SIRIUS XM RADIO INC.
Form DEF 14A
November 04, 2008

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant þ
Filed by a Party other than the Registrant o
Check the appropriate box:
o Preliminary Proxy Statement
o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
þ Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to §240.14a-12

Sirius XM Radio Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):
þ No fee required.
o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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o Fee paid previously with preliminary materials.
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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON THURSDAY, DECEMBER 18, 2008

To our Stockholders:

You are cordially invited to attend our Annual Meeting of Stockholders, which will be held on Thursday, December 18, 2008, at 9:00 a.m., New York City time, in The Auditorium at The Equitable Center, 787 Seventh Avenue, New York, New York 10019. The annual meeting is being held to:

1. Elect twelve directors.

2. To approve an amendment to our certificate of incorporation to increase the number of authorized shares of our common stock from 4,500,000,000 to 8,000,000,000 shares.

3. To approve an amendment to our certificate of incorporation to (i) effect a reverse stock split of our common stock by a ratio of not less than one-for-ten and not more than one-for-fifty at any time prior to December 31, 2009, with the exact ratio to be set at a whole number within this range to be determined by our board of directors in its discretion, and (ii) reduce the number of authorized shares of our common stock as set forth in the proxy statement.

4. Ratify the appointment of KPMG LLP as our independent registered public accountants for 2008.

5. Transact any other business that may properly come before the meeting and any adjournments thereof.

Only stockholders of record at the close of business on October 20, 2008 are entitled to vote at the annual meeting. A list of stockholders entitled to vote will be available for examination for the ten days prior to the annual meeting, between the hours of 9:00 a.m. and 4:00 p.m., New York City time, at our offices at 1221 Avenue of the Americas, 36th Floor, New York, New York 10020.

In accordance with new rules approved by the Securities and Exchange Commission, we sent a Notice of Internet Availability of Proxy Materials on or about November 4, 2008 to certain stockholders of record at the close of business on October 20, 2008. We also provided access to our proxy materials over the Internet beginning on that date. On or about November 4, 2008 we also began delivering the proxy statement and the accompanying proxy card to the remaining stockholders of record. If you received a Notice of Internet Availability of Proxy Materials by mail and did not receive, but would like to receive, a printed copy of our proxy materials, you should follow the instructions for requesting such materials included in the notice or on page one of this proxy statement.

Whether or not you expect to attend in person, we urge you to vote your shares via the Internet, by phone, or by signing, dating, and returning the enclosed proxy card at your earliest convenience. This will ensure the presence of a quorum at the meeting. If you wish to vote your shares by mail, an addressed envelope for which no postage is required if mailed in the United States is enclosed.

Voting over the Internet or by telephone is fast, convenient, and your vote is immediately confirmed and tabulated. Most important, by using the Internet or telephone, you help us reduce postage and proxy tabulation

costs. If you received a paper copy of the proxy materials, please do not return the enclosed paper ballot if you are voting over the Internet or by telephone.

If You Plan to Attend

Please note that space limitations make it necessary to limit attendance to stockholders. Admission to the meeting will be on a first-come, first-served basis. Stockholders holding stock in brokerage accounts (street name holders) will need to bring a copy of a brokerage statement reflecting stock ownership as of the record date to enter the meeting. Cameras, recording devices and other electronic equipment will not be permitted in the meeting.

By Order of the Board of Directors,

PATRICK L. DONNELLY
Executive Vice President, General Counsel and Secretary
New York, New York

November 4, 2008

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PROXY STATEMENT

This proxy statement contains information related to the annual meeting of stockholders of Sirius XM Radio Inc. to be held on Thursday, December 18, 2008, beginning at 9:00 a.m., New York City time, in The Auditorium at The Equitable Center, 787 Seventh Avenue, New York, New York 10019, and at any postponements or adjournments thereof. This proxy statement is being distributed or made available, as the case may be, to stockholders on or about November 4, 2008.

On July 28, 2008, XM Satellite Radio Holdings Inc. merged with and into Vernon Merger Corporation, a wholly-owned subsidiary of us. As a result of the merger, XM Satellite Radio Holdings and its subsidiary, XM Satellite Radio Inc., became wholly owned subsidiaries of us. The merger was effected pursuant to an Agreement and Plan of Merger, dated as of February 19, 2007, entered into by and among us, XM Satellite Radio Holdings Inc. and Vernon Merger Corporation. The Executive Compensation section, including the data on our directors compensation, in this proxy statement reflects information for the year ended December 31, 2007 and does not give effect to the merger. The balance of the information contained in this proxy statement, including the information regarding stock ownership, corporate governance and our directors, has been updated to give effect to the merger.

A copy of our Annual Report on Form 10-K for the year ended December 31, 2007, as amended by Amendment No. 1 filed on April 29, 2008, as filed with the Securities and Exchange Commission, except for exhibits, will be furnished without charge to any stockholder upon written request to Sirius XM Radio Inc., Attention: Corporate Secretary, 1221 Avenue of the Americas, 36th Floor, New York, New York 10020.

ABOUT THE MEETING

What is the purpose of the annual meeting?

At our annual meeting, stockholders will be asked to:

- elect twelve directors to our board (Joan L. Amble, Leon D. Black, Lawrence F. Gilberti, Eddy W. Hartenstein, James P. Holden, Chester A. Huber, Jr., Mel Karmazin, John W. Mendel, James F. Mooney, Gary M. Parsons, Jack Shaw and Jeffrey D. Zients);

- approve an amendment to our certificate of incorporation to increase the number of authorized shares of our common stock from 4,500,000,000 to 8,000,000,000 shares;

- approve an amendment to our certificate of incorporation which will effect a reverse stock split of our common stock and reduce the number of authorized shares of our common stock as set forth in Item 3 below; and

- ratify the appointment of KPMG LLP as our independent registered public accountants for 2008.

Why did I receive a one-page notice in the mail regarding the Internet availability of proxy materials this year instead of a full set of proxy materials?

Pursuant to the new rules recently adopted by the Securities and Exchange Commission, we have elected to provide certain stockholders access to our proxy materials over the Internet. We believe that this new e-proxy process will expedite our stockholders receipt of proxy materials and lower the costs, and reduce the

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environmental impact, of our annual meeting. Accordingly, we sent a Notice of Internet Availability of Proxy Materials (the Notice) on or about November 4, 2008 to certain stockholders of record entitled to vote at the annual meeting. All stockholders will have the ability to access the proxy materials on a website referred to in the Notice and to download printable versions of the proxy materials or to request and receive a printed set of the proxy materials from us. Instructions on how to access the proxy materials over the Internet or to request a printed copy from us may be found on the Notice.

Who is entitled to vote and how many votes do they have?

Holders of our common stock and our Series A Convertible Preferred Stock as of the close of business on October 20, 2008 (the Record Date) are entitled to vote at the annual meeting. Each share of our common stock is entitled to one vote. Each share of our Series A Convertible Preferred Stock is entitled to one-fifth of a vote. As of the Record Date, 3,240,011,797 shares of our common stock were outstanding, and 24,808,959 shares of Series A Convertible Preferred Stock were outstanding.

Who can attend the annual 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 8:30 a.m., New York City time.

What constitutes a quorum?

Shares representing the majority of votes, present or represented by proxy, constitute a quorum. If you vote, your shares will be considered part of the quorum.

Proxies received but marked as abstentions or broker non-votes will be included in the calculation of the number of votes considered to be present at the meeting.

How do I vote?

Stockholders of record can vote as follows:

Via the Internet: Stockholders may vote through the Internet at *www.proxyvote.com* by following the instructions included with your Notice or proxy card. You will need the 12-digit Control Number included on your Notice or proxy card to obtain your records and to create an electronic voting instruction form.

By Telephone: Stockholders may vote by telephone 1-800-579-1639 by following the instructions included with your Notice or proxy card. You will need the 12-digit Control Number included on your Notice or proxy card in order to vote by telephone.

By Mail: Stockholders who received a proxy card along with a proxy statement from us or who have requested a proxy card from us by following the instructions on the Notice, may sign, date and return their proxy cards in the pre-addressed, postage-paid envelope that is provided.

At the Meeting: If you attend the annual meeting, you may vote in person by ballot, even if you have previously returned a proxy card or otherwise voted.

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 in person at the meeting will need to obtain a proxy form from the institution that holds their shares.

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Can I vote by telephone or electronically?

If your shares are held in street name , please check your Notice or proxy card or contact your broker or nominee to determine whether you will be able to vote by telephone or electronically. The deadline for voting by telephone or electronically is 5:00 p.m., New York City time, on Wednesday, December 17, 2008.

If you are a registered stockholder (that is, if you hold your stock in certificate form or participate in the Sirius Satellite Radio Inc. 401(k) Savings Plan, you may vote by telephone 1-800-579-1639, or electronically through the Internet at *www.proxyvote.com,* by following the instructions included with your proxy card.

What is householding?

As permitted by the Securities Exchange Act of 1934, as amended, only one copy of this proxy statement and annual report and one copy of the Notice is being delivered to stockholders residing at the same address, unless the stockholders have notified us of their desire to receive multiple copies of our proxy statement or the Notice. This is known as householding.

We will promptly deliver, upon oral or written request, a separate copy of the Notice or this proxy statement and annual report 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 XM Radio Inc., Attention: Corporate Secretary, 1221 Avenue of the Americas, 36th Floor, New York, New York 10020.

Stockholders of record residing at the same address and currently receiving multiple copies of this proxy statement or the Notice may contact our Corporate Secretary to request that only a single copy of our proxy statement be mailed in the future.

Can I change my vote?

Yes. You may change your vote at any time before your shares are voted at the annual meeting by:

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

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

Voting in person at the annual meeting.

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

What vote is required to approve each item?

The affirmative vote of a plurality of the votes cast at the meeting is required for the election of directors. A properly executed proxy marked Withhold Authority with respect to the election of one or more directors will not be voted with respect to the director or directors indicated, although it will be counted for purposes of determining whether there is a quorum.

Approval to amend our certificate of incorporation to increase the number of authorized shares of our common stock from 4,500,000,000 to 8,000,000,000 shares requires the affirmative vote of a majority of the outstanding shares of common stock. As a result, abstentions and broker non-votes will have the same effect as negative votes.

Approval to amend our certificate of incorporation to effect a reverse stock split of our outstanding common stock at a ratio of not less than one-for-ten and not more than one-for-fifty, with the exact ratio to be set at a whole number within this range to be determined by our board of directors, together with the reduction in the number of authorized shares of our common stock as set forth in Item 3 below, requires the affirmative vote of a majority of the outstanding shares of common stock. As a result, abstentions and broker non-votes will have the same effect as negative votes.

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An affirmative vote of a majority of all the votes cast is needed to ratify the appointment of KPMG LLP as our independent registered public accountants.

Who will count the votes?

A representative of MacKenzie Partners will tabulate the votes and act as inspector of election.

What is a proxy?

A proxy is a person you appoint to vote on your behalf. We are soliciting your vote so that all shares of our common stock may be voted at the annual meeting.

Who am I designating as my proxy?

You will be designating Patrick L. Donnelly, our Executive Vice President, General Counsel and Secretary, and Ruth A. Ziegler, our Senior Vice President and Deputy General Counsel, as your proxies. However, you may appoint a person (who need not be a stockholder) other than Patrick L. Donnelly and Ruth A. Ziegler to represent you at the meeting by completing another proper proxy.

How will my proxy vote my shares?

Your proxy will vote according to your instructions. If you complete your proxy card but do not indicate your vote on one or all of the business matters, your proxy will vote FOR these items. Also, your proxy is authorized to vote on any other business that properly comes before the annual meeting in accordance with the recommendation of our board of directors.

What happens if a nominee for director is unable to serve as a director?

If any of the nominees becomes unavailable for election, which we do not expect, votes will be cast for such substitute nominee or nominees as may be designated by our board of directors, unless our board of directors reduces the number of directors on our board.

Who is soliciting my proxy, and who will pay the costs of the solicitation?

SIRIUS XM is soliciting your proxy. The cost of soliciting proxies will be borne by SIRIUS XM, which has engaged MacKenzie Partners, Inc. to assist in the distribution and solicitation of proxies. We have agreed to pay MacKenzie $10,000 plus reimburse the firm for its reasonable out-of-pocket expenses. SIRIUS XM will also reimburse brokerage firms, banks and other custodians for their reasonable out-of-pocket expenses for forwarding these proxy materials to you. Our directors, officers and employees may solicit proxies on our behalf by telephone or in writing.

When, and how, do I submit a proposal for next year s annual meeting of stockholders?

To be eligible for inclusion in our proxy statement and form of proxy for next year s annual meeting, stockholder proposals must be submitted in writing by the close of business on December 24, 2008, which would be at least 120 days prior to the anticipated 2009 meeting, to Patrick L. Donnelly, Executive Vice President, General Counsel and Secretary, Sirius XM Radio Inc., 1221 Avenue of the Americas, 36th Floor, New York, New York 10020.

If any proposal that is not submitted for inclusion in next year s proxy statement (as described in the preceding paragraph) is instead sought to be presented directly at next year s annual meeting, the proxies may vote in their discretion if (a) we receive notice of the proposal before the close of business on March 9, 2009 and advise stockholders in next year s proxy statement about the nature of the matter and how management intends to vote on such matter or (b) we do not receive notice of the proposal prior to the close of business on March 9, 2009. Notices of intention to present proposals at next year s annual meeting should be addressed to Patrick L. Donnelly, Executive Vice President, General Counsel and Secretary, Sirius XM Radio Inc., 1221 Avenue of the Americas, 36th Floor, New York, New York 10020.

STOCK OWNERSHIP

How much stock do the directors and executive officers of SIRIUS XM own?

The following table shows the number of shares of common stock beneficially owned by each of our directors, our Chief Executive Officer, our Chief Financial Officer and the three other most highly compensated executive officers as of September 30, 2008. The table also shows common stock beneficially owned by all of our directors and executive officers as a group as of September 30, 2008. To our knowledge, no person or group owns more than 5% of our outstanding common stock.

Name of Beneficial Owner	Number of Shares Beneficially Owned(1)	Percent of Class	Shares Acquirable within 60 days
Joan L. Amble	92,000	*	
Leon D. Black(2)	104,876	*	
Lawrence F. Gilberti	219,161	*	
Eddy W. Hartenstein	138,000	*	
James P. Holden	238,123	*	
Chester A. Huber, Jr.(3)		*	
John W. Mendel(4)	400	*	
James F. Mooney(5)	158,621	*	
Gary M. Parsons(6)	13,404,403	*	
Jack Shaw	491,082	*	
Jeffrey D. Zients	1,334,000	*	
Mel Karmazin	26,533,823	*	6,000,000
Scott A. Greenstein	3,850,291	*	
James E. Meyer	2,175,513	*	
Dara F. Altman	428,138	*	
Patrick L. Donnelly	2,891,279	*	
David J. Frear(7)	2,778,629	*	
All Executive Officers and Directors as a Group (17 persons)(8)	54,838,339	1.9%	6,000,000

* Less than 1% of our outstanding shares of common stock.

(1) These amounts include shares of common stock, restricted shares of common stock and restricted stock units which the individuals hold and shares of common stock they have a right to acquire within the next 60 days through the exercise of stock options as shown in the last column. Also included are the shares of common stock acquired under our 401(k) savings plan as of September 30, 2008: Mr. Karmazin 33,823 shares; Mr. Greenstein 18,234 shares; Mr. Meyer 17,368 shares; D. Altman 0; Mr. Donnelly 12,177 shares; and Mr. Frear 19,189 shares.

(2)

Mr. Black is the founding partner of Apollo Management, L.P., an affiliate of Apollo Investment Fund IV, L.P. and Apollo Overseas Partners IV, L.P. The number of shares shown in the table includes shares that Mr. Black owns directly. Mr. Black disclaims beneficial ownership of shares owned by Apollo Investment Fund IV, L.P. and Apollo Overseas Partners IV, L.P.

(3) Mr. Huber is an employee of General Motors, which beneficially owns 25,808,959 shares of our common stock. Mr. Huber disclaims beneficial ownership of the shares of our common stock owned by General Motors.

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(4) Mr. Mendel is an employee of American Honda, which beneficially owns 93,835,676 shares of our common stock. Mr. Mendel disclaims beneficial ownership of the shares of our common stock owned by American Honda.

(5) Includes 9,100 shares held as custodian for a child.

(6) Includes 74,423 shares held as custodian for a child.

(7) Includes 1,900 shares held by spouse.

(8) Does not include 18,299,015 shares issuable under stock options that are not exercisable within 60 days.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors and executive officers and persons who own more than 10% of our common stock to file reports of ownership of our common stock and changes in such ownership with the Securities and Exchange Commission, or the SEC. Based on our records and other information, we believe that all Section 16(a) forms required to be filed during 2007 were filed on a timely basis and in compliance with the requirements of Section 16(a).

GOVERNANCE OF THE COMPANY

What are the responsibilities of the board of directors?

The business and affairs of our company are managed by or under the direction of our board of directors. Our board reviews and ratifies senior management selection and compensation, monitors overall corporate performance and ensures the integrity of our financial controls. Our board of directors also oversees our strategic and business planning processes.

What are the current committees of the board of directors and who are the members of these committees?

Our board of directors maintains an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee.

A copy of the charters for the Audit Committee and the Nominating and Corporate Governance Committee are available on our website at *www.sirius.com.* The Compensation Committee has not adopted a charter.

The number of committee meetings held during 2007 are as follows: 13 audit committee meetings, 3 compensation committee meetings and 2 nominating and corporate governance committee meetings.

The following table shows the current members and chairman of each committee and the principal functions performed by each committee:

Committee	Functions
Audit Members: Joan L. Amble* Eddy W. Hartenstein James P. Holden James F. Mooney	Selects our independent registered public accounting firm Reviews reports of our independent registered public accounting firm Reviews and approves the scope and cost of all services, including all non-audit services, provided by the firm selected to conduct the audit Monitors the effectiveness of the audit process Reviews adequacy of financial and operating controls Monitors corporate compliance program
Compensation Members: Lawrence F. Gilberti* James P. Holden Jack Shaw Jeffrey D. Zients	Reviews our executive compensation policies and strategies Oversees and evaluates our overall compensation structure and programs
Nominating and Corporate Governance Members: James P. Holden James F. Mooney* Jack Shaw	Develops and implements policies and practices relating to corporate governance Reviews and monitors implementation of our policies and procedures Assists in developing criteria for open positions on the board of directors Reviews background information on potential candidates and makes recommendations to the board of directors

Jeffrey D. Zients	Makes recommendations to the board of directors with respect to committee assignments

* Chair

How often are directors elected to the board?

All directors stand for election annually. Our board reaffirms its accountability to stockholders through this annual election process.

How are nominees for the board of directors selected?

Our Nominating and Corporate Governance Committee reviews possible candidates for the board and is responsible for overseeing matters of corporate governance, including the evaluation of performance and practices of the board of directors, the board s committees, management succession plans and executive resources. The Nominating and Corporate Governance Committee considers suggestions from many sources, including stockholders, for possible directors. Such suggestions, together with appropriate biographical information, should be submitted to our Corporate Secretary, Sirius XM Radio Inc., 1221 Avenue of the Americas, 36th Floor, New York, New York 10020. Candidates who are suggested by our stockholders are evaluated by the Nominating and Corporate Governance Committee in the same manner as are other possible candidates. During 2007, our board of directors did not retain any third parties to assist in the process of identifying and evaluating potential nominees for our board of directors.

In its assessment of each potential candidate, including those recommended by stockholders, the Nominating and Corporate Governance Committee takes into account all factors it considers appropriate, which may include (a) ensuring that the board of directors, as a whole, is diverse and consists of individuals with various and relevant career experience, relevant technical skills, industry knowledge and experience, financial expertise (including expertise that could qualify a director as a financial expert, as that term is defined by the rules of the SEC), local or community ties and (b) minimum individual qualifications, including strength of character, mature judgment, familiarity with our business and related industries, independence of thought and an ability to work collegially. The Nominating and Corporate Committee also may consider the extent to which the candidate would fill a present need on the board of directors. After conducting an initial evaluation of a candidate, the Nominating and Corporate Governance Committee will interview that candidate if it believes the candidate might be suitable to be a director and may also ask the candidate to meet with other directors and management. If the Nominating and Corporate Governance Committee believes a candidate would be a valuable addition to the board of directors, it will recommend to the full board that candidate s election.

Who is the board s chairman?

Upon completion of the merger of XM Satellite Radio Holdings Inc. into a wholly-owned subsidiary of us, Gary M. Parsons became the chairman of our board of directors. The chairman of our board organizes the work of the board and ensures that the board has access to sufficient information to enable the board to carry out its functions, including monitoring our performance and the performance of management. The chairman, among other things, presides over meetings of the board of directors, establishes the agendas of each meeting of the board in consultation with our Chief Executive Officer, oversees the distribution of information to directors, and performs other duties or assignments as agreed with either the board or our Chief Executive Officer.

How does the board determine which directors are considered independent?

Our board reviews the independence of our directors annually. The provisions of our *Corporate Governance Guidelines* regarding director independence meet, and in some areas exceed, the listing standards of the NASDAQ Global Select Market. A copy of the *Guidelines* is available on our website at *www.sirius.com.*

Pursuant to the *Guidelines*, the board undertook a review of director independence in September 2008. As part of this review, we reviewed written questionnaires submitted by each director. The questionnaires disclose transactions and relationships between each director or members of his immediate family and SIRIUS XM, other directors, members of our senior management and our affiliates.

As a result of this review, the board determined that all of our directors and nominees are independent of the company and its management under the standards set forth in our *Guidelines*, with the exception of Mel Karmazin and Gary M. Parsons, each of whom is an employee of SIRIUS XM, and Chester A. Huber, Jr. and John W. Mendel, who are employees of General Motors and American Honda, respectively. With respect to Joan L. Amble, the board evaluated ordinary course transactions during the last three fiscal years between us and the American Express Company for which she serves as an executive officer and found that the amount

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paid by us to American Express was less than 5% of American Express consolidated gross revenues during its last three fiscal years.

The board has also determined that all of the members of the Audit Committee are financially literate and meet the independence requirements mandated by the applicable NASDAQ listing standards, Section 10A(m)(3) of the Securities and Exchange Act of 1934 and our *Guidelines.* The board has determined that all of the members of the Compensation Committee meet the independence requirements mandated by the applicable NASDAQ listing standards, the rules of the SEC and the Internal Revenue Service applicable to serving on the Compensation Committee and our *Guidelines.* The board has determined that all of the members of the Nominating and Corporate Governance Committee meet the independence requirements mandated by the NASDAQ listing standards applicable to serving on the Nominating and Corporate Governance Committee and our *Guidelines.*

What are our policies and procedures for related party transactions?

We have adopted a written policy and written procedures for the review, approval and monitoring of transactions involving the company and related persons. For the purposes of the policy, related persons include executive officers, directors and director nominees or their immediate family members, or stockholders owning five percent or greater of our common stock.

Our related person transaction policy requires:

- that any transaction in which a related person has a material direct or indirect interest and which exceeds $120,000, such transaction referred to as a related person transaction, and any material amendment or modification to a related person transaction, be reviewed and approved or ratified by a committee of the board composed solely of independent directors who are disinterested or by the disinterested members of the board; and

- that any employment relationship or transaction involving an executive officer and any related compensation must be approved by the Compensation Committee of the board or recommended by the Compensation Committee to the board for its approval.

In connection with the review and approval or ratification of a related person transaction, management must:

- disclose to the committee or disinterested directors, as applicable, the material terms of the related person transaction, including the approximate dollar value of the amount involved in the transaction, and all the material facts as to the related person s direct or indirect interest in, or relationship to, the related person transaction;

- advise the committee or disinterested directors, as applicable, as to whether the related person transaction complies with the terms of our agreements governing our material outstanding indebtedness that limit or restrict our ability to enter into a related person transaction;

- advise the committee or disinterested directors, as applicable, as to whether the related person transaction will be required to be disclosed in our SEC filings. To the extent required to be disclosed, management must ensure that the related person transaction is disclosed in accordance with SEC rules; and

- advise the committee or disinterested directors, as applicable, as to whether the related person transaction constitutes a personal loan for purposes of Section 402 of the Sarbanes-Oxley Act of 2002.

In addition, the related person transaction policy provides that the Compensation Committee, in connection with any approval or ratification of a related person transaction involving a non-employee director or director nominee, should consider whether such transaction would compromise the director or director nominee s status as an independent, outside, or non-employee director, as applicable, under the rules and regulations of the SEC, NASDAQ and Internal Revenue Code.

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Since the beginning of 2007, we did not enter into any transactions with related persons that were subject to our related person transaction policy.

Relationship with General Motors

Distribution Agreement

Our subsidiary, XM Satellite Radio, has a long-term distribution agreement with General Motors. General Motors has a representative on our board of directors and is therefore considered a related party. During the term of the agreement, which expires in 2013, GM has agreed to distribute the XM service.

In order to encourage the broad installation of XM radios in GM vehicles, XM has agreed to subsidize a portion of the cost of XM radios, and to make incentive payments to GM when the owners of GM vehicles with installed XM radios become subscribers to XM s service. XM must also share with GM a percentage of the subscription revenue attributable to GM vehicles with installed XM radios. As part of the agreement, GM provides certain call-center related services directly to XM subscribers who are also GM customers for which we must reimburse GM.

Bandwidth

XM has agreed to make bandwidth available to OnStar Corporation for audio and data transmissions to owners of XM-enabled GM vehicles, regardless of whether they are XM subscribers. XM can use the bandwidth until it is actually used by OnStar. OnStar s use of XM s bandwidth must be in compliance with applicable laws, must not compete or adversely interfere with XM s business, and must meet XM s quality standards. XM also granted to OnStar a certain amount of time to use XM s studios on an annual basis. In addition, XM agreed to provide certain audio content for distribution on OnStar s telematics services.

Relationship with American Honda

XM has agreed to make a certain amount of its bandwidth available to American Honda. American Honda has a representative on our board of directors and is therefore considered a related party. XM can use the bandwidth until it is actually used by American Honda. American Honda s use of XM s bandwidth must be in compliance with applicable laws, must not compete or adversely interfere with XM s business, and must meet their quality standards. This agreement remains in effect so long as American Honda holds a certain amount of its investment in us. In January 2007, XM announced a 10-year extension to its arrangement with American Honda to be its supplier of satellite radio and related data services in Honda and Acura vehicles. XM also agreed to make incentive payments to American Honda for each purchaser of a Honda or Acura vehicle that becomes a self-paying XM subscriber and share with American Honda a portion of the subscription revenue attributable to Honda and Acura vehicles with installed XM radios.

Who is the Audit Committee s financial expert?

Our board of directors has determined that Joan L. Amble, the chairwoman of the Audit Committee and a independent director, is qualified as an audit committee financial expert within the meaning of SEC regulations, and she has accounting and related financial management expertise within the meaning of the listing standards of the NASDAQ.

How often did the board meet during 2007?

During 2007, there were eight meetings of our board of directors and two written consents in lieu of meetings. Each director, other than Leon Black, attended more than 75% of the total number of meetings of the board and meetings held by committees on which he served. Directors are encouraged to attend the annual meeting of stockholders. Messrs. Gilberti, Holden, Mooney and Karmazin attended and participated in our 2007 annual meeting of stockholders.

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How are the directors compensated?

Directors who are also our employees do not receive any compensation for their services as directors. Also, Mr. Huber and Mr. Mendel, who are employees of General Motors and American Honda, respectively, have elected to forgo all compensation paid to directors. Currently, each member of our board of directors, who is not employed by us, receives a cash annual retainer and equity compensation payable in the following manner:

$50,000 in cash; and

$70,000 in the form of options to purchase our common stock which are issued the business day following each year s annual meeting of stockholders.

Any director who fails to attend at least 75% of the meetings of the board of directors in any given year, forfeits 25% of his or her compensation that is payable in cash. During 2007, all of our directors, other than Leon Black, attended over 75% of the meetings of our board of directors.

Each director who serves as chair of a committee of the board of directors receives an additional annual cash retainer as follows: the audit committee chairwoman receives $30,000; the compensation committee chairman receives $20,000 and the nominating and corporate governance chairman receives $10,000.

All options to purchase common stock awarded to our directors vest over a four-year period, with 25% vesting on each anniversary of the date of grant; *provided* that no options vest in a given year if, in the prior calendar year, the director failed to attend at least 75% of the meetings of the board.

We also pay reasonable travel and accommodation expenses of directors in connection with their participation in meetings of the board of directors. For more information on the compensation of our directors, see Executive Compensation Director Compensation Table for 2007.

Does the chairman of the board of directors receive more compensation than other directors?

Until the merger in July 2008, Joseph P. Clayton was the chairman of the board of directors. We provide Mr. Clayton medical, dental, vision, and life insurance. In 2007 and 2008, Mr. Clayton did not receive any compensation for serving as our chairman and on our board of directors.

Gary M. Parsons is now our chairman of the board of directors. Mr. Parsons has an employment agreement with our subsidiary, XM, which extends until November 18, 2009. Mr. Parsons generally participates in the same executive compensation plans and arrangements available to the other senior executives. His compensation consists of annual base salary, annual bonus and long-term equity-linked compensation. His employment agreement calls for Mr. Parsons to receive a base salary of at least $525,000 annually, subject to increase by the board of directors of XM. The target amount of Mr. Parsons discretionary bonus ranges from 100-125% of base salary.

How can stockholders communicate with the board of directors?

Stockholders may communicate directly with our board of directors, or specified individual directors, according to the procedures described on our website at *www.sirius.com.*

Our Corporate Secretary reviews all correspondence to our directors and forwards to the board a summary and/or copies of any such correspondence that, in the opinion of the Corporate Secretary, deals with the functions of the board or committees thereof or that he otherwise determines requires their attention. Directors may at any time review all correspondence received by us that is addressed to members of our board.

In addition, the Audit Committee has established procedures for the receipt, retention and treatment, on a confidential basis, of complaints received by us, our board of directors and the Audit Committee regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submissions by employees of concerns regarding questionable accounting or auditing matters. These procedures are available upon request.

Does SIRIUS XM have corporate governance guidelines and a code of ethics?

Our board of directors has adopted *Corporate Governance Guidelines* which set forth a flexible framework within which the board, assisted by its committees, directs our affairs. The *Guidelines* cover, among other things, the composition and functions of our board of directors, director independence, management succession and review, committee assignments and selection of new members of our board of directors. A copy of the *Guidelines* is available on our website at *www.sirius.com.*

Our board of directors has also adopted a *Code of Ethics*, which is applicable to all our employees, including our chief executive officer, principal financial officer and principal accounting officer.

Our *Code of Ethics* is available on our website at *www.sirius.com* and in print to any stockholder who requests it from our Corporate Secretary. If we amend or waive the *Code of Ethics* with respect to our chief executive officer, principal financial officer or principal accounting officer, we will post the amendment or waiver at this location on our website.

REPORT OF THE AUDIT COMMITTEE

The following Report of the Audit Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other filing by us under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent we specifically incorporate this Report by reference therein.

The SEC rules require us to include in this proxy statement a report from the Audit Committee of our board of directors. The following report concerns the Audit Committee s activities regarding oversight of our financial reporting and auditing process.

The Audit Committee is comprised solely of independent directors, as defined in the Marketplace Rules of the NASDAQ Global Select Market and under Securities Exchange Act Rule 10A-3(b)(1), and it operates under a written charter adopted by our board of directors. A copy of the Audit Committee s existing charter is available on our website at *www.sirius.com.* The composition of the Audit Committee, the attributes of its members and the responsibilities of the Audit Committee, as reflected in its charter, are intended to be in accordance with applicable requirements for corporate audit committees. The Audit Committee reviews and assesses the adequacy of its charter on an annual basis.

The Audit Committee met thirteen times during 2007. The Audit Committee schedules its meetings with a view to ensuring that it devotes appropriate attention to all of its tasks. The Audit Committee s meetings include regular executive sessions with our independent registered public accounting firm, without the presence of our management. The Audit Committee reviewed our key initiatives and programs aimed at strengthening the effectiveness of our internal and disclosure control structure.

As described more fully in its charter, the purpose of the Audit Committee is to assist our board of directors in its general oversight of our financial reporting, internal control and audit functions. Management is responsible for the preparation, presentation and integrity of our consolidated financial statements; accounting and financial reporting principles; and internal controls and procedures designed to ensure compliance with accounting standards, applicable laws and regulations. Ernst & Young LLP, our independent registered public accounting firm, is responsible for performing an independent audit of our consolidated financial statements in accordance with auditing standards generally accepted in the United States.

The Audit Committee members are not professional accountants or auditors, and their functions are not intended to duplicate or to certify the activities of management and our independent registered public accounting firm, nor can the Audit Committee certify that our independent registered public accounting firm is independent under applicable rules. The Audit Committee serves a board-level oversight role, in which it provides advice, counsel and direction to management and our independent registered public accounting firm on the basis of the information it receives, its discussions with management and our independent registered public accounting firm and the experience of the Audit Committee s members in business, financial and accounting matters.

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Among other matters, the Audit Committee monitors the activities and performance of our independent registered public accounting firm, including the audit scope, external audit fees, auditor independence matters and the extent to which the independent registered public accounting firm may be retained to perform non-audit services. The Audit Committee and our board of directors have ultimate authority and responsibility to select, evaluate and, when appropriate, replace our independent registered public accounting firm. The Audit Committee also reviews the results of the audit work with regard to the adequacy and appropriateness of our financial, accounting and internal controls. The Audit Committee also covers various topics and events that may have significant financial impact or are the subject of discussions between management and the independent registered public accounting firm. In addition, the Audit Committee generally oversees our internal compliance programs.

The Audit Committee has reviewed and discussed our consolidated financial statements with management and our independent registered public accounting firm. Management represented to the Audit Committee that our consolidated financial statements were prepared in accordance with U.S. generally accepted accounting principles, and our independent registered public accounting firm represented that its presentations included the matters required to be discussed with the Audit Committee by Statement on Auditing Standards No. 61, as amended, Communication with Audit Committees.

In March 2007, Ernst & Young LLP, our former independent registered public accounting firm, also provided the Audit Committee with the written disclosures and the letter required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, and the Audit Committee discussed at such time with Ernst & Young LLP the firm s independence.

Following the Audit Committee s discussions with management and Ernst & Young LLP, the Audit Committee recommended that our board of directors include the audited consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2007.

Audit Committee

Joan L. Amble, *Chairwoman*
Eddy W. Hartenstein
James P. Holden
James F. Mooney

Principal Accountant Fees and Services

The following table sets forth the fees billed to us by Ernst & Young LLP, our former independent registered public accounting firm, as of and for the years ended December 31, 2007 and 2006:

	For the Years Ended December 31,	
	2007	**2006**
Audit fees(1)	$ 1,301,500	$ 937,000
Audit-related fees(2)	35,000	30,000
Tax fees		
All other fees		
	$ 1,336,500	$ 967,000

(1) Audit fees billed by Ernst & Young LLP related to the audits of our annual consolidated financial statements and internal control over financial reporting; the review of our interim consolidated financial statements; and review of documents filed with the SEC, including comment letters, consents and registration statements.

(2) Audit-related fees billed by Ernst & Young LLP in 2007 and 2006 related to audits of employee benefit plans.

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Pre-Approval Policy for Services of Independent Auditor

It is the Audit Committee s responsibility to review and consider, and ultimately pre-approve, all audit and permitted non-audit services to be performed by our independent registered public accounting firm. In accordance with its charter, the Audit Committee has established pre-approval policies with respect to audit and permitted non-audit services to be provided by our independent registered public accounting firm. The following sets forth the primary principles of the Audit Committee s pre-approval policies:

The independent registered public accounting firm is not permitted to perform consulting, legal, book-keeping, valuation, internal audit, management functions, or other prohibited services, under any circumstances;

The engagement of our independent registered public accounting firm, including related fees, with respect to the annual audits and quarterly reviews of our consolidated financial statements is specifically approved by the Audit Committee on an annual basis;

The Audit Committee reviews and pre-approves a detailed list of other audit and audit-related services annually or more frequently, if required. Such services generally include services performed under the audit and attestation standards established by regulatory authorities or standard setting bodies and include services related to SEC filings, employee benefit plan audits and subsidiary audits;

The Audit Committee reviews and pre-approves a detailed list of permitted non-audit services annually or more frequently, if required; and

The Audit Committee pre-approves each proposed engagement to provide services not previously included in the approved list of audit and non-audit services and for fees in excess of amounts previously pre-approved.

The Audit Committee has delegated to the chair of the Audit Committee the authority to approve permitted services by the independent registered public accounting firm so long as he reports decisions to the Audit Committee at its next meeting.

All of the services covered under the captions Audit Fees and Audit-Related Fees were pre-approved by the Audit Committee.

The Audit Committee has appointed KPMG LLP to audit our 2008 consolidated financial statements.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Overall Program Objectives

We strive to attract, motivate and retain high-quality executives by providing total compensation that is performance-based and competitive with the various markets and industries in which we compete for talent. We provide incentives to advance the interests of stockholders and deliver levels of compensation that are commensurate with performance. Overall, we design our executive compensation program to:

- support our corporate strategy and business plan by clearly communicating goals and objectives to executives and by rewarding achievement;
- retain and recruit highly qualified and effective executive talent; and
- create a strong performance alignment with stockholders interests.

We seek to achieve these objectives through three key compensation elements:

- a base salary;
- a performance-based annual bonus (that constitutes the short-term incentive element of our program), which may be paid in cash, restricted stock units, shares of stock or a combination of these; and

grants of long-term, equity-based compensation (that constitute the long-term incentive element of our program), such as stock options and/or restricted stock units, which may be subject to time-based and/or performance-based vesting requirements.

The Compensation Committee believes that this three-part approach is consistent with programs adopted by similarly situated companies and best serves the interests of our stockholders. The approach enables us to meet the requirements of the competitive environment in which we operate, while ensuring that executive officers are compensated in a manner that advances both the short and long-term interests of our stockholders. Under this approach, compensation for our executive officers involves a high proportion of pay that is at risk namely, the annual bonus and the value of stock options and restricted stock units. Stock options and/or restricted stock units relate a significant portion of each executive s long-term remuneration directly to the stock price appreciation realized by our stockholders.

Our executives participate in our 401(k) Savings Plan, including the profit sharing component of that plan. We do not sponsor or maintain a retirement plan or deferred compensation plan for any of our employees.

Compensation Considerations

In making compensation decisions with respect to each element of compensation, the Compensation Committee considers the competitive market for executives and compensation levels paid by comparable companies. The Compensation Committee from time to time reviews the compensation practices at companies with which it competes for talent, including radio, television, cable, film, software development, consumer electronics and other publicly held businesses with a scope and complexity similar to ours. The Compensation Committee has not established a defined peer group against which it benchmarks compensation. The businesses chosen for comparison may differ from one executive to the next depending on the scope and nature of the business for which the particular executive is responsible.

The Compensation Committee does not attempt to set each compensation element for each executive within a particular range related to levels provided by peers. Instead, the Compensation Committee uses market comparison as one factor in making compensation decisions. Other factors considered when making individual executive compensation decisions include individual contribution and performance, reporting structure, internal pay relationship, complexity and importance of roles and responsibilities, leadership and growth potential.

Executive Compensation Practices

Our practices with respect to the key compensation elements identified above, as well as other elements of compensation, are described below, followed by a discussion of the specific factors considered in determining key compensation elements for the named executive officers for 2007.

Base Salary for Named Executive Officers

Purpose. The objective of base salary is to reflect job responsibilities, value to us, and individual performance with respect to market competitiveness.

Considerations. In 2007, base salaries for the five executive officers named in the Summary Compensation Table were determined in accordance with employment agreements with those officers. The minimum salaries set forth in the employment agreements and the amount of any increase over these salaries was determined by the Compensation Committee based on a variety of factors, including:

the nature and responsibility of the position and, to the extent available, salary norms for persons in similar positions at comparable companies;

the expertise of the individual executive;

the executives salary history;

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the competitiveness of the market for the executives services; and

the recommendations of our Chief Executive Officer (except as to his own compensation).

Salaries are generally reviewed annually and are often reviewed in connection with the extension of an employment agreement. In setting base salaries, the Compensation Committee considers the importance of linking a high proportion of each executive officer s compensation to performance in the form of the annual bonus as well as long-term stock-based compensation, which is tied to our stock price performance.

While, as noted above, the Compensation Committee does not attempt to set each compensation element for each executive within a particular range related to levels provided by peers, the Committee from time to time reviews peer data of similar executives at comparable companies, depending on the executive, in the radio, television, cable, film, software development, consumer electronics and other publicly held businesses with a scope and complexity similar to ours.

Year 2007 Decisions. In 2007 all of the named executive officers were employed pursuant to agreements described under Potential Payments upon Termination or Change-in-Control Employment Agreements below.

The base salary of Mr. Karmazin was not changed in 2007.

Effective February 1, 2007, Mr. Greenstein s base salary was increased to $800,000 from $700,000 to reflect the increasing scope of his responsibilities as we continue to expand and strengthen our marketing, programming, ad sales, research and interactive efforts.

Effective February 1, 2007, Mr. Meyer s base salary was increased to $900,000 from $800,000 to reflect his contributions during 2006 and the increasing scope of his responsibilities as we strengthen our sales and operations functions.

Effective February 1, 2007, Mr. Donnelly s base salary was increased to $450,000 from $400,000 to reflect the increasing scope of his responsibilities, and his contributions and performance during 2006. Mr. Donnelly s base salary was further increased to $500,000 on June 1, 2007 upon signing his new employment agreement and in recognition of additional expanded responsibilities.

Effective February 1, 2007, Mr. Frear s base salary was increased to $525,000 from $450,000 to reflect the increasing scope of his responsibilities in the areas of finance and information technology, his increasing involvement in our satellite procurement program, and his contributions during 2006.

Annual Bonus for Named Executive Officers

Purpose. Our compensation program provides for an annual bonus that is discretionary. Although our annual bonus compensation element is discretionary, the Compensation Committee attempts to award bonuses that incentivize individuals to achieve goals that are intended to correlate closely with growth of our business and stockholder value and to compensate individuals upon the achievement of such goals.

Considerations. Although our annual bonus awards are discretionary, during the past three years the Compensation Committee generally employed the three step process described below to assist it in shaping its decision and assist in evaluating appropriate bonuses for our named executive officers. The Compensation Committee may not employ the same process, or may adopt a modified or wholly different process in the future, in making bonus decisions.

The Compensation Committee, working with senior management, set performance goals each year. Performance against these goals was used as one of the principal measures to determine overall bonus funding for the company and our executive officers. In 2007, these goals were not formalized due to our pending merger with XM Radio.

At the end of the year, the Compensation Committee measured our actual performance against the established performance goals to determine the appropriate funding of a bonus pool for all employees. In determining the extent to which the performance goals were met, the Compensation Committee

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exercised its judgment whether to reflect or exclude the impact of changes in accounting principles, extraordinary, unusual or infrequently occurring events reported in our public filings, and changes approved from time to time by the Board outside of the original plan for the year. In 2007, the Compensation Committee reviewed our actual performance against a variety of key metrics. In determining the bonus pool, the Compensation Committee also considered a variety of additional accomplishments and factors that it believed were relevant.

Following a consideration of the performance goals, additional accomplishments and other factors the Compensation Committee deemed relevant, the Compensation Committee determined an aggregate bonus pool for all employees. The actual bonuses for individual employees, however, are fully discretionary. For named executive officers (other than himself), our Chief Executive Officer recommended to the Compensation Committee individual bonus amounts taking into account overall approved bonus funding and the contributions of each individual during the year. These amounts were reviewed and discussed with the Compensation Committee by our Chief Executive Officer. For the Chief Executive Officer, the Compensation Committee reviewed his performance for the year and determined an appropriate bonus amount.

In 2008, the Compensation Committee intends to determine the overall bonus funding by evaluating the company s performance against its 2008 business plan as approved by board of directors, including metrics such as total subscribers, cash, revenues, EBITDA, SAC per gross addition, churn, operating expense growth, and other factors that it determines are appropriate.

The Compensation Committee has discretion as to whether annual bonuses for our named executive officers will be paid in cash, restricted stock units or a combination thereof. In general, our practice is to pay these bonuses 50% in cash and 50% in restricted stock units. Any restricted stock units that are awarded are granted under a long-term incentive plan approved by our stockholders. The Compensation Committee also retains discretion, in appropriate circumstances, to grant a higher or lower bonus or no bonus at all.

Year 2007 Decisions. In 2007, the Compensation Committee approved bonuses that were intended to achieve two principal objectives:

- to continue to link compensation with performance, as measured at the company and individual levels; and
- to reward and differentiate employees based on individual performance.

At the end of the year, the Compensation Committee reviewed the company s performance, additional accomplishments and other factors it deemed relevant, and approved a bonus pool for employees.

The annual bonus for Mr. Karmazin is discussed below under Compensation of our Chief Executive Officer.

Mr. Greenstein was awarded a bonus for his contributions during the year, including his role in the continued enhancement of our programming and the marketing efforts which supported our brand awareness and customer satisfaction levels, and the addition of net new subscribers.

Mr. Meyer was a awarded a bonus for his contributions during the year, including his role in the company being cash flow positive in the second half of 2007, adding net new subscribers in 2007, containing operating expense growth, launching SIRIUS Backseat TV, improving our segment share, improving self-pay churn levels and customer save rates, controlling subscriber acquisition costs per gross addition, improving automaker penetration and negotiating extensions of our agreements with various automakers.

Mr. Donnelly was awarded a bonus for his contributions during the year, including his regular on-going contributions as our general counsel, and his role in our Copyright Royalty Board proceeding, raising additional funding on favorable terms, the negotiation, execution and pursuit of approval of our pending merger with XM Radio and negotiating extensions of our agreements with various automakers.

Mr. Frear was awarded a bonus for his contributions during the year, including his regular on-going contributions as our chief financial officer, and his role in the company being cash flow positive in the second half of 2007, improvements in our subscriber acquisition costs per gross addition, containing operating expense growth, our Copyright Royalty Board proceeding, the negotiation, execution and pursuit of approval of our pending merger with XM Radio, and raising additional funding on favorable terms.

Based on the foregoing, the Compensation Committee approved the bonus amounts set forth in the Summary Compensation Table.

Long-term Incentive Compensation for Named Executive Officers

Purpose. The objective of the program is to align compensation for named executive officers over a multi-year period directly with the interests of our stockholders by motivating and rewarding actions that create or increase long-term stockholder value. The level of long-term incentive compensation is determined based on an evaluation of competitive factors in conjunction with total compensation provided to named executive officers and the goals of the compensation program described above.

Mix of Restricted Stock Units and Stock Options. Our long-term incentive compensation generally takes the form of stock options and restricted stock units. The two forms of awards reward stockholder value creation in different ways. Stock options (which have exercise prices equal to the market price on the date of grant) reward named executive officers only if the stock price increases. Restricted stock units are affected by all stock price changes, so the value to named executive officers is affected by both increases and decreases in stock price.

In the case of normal annual grants, 100% of the total value of a long-term compensation award typically takes the form of stock options. In other cases, such as negotiated grants issued upon extension of an employment agreement, a portion of the total value may be in the form of restricted stock units.

Stock Options. Our long-term incentive program calls for stock options to be granted with exercise prices of not less than fair market value of our stock on the date of grant and to vest proportionally over four years, if the employee is still employed by us, with exceptions to this vesting schedule made by the Compensation Committee. We define fair market value as the stock price on the close of business on the day of grant for existing employees and on the close of business the day before hiring for new employees.

Year 2007 Decisions. In 2007, the long-term compensation awarded by the Compensation Committee to named executive officers under the programs described above is identified in the Grants of Plan-Based Awards for 2007 table and was awarded to each named executive officer for the reasons detailed in the Base Salary and Annual Bonus sections of this Compensation Discussion and Analysis.

Periodic Review. The Compensation Committee reviews both the annual bonus program and long-term incentive program to ensure that their key elements continue to meet the objectives described above. In determining the annual grants of restricted stock units and stock options, the Compensation Committee considered any market data on total compensation packages and, except in the case of the Chief Executive Officer, the recommendations of the Chief Executive Officer.

Perquisites and Other Benefits for Named Executive Officers

With limited exceptions, the Compensation Committee supports providing perquisites and other benefits to named executive officers that are substantially the same as those offered to our other full time employees and are provided to executives in similarly situated companies.

Payments to Named Executive Officers Upon Termination or Change in Control

The employment agreements we entered into with our named executive officers provide for severance payments and, in connection with a severance that occurs after a change in control, additional payments (including tax gross-up payments to protect certain named executive officers from so-called golden parachute excise taxes that could arise in such circumstances). These arrangements vary from executive to executive due to individual negotiations based on executive history and individual circumstances.

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We believe that these severance and change-in-control arrangements mitigate some of the risk that exists for executives working in a nascent industry. These arrangements are intended to attract and retain qualified executives who could have other job alternatives that may appear to them, in the absence of these arrangements, to be less risky.

There is a possibility that we could be acquired in the future. Accordingly, we believe that severance payments in connection with a change in control are necessary to enable key executives to evaluate objectively the benefits to our stockholders of a proposed transaction, notwithstanding its potential effects on their own job security.

Total Compensation for Named Executive Officers

In making decisions with respect to any element of a named executive officer s compensation, the Compensation Committee considers the total compensation that may be awarded to the officer, including salary, annual bonus, long-term incentives, perquisites and other benefits. In addition, the Compensation Committee considers the other benefits to which the officer is entitled by his employment agreement, including compensation payable upon termination of employment under a variety of circumstances. In making its decisions regarding compensation for 2007, the Compensation Committee reviewed the total compensation potentially payable to, and the benefits accruing to, each named executive officer. The Compensation Committee s goal is to award compensation that is reasonable when all elements of potential compensation are considered.

Compensation of our Chief Executive Officer

In November 2004, our board of directors negotiated, and we entered into, a five-year employment agreement with Mel Karmazin to serve as our Chief Executive Officer. The material terms of Mr. Karmazin s employment agreement are described below under Potential Payments Upon Termination and Change-in-Control Employment Agreements Mel Karmazin.

The terms of Mr. Karmazin s employment were established by negotiations between Mr. Karmazin and members of our Board, including members of the Compensation Committee. The Board and the Compensation Committee did not retain an independent compensation consultant specifically to advise them in the negotiation of Mr. Karmazin s compensation arrangements or to assess the reasonableness of the compensation arrangements. In assessing Mr. Karmazin s compensation, the Compensation Committee and our Board evaluated:

- Mr. Karmazin s historical compensation; and

- other publicly available compensation information for chief executive officers that had been prepared earlier by Frederick W. Cook, Inc. at the request of the Compensation Committee as part of the process of evaluating potential compensation for our former CEO, Joseph P. Clayton, in the event that the Compensation Committee decided to extend his employment as our Chief Executive Officer.

Our Board and the Compensation Committee concluded that, in their business judgment, Mr. Karmazin s profile, qualifications and experience, particularly in radio, were uniquely suited for our needs, and that the compensation, including the base salary, stock option and restricted stock components of the compensation, was, taken as a whole, reasonable and appropriate under the circumstances.

In February 2008, the Compensation Committee awarded an annual bonus to Mr. Karmazin of $4,000,000 in recognition of his performance and our corporate performance, including:

- the increase in our net additions and end of period subscriptions in 2007;

achieving positive free cash flow in the second half of 2007 and fourth quarter of 2007, with greater positive free cash flow than in the fourth quarter of 2006;

the increase in our 2007 revenues by 44.7% while total operating expenses (excluding depreciation and stock-based compensation) increased by only 7.6%;

the performance of our average monthly churn as compared to the public guidance for such metric;

his contribution to the Copyright Royalty Board proceeding;

the negotiation, execution and pursuit of approval of our pending merger with XM Radio;

the launch of SIRIUS Backseat TV;

the securing of additional funding on favorable terms;

the continued enhancement of our programming; and

the execution of extensions to our agreements with various automakers, and the increased penetration rates secured from automakers.

Mr. Karmazin s bonus was paid in cash, not a combination of cash and restricted stock units. In awarding Mr. Karmazin s bonus in cash, the Compensation Committee considered his existing compensation arrangements and the amount of our common stock currently owned by him through open market purchases as well as stock options and restricted shares of common stock held by him. The Compensation Committee concluded that Mr. Karmazin s interests were already highly aligned with stockholders, and that an award of additional restricted stock was not necessary to advance other corporate interests, such as retention or alignment.

As is apparent in the Summary Compensation Table on page 21, most of the difference in total compensation between Mr. Karmazin and our other named executive officers is attributable to the value reflected in the table for Option Awards. As reflected in the Outstanding Equity Awards at Fiscal Year-End 2007 table on page 22, and described in footnote (1) to that table, Mr. Karmazin received an award of a stock option covering a substantial number of shares (as well as shares of restricted stock reflected in the Outstanding Equity Awards at Fiscal Year-End 2007 table and the Options Exercised and Stock Vested for 2007 table) in connection with the execution of his employment agreement in November 2004. Mr. Karmazin did not receive any equity-based awards in 2006 or 2007. The total compensation in the Summary Compensation Table reflects the inclusion, as noted in footnote (2) to the table, of the expense recognized solely for financial statement reporting purposes in 2006 and 2007 for option awards.

Policy with Respect to Internal Revenue Code Section 162(m)

Section 162(m) of the Internal Revenue Code places a $1 million per person limitation on the tax deduction we may take for compensation paid to our Chief Executive Officer and our three other highest paid executive officers other than our Chief Executive Officer and Chief Financial Officer except that compensation constituting performance-based compensation, as defined by the Internal Revenue Code, is not subject to the $1 million limit. The Compensation Committee reserves the discretion to pay compensation that does not qualify for exemption under Section 162(m) where the Compensation Committee believes such action to be in the best interests of our stockholders.

Compensation Committee Report

We have reviewed and discussed the Compensation Discussion and Analysis with management and as a committee. Based on our review and discussion with management, we recommended that the board of directors include the Compensation Discussion and Analysis in this report.

Compensation Committee

Leon D. Black
Lawrence F. Gilberti, *Chairman*
Warren N. Lieberfarb

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Summary Compensation Table

The following table provides information concerning total compensation earned or paid to our Chief Executive Officer, our Chief Financial Officer and our three other most highly compensated executive officers who served in such capacities as of December 31, 2007 for services rendered to us during the past two fiscal years. These five officers are referred to herein as the named executive officers.

Name and Principal Position	Year	Salary ($)	Bonus(1) ($)	Stock Awards(2) ($)	Option Awards(2) ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation(3) ($)	Total ($)
Mel Karmazin	2007	1,250,000	4,000,000	2,832,000	24,118,312			18,743	32,219,055
Chief Executive Officer	2006	1,250,000	3,000,000	2,832,000	24,118,312			16,937	31,217,249
Scott A. Greenstein	2007	791,667	440,000	1,351,441	2,439,272			17,243	5,039,623
President and Chief Content Officer	2006	700,000	400,000	2,817,260	3,153,839			17,145	7,088,244
James E. Meyer	2007	891,667	512,500	978,439	1,132,218			136,003	3,650,827
President, Sales and Operations	2006	778,396	462,500	2,918,503	1,349,806			118,396	5,627,601
Patrick L. Donnelly	2007	475,000	300,000	429,432	621,623			18,743	1,844,798
Executive Vice President, General Counsel and Secretary	2006	397,464							