIRIUS common stock on terms substantially identical to those in effect immediately prior to the merger under the terms of the warrant or other related agreement or award pursuant to which such warrant was granted in a manner similar to that of options to purchase XM common stock.

XM Series A Convertible Preferred Stock

Each outstanding share of XM Series A convertible preferred stock will be converted into 4.6 shares of a newly designated series of SIRIUS preferred stock in the merger. The new series of SIRIUS preferred stock, which will be designated as Series A convertible preferred stock, will have the same powers, designations, preferences, rights and qualifications, limitations and restrictions as the XM Series A convertible preferred stock to the fullest extent practicable, except that such preferred stock will have the right to vote with the holders of the SIRIUS common stock as a single class, with each share of preferred stock having 1/5th of a vote.

Adjustments to Prevent Dilution

The stock exchange ratio will be appropriately adjusted to reflect fully the effect of any stock split, reverse stock split, stock dividend (including any dividend or distribution of securities convertible into SIRIUS common stock or XM common stock), reorganization, recapitalization, reclassification or other like change with respect to SIRIUS common stock or XM common stock having a record date on or after the date of the merger and prior to the completion of the merger.

Procedures for Exchange of Certificates

SIRIUS will appoint an exchange agent for the purpose of exchanging certificates representing XM common stock. Promptly after the completion of the merger, XM, or the exchange agent, will mail transmittal materials to each holder of record of XM shares of common stock, advising such holders of the effectiveness of the merger and the procedure for surrendering their share certificates to the exchange agent.

Each holder of a share of XM capital stock that has been converted into a right to receive the applicable merger consideration (as well as cash for fractional shares, dividends or other distributions payable) will receive the applicable merger consideration upon surrender to the exchange agent of the XM capital stock certificate, together with a letter of transmittal covering such shares and any other documents as the exchange agent may reasonably require.

After completion of the merger, each certificate that previously represented shares of XM capital stock will represent only the right to receive the applicable merger consideration as described above under Consideration to be Received

in the Merger, including cash for any fractional shares of SIRIUS common stock as well as any dividends or other distributions declared with respect to SIRIUS common stock between the date of the merger agreement and the completion of the merger.

Holders of XM capital stock should not send in their XM stock certificates until they receive and complete and submit a signed letter of transmittal sent by the exchange agent with instructions for the surrender of XM stock certificates.

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XM and SIRIUS are not liable to holders of shares of XM capital stock for any amount delivered to a public official under applicable abandoned property, escheat or similar laws.

After completion of the merger, XM will not register any transfers of the shares of XM capital stock. SIRIUS stockholders need not exchange their stock certificates.

Representations and Warranties

The merger agreement contains customary and similar representations and warranties made by SIRIUS and XM to each other. These representations and warranties relate to, among other things:

organization, capital structure, corporate power and authority, execution and delivery, required consents, approvals, orders and authorizations of governmental entities relating to, the merger agreement and related matters;

documents filed with the SEC and the accuracy of information contained in those documents;

financial statements and the absence of undisclosed liabilities, compliance with applicable laws and reporting requirements;

certain material contracts;

legal proceedings, filing of tax returns, payment of taxes and other tax matters;

benefit plans and the Employee Retirement Income Security Act of 1974;

absence of material adverse effect since December 31, 2005;

board approval of the merger;

vote required to approve the merger;

properties and assets;

subsidiaries;

intellectual property;

environmental matters;

labor and employment matters;

insurance matters;

brokers used in connection with the merger; and

receipt of fairness opinions from financial advisors.

In addition to the foregoing, the merger agreement contains a representation and warranty made by XM regarding the amendment of XM's stockholders rights plan to allow for the merger and the other transactions contemplated by the merger agreement.

Conduct of Business Pending the Merger

Under the merger agreement, each of XM, SIRIUS and each of their respective subsidiaries will carry on their respective businesses in the usual, regular and ordinary course consistent with past practice and use all reasonable efforts to preserve intact their respective present business organization, maintain their respective rights, franchises, licenses and other authorizations issued by governmental entities and preserve their relationships with employees, customers, suppliers and others having business dealings with them.

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In addition, each of XM and SIRIUS and each of their respective subsidiaries may not, among other things and subject to certain exceptions, without the consent of the other party:

enter into (including via any acquisition) any new line of business which represents a material change in its operations and which is material to it;

make any material change to its business;

enter into, terminate or fail to renew any material agreement, or make any change to any existing material agreements other than in the ordinary course of business or consistent with past practice;

make any capital expenditures, other than capital expenditures which, in the aggregate, do not exceed the aggregate amount for capital expenditures specified in its respective long-term plans for 2007 and 2008;

declare or pay any dividends on or make other distributions in respect of its capital stock;

split, combine or reclassify any of its capital stock;

repurchase, redeem or otherwise acquire, or permit any subsidiary to redeem, purchase or otherwise acquire, any shares of its capital stock or any securities convertible into or exercisable for any shares of its capital stock;

sell any shares of its capital stock, any voting debt, any stock appreciation rights, or any securities convertible into or exercisable or exchangeable for, or any rights, warrants or options to acquire, any such shares or voting debt, or enter into any agreement with respect to any of the foregoing, other than the issuance of common stock required to be issued upon the exercise or settlement of stock awards outstanding on the date of the merger agreement in accordance with the terms of the applicable stock award;

amend its charter or bylaws;

enter into a plan of consolidation, merger or reorganization with any person;

acquire any business or assets, rights or properties, other than acquisitions, business combinations that (a) would not reasonably be expected to delay the merger and (b) for which the total consideration therefor does not exceed a specified amount;

dispose of any of its assets, rights or properties (including capital stock of its subsidiaries) which are material to it;

incur long term indebtedness for borrowed money;

intentionally take any action that would (a) result in (i) any of its representations and warranties being or becoming untrue, (ii) any of the conditions to the merger not being satisfied, or (iii) a violation of any provision of the merger agreement, or which would materially adversely affect the ability of the parties to obtain certain regulatory approvals per the merger agreement or (b) reasonably be expected to prevent or impede the merger from qualifying as a tax-free reorganization;

except as disclosed in certain SEC filings, change its methods of accounting in effect at December 31, 2005, or change its annual tax accounting period or make any tax election having a material adverse effect;

other than in the ordinary course of business consistent with past practice, enter into, amend or terminate any employee benefit plan;

increase the compensation or fringe benefits of any director, officer, employee, independent contractor or consultant or pay any benefit not required by any employee benefit plan;

enter into or renew any arrangement providing for the payment of compensation or benefits contingent, or the terms of which are materially altered, upon the occurrence of the merger;

provide that the vesting of any granted stock option, restricted stock, restricted stock unit or other equity-related award shall accelerate or otherwise be affected by the occurrence of the merger;

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adopt a plan of liquidation or authorize a liquidation, dissolution, restructuring, recapitalization or reorganization;

settle or compromise any litigation in excess of specified amount;

enter into any long-term commitment that would limit, in any material respect, its ability to conduct its business in any geographic area; or

agree to or make any commitment to take or authorize any of the foregoing actions.

Each party has also agreed to confer with one another and advise one another regarding material changes to their respective businesses or material deficiencies in their respective internal controls. Each party will be provided the opportunity to review information relating to the other party to be used in filings to be made in connection with the merger and shall consult with the other regarding consents and approvals necessary for the merger.

Prior to the completion of the merger, each of XM and SIRIUS shall exercise, consistent with the terms and conditions of the merger agreement, complete control and supervision over its and its subsidiaries' respective operations.

Best Efforts; Other Agreements

Best Efforts. SIRIUS and XM have each agreed to use their reasonable best efforts to take all actions proper or advisable under the merger agreement and applicable laws, rules and regulations to complete the merger agreement, as well as other specified actions, as soon as practicable. However, the foregoing does not require SIRIUS or XM to (i) agree to or effect any divestiture or take any other action if doing so would, individually or in the aggregate, reasonably be expected to have a material adverse effect on the combined company after the merger, or (ii) take any such action that is not conditioned on the consummation of the merger.

Proxy Statement; Stockholders Meetings. SIRIUS and XM have agreed to cooperate in preparing and filing with the SEC this Proxy Statement and the registration statement of which it forms a part. Each has agreed to use its reasonable best efforts to have this Proxy Statement cleared and the registration statement of which it forms a part declared effective, to maintain the same effective as long as is necessary to consummate the merger and the other transactions contemplated hereby, and to mail this Proxy Statement to their respective stockholders as promptly as practicable after it is declared effective.

Affiliates. XM shall use all reasonable efforts to cause each person who is an affiliate (for purposes of Rule 145 under the Securities Act) to deliver to SIRIUS, as soon as reasonably practicable and in any event prior to the XM special meeting, a written agreement, in form and substance reasonably satisfactory to SIRIUS, relating to required transfer restrictions on the SIRIUS common stock received by them in the merger pursuant to Rule 145 under the Securities Act.

NASDAQ Listing. SIRIUS shall use all reasonable efforts to cause (i) the shares of SIRIUS common stock to be issued in the merger and (ii) the shares of SIRIUS common stock reserved for issuance upon the exercise, vesting or payment under any equity award to purchase XM common stock which becomes an equity award to purchase SIRIUS common stock (or any award based on XM common stock which becomes an award based on SIRIUS common stock), to be approved for listing on NASDAQ, subject to official notice of issuance, prior to the closing date.

Conditions to Completion of the Merger

Each party's obligation to effect the merger is subject to the satisfaction or waiver of various conditions, which include the following:

receipt of the approval of the holders of capital stock of XM and SIRIUS required for the completion of the merger;

shares of SIRIUS common stock to be issued in the merger or reserved for issuance shall have been authorized for listing on the NASDAQ Global Select Market;

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certain authorizations, consents, orders or approvals of, or declarations or filings with, and the expirations of waiting periods required from, certain governmental entities are filed, have occurred or been obtained, and are in full force and effect;

the registration statement of which this Proxy Statement forms a part is not the subject of any stop order or proceedings seeking a stop order;

no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the merger exists;

no governmental entity of competent jurisdiction makes the consummation of the merger illegal;

there is (i) no action taken, or any statute, rule, regulation, order or decree enacted deemed applicable to the merger or the transactions contemplated by the merger agreement by any governmental entity of competent jurisdiction, or (ii) any circumstance arising, or transaction, agreement, arrangement or instrument entered into, or which would be necessary to be entered into, in connection with the merger or the transactions contemplated by the merger agreement, which, in either case, imposes any term, condition, obligation or restriction upon SIRIUS, XM (after the merger) or their respective subsidiaries which, individually or the aggregate, would reasonably be expected to have a material adverse effect on the present or prospective consolidated financial condition, business or operating results of SIRIUS after the completion of the merger (in no event shall a change in the trading prices of the party's capital stock, by itself, be considered material or constitute a material adverse effect);

the representations and warranties of the other being true and correct in all material respects on the date of the merger agreement and on the date on which the merger is to be completed as if made as of that date or, if these representations and warranties expressly relate to an earlier date, then as of that specified date;

the other party to the merger agreement having performed in all material respects all obligations, and complied in all material respects with the agreements and covenants required to be performed by or complied with by it under the merger agreement;

with respect to SIRIUS' obligation to effect the merger, the receipt from Simpson Thacher & Bartlett LLP of an opinion to the effect that the merger will be treated for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code; and

with respect to XM's obligation to effect the merger, the receipt from Skadden, Arps, Slate, Meagher & Flom LLP of an opinion to the effect that the merger will be treated for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code.

The merger agreement provides that any or all of the additional conditions described above may be waived, in whole or in part, by SIRIUS or XM, to the extent legally allowed. Neither SIRIUS nor XM currently expects to waive any material condition to the completion of the merger. If either SIRIUS or XM determines to waive any condition to the merger that would result in a material adverse change in the terms of the merger to XM or SIRIUS stockholders (including any change in the tax consequences of the transaction to XM stockholders), proxies will be resolicited from the SIRIUS or XM stockholders.

The following shall not be deemed material or to have a material adverse effect, including any change or event caused by or resulting from:

changes in prevailing economic or market conditions in the United States or any other jurisdiction in which such entity has substantial business operations (except to the extent those changes have a materially disproportionate effect on such entity and its subsidiaries relative to the other party and its subsidiaries);

changes or events, after the date of the merger agreement, affecting the industries in which the entities operate generally (except to the extent those changes or events have a materially disproportionate effect on such entity and its subsidiaries relative to the other party and its subsidiaries);

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changes, after the date of the merger agreement, in generally accepted accounting principles or requirements applicable to such entity and its subsidiaries (except to the extent those changes have a materially disproportionate effect on such entity and its subsidiaries relative to the other party and its subsidiaries);

changes, after the date of the merger agreement, in laws, rules or regulations of general applicability or interpretations thereof by any governmental entity (except to the extent those changes have a materially disproportionate effect on such entity and its subsidiaries relative to the other party and its subsidiaries);

the execution, delivery and performance of the merger agreement or the consummation of the transactions contemplated by the merger agreement or the announcement of such acts; or

any outbreak of major hostilities in which the United States is involved or any act of terrorism within the United States or directed against its facilities or citizens wherever located.

No Solicitation

In the merger agreement, each of XM and SIRIUS has agreed that it will not directly or indirectly:

solicit, initiate, encourage or knowingly facilitate any acquisition proposal, as described below;

participate in any discussions or negotiations regarding, or furnish to any person any confidential information in connection with, or knowingly facilitate any effort or attempt to make or implement, an acquisition proposal; or

approve or recommend, or propose to approve or recommend, or execute or enter into, any letter of intent, agreement in principle, merger agreement, asset purchase or share exchange agreement, option agreement or other similar agreement related to any acquisition proposal or propose or agree to do any of the foregoing.

However, if, at any time before the date that the vote required to be obtained from its stockholders in connection with the merger has been obtained, XM's or SIRIUS' board of directors may, in good faith:

to the extent applicable, and being otherwise in compliance with certain provisions of the merger agreement, comply with Rule 14d-9 and Rule 14e-2 promulgated under the Exchange Act relating to communication in connection with solicitations under the Exchange Act with regard to an acquisition proposal, or make any disclosure that the board of directors may determine (after consultation with its outside legal counsel) is required to be made under applicable law;

if such party's stockholder meeting has yet to occur, change its recommendation regarding the merger if (i) there has been a development, event or occurrence as a result of which the board, after consultation with its outside legal counsel and financial advisors, determines in good faith that failure to effect a recommendation change would be inconsistent with its fiduciary duties under applicable law, (ii) the board follows certain notice provisions, and (iii) the board has engaged in reasonable, good faith negotiations with the other party to the merger agreement, and has considered in good faith, after consulting with its financial and legal advisors, any modifications to the terms and conditions of this agreement proposed by the other party; and

if such party's stockholder meeting has yet to occur, engage in any discussions or negotiations with, or provide any confidential information or data to, any person in response to an unsolicited bona fide written acquisition proposal by any such person, if the board, after consultation with outside legal counsel and financial advisors,

concludes in good faith that there is a reasonable likelihood that such acquisition proposal constitutes or is reasonably likely to result in a superior proposal, as described below, and prior to providing any information or data to any person in connection with an acquisition proposal by any such person, its board receives from such person a mutually acceptable confidentiality agreement on terms no less favorable than those in the confidentiality agreement between SIRIUS and XM.

The term acquisition proposal means any proposal or offer with respect to, or a transaction to effect, a merger, reorganization, share exchange, consolidation, business combination, recapitalization, liquidation, dissolution or similar transaction involving XM, SIRIUS or any of their respective significant subsidiaries or any purchase or sale of 15% or more of the consolidated assets of it and its subsidiaries, taken as a whole, or any

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purchase or sale of, or tender or exchange offer for, its voting securities that, if completed, would result in any person beneficially owning securities representing 15% or more of its total voting power.

The term superior proposal means a bona fide written acquisition proposal which the board of directors of SIRIUS or XM, as the case may be, concludes in good faith, after consultation with its financial advisors and legal advisors, taking into account the legal, financial, regulatory, timing and other aspects of the proposal and the person making the proposal (including any break-up fees, expense reimbursement provisions and conditions to consummation): (i) is more favorable to the stockholders of SIRIUS or XM, as the case may be, from a financial point of view, than the transactions contemplated by the merger agreement (after giving effect to any adjustments to the terms and provisions of the merger agreement committed to in writing by SIRIUS or XM, as the case may be, in response to such acquisition proposal) and (ii) is fully financed or reasonably capable of being fully financed, reasonably likely to receive all required governmental approvals on a timely basis and otherwise reasonably capable of being completed on the terms proposed. However, for purposes of this definition of superior proposal, the term acquisition proposal has the meaning given above, except that the reference to 15% or more in the definition of acquisition proposal shall be deemed to be a reference to a majority and acquisition proposal shall only be deemed to refer to a transaction involving SIRIUS or XM, as the case may be.

The merger agreement also provides that XM and SIRIUS shall notify the other party to the merger agreement of any acquisition proposal received by, any information related to an acquisition proposal requested from, or any discussions with or negotiations by, it or any of its representatives. XM and SIRIUS will promptly keep the other party informed of the status and terms of any such acquisition proposal, the status and nature of all information requested and delivered, and the status and terms of any such discussions or negotiations.

Termination

Generally, the merger agreement may be terminated and the merger may be abandoned at any time prior to the completion of the merger:

by mutual written consent of SIRIUS, Merger Sub and XM; or

by either party, if:

a governmental entity that must grant a requisite regulatory approval has denied approval of the merger and the denial has become final and non-appealable, or any governmental entity issues an order, decree or ruling or taken any other action permanently restraining, enjoining or otherwise prohibiting the merger, and such order, decree, ruling or other action has become final and non-appealable; *provided, however*, this termination right is not available to any party whose failure to comply with the merger agreement has been the cause of, or resulted in, such action;

the merger is not consummated on or before March 1, 2008; except that right is not available to any party whose failure to comply with the merger agreement has been the cause of, or resulted in, such failure;

the other party breached any of the agreements or representations in the merger agreement, in a way that the related condition to closing would not be satisfied, and this breach is either incurable or not cured within 45 days;

the required SIRIUS or XM stockholder vote has not been obtained at the respective stockholders meeting or any adjournment or postponement thereof; or

the board of directors of the other party changes its recommendation that its stockholders vote in favor of the merger or has breached its obligation relating to a third party acquisition proposal or breached its obligations to call its stockholders meeting or mail this Proxy Statement to its stockholders. The term acquisition proposal has the meaning described above in No Solicitation , except that the applicable threshold is a majority instead of 15% or more of the consolidated assets.

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Effect of Termination

If the merger agreement is terminated as described in Termination above, the agreement will be void, and there will be no liability or obligation of any party except that:

each party will remain liable for its willful and material breach of the merger agreement; and

designated provisions of the merger agreement, including the confidential treatment of information and the allocation of fees and expenses, including, if applicable, the termination fees described below, will survive termination.

Termination Fees and Expenses

Either party will be paid a \$175 million termination fee by the other party if (i) the board of directors of the other party has, pursuant to the merger agreement, made an adverse recommendation and such party has timely elected to terminate the merger agreement; (ii) it is entitled but fails to terminate the merger agreement in connection with such change in recommendation and the other party materially breaches its obligations under the merger agreement by failing to call its stockholder meeting or prepare and mail this Proxy Statement; or (iii) the other party has effected a change in recommendation other than in accordance with the provisions of the merger agreement or approved, recommended or entered into an agreement with respect to an acquisition proposal other than in accordance with the provisions of the merger agreement.

In addition, if (i) either party terminates the merger agreement because the stockholder vote required to approve the merger has not been obtained upon a vote taken at the other party's stockholders meeting and (ii) before the other party's stockholders meeting an acquisition proposal is communicated to the senior management or board of directors of the other party, then this party shall pay one-third of \$175 million; and if (iii) within twelve months of the date of the merger termination, the other party or any of its subsidiaries executes or consummates any acquisition proposal, then it shall pay the remaining two-thirds of \$175 million; or

Furthermore, if (i) either party terminates the merger agreement because the merger is not consummated on or before March 1, 2008 or a party terminates the merger agreement because the other party breached any of the covenants or agreements or any of the representations or warranties in the merger agreement, (ii) before such termination there is a public proposal with respect to the other party, and (iii) following the occurrence of the public proposal, the other party breached intentionally or recklessly (and not cured after notice) any of its representations, warranties, covenants or agreements set forth in the merger agreement, which shall have materially contributed to the failure of the closing to occur prior to the termination of the merger agreement, then the breaching party shall pay one-third of the \$175 million termination fee; and if (iv) within twelve months of the date of the merger termination, the breaching party or any of its subsidiaries executes or consummates any acquisition proposal, then the breaching party shall pay the remaining two-thirds of the \$175 million termination fee.

The term acquisition proposal shall have the meaning assigned to such term in No Solicitation above, except that the reference to 15% or more in the definition of acquisition proposal is a reference to a majority. If the breaching party fails to pay all amounts due to the other party on the dates specified, then the breaching party shall pay all costs and expenses (including legal fees and expenses) incurred by the other party in connection with any action or proceeding (including the filing of any lawsuit) taken by it to collect such unpaid amounts, together with interest on such unpaid amounts at the prime lending rate prevailing at such time, as published in the Wall Street Journal, from the date such amounts were required to be paid until the date actually received by the other party. In the above clause, the term

public proposal refers to an acquisition proposal which is publicly announced or which is communicated to the breaching party senior management or board of directors between the date of the merger agreement and the breaching party stockholders meeting to approve the merger.

Expenses

Whether or not the merger is completed, all costs and expenses incurred in connection with the merger agreement and the transactions contemplated by the merger agreement will be paid by the party incurring those costs or expenses, except that if the merger is consummated, SIRIUS will pay property or transfer taxes imposed on

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the parties in connection with the merger, and SIRIUS and XM will share equally the expenses incurred in connection with printing and mailing of this Proxy Statement.

Treatment of XM Options and Other Stock-based Awards

The merger agreement provides that prior to the completion of the merger, XM and its subsidiaries will take any actions necessary to provide that options or awards to purchase shares of XM common stock which are outstanding immediately prior to completion of the merger shall be converted into and become, respectively, options to purchase shares of SIRIUS common stock or stock awards based on shares of SIRIUS common stock, in each case, on terms substantially identical to those in effect immediately prior to the completion of the merger, but adjusting the number of shares, exercise price and other terms to reflect the exchange ratio as appropriate.

Governance Matters

By the completion of the merger, the SIRIUS board of directors will take such actions as are necessary to:

amend its by-laws to cause the number of directors that will comprise its board of directors at the completion of the merger to be 12 persons. Immediately following the completion of the merger, the board of directors of the combined company will consist of: (i) four members selected by SIRIUS, each of whom shall qualify as an independent director pursuant to the NASDAQ Marketplace Rules in effect from time to time at all times that SIRIUS common stock is listed on NASDAQ; (ii) four members selected by XM, each of whom shall qualify as an independent director at times that SIRIUS common stock is listed on NASDAQ; (iii) two designated directors selected by XM, one of whom shall be a designee of General Motors and the other of whom shall be a designee of American Honda; (iv) the CEO of the combined company; and (v) the chairman of the board of directors of the combined company. The designated directors do not qualify as independent directors. Prior to the completion of the merger, SIRIUS board of directors shall approve, by at least a two-thirds vote of the directors in office at such time, the above composition of SIRIUS board of directors.

appoint Mel Karmazin as CEO of the combined company and Gary M. Parsons as chairman of the board of directors of the combined company, effective as of the completion of the merger. In such role, Mr. Parsons will be an officer and employee of the combined company. In the event that either Mr. Karmazin or Mr. Parsons is or will be unable to serve in his designated position, either as notified in writing to the parties by such individual prior to the completion of the merger or as a result of such individual's death or disability, then the successor to Mr. Karmazin or Mr. Parsons will be determined by joint agreement of the parties, each of whom will cooperate in good faith with the other party and use its reasonable best efforts to identify prior to the completion of the merger the appropriate successor. In the event that the parties have been unable to identify a successor within 30 days after the occurrence of the event giving rise to the need to select such successor, the parties will follow certain procedures to elect a successor.

establish three standing committees: a Nominating and Corporate Governance Committee, an Audit Committee and a Compensation Committee. Members of these three committees will be independent directors. The Chairman of the Nominating and Corporate Governance Committee will be selected by directors designated by SIRIUS. The Chairman of the Audit Committee and the Chairman of the Compensation Committee will be selected by directors designated by SIRIUS and XM, with each designating one such chairman. The composition of the members of the Nominating and Corporate Governance Committee, Audit Committee and Compensation Committee, including the respective chairman of each such committee, will be designated in equal shares by directors designated by SIRIUS and directors designated by XM.

amend the SIRIUS by-laws to provide that, for a period of two years following the completion of the merger, (i) any termination or replacement of either the Chief Executive Officer or Chairman of the board of directors as of the completion of the merger (or such individual's successor) or (ii) any sale, transfer or other disposition of assets, rights or properties which are material, individually or in the aggregate, to SIRIUS (or the execution of any agreement to take any such action), will require the prior approval of a majority of the independent directors.

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Employee Matters

The merger agreement provides that, following completion of the merger (with certain exceptions), the XM and SIRIUS employee benefit plans will remain in effect with respect to employees covered by such plans at the completion of the merger, and the parties shall negotiate in good faith to formulate employee benefit plans that provide benefits for services on a similar basis to employees who were covered by the XM and SIRIUS employee benefit plans immediately prior to the completion of the merger.

Indemnification and Insurance

The merger agreement provides that, following the completion of the merger, SIRIUS will indemnify and hold harmless, and provide advancement of claims-related expenses to, all past and present directors, officers and employees of XM and its subsidiaries to the same extent such persons are indemnified or have the right to advancement of expenses as of the date of the merger agreement by XM pursuant to XM's certificate of incorporation, bylaws and indemnification agreements in existence on the date hereof with any directors, officers and employees of XM and its subsidiaries.

The merger agreement also provides that SIRIUS will cause to be maintained, for a period of six years after the completion of the merger, the current policies of directors' and officers' liability insurance maintained by XM, or policies with a substantially comparable insurer of at least the same coverage and amounts containing terms and conditions that are no less advantageous, with respect to claims arising from facts or events that occurred before the date of the completion of the merger. SIRIUS will not be required to expend in any one year an amount more than 300% of the annual premiums paid by XM as of the date of the merger agreement for directors' and officers' liability insurance, and if the annual premiums of that insurance coverage exceed this amount, SIRIUS will be obligated to obtain a policy which, in SIRIUS' good faith determination, provides the maximum coverage available at an annual premium equal to 300% of XM's current premium.

Amendment; Extension and Waiver

Subject to applicable law:

the merger agreement may be amended by the parties in writing at any time. However, after any approval of the transactions by the stockholders of SIRIUS and XM, there may not be any amendment which by law requires further approval by SIRIUS stockholders or XM stockholders unless SIRIUS and XM obtain again stockholder approval; and

at any time before the completion of the merger, a party may extend the time for performance of any of the obligations or other acts of the other party to the merger agreement, waive any inaccuracies in the representations and warranties of the other party or waive compliance by the other party with any agreement or condition in the merger agreement.

Governing Law

The merger agreement is governed by and will be construed in accordance with the laws of the State of Delaware.

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INFORMATION ABOUT THE COMPANIES

SIRIUS

SIRIUS is a satellite radio provider in the United States. It offers over 130 channels to its subscribers 69 channels of 100% commercial-free music and 65 channels of sports, news, talk, entertainment, traffic, weather and data content. The core of the SIRIUS enterprise is programming; SIRIUS is committed to creating the best programming in all of radio.

SIRIUS broadcasts through its proprietary satellite radio system, which currently consists of three orbiting satellites, 127 terrestrial repeaters that receive and retransmit SIRIUS signal, a satellite uplink facility and its studios. Subscribers receive their service through SIRIUS radios, which are sold by automakers, consumer electronics retailers, mobile audio dealers and through SIRIUS website. Subscribers can also receive SIRIUS music channels and certain other channels over the Internet. As of March 31, 2007, SIRIUS had 6,581,045 subscribers.

For the year ended December 31, 2006, SIRIUS had revenues of approximately \$637 million and a net loss of approximately \$1.1 billion.

SIRIUS was incorporated in the State of Delaware as Satellite CD Radio Inc. on May 17, 1990. SIRIUS principal offices are located at 1221 Avenue of the Americas, 36th Floor, New York, New York 10020 and its telephone number is (212) 584-5100. For more information on SIRIUS, see [Where You Can Find More Information](#) on page 91.

XM

XM is a satellite radio provider in the United States. It offers over 170 channels to its subscribers 69 channels of 100% commercial-free music and over 100 channels of news, talk, information, entertainment and sports programming. XM believes that it appeals to consumers because of its innovative and diverse programming, nationwide coverage, many commercial-free music channels and digital sound quality.

XM broadcasts through its proprietary satellite radio system, which currently consists of two orbiting satellites, two in-orbit spare satellites, terrestrial repeaters that receive and retransmit XM signal, satellite uplink facilities and its studios. Subscribers receive their service through XM radios, which are sold by automakers, consumer electronics retailers, mobile audio dealers and through XM website. Subscribers can also receive XM music channels and certain other channels over the Internet. XM currently has over 8 million subscribers.

For the year ended December 31, 2006, XM had revenues of approximately \$933 million and a net loss of approximately \$719 million.

XM is a holding company and was incorporated in the State of Delaware as AMRC Holdings, Inc. on May 16, 1997. XM principal offices are located at 1500 Eckington Place, NE, Washington, DC 20002, and XM telephone number at that location is (202) 380-4000. For more information on XM, see [Where You Can Find More Information](#) on page 91.

Vernon Merger Corporation

Vernon Merger Corporation, or Merger Sub, a wholly-owned subsidiary of SIRIUS, is a Delaware corporation formed on February 15, 2007 for the purpose of effecting the merger. In the merger, Merger Sub will merge with XM and XM

will become a wholly-owned subsidiary of SIRIUS. Merger Sub has not conducted any activities other than those incidental to its formation and the matters contemplated by the merger agreement, including the preparation of applicable regulatory filings in connection with the merger.

Joint Development Agreement

Under the terms of a joint development agreement between XM and SIRIUS, each party is obligated to fund one half of the development cost for a unified standard for satellite radios. XM and SIRIUS are currently unable to determine the expenditures necessary to complete this process, but do not expect that these expenditures will be material.

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SIRIUS SPECIAL MEETING

Date, Time and Place

These proxy materials are delivered in connection with the solicitation by the SIRIUS board of directors of proxies to be voted at the SIRIUS special meeting, which is to be held at _____ at a.m., local time, on _____, 2007. On or about _____, 2007, SIRIUS commenced mailing this Proxy Statement and the enclosed form of proxy to its stockholders entitled to vote at the meeting.

Purpose of the SIRIUS Special Meeting

SIRIUS stockholders will be asked to vote on the following proposals:

to amend SIRIUS certificate of incorporation to increase the number of authorized shares of SIRIUS common stock in connection with the merger, which we refer to as the Charter Amendment (Item 1 on the Proxy Card);

to approve the issuance of SIRIUS common stock, par value \$0.001 per share, and SIRIUS Series A convertible preferred stock, par value \$0.001 per share, a new series of SIRIUS preferred stock, in the merger, which we refer to as the Share Issuance (Item 2 on the Proxy Card);

approve any motion to adjourn or postpone the SIRIUS special meeting to another time or place, if necessary, to solicit additional proxies (Item 3 on the Proxy Card); and

to conduct other business that properly comes before the SIRIUS special meeting or any adjournment or postponement thereof.

The first two proposals listed above relating to the merger are conditioned upon each other and approval of each such proposal is required for completion of the merger. The Charter Amendment and the Share Issuance become effective only if both proposals related to the merger are approved by the SIRIUS stockholders and the merger is completed.

SIRIUS Record Date; Stock Entitled to Vote

The close of business on _____, 2007, which we refer to as the SIRIUS record date, has been fixed as the record date for the determination of stockholders entitled to notice of, and to vote at, the SIRIUS special meeting or any adjournments or postponements of the SIRIUS special meeting.

As of the SIRIUS record date the following shares were outstanding and entitled to vote:

Designation	Shares Outstanding	Votes Per Share
SIRIUS common stock		1

A complete list of stockholders entitled to vote at the SIRIUS special meeting will be available for examination by any SIRIUS stockholder at SIRIUS headquarters, 1221 Avenue of the Americas, 36th Floor, New York, New York for

purposes pertaining to the SIRIUS special meeting, during normal business hours for a period of ten days before the SIRIUS special meeting, and at the time and place of the SIRIUS special meeting.

Quorum and Votes Required

In order to carry on the business of the meeting, SIRIUS must have a quorum. A quorum requires the presence, in person or by proxy, of the holders of a majority of the votes entitled to be cast at the meeting.

Required Vote to Adopt the Charter Amendment (Item 1 on the Proxy Card)

The affirmative vote of a majority of the outstanding shares of common stock of SIRIUS entitled to vote is required to approve the Charter Amendment.

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Required Vote to Approve the Share Issuance (Item 2 on the Proxy Card)

The affirmative vote of a majority of the SIRIUS shares voting on the proposal is required to approve the Share Issuance.

Treatment of Abstentions, Not Voting and Incomplete Proxies

If a SIRIUS stockholder fails to vote on the Charter Amendment or responds to the Charter Amendment with an abstain vote, it will have the same effect as a vote against that proposal. If a SIRIUS stockholder fails to vote on the Share Issuance or responds to the Share Issuance with an abstain vote, it will have no effect on the outcome of the vote for the proposal. If a proxy is received without indication as to how to vote, the SIRIUS stock represented by that proxy will be considered to be voted in favor of all matters for consideration at the SIRIUS special meeting. If a SIRIUS stockholder responds but does not indicate how it wants to vote on the proposals, the proxy will be counted as a vote in favor of the proposals.

Voting by SIRIUS Directors and Executive Officers

On the SIRIUS record date, directors and executive officers of SIRIUS and their affiliates owned and were entitled to vote shares of SIRIUS common stock, or approximately % and %, respectively, of the total voting power of the shares of SIRIUS common stock and shares of SIRIUS capital stock outstanding on that date.

Voting of Proxies

Giving a proxy means that a SIRIUS stockholder authorizes the persons named in the enclosed proxy card to vote its shares at the SIRIUS special meeting in the manner it directs. A SIRIUS stockholder may vote by proxy or in person at the meeting. To vote by proxy, a SIRIUS stockholder may use one of the following methods if it is a registered holder (that is, it holds its stock in its own name):

Telephone voting, by dialing the toll-free number and following the instructions on the proxy card;

Via the Internet, by going to the web address and following the instructions on the proxy card; or

Mail, by completing and returning the proxy card in the enclosed envelope. The envelope requires no additional postage if mailed in the United States.

SIRIUS requests that SIRIUS stockholders complete and sign the accompanying proxy and return it to SIRIUS as soon as possible in the enclosed postage-paid envelope. When the accompanying proxy is returned properly executed, the shares of SIRIUS stock represented by it will be voted at the SIRIUS special meeting in accordance with the instructions contained on the proxy card.

If any proxy is returned without indication as to how to vote, the SIRIUS stock represented by the proxy will be considered a vote in favor of all matters for consideration at the SIRIUS special meeting. Unless a SIRIUS stockholder checks the box on its proxy card to withhold discretionary authority, the proxyholders may use their discretion to vote on other matters relating to the SIRIUS special meeting.

If a SIRIUS stockholder's shares are held in street name by a broker or other nominee, the stockholder should check the voting form used by that firm to determine whether it may vote by telephone or the Internet.

Every SIRIUS stockholder's vote is important. Accordingly, each SIRIUS stockholder should sign, date and return the enclosed proxy card, or vote via the Internet or by telephone, whether or not it plans to attend the SIRIUS special meeting in person.

Revocability of Proxies and Changes to a SIRIUS Stockholder's Vote

A SIRIUS stockholder has the power to change its vote at any time before its shares are voted at the special meeting by:

notifying SIRIUS' Corporate Secretary, Patrick L. Donnelly, in writing at Sirius Satellite Radio Inc., 1221 Avenue of the Americas, 36th Floor, New York, New York 10020 that you are revoking your proxy; or

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executing and delivering a later dated proxy card or submitting a later dated vote by telephone or in the internet; or

voting in person at the special meeting.

However, if a SIRIUS stockholder has shares held through a brokerage firm, bank or other custodian, it may revoke its instructions only by informing the custodian in accordance with any procedures it has established.

Solicitation of Proxies

The solicitation of proxies from SIRIUS stockholders is made on behalf of the SIRIUS board of directors. SIRIUS and XM will generally share equally the cost and expenses of printing and mailing this Proxy Statement and all fees paid to the SEC. SIRIUS will pay the costs of soliciting and obtaining these proxies, including the cost of reimbursing brokers, banks and other financial institutions for forwarding proxy materials to their customers. Proxies may be solicited, without extra compensation, by SIRIUS officers and employees by mail, telephone, fax, personal interviews or other methods of communication. SIRIUS has engaged the firm of _____ to assist SIRIUS in the distribution and solicitation of proxies from SIRIUS stockholders and will pay _____ an estimated fee of \$ _____ plus out-of-pocket expenses for its services. XM will pay the costs of soliciting and obtaining its proxies and all other expenses related to the XM special meeting.

Delivery of Proxy Materials to Households Where Two or More Stockholders Reside

As permitted by the Exchange Act, only one copy of this Proxy Statement is being delivered to stockholders residing at the same address, unless SIRIUS stockholders have notified SIRIUS of their desire to receive multiple copies of the Proxy Statement. This is known as householding.

SIRIUS will promptly deliver, upon oral or written request, a separate copy of this Proxy Statement to any stockholder residing at an address to which only one copy was mailed. Requests for additional copies for this year or future years should be directed to: Sirius Satellite Radio Inc., Attention: Corporate Secretary, 1221 Avenue of the Americas, 36th Floor, New York, New York 10020.

Attending the Meeting

Subject to space availability, all stockholders as of the record date, or their duly appointed proxies, may attend the meeting. Since seating is limited, admission to the meeting will be on a first-come, first-served basis. Registration and seating will begin at _____ a.m., local time.

If you are a registered stockholder (that is, if you hold your stock in certificate form), an admission ticket is enclosed with your proxy card. If you wish to attend the special meeting, please vote your proxy but keep the admission ticket and bring it with you to the special meeting.

If your shares are held in _____ street name (that is, through a bank, broker or other holder of record) and you wish to attend the special meeting, you need to bring a copy of a bank or brokerage statement to the special meeting reflecting your stock ownership as of the SIRIUS record date.

Item 1. *The Charter Amendment*

(Item 1 on Proxy Card)

SIRIUS is proposing to increase the number of authorized shares of SIRIUS common stock from 2,500,000,000 shares to _____ shares. To effect this change, SIRIUS must amend its certificate of incorporation.

SIRIUS currently has 2,500,000,000 shares of SIRIUS common stock authorized for issuance. On the SIRIUS record date, SIRIUS had outstanding _____ shares of SIRIUS common stock and approximately _____ shares of SIRIUS common stock issuable based on options and stock-based awards. Based on the number of shares of XM common stock, convertible securities, and options and warrants to acquire XM common stock outstanding as of the _____

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SIRIUS record date, as a result of the merger, SIRIUS can expect to issue up to approximately 1.7 billion additional shares of SIRIUS common stock. SIRIUS is proposing to increase the number of authorized shares of SIRIUS common stock to give it sufficient authorized shares to complete the merger. The increased share authorization will also provide greater flexibility in the capital structure of the resulting company by allowing it to raise capital that may be necessary to further develop its business, to fund potential acquisitions, to have shares available for use in connection with stock plans and to pursue other corporate purposes that may be identified by the board of directors.

The SIRIUS board of directors will determine whether, when and on what terms the issuance of shares of SIRIUS common stock may be warranted in connection with any future actions. No further action or authorization by SIRIUS stockholders will be necessary before issuance of the additional shares of SIRIUS common stock authorized under the amended and restated certificate of incorporation, except as may be required for a particular transaction by applicable law or regulatory agencies or by the rules of the NASDAQ or any other stock exchange on which the SIRIUS common stock may then be listed.

Although an increase in the authorized shares of SIRIUS common stock could, under certain circumstances, also be construed as having an anti-takeover effect (for example, by permitting easier dilution of the stock ownership of a person seeking to effect a change in the composition of the board of directors or contemplating a tender offer or other transaction resulting in the acquisition of SIRIUS by another company), the proposed increase in shares authorized is not in response to any effort by any person or group to accumulate SIRIUS common stock or to obtain control of SIRIUS by any means. In addition, the proposal is not part of any plan by the SIRIUS board of directors to recommend or implement a series of anti-takeover measures.

The increase in the number of authorized shares of SIRIUS common stock is necessary to effect the merger. The Charter Amendment will become effective only in connection with and immediately before the time of completion of the merger. This Proposal 1 is conditioned on the approval of Proposal 2, and the approval of both of these Proposals is required for completion of the merger.

The SIRIUS board of directors recommends a vote *FOR* the Charter Amendment (Item 1).

Item 2. *The Share Issuance*

(Item 2 on Proxy Card)

It is a condition to completion of the merger that SIRIUS issue shares of SIRIUS common stock and SIRIUS Series A convertible preferred stock in the merger. When the merger becomes effective, each share of XM common stock outstanding immediately before the merger will be converted into the right to receive 4.6 shares of SIRIUS common stock. Each share of Series A convertible preferred stock of XM outstanding immediately before the merger will be similarly converted into the right to receive 4.6 shares of newly designated series of SIRIUS convertible preferred stock, which has substantially the same powers, designations, preferences, rights and qualifications. For a description of the new series of SIRIUS convertible preferred stock, see Description of SIRIUS Capital Stock Description of SIRIUS Preferred Stock Series A Convertible Preferred Stock on page 80. Under Rule 4350(i) of the NASDAQ, a company listed on the NASDAQ is required to obtain stockholder approval in connection with a merger with another company if the number of shares of common stock or securities convertible into common stock to be issued is in excess of 20% of the number of shares of common stock then outstanding. If the merger is completed, SIRIUS will issue up to approximately 1.7 billion shares of SIRIUS common stock in the merger. On an as converted basis, the aggregate number of shares of SIRIUS common stock to be issued in the merger will exceed 20% of the shares of SIRIUS common stock outstanding on the record date for the SIRIUS special meeting, and for this reason SIRIUS must obtain the approval of SIRIUS stockholders for the issuance of these securities to XM stockholders in the merger.

SIRIUS is asking its stockholders to approve the Share Issuance. The issuance of these securities to XM stockholders is necessary to effect the merger. This Proposal 2 is conditioned on the approval of Proposal 1, and the approval of both of these Proposals is required for completion of the merger.

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The SIRIUS board of directors recommends a vote *FOR* the Share Issuance (Item 2).

Item 3. *Possible Adjournment or Postponement of the SIRIUS Special Meeting*

(Item 3 on Proxy Card)

The SIRIUS special meeting may be adjourned or postponed to another time or place to permit, among other things, further solicitation of proxies if necessary to obtain additional votes in favor of the Charter Amendment and Share Issuance.

The SIRIUS board of directors recommends a vote *FOR* this item.

Other Matters to Come Before the Meeting

No other matters are intended to be brought before the meeting by SIRIUS, and SIRIUS does not know of any matters to be brought before the meeting by others. If, however, any other matters properly come before the meeting, the persons named in the proxy will vote the shares represented thereby in accordance with the judgment of management on any such matter.

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XM SPECIAL MEETING

Date, Time and Place

These proxy materials are delivered in connection with the solicitation by the XM board of directors of proxies to be voted at the XM special meeting, which is to be held at _____ at a.m., local time on _____, 2007. On or about _____, 2007, XM commenced mailing this Proxy Statement and the enclosed form of proxy to its stockholders entitled to vote at the meeting.

Purpose of the XM Special Meeting

XM stockholders will be asked to vote on the following proposals:

to adopt the merger agreement, which we refer to as the Merger Proposal (Item 1 on the Proxy Card);

to approve any motion to adjourn or postpone the special meeting to another time or place, if necessary, to solicit additional proxies (Item 2 on the Proxy Card); and

to conduct any other business that properly comes before the XM special meeting and any adjournment or postponement thereof.

XM Record Date; Stock Entitled to Vote

The close of business on _____, 2007, which we refer to as the XM record date, has been fixed as the record date for the determination of stockholders entitled to notice of, and to vote at, the XM special meeting or any adjournments or postponements of the XM special meeting.

As of the XM record date the following shares were outstanding and entitled to vote:

Designation	Shares Outstanding	Votes Per Share
XM common stock		1

A complete list of stockholders entitled to vote at the XM special meeting will be available for examination by any XM stockholder at XM headquarters, 1500 Eckington Place, N.E., Washington, DC 20002 for purposes pertaining to the XM special meeting, during normal business hours for a period of ten days before the XM special meeting, and at the time and place of the XM special meeting.

Quorum and Votes Required

In order to carry on the business of the meeting, XM must have a quorum. A quorum requires the presence, in person or by proxy, of the holders of a majority of the votes entitled to be cast at the meeting.

Required Vote to adopt the Merger Proposal (Item 1 on the Proxy Card)

The affirmative vote of a majority of the outstanding shares of XM common stock is required to approve the Merger Proposal.

Treatment of Abstentions, Not Voting and Incomplete Proxies

If an XM stockholder fails to vote on the Merger Proposal or responds to the Merger Proposal with an abstain vote, it will have the same effect as a vote against that proposal. If an XM stockholder responds but does not indicate how it wants to vote on the proposal, the proxy will be counted as a vote in favor of the proposal.

Voting by XM Directors and Executive Officers

On the XM record date, directors and executive officers of XM and their affiliates owned and were entitled to vote shares of XM common stock, or approximately % and %, respectively, of the total voting power of the shares of XM common stock and shares of XM capital stock outstanding on that date.

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Voting of Proxies

Giving a proxy means that an XM stockholder authorizes the persons named in the enclosed proxy card to vote its shares at the XM special meeting in the manner it directs. An XM stockholder may vote by proxy or in person at the meeting. To vote by proxy, an XM stockholder may use one of the following methods if it is a registered holder (that is, it holds its stock in its own name):

Telephone voting, by dialing the toll-free number and following the instructions on the proxy card;

Via the Internet, by going to the web address _____ and following the instructions on the proxy card; or

Mail, by completing and returning the proxy card in the enclosed envelope. The envelope requires no additional postage if mailed in the United States.

XM requests that XM stockholders complete and sign the accompanying proxy and return it to XM as soon as possible in the enclosed postage-paid envelope. When the accompanying proxy is returned properly executed, the shares of SIRIUS stock represented by it will be voted at the XM special meeting in accordance with the instructions contained on the proxy card.

If any proxy is returned without indication as to how to vote, the XM stock represented by the proxy will be considered a vote in favor of all matters for consideration at the XM special meeting. Unless an XM stockholder checks the box on its proxy card to withhold discretionary authority, the proxyholders may use their discretion to vote on other matters relating to the XM special meeting.

If an XM stockholder's shares are held in street name by a broker or other nominee, the stockholder should check the voting form used by that firm to determine whether it may vote by telephone or the Internet.

Every XM stockholder's vote is important. Accordingly, each XM stockholder should sign, date and return the enclosed proxy card, or vote via the Internet or by telephone, whether or not it plans to attend the XM special meeting in person.

Revocability of Proxies and Changes to an XM Stockholder's Vote

A XM stockholder has the power to change its vote at any time before its shares are voted at the special meeting by:

Notifying XM's Corporate Secretary, Joseph M. Titlebaum, in writing at XM Satellite Radio Holdings Inc., 1500 Eckington Place, NE, Washington, DC 20002 that you are revoking your proxy; or

Executing and delivering a later dated proxy card or submitting a later dated vote by telephone or through the Internet; or

Voting in person at the special meeting.

However, if an XM stockholder has shares held through a brokerage firm, bank or other custodian, it may revoke its instructions only by informing the custodian in accordance with any procedures it has established.

Solicitation of Proxies

The solicitation of proxies from XM stockholders is made on behalf of the XM board of directors. SIRIUS and XM will generally share equally the costs and expenses of printing and mailing this Proxy Statement and all fees paid to the SEC. XM will pay the costs of soliciting and obtaining these proxies, including the cost of reimbursing brokers, banks and other financial institutions for forwarding proxy materials to their customers. Proxies may be solicited, without extra compensation, by XM officers and employees by mail, telephone, fax, personal interviews or other methods of communication. XM has engaged the firm of _____ to assist XM in the distribution and solicitation of proxies from XM stockholders and will pay _____ an estimated fee of \$ _____ plus out-of-pocket expenses for its services. XM will pay the costs of soliciting and obtaining its proxies and all other expenses related to the XM special meeting.

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Attending the Meeting

Subject to space availability, all stockholders as of the XM record date, or their duly appointed proxies, may attend the meeting. Since seating is limited, admission to the meeting will be on a first-come, first-served basis. Registration and seating will begin at a.m., local time.

If you are a registered stockholder (that is, if you hold your stock in certificate form), an admission ticket is enclosed with your proxy card. If you wish to attend the special meeting, please vote your proxy but keep the admission ticket and bring it with you to the special meeting.

If your shares are held in street name (that is, through a bank, broker or other holder of record) and you wish to attend the XM special meeting, you need to bring a copy of a bank or brokerage statement to the XM special meeting reflecting your stock ownership as of the record date.

Item 1. *The Merger Proposal*

(Item 1 on Proxy Card)

As discussed elsewhere in this Proxy Statement, XM is asking its stockholders to approve the Merger Proposal. Holders of XM common stock should read carefully this Proxy Statement in its entirety, including the annexes, for more detailed information concerning the merger agreement and the merger. In particular, holders of XM common stock are directed to the merger agreement, a copy of which is Annex A to this Proxy Statement.

The XM board of directors recommends a vote *FOR* the Merger Proposal (Item 1).

Item 2. *Possible Adjournment or Postponement of the XM Special Meeting*

(Item 2 on Proxy Card)

The XM special meeting may be adjourned or postponed to another time or place, if necessary, to solicit additional proxies if there are insufficient votes at the time of the XM special meeting to approve the Merger Proposal (Proposal 1 above).

The XM board of directors recommends a vote *FOR* this Item 2.

Other Matters to Come Before the Meeting

No other matters are intended to be brought before the special meeting by XM, and XM does not know of any matters to be brought before the meeting by others. If, however, any other matters properly come before the XM special meeting, the persons named in the proxy will vote the shares represented thereby in accordance with the judgment of management on any such matter.

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UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

The unaudited pro forma condensed combined balance sheet combines the historical consolidated balance sheets of SIRIUS and XM, giving effect to the merger as if it had been consummated on March 31, 2007 and the unaudited pro forma condensed combined statements of operations for the three months ended March 31, 2007 and for the year ended December 31, 2006, giving effect to the merger as if it had occurred on January 1, 2006. The historical consolidated financial information has been adjusted to give effect to pro forma events that are (i) directly attributable to the merger, (ii) factually supportable, and (iii) with respect to the statement of operations, expected to have a continuing impact on the combined results. Intercompany transactions have not been eliminated as the preliminary estimates are not material to the unaudited pro forma condensed combined financial statements.

These unaudited pro forma condensed combined financial statements should be read in conjunction with the historical audited consolidated financial information and accompanying notes of SIRIUS and XM, which have been incorporated by reference into this Proxy Statement. The unaudited pro forma condensed combined financial statements are not necessarily indicative of the operating results or financial position that would have occurred if the merger had been completed at the dates indicated. It may be necessary to further reclassify XM's financial statements to conform to those classifications that are determined by the combined company to be most appropriate. While some reclassifications of prior periods have been included in the unaudited pro forma condensed combined financial statements, further reclassifications may be necessary.

The unaudited pro forma condensed combined financial statements were prepared using the purchase method of accounting with SIRIUS treated as the acquiring entity. Accordingly, consideration paid by SIRIUS to complete the merger with XM will be allocated to XM's assets and liabilities based upon their estimated fair values as of the date of completion of the merger. The allocation is dependent upon certain valuations and other studies that have not progressed to a stage where there is sufficient information to make a definitive allocation. Additionally, a final determination of the fair value of XM's assets and liabilities, which cannot be made prior to the completion of the transaction, will be based on the actual net tangible and intangible assets of XM that exist as of the date of completion of the merger. Accordingly, the pro forma purchase price adjustments are preliminary, subject to further adjustments as additional information becomes available and as additional analyses are performed and have been made solely for the purpose of providing the unaudited pro forma condensed combined financial information presented below. Certain valuations have not been performed on tangible and intangible assets and liabilities such as property and equipment and deferred revenue and therefore an estimate of fair value is not included as a pro forma adjustment. Upon completion of the merger, final valuations will be performed. Increases or decreases in the fair value of relevant balance sheet amounts including property and equipment, deferred revenue, debt and intangibles will result in adjustments to the balance sheet and/or statement of operations. There can be no assurance that the final determination will not result in material changes.

SIRIUS expects to incur significant costs associated with integrating SIRIUS' and XM's businesses. The unaudited pro forma condensed combined financial statements do not reflect the cost of any integration activities or benefits that may result from synergies that may be derived from any integration activities.

Table of Contents**SIRIUS SATELLITE RADIO INC. AND SUBSIDIARIES****Unaudited Pro Forma Combined Statement of Operations****For the three months ended March 31, 2007****(In thousands, except per share amounts)**

	SIRIUS	XM	Pro Forma Adjustments	Combined
Revenue:				
Subscriber revenue, including effects of mail-in rebates	\$ 190,796	\$ 236,486	\$ 4,654(a)	\$ 431,936
Advertising revenue, net of agency fees	6,721	7,478		14,199
Equipment revenue	4,671	5,297		9,968
Other revenue	1,849	14,851	(4,654)(a)	12,046
Total revenue	204,037	264,112		468,149
Operating expenses (excludes depreciation shown separately below)(1):				
Cost of services:				
Satellite and transmission	7,986	13,882	6,544(b)	28,412
Programming and content	59,998	43,952		103,950
Revenue share and royalties	27,134	47,426		74,560
Customer service and billing	21,853	27,928		49,781
Cost of equipment	9,292	18,277		27,569
Broadcast and operations		16,260	(16,260)(b)	
Sales and marketing	38,162		45,950(c)(d)	84,112
Ad sales		3,385	(3,385)(c)	
Marketing		86,167	(86,167)(c)	
Subscriber acquisition costs	100,117		43,602(d)	143,719
General and administrative	35,343	34,185	9,716(b)	79,244
Engineering, design and development	12,411	7,310		19,721
Depreciation and amortization	26,786	53,386	31,917(f)	112,089
Total operating expenses	339,082	352,158	31,917	723,157
Loss from operations	(135,045)	(88,046)	(31,917)	(255,008)
Other income (expense):				
Interest and investment income	6,042	3,544		9,586
Interest expense, net of amounts capitalized	(15,192)	(27,609)	4,192(e)	(38,609)
Loss from de-leveraging transactions		(2,965)		(2,965)
Other income (expense)	5	(6,678)		(6,673)
Total other income (expense)	(9,145)	(33,708)	4,192	(38,661)
Loss before income taxes	(144,190)	(121,754)	(27,725)	(293,669)
Income tax expense	(555)	(684)		(1,239)

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Net loss attributable to common stockholders	\$ (144,745)	\$ (122,438)	\$ (27,725)	\$ (294,908)
Net loss per common share basic and diluted				\$ (0.10)
Weighted average shares used in computing net loss per common share basic and diluted				2,879,881

See Notes to Unaudited Pro Forma Condensed Combined Financial Statements

(1) Amounts related to stock-based compensation included in other operating expenses were as follows:

Satellite and transmission	\$ 656	\$ 520	\$ 600(b)	\$ 1,776
Programming and content	2,935	2,166		5,101
Broadcast and operations		978	(978)(b)	
Customer service and billing	199	440		639
Sales and marketing	5,644		2,253(c)	7,897
Ad sales		356	(356)(c)	
Marketing		1,897	(1,897)(c)	
Subscriber acquisition costs	1,880			1,880
General and administrative	11,940	6,048	378(b)	18,366
Engineering, design and development	1,006	1,726		2,732
Total stock based compensation	\$ 24,260	\$ 14,131	\$	\$ 38,391

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Unaudited Pro Forma Condensed Combined Statement of Operations
For the Year ended December 31, 2006
(In thousands, except per share amounts)

	SIRIUS	XM	Pro Forma Adjustments	Combined
Revenue:				
Subscriber revenue, including effects of mail-in rebates	\$ 575,404	\$ 825,626	\$ 16,192(a)	\$ 1,417,222
Advertising revenue, net of agency fees	31,044	35,330		66,374
Equipment revenue	26,798	21,720		48,518
Other revenue	3,989	50,741	(16,192)(a)	38,538
Total revenue	637,235	933,417		1,570,652
Operating expenses (excludes depreciation shown separately below)(1):				
Cost of services:				
Satellite and transmission	41,797	49,019	23,049(b)	113,865
Programming and content	520,424	165,196		685,620
Revenue share and royalties	69,918	149,010		218,928
Customer service and billing	76,462	104,871		181,333
Cost of equipment	35,233	48,949		84,182
Broadcast and operations		57,732	(57,732)(b)	
Sales and marketing	203,682		212,343(c)(d)(g)	416,025
Ad sales		15,961	(15,961)(c)	
Marketing		421,083	(421,083)(c)	
Subscriber acquisition costs	451,614		224,701(d)(g)	676,315
General and administrative	129,953	88,626	34,683(b)	253,262
Engineering, design and development	70,127	37,428		107,555
Depreciation and amortization	105,749	198,640	127,667(f)	432,056
Total operating expenses	1,704,959	1,336,515	127,667	3,169,141
Loss from operations	(1,067,724)	(403,098)	(127,667)	(1,598,489)
Other income (expense):				
Interest and investment income	33,320	21,664		54,984
Interest expense, net of amounts capitalized	(64,032)	(121,304)	16,767(e)	(168,569)
Loss from de-leveraging transactions		(122,189)		(122,189)
Loss from impairment of investments		(76,572)		(76,572)
Other expense	(4,366)	(17,387)		(21,753)
Total other income (expense)	(35,078)	(315,788)	16,767	(334,099)
Loss before income taxes	(1,102,802)	(718,886)	(110,900)	(1,932,588)

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Income tax (expense) benefit	(2,065)	14		(2,051)
Net loss	(1,104,867)	(718,872)	(110,900)	(1,934,639)
Dividend requirements		(6,127)		(6,127)
Preferred stock retirement loss		(6,693)		(6,693)
Net loss attributable to common stockholders	\$ (1,104,867)	\$ (731,692)	\$ (110,900)	\$ (1,947,459)
Net loss per common share basic and diluted				\$ (0.73)
Weighted average shares used in computing net loss per common share basic and diluted				2,663,151

See Notes to Unaudited Pro Forma Condensed Combined Financial Statements
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