

SIRIUS SATELLITE RADIO INC

Form 10-K

February 29, 2008

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

Form 10-K

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
FOR FISCAL YEAR ENDED DECEMBER 31, 2007**

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM TO
COMMISSION FILE NUMBER 0-24710**

**SIRIUS SATELLITE RADIO INC.
(Exact name of registrant as specified in its charter)**

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

**52-1700207
(I.R.S. Employer Identification Number)**

**1221 Avenue of the Americas, 36th Floor
New York, New York
(Address of principal executive offices)**

**10020
(Zip Code)**

Registrant's telephone number, including area code: (212) 584-5100

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	Name of each exchange on which registered:
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Common Stock, par value \$0.001 per share	Nasdaq Global Select Market
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Securities registered pursuant to Section 12(g) of the Act:

None
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant on June 30, 2007 was \$4,084,707,962. All executive officers and directors of the registrant have been deemed, solely for the purpose of the foregoing calculation, to be affiliates of the registrant.

The number of shares of the registrant's common stock outstanding as of February 27, 2008 was 1,476,584,321.

Documents Incorporated by Reference

Information included in our definitive proxy statement for our 2008 annual meeting of stockholders scheduled to be held on Tuesday, May 20, 2008 is incorporated by reference in Items 10, 11, 12, 13 and 14 of Part III of this report.

**SIRIUS SATELLITE RADIO INC.
2007 FORM 10-K ANNUAL REPORT
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Special Note Regarding Forward-Looking Statements

The following cautionary statements identify important factors that could cause our actual results to differ materially from those projected in forward-looking statements made in this Annual Report on Form 10-K and in other reports and documents published by us from time to time. Any statements about our beliefs, plans, objectives, expectations, assumptions, future events or performance are not historical facts and may be forward-looking. These statements are often, but not always, made through the use of words or phrases such as will likely result, are expected to, will continue, is anticipated, estimated, intend, plan, projection and outlook. Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this Annual Report on Form 10-K and in other reports and documents published by us from time to time, particularly the risk factors described under Business Risk Factors in Item 1A of this Annual Report on Form 10-K.

Among the significant factors that could cause our actual results to differ materially from those expressed in the forward-looking statements are:

our pending merger with XM Satellite Radio Holdings Inc. (XM Radio), including related uncertainties and risks and the impact on our business if the merger is not completed;

the useful life of our satellites, which have experienced circuit failures on their solar arrays and other component failures and are not insured;

our dependence upon third parties, including manufacturers and distributors of SIRIUS radios, retailers, automakers and programming providers; and

our competitive position versus other forms of audio and video entertainment including terrestrial radio, XM Radio, HD radio, internet radio, mobile phones, iPods and other MP3 devices, and emerging next generation networks and technologies.

Because the risk factors referred to above could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made by us or on our behalf, you should not place undue reliance on any of these forward-looking statements. In addition, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which the statement is made, to reflect the occurrence of unanticipated events or otherwise. New factors emerge from time to time, and it is not possible for us to predict which will arise or to assess with any precision the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

PART I

Item 1. Business

On February 19, 2007, we and XM Radio entered into an Agreement and Plan of Merger (the Merger Agreement), pursuant to which we and XM Radio will combine our businesses through a merger of XM Radio and a newly formed, wholly owned subsidiary of ours (the Merger). Our Board of Directors and stockholders, and the Board of Directors and stockholders of XM Radio, have approved the Merger and the Merger Agreement.

The completion of the Merger is subject to various closing conditions, including approval from the Federal Communications Commission and the Department of Justice. See Pending Merger with XM Radio for a further description of the Merger. The information presented in this Annual Report on Form 10-K does not give effect to the Merger.

We are a satellite radio provider in the United States. We offer over 130 channels to our subscribers 69 channels of 100% commercial-free music and 65 channels of sports, news, talk, entertainment, traffic, weather and data. The core of our enterprise is programming; we are committed to offering the best audio entertainment.

Our primary source of revenue is subscription fees, with most of our customers subscribing to SIRIUS on an annual, semi-annual, quarterly or monthly basis. As of December 31, 2007, we had 8,321,785 subscribers. In addition, we derive revenue from activation fees, the sale of advertising on some of our non-music channels, and the direct sale of SIRIUS radios and accessories.

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Most of our subscribers receive our service through SIRIUS radios, which are sold through our website and by automakers, consumer electronics retailers and mobile audio dealers. SIRIUS radios for the car, truck, home, RV and boat are available in approximately 20,000 retail locations, including Best Buy, Circuit City, Costco, Crutchfield, Sam's Club, Target and Wal-Mart and through RadioShack on an exclusive basis.

As of December 31, 2007, SIRIUS radios were available as a factory and dealer-installed option in 116 vehicle models and as a dealer only-installed option in 37 vehicle models. We have agreements with Chrysler, Dodge, Jeep, Mercedes-Benz, Ford, Mitsubishi, BMW, Volkswagen, Kia, Bentley, Audi, Lincoln, Mercury, Mazda, Land Rover, Jaguar, Volvo, Aston Martin, MINI, Maybach and Rolls-Royce to offer SIRIUS radios as factory or dealer-installed equipment in their vehicles. We also have relationships with Toyota and Scion to offer SIRIUS radios as dealer installed equipment, and a relationship with Subaru to offer SIRIUS radios as factory and dealer-installed equipment.

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SIRIUS radios are also offered to renters of Hertz vehicles at airport locations nationwide.

We offer our programming over multiple platforms in addition to our satellite and terrestrial repeater network. SIRIUS Internet Radio, which we refer to as SIR, is an Internet-only version of our service. SIR delivers a simulcast of more than 80 channels of our talk, entertainment, sports and music programming. Our music channels are also available to certain DISH satellite television subscribers, and a select number of our music channels are available to certain subscribers to the Nationwide Sprint PCS Network.

We also offer certain ancillary services. In 2007, we introduced SIRIUS Backseat TV, a television service offering content designed primarily for children from Nickelodeon, Disney Channel and Cartoon Network in the backseat of vehicles. Chrysler offered SIRIUS Backseat TV exclusively in select 2008 model-year vehicles. We also offer a service that provides graphic information as to road closings, traffic flow and incident data to consumers with in-vehicle navigation systems, and a marine weather service that provides a range of information, including sea surface temperatures, wave heights and extended forecasts, to recreational boaters. In 2008, we intend to launch SIRIUS Travel Link, a suite of data services that includes real-time traffic, tabular and graphical weather, fuel prices, sports schedules and scores, and movie listings. SIRIUS Travel Link is expected to be standard equipment on Ford's next-generation navigation system, and is anticipated to be offered on select Ford, Lincoln and Mercury vehicles in 2008.

In 2005, SIRIUS Canada Inc., a Canadian corporation owned by us, Canadian Broadcasting Corporation and Standard Radio Inc., launched service in Canada. SIRIUS Canada currently offers 110 channels of commercial-free music and news, sports, talk and entertainment programming, including 11 channels of Canadian content. As of October 11, 2007, SIRIUS Canada had over 500,000 subscribers.

Pending Merger with XM Radio

On February 19, 2007, we entered into an Agreement and Plan of Merger with XM Satellite Radio Holdings Inc. Pursuant to the Merger Agreement we and XM Radio will combine our businesses through a merger of XM Radio and a newly formed, wholly owned subsidiary of ours.

Each of SIRIUS and XM Radio has made customary representations and warranties and covenants in the Merger Agreement. The completion of the Merger is subject to various closing conditions, including approval from the Federal Communications Commission and the Department of Justice. The Merger is intended to qualify as a reorganization for federal income tax purposes.

At the effective time of the Merger (the "Effective Time"), by virtue of the Merger and without any action on the part of any stockholder, each share of common stock of XM Radio (the "XM Common Stock") issued and outstanding immediately prior to the Effective Time will generally be converted into the right to receive 4.6 shares of our common stock. Each share of Series A Convertible Preferred Stock of XM Radio issued and outstanding immediately prior to the Effective Time will be similarly converted at the Effective Time into the right to receive 4.6 shares of a newly-designated series of our preferred stock having substantially the same powers, designations, preferences, rights and qualifications, limitations and restrictions as the stock so converted.

Mel Karmazin, currently our chief executive officer, will become chief executive officer of the combined company and Gary M. Parsons, currently chairman of the board of directors of XM Radio, will become chairman of the board of directors of the combined company. The combined company's board of directors will consist of 12 directors, including Messrs. Karmazin and Parsons, four independent members designated by each of SIRIUS and XM Radio, as well as one representative of each of General Motors and American Honda.

The Merger Agreement contains certain termination rights for both us and XM Radio. On February 29, 2008, we and XM Radio announced that the companies have agreed not to exercise their rights to terminate the Agreement and Plan of the Merger prior to May 1, 2008. If the Merger Agreement is terminated under certain circumstances specified in the Merger Agreement, we or XM Radio, as the case may be, will be required to pay the other a termination fee of \$175,000,000.

This description of the Merger Agreement does not purport to be complete and is qualified in its entirety by reference to the Merger Agreement, which is filed as Exhibit 2.1 to the Current Report on Form 8-K dated February 21, 2007, and is incorporated herein by reference.

The Merger Agreement contains representations and warranties that SIRIUS and XM Radio made to each other as of specific dates. The assertions embodied in those representations and warranties were made solely for purposes of the Merger Agreement between SIRIUS and XM Radio and may be subject to important qualifications and limitations agreed to by SIRIUS and XM Radio 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 Radio rather than establishing matters as facts. For the foregoing reasons, no person should rely on the representations and warranties as statements of factual information at the time they were made or otherwise.

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Programming

We offer a dynamic programming lineup of over 130 channels to our subscribers 69 channels of 100% commercial-free music and 54 channels of sports, news, talk, and entertainment; 11 channels of traffic and weather; and informational data services. Our programming lineup changes from time to time as we strive to attract new subscribers, to create content that appeals to a broad range of audiences and to satisfy our existing subscribers.

Music Programming

Our music channels offer an extensive selection of music genres from rock, pop and hip-hop to country, dance, jazz, Latin and classical. Within each genre we offer a range of formats, styles and recordings.

All of our music channels are broadcast commercial-free. Our channels are produced, programmed and hosted by a team of experts in their fields, including musical performers such as Eminem, Jimmy Buffett, Little Steven Van Zandt, and other unique personalities such as Cousin Brucie, Tony Hawk, and several of the original MTV veejays. Each channel is operated as an individual radio station, with a distinct format and branding.

In 2007, we:

launched the *Siriusly Sinatra* channel featuring music from Frank Sinatra as well as artists such as Tony Bennett, Nat King Cole, Bobby Darin, Ella Fitzgerald and Dean Martin;

debuted *The Grateful Dead Channel* featuring performances spanning the band's long and celebrated history including rare, unreleased concerts;

returned the popular *E Street Radio* channel to our music lineup in conjunction with Bruce Springsteen and the E Street Band's *Magic* album and tour;

broadcast live concerts from Jimmy Buffett's *Bama Breeze* tour on *Radio Margaritaville*, our music channel dedicated to the tropical lifestyle, created in conjunction with Jimmy Buffett;

renewed radio personality Bruce Morrow, known to his legion of fans as Cousin Brucie, to an exclusive multi-year deal;

began the second season of live broadcasts from the Metropolitan Opera with seven new productions, including *Macbeth* and a special family-targeted production of *Hansel & Gretel*;

worked closely with artists such as Duran Duran, Garth Brooks, Jay-Z, and Miley Cyrus to create their own channels, available for a limited time;

created a new channel dedicated to 90s alternative rock and grunge music called *Lithium*; and

celebrated the diversity and heritage of music with exclusive programming for Black History Month and Hispanic Heritage Month.

Sports Programming

Live play-by-play sports is an important part of our programming strategy. We are the Official Satellite Radio Partner of the National Football League, with exclusive satellite radio rights to use the NFL logo and collective NFL team trademarks. We carry all NFL regular season, pre-season and post-season games. In most cases, we carry both the home and visiting team game broadcasts, as well as Spanish language broadcasts of select games. We also carry the Super Bowl and in 2008 we broadcast the game in eight languages. We also produce and broadcast SIRIUS NFL Radio, an around-the-clock exclusive channel of NFL content for our subscribers. Our agreement with the NFL expires at the end of the 2010-2011 NFL season.

In 2007, we began live broadcast coverage of all NASCAR Sprint Cup Series, NASCAR Nationwide Series and NASCAR Craftsman Truck Series races. We have created SIRIUS NASCAR Radio, an around-the-clock channel of exclusive NASCAR-related programming, including Tony Stewart Live and race coverage. We take fans into the cars

and pits by devoting additional Driver2Crew Chatter channels that carry the driver-to-crew communications of multiple different race teams during NASCAR Sprint Cup Series races. We are the Official Satellite Radio Partner of NASCAR with exclusive trademark and marketing rights and the right to sell advertising time on the NASCAR channel and during races.

We are the exclusive Official Satellite Radio Partner of the NBA and broadcast a daily 3-hour SIRIUS produced NBA talk show. We transmit live play-by-play broadcasts of every regular season NBA game plus every game of the NBA playoffs and the NBA Finals. Our agreement with the NBA expires at the end of the current NBA season.

We are the official satellite radio broadcaster of Barclays English Premier League soccer, and have the right to air matches of the top 20 clubs in the United Kingdom, including Manchester United. We are also the exclusive satellite radio provider of the Chelsea football club's Premier League matches. Every Chelsea match features an exclusive pre-game show co-hosted by international soccer legend Giorgio Chinaglia. Our soccer coverage also includes live matches from the UEFA Champions League. We also broadcast Celtic games from the Scottish Premier League.

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We carry extensive live play-by-play coverage of college football, basketball and other sports from schools from 18 NCAA Division I conferences. We also have the right to broadcast all games of the NCAA Division I men's basketball tournament through 2009.

We also air Wimbledon Championships, Arena Football League, National Lacrosse League and horse racing.

In 2007, we began broadcasting FIS Alpine Skiing of Men's and Women's World Cup events and added Sporting News Radio to our talk show lineup. Our sports channels also include ESPN Radio, ESPN News and ESPN's Spanish language programming, ESPN Deportes.

We launched a new all-sports channel, SIRIUS Sports Central, which features exclusive talk programs as well as *Sporting News Radio* programming. We collaborated with ESPN on a new ESPN-dedicated channel showcasing the *ESPN The Magazine* talk show, and simulcasts of select ESPN television shows, including *SportsCenter*.

Talk and Entertainment Programming

We offer over 25 talk and entertainment channels for a variety of audiences.

In January 2006, Howard Stern moved his radio show to SIRIUS from terrestrial radio as part of two channels being programmed by Howard Stern and us. Our agreement with Stern expires on December 31, 2010. Our talk radio offerings also feature dozens of popular talk personalities, most creating radio shows that air exclusively on SIRIUS, including Senator Bill Bradley, Deepak Chopra, Richard Simmons, Martha Stewart, Mark Thompson and Barbara Walters. Our diverse spectrum of talk programming is a significant differentiator from terrestrial radio and other audio entertainment providers.

Our comedy channels present a range of humor on the channels Laugh Break, Blue Collar Comedy and Raw Dog Comedy, and our other entertainment channels include Cosmo Radio, SIRIUS OutQ, MAXIM Radio, Road Dog Trucking Radio, Playboy Radio and Radio Disney.

Our religious programming includes the Catholic Channel which is programmed with the assistance of the Archdiocese of New York; EWTN, a Global Catholic Radio Network; and Family Net Radio, programmed by Family Net, an affiliate of the Southern Baptist Convention.

In 2007, we:

launched The Foxxhole, an urban comedy and entertainment channel produced by Jamie Foxx, featuring live shows hosted by Foxx and other comics;

announced the creation of Doctor Radio, an exclusive medical channel featuring doctors as hosts of live shows, with listener call-ins, to be produced with NYU Medical Center and launched in the second quarter of 2008;

expanded Barbara Walters' call-in talk show to a weekly format;

added a program featuring speeches by celebrity and public figures produced with the 92nd Street Y in New York City; and

added a variety of exclusive daily and weekly shows to our Martha Stewart, Playboy Radio, Road Dog Trucking, SIRIUS Left, SIRIUS OutQ and SIRIUS Stars channels.

In February 2008, we launched Indie Talk, an exclusive forum for independent thought and opinion.

News and Information Programming

We offer 25 news and information channels. These channels present a range of national, international and financial news, including news from BBC World Service News, Bloomberg Radio, CNBC, CNN, FOX News, NPR and the World Radio Network.

We offer continuous, local traffic reports for 20 metropolitan markets throughout the United States. We broadcast these reports, together with local weather reports from The Weather Channel, on 11 of our channels.

We broadcast national weather reports produced by The Weather Channel on our weather and emergency channel, which also alerts listeners to key information during civil and natural emergencies. In addition, we insert appropriate emergency announcements and broadcasts into our channels and participate in the national Emergency

Alert System.

Distribution of SIRIUS Radios

Retail

We sell SIRIUS radios directly to consumers through our website. SIRIUS radios are also marketed and distributed through major national and regional retailers, including Best Buy, Circuit City, Costco, Crutchfield, Sam's Club, Target and Wal-Mart. SIRIUS radios are distributed on an exclusive basis by RadioShack. We develop in-store merchandising materials and provide sales force training for several retailers. SIRIUS radios are also available nationwide at various truck stops.

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One of our primary means of distributing SIRIUS radios is through the sale of new vehicles. Various automakers factory-install and dealer-install SIRIUS radios in their vehicles. As of December 31, 2007, SIRIUS radios were available as a factory or dealer-installed option in 116 vehicle models and as a dealer only-installed option in 37 vehicle models. Many automakers include a subscription to our radio service in the sale or lease price of their vehicles. In many cases, we receive subscription payments from automakers in advance of the activation of our service. We share with various automakers a portion of the revenues we derive from subscribers using vehicles equipped to receive our service. We also reimburse various automakers for certain costs associated with the SIRIUS radios installed in their vehicles, including in certain cases hardware costs, tooling expenses and promotional and advertising expenses.

In 2007, we launched SIRIUS Backseat TV in select 2008 model year Chrysler, Dodge and Jeep vehicles. In 2007, we also announced the SIRIUS Travel Link service, which is expected to be offered in 2008 on select Ford, Lincoln and Mercury vehicles.

Automakers continue to incorporate SIRIUS into their national and regional advertising. In 2007, Mercury and Mercedes-Benz each implemented a national advertising campaign with prominent references to the SIRIUS radio service, and Chrysler implemented a national advertising campaign with prominent references to SIRIUS Backseat TV.

Chrysler LLC. In February 2008, we extended our agreement with Chrysler to provide an exclusive relationship until September 2017. This agreement covers all Chrysler LLC brands, including Chrysler, Jeep and Dodge. Chrysler included SIRIUS radios as a factory-installed feature in more than 70% of its 2008 model year vehicles. As of December 31, 2007, Chrysler included SIRIUS Backseat TV as a factory-installed option in seven vehicle models.

Mercedes-Benz USA, Inc. and Freightliner LLC. We have an agreement with Mercedes-Benz USA, Inc. and Freightliner LLC, which continues until September 2012. This agreement covers the distribution of our radio service on an exclusive basis in all cars and light trucks manufactured by Mercedes-Benz as well as Freightliner and Sterling heavy trucks. Mercedes-Benz included SIRIUS radios as factory equipment in over 80% of its vehicles in 2007, including all 2008 model year Mercedes S Class, SL Class, CL Class, CLS, AMG and V12 engine vehicles, and has announced plans to increase penetration of SIRIUS radios to over 90% of its vehicles by 2009.

Ford Motor Company. In 2007, we extended our agreement with Ford and certain of its affiliates to provide for an exclusive relationship until September 2016 or, at Ford's option, until September 2018. Beginning in January 2011, Ford may elect to become nonexclusive under the agreement, in which case Ford would forfeit significant future economic benefits. This agreement covers all Ford brands, including Ford, Lincoln, Mercury, Jaguar, Volvo, Land Rover and Mazda. At the end of 2007, SIRIUS radios were being offered as standard equipment in most Lincoln brand vehicles; and in Range Rover and Range Rover Sport vehicles. At the end of 2007, SIRIUS radios were available as factory-installed equipment in 23 Ford, Lincoln and Mercury vehicle lines. The Ford and Mercury brands are targeting approximately 70% factory penetration of SIRIUS radios beginning with 2009 model year vehicles. Ford plans to offer SIRIUS Travel Link on select Ford, Lincoln and Mercury vehicles in 2008. We also have an agreement with Aston Martin which extends to September 2011. Aston Martin offers SIRIUS as a factory-installed option with a lifetime subscription on its Vantage and DB9 vehicles.

BMW. We have an agreement with BMW of North America which provides for an exclusive relationship until August 2008. This agreement covers all BMW and MINI vehicles. Commencing in the 2008 model year, certain BMW and MINI vehicles are sold with a lifetime subscription included in the price of the car.

Volkswagen and Audi. We have an agreement with Volkswagen of America, Inc. that provides for an exclusive relationship through July 2012 or, at Volkswagen's option, through July 2015. This agreement covers all Volkswagen and Audi vehicles. Volkswagen announced its intention to offer SIRIUS radios as standard equipment in all Touareg2, New Beetle, New Beetle Convertible, GTI and GLI models beginning in the 2008 model year. Audi announced its intention to offer SIRIUS radios as standard equipment in all 2008 S4, RS 4, A6, A8, and R8 models, and select Audi Q7 models.

Other Automakers. We have an exclusive agreement with Kia Motors America, Inc. Kia plans to include SIRIUS radios as standard equipment in its vehicles commencing in the 2009 model year. Our agreement with Kia

extends through 2014 or, at Kia's option, through 2017.

We have an agreement with Mitsubishi Motors North America which provides for an exclusive relationship through February 2010. Mitsubishi included SIRIUS radios as standard equipment in the 2008 model Eclipse Spyder vehicles, and as a factory-installed option on other 2008 models.

We have an agreement with Bentley Motors Inc. under which Bentley began including SIRIUS radios as standard equipment in the majority of its 2008 model vehicles and will continue to do so through 2012. Each Bentley vehicle is sold with a lifetime subscription included in the price of the car.

We also have an agreement with Rolls-Royce Motor Cars to include SIRIUS radios as standard equipment in its vehicles through 2008. Each Rolls-Royce vehicle is sold with a lifetime subscription included in the price of the car.

We also have relationships with Toyota and Scion to offer SIRIUS radios as dealer installed equipment, and a relationship with Subaru to offer SIRIUS radios as factory and dealer-installed equipment.

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Special Markets

Trucks. Freightliner, Sterling, Peterbilt, Kenworth, Volvo and International offer SIRIUS radios as a factory-installed option on the trucks they manufacture.

Boats. Various recreational boat builders, including Sea Ray, Four Winns, Chaparral, Larson, Glastron, Ranger and Formula, offer SIRIUS radios and a prepaid subscription to our service as a standard or optional feature on their boats.

Recreational Vehicles. Several leading manufacturers of recreational vehicles, including Fleetwood, Monaco, Winnebago, Coachmen, Tiffin and Alfa Leisure, offer SIRIUS radios as a factory-installed option.

The SIRIUS System

Our satellite radio system is designed to provide clear reception in most areas despite variations in terrain, buildings and other obstructions. Subscribers can receive our transmissions in all outdoor locations where the satellite radio receiver has an unobstructed line-of-sight with one of our satellites or is within range of one of our terrestrial repeaters.

The FCC has allocated the portion of the S-band located between 2320 MHz and 2345 MHz exclusively for satellite radio. We use 12.5 MHz of bandwidth in the 2320.0-2332.5 MHz frequency to transmit our signals from our satellites to our subscribers. Uplink transmissions (from the ground to our satellites) use 12.5 MHz of bandwidth in the 7060-7072.5 MHz band.

Our satellite radio system consists of three principal components:

satellites, terrestrial repeaters and other satellite facilities;

our studios; and

SIRIUS radios.

We continually monitor our infrastructure and regularly evaluate improvements in technology. For example, we employ a technology known as hierarchical modulation to allow us to offer additional audio channels, as well as advanced services such as data and video, without noticeably affecting our broadcasts. This increase in network capacity is available through select new SIRIUS radios and is not available to SIRIUS radios sold prior to the implementation of this technology.

Satellites, Terrestrial Repeaters and Other Satellite Facilities

Satellites. We operate and own three orbiting satellites, we own a spare satellite that is in storage and we have two satellites presently under construction. Space Systems/Loral, the manufacturer of our satellites, delivered our three operating satellites to us in 2000, following the completion of in-orbit testing of each satellite. Our fourth, spare satellite was delivered to ground storage in April 2002. Space Systems/Loral is also in the process of constructing a fifth and sixth satellite for use in our system. We expect to launch our fifth satellite, which is currently under construction, during the second quarter of 2009 and our sixth satellite in the fourth quarter of 2010.

Our satellites are of the Loral FS-1300 model series. This family of satellites has a history of reliability with a total of more than 350 years of in-orbit operation time.

Each of our three orbiting satellites travels in a figure eight pattern extending above and below the equator, and spends approximately 16 hours per day north of the equator. At any time, two of our three orbiting satellites operate north of the equator while the third satellite does not transmit as it traverses the portion of the orbit south of the equator. This orbital configuration yields high signal elevation angles, reducing service interruptions from signal blockage. Our fifth satellite will complement our existing in-orbit satellites and will be launched into a geostationary orbit. The redundancy of the resulting constellation configuration is expected to provide enhanced coverage and performance.

We expect to further augment or replace our satellite constellation. We may elect to augment our operating satellites with our spare satellite or with new satellites that we may purchase to meet our business needs. In January 2008, we entered into an agreement with International Launch Services to secure two satellite launches on Proton rockets. We will pay \$95 million for the first launch and \$98 million for the second launch. This agreement provides us the flexibility to defer launch dates if we choose. We also have the ability to cancel the second of these

launches upon payment of a cancellation fee. Decisions regarding our satellite constellation may affect the estimated useful life of our existing satellites, and we may modify the depreciable life accordingly. The cost of replacing our satellites will be substantial.

Our orbiting satellites have experienced circuit failures on their solar arrays. The circuit failures our satellites have experienced to date do not limit the power of our broadcast signal or affect our current operations. Additional circuit failures could reduce the estimated useful life of our in-orbit satellites.

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We do not maintain in-orbit insurance policies covering our satellites. We discontinued our in-orbit insurance policies covering our satellites following a review of the health of our satellite constellation, the exclusions from coverage contained in the available insurance, the costs of the available insurance, and the practices of other satellite companies as to in-orbit insurance.

If we are required to launch our spare satellite due to the failure of one of our orbiting satellites, our operations would be impaired until such time as we successfully launch and commission our spare satellite, which could take six months or more. If two or more of our satellites fail in orbit in close proximity in time, our operations could be suspended until replacement satellites are launched and placed into service. In such event, our business would be materially impacted and we could default on our commitments.

Terrestrial Repeaters. In some areas with high concentrations of tall buildings, such as urban centers, signals from our satellites may be blocked and reception of our satellite signal can be adversely affected. In many of these areas, we have deployed terrestrial repeaters to supplement our satellite coverage. We currently operate 124 terrestrial repeaters in 98 urban areas. We plan to deploy a significant number of additional terrestrial repeaters in the future.

Other Satellite Facilities. We control and communicate with our satellites from our uplink facility in New Jersey. These activities include routine satellite orbital maneuvers and monitoring of the satellites. We also maintain earth stations in Panama and Ecuador to control and communicate with our satellites.

Studios

Our programming originates principally from our national broadcast studio in New York City. The national broadcast studio houses our corporate headquarters, facilities for programming origination, programming personnel and facilities to transmit programming to our orbiting satellites.

SIRIUS Radios

We design, establish specifications for, source parts and components for, and manage various aspects of the logistics and production of SIRIUS radios. We do not manufacture, import or distribute SIRIUS radios, except for the distribution of our products through our website. We have authorized select manufacturers to produce SIRIUS radios. These radios are distributed under various consumer brands, including the SIRIUS brand.

To facilitate the sale of SIRIUS radios, we subsidize chip sets and a portion of radio manufacturing costs to effectively reduce the price of SIRIUS radios to our subscribers. We expect these subsidies to decrease over time.

In-dash Radios. In-dash radios are integrated into vehicles and allow the user to listen to AM, FM or SIRIUS with the push of a button. The SIRIUS receiver can be built into the radio or connected as a hidden external unit.

In the auto sound aftermarket, in-dash radios are available at retailers nationally. In-dash radios are also available to automakers for factory or dealer installation. When factory-installed, the cost of the SIRIUS radio is generally included in the sticker price of the vehicle and may include a prepaid SIRIUS subscription.

Dock & Play Radios. Dock & Play radios enable subscribers to transport their SIRIUS radios easily to and from their cars, trucks, homes, offices, boats or other locations with available adapter kits. Dock & Play radios adapt to existing audio systems through FM modulation or direct connection and can be easily installed by a retailer or the purchaser. In addition, SIRIUS Dock & Play systems designed for commercial truckers are available through participating truck manufacturers, truck dealers and truck stops.

A boom box, which enables our subscribers to use their SIRIUS radios virtually anywhere, is available for various models of Dock & Play radios.

Portable Units. In 2006, we introduced the Stiletto 100, our first satellite radio to provide live reception in portable mode and the first portable satellite radio with WiFi capabilities. In 2007, we introduced an updated model, the Stiletto 2. The Stiletto 2 allows users to capture, store and replay live SIRIUS content or a mix of SIRIUS content and MP3/WMA files, and permits users to increase that storage capability through a slot for a removeable flash memory card. The Stiletto products also allow the user to bookmark and purchase songs through compatible music download and subscription services, providing easy access to SIRIUS music and other content.

FM Modulated Radios. FM modulated radios enable our service to be received in vehicles with FM radios.

Home and Commercial Units. SIRIUS home units that provide our satellite service to most home stereo systems are available nationally. In addition, various multi-tuner and multi-zone units are available through commercial dealers and custom installation dealers. These units allow the user to listen to SIRIUS radio from multiple locations

within a home or business.

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We have also specially-designed SIRIUS home units to interface with multiple audio and video components. The SIRIUS Conductor home system operates with a wireless controller that displays SIRIUS programming information and controls 12 components in addition to the included receiver from up to 150 feet away. Similarly, the SIRIUSConnect Home tuner provides a one-cable connection to easily add our service to SIRIUS-Ready home systems manufactured by companies such as Pioneer, Sony, Onkyo, Xantech, Netstreams, Accurian and Rotel.

In 2007, Sonos introduced a product that promotes internet access to SIR in the home without the need for a personal computer.

Many SIRIUS radios include a replay feature, allowing listeners to pause, rewind and fast forward music, sports or talk programs. A number of SIRIUS radios also include SIRIUS-Seek, which alerts listeners when selected artists or songs are playing on another SIRIUS channel; Game Alert, which prompts listeners when their favorite teams begin a game or when scores change; Game Zone, which lists a listener's favorite team scores on one screen; and one-touch access to traffic and weather reports for select cities.

We signed an agreement with XM Radio to develop a unified standard for satellite radios to enable consumers to purchase one radio capable of receiving both our and XM Radio's services. The technology relating to this unified standard is being developed, funded and will be owned jointly by the two companies. This unified standard is intended to meet FCC rules that require interoperability of both licensed satellite radio systems.

International

Canada. In 2005, SIRIUS Canada launched its service in Canada and currently offers 110 channels of commercial-free music and news, sports, talk and entertainment programming, including 11 channels of Canadian content and the Howard Stern 100 channel, for Cdn. \$14.99 per month.

As of October 11, 2007, SIRIUS Canada had over 500,000 subscribers. Subscribers to the SIRIUS Canada service are not included in our subscriber counts.

SIRIUS Canada is a Canadian corporation owned by us, Canadian Broadcasting Corporation and Standard Radio Inc. SIRIUS Canada's license to operate a satellite radio service in Canada is subject to a number of conditions, including the requirement that SIRIUS Canada offer a number of qualifying Canadian music and talk channels.

Other regions. We are in discussions with various parties regarding joint ventures in other countries.

Other Opportunities

Internet Radio. We offer SIRIUS subscribers the ability to listen to our music channels and select non-music channels over the Internet as part of our base subscription price. SIRIUS Internet Radio, which we refer to as SIR, delivers a simulcast of more than 80 channels of our talk, entertainment, sports and music programming for a monthly fee. Subscribers to SIR are included in our subscriber counts.

Commercial Accounts. SIRIUS Music for Business, our music service for commercial establishments, is available through Applied Media Corporation, Dynamic Media, Turn Key Media and Info Hold Inc. Subscribers to commercial accounts are included in our subscriber counts.

SIRIUS Backseat TV. In 2007, we introduced SIRIUS Backseat TV, a television service offering content designed primarily for children from Nickelodeon, Disney Channel and Cartoon Network in the backseat of vehicles. Chrysler was the only automaker to offer SIRIUS Backseat TV in its 2008 model-year vehicle lineup. Subscribers to SIRIUS Backseat TV are not included in our subscriber counts.

Travel Link. In 2008, we plan to launch SIRIUS Travel Link, a suite of data services that includes real-time traffic, tabular and graphical weather, fuel prices, sports schedules and scores, and movie listings. SIRIUS Travel Link is expected to be standard on Ford's next-generation navigation system and is anticipated to be offered on select Ford, Lincoln and Mercury vehicles in 2008. Subscribers to SIRIUS Travel Link are not included in our subscriber counts.

Traffic and Weather. We offer a service that provides graphic information as to road closings, traffic flow and incident data to consumers with in-vehicle navigation systems. The service reports incident information for 80 cities and traffic flow information for 26 cities. Traffic flow information is expected to expand to 77 cities in 2008. We source these reports from a provider of mapping and traffic data. Subscribers to this service are not included in our subscriber counts.

We also offer a marine weather service, featuring detailed information ranging from weather and wave heights to sea surface temperatures, for recreational boaters. The service integrates data information directly into certain

marine electronics products. This marine weather service covers the 48 contiguous states and waters extending hundreds of miles into the Atlantic and Pacific Oceans, Gulf of Mexico and Caribbean.

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In 2007, we began offering a commercial aviation weather service through WSI. WSI InFlight® transmits aviation weather information using our system and is offered to commercial fleets, business aircraft and private pilots.

SIRIUS via Mobile Phones. Sprint offers a SIRIUS music service to its subscribers through a built-in media player on Sprint PCS VisionSM Multimedia Phones for \$6.95 per month, a portion of which we receive. This service includes access to 20 commercial-free SIRIUS music channels, plus a channel devoted to artist interviews and performances. Subscribers to the Sprint service are not included in our subscriber counts.

DISH Network. We offer our music channels as part of certain programming packages of the DISH Network satellite television service. Subscribers to DISH Network are not included in our subscriber counts.

Competition

We face competition for listeners, consumer electronics and audio spending, and advertising dollars. In addition to pre-recorded entertainment purchased or playing in cars, homes and using portable players, we compete most directly with the following services:

Terrestrial AM/FM Radio. Terrestrial AM/FM radio has had a well established market for its services for many years and offers free broadcast reception paid for by commercial advertising rather than by a subscription fee. Many radio stations offer information programming of a local nature, such as local news and sports, which we do not offer as effectively as local radio. The AM/FM radio broadcasting industry is highly competitive with respect to listeners and advertising revenues. Some radio stations also have begun reducing the number of commercials per hour, expanding the range of music played on the air and experimenting with new formats in order to compete with us and other competitors. Several major radio companies have launched advertising campaigns designed to assert the benefits of traditional local AM/FM radio. On average every U.S. household has five AM/FM radios, and radio comes as a standard feature in every vehicle manufactured without an additional cost to the consumer.

XM Radio. XM Radio is the other FCC licensee for satellite radio service in the United States. XM Radio has announced that it had 9,027,000 subscribers as of December 31, 2007. XM Radio broadcasts certain programming that we do not offer and is offered on various car model brands which do not offer SIRIUS radios.

HD Radio. While most traditional AM/FM radio stations broadcast by means of analog signals, the radio industry has made significant strides in rolling out advanced digital transmission technology. Digital broadcasting offers higher sound quality than traditional analog signals and the multicast of as many as five stations per frequency, significantly increasing the quality and quantity of content available to consumers. Digital radio broadcast services have been expanding, and an increasing number of radio stations in the U.S. have begun digital broadcasting or are in the process of converting to digital broadcasting. Over 1,500 radio stations in the United States currently broadcast digitally. Digital radio is generally offered to subscribers without a service charge. BMW offers factory-installed HD radio receivers as an option across all of its 2008 model year vehicles, Ford currently offers HD Radio as a dealer installed option for the Ford, Mercury and Lincoln brands and recently announced the availability of factory installed HD Radio technology as a standard or optional feature on Ford, Mercury and Lincoln vehicles beginning in calendar year 2009, and retail HD radios are available nationwide at many large retailers. A number of leading radio broadcasters have joined together to form the HD Digital Radio Alliance to accelerate the successful rollout of digital radio.

Digital Music Devices such as iPods and MP3 Players. We face vigorous competition from various digital music devices and their associated services. The Apple iPod®, a portable digital music player, allows users to convert music on compact discs to digital files and to download and purchase music and video through Apple's iTunes® Music Store. iPods® are compatible with many car stereos and home speaker systems. Apple has reached agreement with automobile manufacturers to preinstall equipment in vehicles which will allow users to play music from their iPod through the automobile sound system. Many MP3 players can be connected to online music subscription services, such as Real Network's Rhapsody and Napster 2.0. Slacker, a recently launched private company, has introduced a device and music service that continually updates the device based on a user's preferences, serving algorithmically determined playlists that are direct substitutes for radio programming.

Internet Radio. Consumers are increasingly turning to Internet radio. Internet radio broadcasts have no geographic limitations and can provide listeners with radio programming from around the country and the world. Improvements from higher bandwidths, faster modems, wider programming selections, and industry consolidation

have made Internet radio a more significant competitor for listening in the home and office. Technologies like WiMax will also make Internet radio more pervasive. In addition to the many free Internet streams offered by radio companies like Clear Channel, CBS Radio or other smaller companies, subscription Internet music services, such as Rhapsody and Pandora, offer unlimited and fully-customizable play lists for a small fixed fee per month. These services may be used for listening at PCs or home media centers.

Wireless Phones. Several of the largest wireless providers currently offer music to mobile phones. Additionally, many phones now contain FM radios. Sprint Nextel currently offers streaming music from a variety of providers plus a music store for purchase. Verizon Wireless offers the VCast music service that can be played directly on a phone. AT&T offers a variety of streaming content and has also partnered with Apple to offer the iPhone. Several subscription music services, including Rhapsody and Pandora, are offered over mobile phones.

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Next Generation Wireless. Next generation wireless protocols will offer unprecedented broadband coverage with enhanced data rates, reliability, and broadcast capabilities.

Sprint Nextel announced in August 2006 its plans to develop a fourth generation nationwide mobile broadband network using the WiMAX standard. Branded XOHM, the network was activated on a limited basis in December 2007 and is scheduled for commercial launch in several markets in 2008.

During 2007, Verizon Wireless launched VCast TV, a multichannel mobile video and audio subscription service run over Qualcomm's MediaFLO USA network. AT&T has announced that it would also offer MediaFLO-based media services to its users. The service offers 8 channels of broadcast video, including ESPN, CBS, NBC and Nickelodeon.

In early 2008, the United States government began an auction of highly coveted 700 MHz spectrum, which offers cost-efficient network buildout possibilities and high signal propagation characteristics. Major media, communication and investment companies are participating in the auction with plans to use the spectrum to offer next-generation wireless media and communications services to consumers.

When these and other services achieve ubiquitous mobile broadband capability, the relative competitiveness of our product offering may suffer.

Direct Broadcast Satellite and Cable Audio. A number of companies provide specialized audio services through either direct broadcast satellite or cable audio systems. These services are targeted to fixed locations, mostly in-home. The radio service offered by direct broadcast satellite and cable audio is often included as part of a package of digital services with video service, and video customers therefore generally do not pay an additional monthly charge for the audio service.

Government Regulation

As an operator of a privately owned satellite system, we are regulated by the FCC under the Communications Act of 1934. The FCC is the government agency with primary authority in the United States over satellite radio communications. We currently must comply with regulation by the FCC principally with respect to:

the licensing of our satellite system;

preventing interference with or to other users of radio frequencies; and

compliance with FCC rules established specifically for U.S. satellites and satellite radio services.

Any assignment or transfer of control of our FCC license must be approved by the FCC. Similarly, our pending merger with XM Radio is conditioned upon approval of the transaction by the FCC.

In 1997, we were one of two winning bidders for an FCC license to operate a satellite digital audio radio service and provide other ancillary services. Our FCC license expires in 2010. Prior to the expiration, we will be required to apply for a renewal of our FCC license. We anticipate that, absent significant misconduct on our part, the FCC will renew our license to permit operation of our satellites for their useful lives, and grant a license for any replacement satellites.

In some areas with high concentrations of tall buildings, such as urban centers, signals from our satellites may be blocked and reception can be adversely affected. In many of these areas, we have installed terrestrial repeaters to supplement our satellite signal coverage. The FCC has not yet established rules governing terrestrial repeaters. A rulemaking on the subject was originally initiated by the FCC in March 1997. A further rulemaking on the subject was commenced by the FCC in December 2007. These rulemakings are still pending. Many comments have been filed as part of these rulemakings. The comments cover many topics relating to the operation of our terrestrial repeaters, but principally seek to protect adjoining wireless services from interference. We cannot predict the outcome or timing of these FCC proceedings and the final rules adopted by the FCC may limit our ability to deploy additional terrestrial repeaters, require us to reduce the power of our existing terrestrial repeaters or fail to protect us from interference by adjoining spectrum holders. In the interim, the FCC has granted us special temporary authority to operate over 200 terrestrial repeaters and offer our service on a non-harmful interference basis to other wireless services. In

October 2006, we ceased operating 11 of our terrestrial repeaters that we discovered had been operating at variance to the specifications and applied to the FCC for new authority to resume operating these repeaters.

We design, establish specifications for, source parts and components for, and manage various aspects of the logistics and production of SIRIUS radios, including SIRIUS radios that include FM modulators. Part 15 of the FCC's rules establish a number of requirements relating to FM modulators, including emissions and frequency rules. The FCC is reviewing whether the FM transmitters in certain SIRIUS radios comply with the Commission's emissions and frequency rules. We are cooperating with the FCC in its on-going inquiry, and have discovered that certain SIRIUS personnel requested manufacturers to produce SIRIUS radios that were not consistent with these rules. We are taking significant steps to ensure that this situation does not happen again, including the adoption of a compliance plan, approved by our board of directors, to ensure that our products comply with all applicable FCC rules. We believe our radios that are currently in production comply with applicable FCC rules. The FCC's inquiry may result in fines, additional license conditions or other FCC actions that are detrimental to our business.

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In 2006, we entered into an agreement with Space Systems/Loral to design and construct a fifth satellite. In April 2007, the FCC granted our application to amend our license to add this satellite to our existing satellite constellation. We have also entered into an agreement with Space Systems/Loral to design and construct a sixth satellite. We have not yet filed an application with the FCC to amend our license to add this satellite to our existing satellite constellation.

Our FCC license is conditioned on us certifying that our system includes a receiver design that will permit end users to access XM Radio's system. We have signed an agreement with XM Radio to develop jointly a unified standard for satellite radios to facilitate the ability of consumers to purchase one radio capable of receiving both our and XM Radio's services. We believe that this agreement, and our efforts with XM Radio to develop this unified standard for satellite radios, satisfies the interoperability condition contained in our FCC license.

Changes in law or regulations relating to communications policy or to matters affecting our service could adversely affect our ability to retain our FCC license or the manner in which we operate.

The SIRIUS Trademark

We have several registrations and approved applications in the U.S. Patent and Trademark Office for the SIRIUS trademark and the Dog Design logo used in connection with our products and service. We intend to maintain our trademarks and the applications and registrations therefor. We are not aware of any material claims of infringement or other challenges to our right to use the SIRIUS trademark or the Dog Design logo in the United States in connection with our products or service.

Copyrights in Programming

In connection with our music programming, we must negotiate and enter into royalty arrangements with two sets of rights holders: holders of copyrights in musical works, or songs, and holders of copyrights in sound recordings records, cassettes, compact discs and audio files.

Musical works rights holders, generally songwriters and music publishers, are represented by performing rights organizations such as the American Society of Composers, Authors and Publishers, or ASCAP, Broadcast Music, Inc., or BMI, and SESAC, Inc. These organizations negotiate fees with copyright users, collect royalties and distribute them to the rights holders. Our public performance license agreements with ASCAP expired at the end of 2006. We have entered into an interim license agreement with ASCAP and BMI to pay royalties for our public performances of musical works by our satellite radio service, and are in discussions regarding final licenses. If we are unable to reach final agreements with ASCAP and BMI, a royalty rate may ultimately be established through litigation.

Sound recording rights holders, typically large record companies, are primarily represented by SoundExchange, an organization which negotiates licenses and collects and distributes royalties on behalf of record companies and performing artists. In December 2007, the Copyright Royalty Board, or CRB, of the Library of Congress issued its decision regarding the royalty rate payable by us under the statutory license covering the performance of sound recordings over our satellite digital audio radio service for the six-year period starting January 1, 2007 and ending December 31, 2012. Under the terms of the CRB's decision, we will pay a royalty of 6.0% of gross revenues, subject to certain exclusions, for 2007 and 2008, 6.5% for 2009, 7.0% for 2010, 7.5% for 2011 and 8.0% for 2012. SoundExchange has appealed the decision of the CRB to the United States Court of Appeals for the District of Columbia Circuit.

Personnel

As of December 31, 2007, we had 973 full-time employees. In addition, we rely upon a number of part-time employees, consultants, other advisors and outsourced relationships. None of our employees is represented by a labor union, and we believe that our relationship with our employees is good.

Corporate Information

Sirius Satellite Radio Inc. was incorporated in the State of Delaware as Satellite CD Radio, Inc. on May 17, 1990. On December 7, 1992, we changed our name to CD Radio Inc., and we formed a wholly owned subsidiary, Satellite CD Radio, Inc., that is the holder of our FCC license. On November 18, 1999, we changed our name to Sirius Satellite Radio Inc. Our executive offices are located at 1221 Avenue of the Americas, 36th floor, New York, New York 10020 and our telephone number is (212) 584-5100. Our internet address is SIRIUS.com. Our annual, quarterly and current reports, and amendments to those reports, filed or furnished pursuant to Section 14(a) or 15(d) of the

Securities Exchange Act of 1934 may be accessed free of charge through our website after we have electronically filed such material with, or furnished it to, the SEC. SIRIUS.com is an inactive textual reference only, meaning that the information contained on the website is not part of this Annual Report on Form 10-K and is not incorporated in this report by reference.

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Certain information regarding our executive officers is provided below:

Name	Age	Position
Mel Karmazin	64	Chief Executive Officer
Scott A. Greenstein	48	President, Entertainment and Sports
James E. Meyer	53	President, Sales and Operations
Patrick L. Donnelly	46	Executive Vice President, General Counsel and Secretary
David J. Frear	51	Executive Vice President and Chief Financial Officer

Mel Karmazin has served as our Chief Executive Officer and a member of our board of directors since November 2004. Prior to joining us, Mr. Karmazin was President and Chief Operating Officer and a member of the board of directors of Viacom Inc. from May 2000 until June 2004. Prior to joining Viacom, Mr. Karmazin was President and Chief Executive Officer of CBS Corporation from January 1999 and a director of CBS Corporation from 1997 until its merger with Viacom in May 2000. He was President and Chief Operating Officer of CBS Corporation from April 1998 through December 1998. Mr. Karmazin joined CBS Corporation in December 1996 as Chairman and Chief Executive Officer of CBS Radio and served as Chairman and Chief Executive Officer of the CBS Station Group (Radio and Television) from May 1997 to April 1998. Prior to joining CBS Corporation, Mr. Karmazin served as President and Chief Executive Officer of Infinity Broadcasting Corporation from 1981 until its acquisition by CBS Corporation in December 1996. Mr. Karmazin served as Chairman, President and Chief Executive Officer of Infinity from December 1998 until the merger of Infinity Broadcasting Corporation with Viacom in February 2001.

Scott A. Greenstein has served as our President, Entertainment and Sports, since May 2004. Prior to May 2004, Mr. Greenstein was Chief Executive Officer of The Greenstein Group, a media and entertainment consulting firm. From 1999 until 2002, he was Chairman of USA Films, a motion picture production, marketing and distribution company. From 1997 until 1999, Mr. Greenstein was Co-President of October Films, a motion picture production, marketing and distribution company. Prior to joining October Films, Mr. Greenstein was Senior Vice President of Motion Pictures, Music, New Media and Publishing at Miramax Films, and held senior positions at Viacom Inc., a diversified media and entertainment company.

James E. Meyer has served as our President, Sales and Operations, since May 2004. Prior to May 2004, Mr. Meyer was President of Aegis Ventures Incorporated, a consulting firm that provides general management services. From December 2001 until 2002, Mr. Meyer served as special advisor to the Chairman of Thomson S.A., a leading consumer electronics company. From January 1997 until December 2001, Mr. Meyer served as the Senior Executive Vice President for Thomson as well as the Chief Operating Officer for Thomson Consumer Electronics. From 1992 until 1996, Mr. Meyer served as Thomson's Senior Vice President of Product Management. Mr. Meyer is a director of Gemstar-TV Guide International, Inc.

Patrick L. Donnelly has served as our Executive Vice President, General Counsel and Secretary since May 1998. From June 1997 to May 1998, he was Vice President and deputy general counsel of ITT Corporation, a hotel, gaming and entertainment company that was acquired by Starwood Hotels & Resorts Worldwide, Inc. in February 1998. From October 1995 to June 1997, he was assistant general counsel of ITT Corporation. Prior to October 1995, Mr. Donnelly was an associate at the law firm of Simpson Thacher & Bartlett LLP.

David J. Frear has served as our Executive Vice President and Chief Financial Officer since June 2003. From July 1999 through February 2003, Mr. Frear was Executive Vice President and Chief Financial Officer of Savvis Communications Corporation, a global managed service provider, delivering internet protocol applications for business customers. From October 1999 through February 2003, Mr. Frear also served as a director of Savvis. Mr. Frear was an independent consultant in the telecommunications industry from August 1998 until June 1999. From October 1993 to July 1998, Mr. Frear was Senior Vice President and Chief Financial Officer of Orion Network Systems Inc., an international satellite communications company that was acquired by Loral Space & Communications Ltd. in March 1998. From 1990 to 1993, Mr. Frear was Chief Financial Officer of Millicom

Incorporated, a cellular, paging and cable television company. Prior to joining Millicom, he was an investment banker at Bear, Stearns & Co., Inc. and Credit Suisse.

Employment Agreements

We have entered into an employment agreement with each of our executive officers, and these agreements are described below.

Mel Karmazin. In November 2004, we entered into a five-year agreement with Mel Karmazin to serve as our Chief Executive Officer. We pay Mr. Karmazin a base salary of \$1,250,000 per year, and annual bonuses in an amount determined each year by the Compensation Committee of our board of directors.

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Pursuant to our 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. In the event Mr. Karmazin's employment is terminated by us 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 we provide, to Mr. Karmazin would require him to pay an excise tax under Section 280G of the United States Internal Revenue Code, we have 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.

Scott A. Greenstein. Mr. Greenstein has agreed to serve as our President, Entertainment and Sports, through July 2009, and we pay Mr. Greenstein an annual salary of \$850,000.

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 (1) his base salary in effect from the termination date through July 2009 and (2) 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, we are also obligated to continue his medical, disability and life insurance benefits for eighteen months following his termination.

If, following the occurrence of a change in control, Mr. Greenstein is terminated without cause or he terminates his employment for good reason, we are obligated to pay Mr. Greenstein the lesser of (1) four times his base salary and (2) 80% of the multiple of base salary, if any, that our 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. We are also obligated to continue Mr. Greenstein's medical, disability 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 we make, or benefit we provide, to Mr. Greenstein would require him to pay an excise tax under Section 280G of the United States Internal Revenue Code, we have 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.

James E. Meyer. Mr. Meyer has agreed to serve as our President, Sales and Operations, until April 2010 and we pay Mr. Meyer an annual salary of \$950,000.

If Mr. Meyer's employment is terminated without cause or he terminates his employment for good reason, we will pay him a lump sum payment equal to (1) his annual base salary in effect on the termination date plus, (2) 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 his employment agreement, Mr. Meyer may elect to retire in April 2008, April 2009 or April 2010. In the event he elects to retire, we have agreed to pay him a lump sum payment equal to the Designated Amount.

If, following the consummation of the pending merger with XM Radio, 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, we 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, we have agreed to offer Mr. Meyer a one-year consulting agreement. We expect 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 do 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.

In the event that any payment we make, or benefit we provide, to Mr. Meyer would be deemed to be an excess parachute payment under Section 280G of the Internal Revenue Code such that he would be subject to an excise tax, we have agreed to pay Mr. Meyer 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 were not imposed.

Patrick L. Donnelly. Mr. Donnelly has agreed to serve as our Executive Vice President, General Counsel and Secretary, through April 2010, and we pay Mr. Donnelly an annual base salary of \$525,000.

If Mr. Donnelly's employment is terminated without cause or he terminates his employment for good reason, we are obligated to pay him a lump sum payment equal to his annual salary and the annual bonus last paid to him and to continue his medical, disability and life insurance benefits for one year.

In the event that any payment we make, or benefit we provide, to Mr. Donnelly would require him to pay an excise tax under Section 280G of the United States Internal Revenue Code, we have agreed to pay Mr. Donnelly the amount of such tax and such

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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.

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