

SIRIUS XM HOLDINGS INC.

Form S-4/A

November 30, 2018

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As filed with the Securities and Exchange Commission on November 30, 2018

Registration No. 333-228088

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

**AMENDMENT NO. 1  
TO  
FORM S-4  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933**

**Sirius XM Holdings Inc.**  
(Exact name of registrant as specified in its charter)

<b>Delaware</b>	<b>4832</b>	<b>38-3916511</b>
<b>(State or other jurisdiction of incorporation or organization)</b>	<b>(Primary Standard Industrial Classification Code Number)</b>	<b>(I.R.S. Employer Identification No.)</b>

**1290 Avenue of the Americas, 11<sup>th</sup> Floor  
New York, New York 10104  
(212) 584-5100**

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

**Patrick L. Donnelly, Esq.**  
**Executive Vice President, General Counsel and Secretary**  
**Sirius XM Holdings Inc.**  
**1290 Avenue of the Americas, 11<sup>th</sup> Floor**  
**New York, New York 10104**  
**(212) 584-5100**

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

*Copies to:*

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**2100 Franklin Street**  
**Suite 700**  
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**(510) 451-4100**

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**Jennifer F. Fitchen**  
**Sidley Austin LLP**  
**1001 Page Mill Road, Building 1**  
**Palo Alto, California 94304**  
**(650) 565-7000**

***Approximate date of commencement of the proposed sale of the securities to the public:*** As soon as practicable after this Registration Statement becomes effective and upon completion of the applicable transactions described in the enclosed proxy statement/prospectus.

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

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, as amended, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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

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

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company   
Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)

Exchange Act Rule 14d-1(d) (Cross Border Third-Party Tender Offer)

**The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration**

**statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

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

**Subject to completion, dated November 30, 2018**

**PROPOSED TRANSACTION YOUR VOTE IS VERY IMPORTANT**

Dear Stockholders of Pandora Media, Inc.:

You are cordially invited to attend a special meeting of the stockholders of Pandora Media, Inc., which we will hold on [ ], 2018 at [ ] a.m., local time, at [ ].

As previously announced, on September 23, 2018, Pandora Media, Inc. entered into an agreement and plan of merger and reorganization with Sirius XM Holdings Inc., pursuant to which Sirius XM will acquire Pandora and, at the closing of the acquisition, each holder of Pandora common stock will be entitled to receive 1.44 shares of Sirius XM common stock for each share of Pandora common stock issued and outstanding immediately prior to the closing. If the transaction is completed, Sirius XM will acquire all of the outstanding shares of Pandora common stock.

Pandora will be holding a special meeting of the Pandora stockholders for the purpose of voting on certain matters in connection with the transaction. No vote of Sirius XM stockholders is required in connection with the transaction, nor is any such vote being sought.

The market value of Sirius XM common stock being issued as merger consideration will depend on the market price of Sirius XM common stock on the closing date. Based on the closing price of Sirius XM common stock on September 21, 2018, the last trading day before the public announcement of the execution of the merger agreement, the value of the per share consideration payable to holders of Pandora common stock would be \$10.05. Based on the closing price of Sirius XM common stock on [ ], 2018, the last practicable date before the filing of the proxy statement/prospectus accompanying this notice, the value of the per share consideration payable to holders of Pandora common stock would be \$[ ].

The Pandora stockholders should obtain current market price quotations for shares of Pandora common stock and shares of Sirius XM common stock. Shares of Pandora common stock are listed on The New York Stock Exchange under the symbol **P** and shares of Sirius XM common stock are (and those shares to be issued as merger consideration will be) listed on the NASDAQ Global Select Market under the symbol **SIRI**. We expect that upon completion of the transactions contemplated by the merger agreement, former Pandora stockholders will own approximately [ ]% of the outstanding Sirius XM common stock (based on the number of shares of Pandora common stock outstanding as of the close of business on [ ], 2018, which is the record date for the Pandora special meeting, and the number of shares of Sirius XM common stock outstanding as of such date).

The Pandora board of directors has determined that the merger agreement and the transactions contemplated thereby are fair to, and in the best interests of, Pandora and its stockholders, has approved and declared advisable the merger agreement and the transactions contemplated thereby and recommends that the Pandora stockholders vote **FOR** the merger agreement proposal and **FOR** each of the other proposals described in the accompanying proxy

statement/prospectus.

**Your vote is important, regardless of the number of shares you own. Whether or not you plan to attend the Pandora special meeting, please vote as soon as possible to make sure that your shares are represented. Submitting a proxy now will not prevent you from being able to vote in person at the Pandora special meeting.**

The obligations of Pandora and Sirius XM to complete the merger are subject to the satisfaction or waiver of the conditions set forth in the merger agreement, a copy of which is included as part of the accompanying proxy statement/prospectus. The proxy statement/prospectus provides you with detailed information about the merger agreement and the proposed transactions. It also contains or references information about Pandora and Sirius XM and certain related matters. You are encouraged to read the proxy statement/prospectus carefully and in its entirety. **In particular, you should carefully read the section entitled Risk Factors beginning on page 19 of the proxy statement/prospectus for a discussion of risks you should consider in evaluating the proposed transactions and how they will affect you.** You can also obtain information about Pandora and Sirius XM from documents that have been filed with the Securities and Exchange Commission that are incorporated in this proxy statement/prospectus by reference.

Thank you for your cooperation and we look forward to the successful completion of the transactions.

Very truly yours,	Very truly yours,
James E. Meyer	Roger Lynch
<i>Chief Executive Officer</i>	<i>Chief Executive Officer</i>
Sirius XM Holdings Inc.	Pandora Media, Inc.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the transactions, the adoption of the merger agreement, the issuance of the shares of Sirius XM common stock in connection with the transactions described in the accompanying proxy statement/prospectus or determined if this proxy statement/prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

The accompanying proxy statement/prospectus is dated [ ], 2018 and is first being mailed to the Pandora stockholders of record on or about [ ], 2018.

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**Pandora Media, Inc.  
2100 Franklin Street, Suite 700  
Oakland, California 94612  
(510) 451-4100**

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**

**NOTICE IS HEREBY GIVEN** that a special meeting of stockholders of Pandora Media, Inc., a Delaware corporation ( Pandora ), will be held on [ ], 2018, at [ ] a.m., local time, at [ ], for the following purposes:

1. to consider and vote on a proposal to adopt the agreement and plan of merger and reorganization, dated as of September 23, 2018 (as such agreement may be amended from time to time), by and among Pandora, Sirius XM Holdings Inc., a Delaware corporation ( Sirius XM ), White Oaks Acquisition Corp., a Delaware corporation and wholly owned subsidiary of Sirius XM ( Merger Sub ), Sirius XM Radio Inc., a Delaware corporation and wholly-owned subsidiary of Sirius XM ( Sirius XM Radio ), Billboard Holding Company, Inc., a Delaware corporation and wholly-owned subsidiary of Pandora ( New Holding Company ), and Billboard Acquisition Sub, Inc., a Delaware corporation and wholly-owned subsidiary of New Holding Company ( Holdco Merger Sub ), pursuant to which the following transactions, each of which will occur on the closing date:
    - the merger of Holdco Merger Sub with and into Pandora, whereupon the separate existence of Holdco Merger Sub will cease and Pandora will continue as the surviving corporation and a wholly owned subsidiary of New Holding Company, and, as a result thereof, (i) each share of Pandora common stock will be converted into one share of New Holding Company common stock and (ii) each share of Pandora s series A convertible preferred stock will be converted into one share of New Holding company preferred stock, having the same terms and conditions as immediately prior to the effective time of such merger;
    - the conversion of Pandora into a limited liability company formed under the Delaware Limited Liability Company Act by filing with the Secretary of State of the State of Delaware a certificate of conversion;
    - the merger of Merger Sub with and into New Holding Company, whereupon the separate existence of Merger Sub will cease and New Holding Company will continue as the surviving corporation and a wholly owned subsidiary of Sirius XM, and, as a result thereof, (i) each share of New Holding Company common stock will be converted into the right to receive 1.44 shares of Sirius XM common stock and (ii) each share of New Holding Company preferred stock will remain issued and outstanding and unaffected by such merger; and
    - the merger of New Holding Company with and into Sirius XM Radio, whereupon the separate existence of New Holding Company will cease, Sirius XM Radio will continue as the surviving corporation and Pandora will become a wholly-owned subsidiary of Sirius XM Radio, and, as a result thereof, (i) each share of Sirius XM Radio will remain issued and outstanding and unaffected by such merger and (ii) each share of capital stock of New Holding Company (including the shares of New Holding Company preferred stock) will be cancelled for no consideration.
  2. to consider and vote on a proposal to approve, on a non-binding advisory basis, certain compensation that may be paid or become payable to Pandora s named executive officers that is based on or otherwise relates to the transactions contemplated by the merger agreement; and
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3. to consider and vote on a proposal to adjourn or postpone the Pandora special meeting, if necessary or appropriate, to solicit additional proxies in the event there are not sufficient votes at the time of the Pandora special meeting to approve the merger agreement proposal.

The Pandora board of directors has set [ ], 2018 as the record date for the Pandora special meeting. Only the holders of record of Pandora common stock and Pandora's series A convertible preferred stock at the close of business on the record date will be entitled to notice of and to vote at the Pandora special meeting and any adjournments or postponements thereof.

**Your vote is very important.** The proposal to adopt the merger agreement and approve the transactions contemplated thereby must be approved by Pandora stockholders in order for the transactions to be completed. The failure to vote on this proposal will have the same effect as a vote **AGAINST** the transactions.

After reading the accompanying proxy statement/prospectus, please make sure to vote your shares by proxy promptly by completing, signing and dating the accompanying proxy card and returning it in the enclosed prepaid envelope or by voting by proxy by telephone or through the Internet by following the instructions on the accompanying proxy card. If you hold shares through an account with a bank, broker or other nominee, please follow the instructions you receive from it to vote your shares.

If you have any questions or need assistance with voting, please contact our proxy solicitor, Innisfree M&A Incorporated, by calling toll-free at (888) 750-5834 or (212) 750-5833 (collect).

BY ORDER OF THE BOARD OF  
DIRECTORS OF PANDORA MEDIA, INC.

Steve Bené  
*General Counsel and Corporate Secretary*

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**ADDITIONAL INFORMATION**

This proxy statement/prospectus incorporates important business and financial information from other documents that Pandora and Sirius XM have filed with the Securities and Exchange Commission, which we refer to as the SEC. For a more detailed description of the information and documents incorporated by reference into this proxy statement/prospectus and how you may obtain it, please see "Where You Can Find More Information" beginning on page [ ]. This information is available for you to review without charge at the SEC's public reference room located at 100 F Street, N.E., Room 1580, Washington, D.C. 20549 and through the SEC's website at [www.sec.gov](http://www.sec.gov). You can obtain copies of this proxy statement/prospectus and any of the documents incorporated by reference in this proxy statement/prospectus or other information about Pandora or Sirius XM, without charge, upon written or oral request to Pandora's proxy solicitor or the applicable company's principal executive office, which are as follows:

**Pandora Media, Inc.**

2100 Franklin Street, Suite 700  
Oakland, California 94612  
Attn.: Investor Relations  
(510) 451-4100

**Sirius XM Holdings Inc.**

1290 Avenue of the Americas, 11<sup>th</sup> Floor  
New York, New York 10104  
Attn.: Investor Relations  
(212) 584-5100

**If you would like to request any documents, please do so by [ ], 2018 in order to receive them before the Pandora special meeting.**

Investors may also consult the Pandora Investor Relations website at [investor.pandora.com](http://investor.pandora.com) or the Sirius XM website at [www.siriusxm.com](http://www.siriusxm.com) for more information concerning the transactions described in this proxy statement/prospectus or to obtain any of the documents filed with or furnished to the SEC by Pandora or Sirius XM, free of charge. Information included on these websites is not incorporated by reference into this proxy statement/prospectus.

The proxy statement/prospectus provides a detailed description of the merger agreement and the transactions contemplated thereby. We urge you to read the proxy statement/prospectus, including any documents incorporated by reference into the accompanying proxy statement/prospectus, and its annexes carefully and in their entirety.

If you have any questions concerning the transactions contemplated by the merger agreement, the other matters to be considered at the Pandora special meeting or the accompanying proxy statement/prospectus or need assistance voting your shares of Pandora common stock, please contact Pandora's proxy solicitor, Innisfree M&A Incorporated, by telephone at (888) 750-5834 (toll-free) or (212) 750-5833 (collect).

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**ABOUT THIS PROXY STATEMENT/PROSPECTUS**

This proxy statement/prospectus, which forms part of a registration statement on Form S-4 filed with the SEC by Sirius XM, constitutes a prospectus of Sirius XM under Section 5 of the Securities Act of 1933, as amended, which we refer to as the Securities Act, with respect to the shares of Sirius XM's common stock, par value \$0.001 per share, to be issued to the stockholders of Pandora in connection with the acquisition of Pandora by Sirius XM. This document also constitutes a proxy statement of Pandora under Section 14(a) of the Securities Exchange Act of 1934, as amended, which we refer to as Exchange Act. It also constitutes a notice of meeting with respect to a special meeting of the Pandora stockholders, at which they will be asked to vote upon a proposal to adopt the merger agreement and certain other proposals.

You should rely only on the information contained or incorporated by reference into this proxy statement/prospectus in connection with any vote, the giving or withholding of any proxy or any investment decision in connection with the transactions contemplated by the merger agreement. Neither Pandora nor Sirius XM has authorized anyone to provide you with information that is different from that contained in, or incorporated by reference into, this proxy statement/prospectus. This proxy statement/prospectus is dated [ ], 2018. You should not assume that the information contained in, or incorporated by reference into, this proxy statement/prospectus is accurate as of any date other than such date, unless otherwise specifically provided herein, and you should not assume that the information incorporated by reference herein is accurate as of any date other than the date of the incorporated document.

**This proxy statement/prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, or the solicitation of a proxy, in any jurisdiction in which or from any person to whom it is unlawful to make any such offer or solicitation in such jurisdiction. Information contained in this proxy statement/prospectus regarding Sirius XM has been provided by Sirius XM, and information contained in this proxy statement/prospectus regarding Pandora has been provided by Pandora.**

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**QUESTIONS AND ANSWERS ABOUT THE PANDORA SPECIAL MEETING**

*The following questions and answers briefly address some commonly asked questions about the Pandora special meeting. They may not include all the information that is important to the Pandora stockholders. We urge Pandora stockholders to read carefully this entire proxy statement/prospectus, including the annexes and the other documents referred to herein.*

**Q: Why am I receiving these materials?**

**A:** On September 23, 2018, Pandora Media, Inc., which we refer to as Pandora, agreed to be acquired by Sirius XM Holdings Inc., which we refer to as Sirius XM, and we refer to such transactions, collectively, as the acquisition or transactions, pursuant to an agreement and plan of merger and reorganization, which we refer to, as amended from time to time, as the merger agreement, by and among Pandora, Sirius XM, White Oaks Acquisition Corp., a wholly-owned subsidiary of Sirius XM which we refer to as Merger Sub, Sirius XM Radio Inc., a wholly-owned subsidiary of Sirius XM which we refer to as Sirius XM Radio, Billboard Holding Company, Inc., a wholly-owned subsidiary of Pandora which we refer to as New Holding Company and Billboard Acquisition Sub, Inc., a wholly-owned subsidiary of New Holding Company which we refer to as Holdco Merger Sub. The acquisition cannot be completed unless the Pandora stockholders adopt the merger agreement and, accordingly, Pandora is holding a special meeting, which we refer to as the Pandora special meeting, of its stockholders to vote on such proposal.

Information about such proposal, the Pandora special meeting and the other business to be considered by the Pandora stockholders at the Pandora special meeting is contained in this proxy statement/prospectus.

We are delivering this document to you as both a proxy statement of Pandora and a prospectus of Sirius XM. It is a proxy statement because the Pandora board of directors is soliciting proxies from its stockholders. It is a prospectus because holders of shares of Pandora common stock, par value \$0.0001 per share, which we refer to as Pandora common stock, will receive in exchange for such shares, at the closing of the transactions, which we refer to as the closing, shares of Sirius XM common stock, par value \$0.001 per share, which we refer to as Sirius XM common stock.

**Q: What will Pandora stockholders receive in the transactions?**

**A:** Each share of Pandora common stock issued and outstanding immediately prior to the closing of the acquisition will, after initially being converted into a share of New Holding Company common stock (as defined below) in the holding company merger (as defined below), entitle the holder thereof to receive 1.44 shares of Sirius XM common stock, which we refer to as the exchange ratio and such shares issued as the merger consideration, as a result of the merger (as defined below). The exchange ratio is fixed and will not be adjusted to reflect changes in the stock price of Pandora common stock or Sirius XM common stock prior to the closing.

Sirius XM will not issue any fractional shares of Sirius XM common stock in connection with the transactions and each holder of shares of Pandora common stock who would otherwise have been entitled to receive a fraction of a share of Sirius XM common stock will receive an amount of cash, without interest, in lieu of such fraction of a share, as described in this proxy statement/prospectus.

Upon completion of the transactions, the former Pandora stockholders will own approximately [ ]% of the outstanding Sirius XM common stock (based on the number of shares of Pandora common stock outstanding as of the record date for the Pandora special meeting and the number of shares of Sirius XM common stock outstanding as of such date). Sirius XM stockholders will continue to own their existing shares, which will not be affected by the transactions.

Each share of Pandora's Series A Convertible Preferred Stock, par value \$0.0001 per share, which we refer to as the Pandora preferred stock, will be cancelled for no consideration. Sirius XM Radio is the sole holder of such preferred stock.



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### **Q: When and where will the Pandora special meeting be held?**

**A:** The Pandora special meeting will be held on [ ], 2018 at [ ] a.m., local time, at [ ].

### **Q: Who is entitled to vote at the Pandora special meeting and how many votes do I have?**

**A:** The Pandora board of directors has fixed [ ], 2018 as the record date for the Pandora special meeting, which we refer to as the record date.

All holders of record of shares of Pandora common stock and Pandora preferred stock as of the close of business on the record date are entitled to receive notice of, and to vote at, the Pandora special meeting.

Each holder of record of shares of Pandora common stock is entitled to one vote for each share of Pandora common stock owned as of the close of business on the record date. As of the close of business on the record date, there were [ ] shares of Pandora common stock issued and outstanding.

The Pandora preferred stock is entitled to vote on an as-converted basis. As of the record date, there were 480,000 shares of Pandora preferred stock issued and outstanding, all of which were owned by Sirius XM Radio, and which are, in the aggregate, entitled to [ ] votes (which number is equal to the number of shares of Pandora common stock into which the shares of Pandora preferred stock could be converted on the record date and constitutes approximately [ ]% of the voting power of Pandora stockholders). Sirius XM has agreed to vote all of the shares of Pandora preferred stock beneficially owned by it in favor of the merger agreement proposal (as defined below).

### **Q: What am I being asked to vote on?**

**A:** At the Pandora special meeting, the Pandora stockholders are being asked to consider and vote upon:

a proposal to adopt the merger agreement, which we refer to as the merger agreement proposal;

a proposal to approve, on a non-binding advisory basis, certain compensation that may be paid or become payable to Pandora's named executive officers that is based on or otherwise relates to the transactions, which we refer to as the advisory compensation proposal; and

a proposal to adjourn or postpone the Pandora special meeting, if necessary or appropriate, to solicit additional proxies in the event there are not sufficient votes at the time of the Pandora special meeting to approve the merger agreement proposal, which we refer to as the adjournment proposal.

The merger agreement proposal must be approved in order for the transactions to be completed. The approval of the advisory compensation proposal and the adjournment proposal are not conditions to completion of the transactions.

### **Q: What vote is required to approve each proposal?**

**A:** *The merger agreement proposal:* Approval of the merger agreement proposal requires the affirmative vote of the holders of a majority of the combined voting power of the outstanding shares of Pandora common stock and Pandora preferred stock entitled to vote thereon, voting together as a single class.

*The advisory compensation proposal:* Assuming a quorum is present, approval of the advisory compensation proposal requires the affirmative vote of the holders of a majority of the shares of Pandora common stock and Pandora preferred stock present in person or represented by proxy at the Pandora special meeting and entitled to vote thereon.

*The adjournment proposal:* Assuming a quorum is present, approval of the adjournment proposal requires the affirmative vote of the holders of a majority of the shares of Pandora common stock and Pandora preferred stock present in person or represented by proxy at the Pandora special meeting and entitled to vote thereon. If a quorum is not present, the adjournment proposal may still be approved by the affirmative vote of the holders of a majority in voting power of the

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shares of Pandora common stock and Pandora preferred stock held by the Pandora stockholders present in person or represented by proxy at the Pandora special meeting.

**Q: What constitutes a quorum?**

**A:** The holders of a majority of the combined voting power of the outstanding shares of Pandora common stock and Pandora preferred stock entitled to vote at the Pandora special meeting, present in person or represented by proxy, shall constitute a quorum for purposes of the matters to be voted on at the Pandora special meeting. If you hold shares of Pandora common stock in your own name and submit a proxy but fail to provide voting instructions or abstain on any of the proposals listed on the proxy card, your shares will be counted for purposes of determining whether a quorum is present at the Pandora special meeting. If your shares of Pandora common stock are held in street name by your broker, bank or other nominee and you do not tell the nominee how to vote your shares, these shares will not be counted for purposes of determining whether a quorum is present for the transaction of business at the Pandora special meeting.

**Q: How does the Pandora board of directors recommend that I vote?**

**A:** The Pandora board of directors recommends that you vote **FOR** the merger agreement proposal, **FOR** the advisory compensation proposal and **FOR** the adjournment proposal.

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

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

**Q: How do I vote?**

**A:** If you are a stockholder of record, you may submit a proxy to vote before the Pandora special meeting in one of the following ways:

use the toll-free number shown on your proxy card;  
visit the website shown on your proxy card to vote via the Internet; or  
complete, sign, date and return the enclosed proxy card.

You may also cast your vote in person at the Pandora special meeting.

If you hold your shares in street name through a bank, broker or other nominee, your bank, broker or other nominee will separately send you a voting instruction card describing the procedure for voting your shares of Pandora common stock.

**Q: Can I change my vote after I have returned a proxy or voting instruction card or voted via the Internet or by telephone?**

**A:** Yes. If you are a stockholder of record of Pandora common stock, whether you vote by mail, via the Internet or by telephone, you can change or revoke your proxy before it is voted at the Pandora special meeting by:  
submitting a new proxy card bearing a later date, which new proxy card must be received prior to your shares of Pandora common stock being voted at the Pandora special meeting;  
submitting new voting instructions via the Internet or by telephone at any time before 11:59 p.m., Eastern Time, on the day before the Pandora special meeting;  
delivering a written notice of your revocation, which can be delivered to the Pandora corporate secretary at Pandora Media, Inc., Attention: Corporate Secretary, 2100 Franklin Street, Suite 700, Oakland, California 94612 and it must be received before your shares of Pandora common stock are voted at the Pandora special meeting; or

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voting in person at the Pandora special meeting. Please note that your attendance at the Pandora special meeting will not alone serve to revoke your proxy.

If you hold your shares in street name through a bank, broker or other nominee, you must follow the instructions of your bank, broker or other nominee to revoke or change your voting instructions.

### **Q: How will my shares of Pandora common stock be voted if I return a blank proxy?**

**A:** If you complete, sign, date and return your proxy card and do not indicate how you want your shares of Pandora common stock to be voted, then your shares of Pandora common stock will be voted **FOR** the merger agreement proposal, **FOR** the advisory compensation proposal and **FOR** the adjournment proposal, if necessary or appropriate to solicit additional proxies in favor of the approval of the merger agreement.

### **Q: What should I do if I receive more than one set of voting materials?**

**A:** You may receive more than one set of voting materials relating to the Pandora special meeting if you hold shares of Pandora stock in street name and also directly in your name as a stockholder of record or otherwise or if you hold shares of Pandora common stock in more than one brokerage account. If you do receive more than one set of voting materials, you should follow the appropriate procedures in each set of voting materials and each set should be voted and/or returned separately in order to ensure that you vote all of your shares.

### **Q: What happens if I sell my shares of Pandora common stock before the Pandora special meeting?**

**A:** The record date is earlier than the date of the Pandora special meeting and the date that the transactions are expected to be completed.

If you sell or otherwise transfer your shares of Pandora common stock after the record date but before the Pandora special meeting, you will, unless special arrangements are made, retain your right to vote at the Pandora special meeting but will have transferred the right to receive Sirius XM common stock as merger consideration to the person to whom you transferred your shares of Pandora common stock. In order to receive the merger consideration, you must hold your shares of Pandora common stock through the closing of the transactions.

### **Q: Are Pandora stockholders entitled to appraisal rights in connection with the transactions?**

**A:** No. Pandora stockholders are not entitled to appraisal rights in connection with the transactions. For more information regarding appraisal rights, see Appraisal Rights beginning on page [ ].

### **Q: What are the material U.S. federal income tax consequences of the transactions to U.S. Pandora stockholders?**

**A:** Sirius XM and Pandora intend for each of the holding company merger and the conversion, taken together, and the merger and the Sirius XM Radio merger, taken together, to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, which we refer to as the Code, for U.S. federal income tax purposes. If the transactions so qualify, then a U.S. holder of Pandora common stock generally will not recognize any gain or loss as a result of the transactions (other than gain or loss with respect to cash received in lieu of a fractional share). However, if either Pandora or Sirius XM are unable to receive an opinion of counsel to that effect, the parties have agreed to restructure the transactions so that the transactions will be treated as a taxable stock sale. Additionally, the parties will revise and recirculate this proxy statement/prospectus and the Pandora board of directors will resolicit approval of the Pandora stockholders in favor of the restructured transaction.

The tax consequences of the transactions to Pandora stockholders may depend on such stockholder's particular facts and circumstances. Each Pandora stockholder should read the discussion under The Transactions Material U.S. Federal Income Tax Consequences beginning on page [ ] and should consult its own tax advisor for a full understanding of the tax consequences of the transactions to such stockholder.



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**Q: When do you expect the transactions to be completed?**

**A:** Sirius XM and Pandora currently expect to complete the transactions during the first quarter of 2019. However, the completion of the transactions is subject to various conditions, including applicable antitrust approval and approval of the Pandora stockholders, and it is possible that factors outside of the control of Sirius XM and Pandora could result in the transactions being completed at a later time, or not at all.

For more information, see *The Merger Agreement Conditions to Completion of the Transactions* beginning on page [ ].

**Q: What do I need to do now?**

**A:** Carefully read and consider the information contained in and incorporated by reference into this proxy statement/prospectus, including its annexes, and return your completed, signed and dated proxy card(s) by mail in the enclosed postage-paid envelope or submit your voting instructions by telephone or via the Internet as soon as possible so that your shares of Pandora common stock will be voted in accordance with your instructions.

**You should not send in your Pandora stock certificates at this time.** After the transactions are completed, if you hold certificates representing shares of Pandora common stock immediately prior to the closing of the transactions, you will receive separate written instructions for surrendering your stock certificates in exchange for the merger consideration. In the meantime, you should retain your stock certificates.

**Q: Where can I find more information about the companies?**

**A:** You can find more information about Pandora and Sirius XM from the various sources described under *Where You Can Find More Information* beginning on page [ ].

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

**A:** Pandora stockholders who have questions about the transactions or the matters to be voted on at the Pandora special meeting, or who desire additional copies of this proxy statement/prospectus should contact:

Innisfree M&A Incorporated  
501 Madison Avenue, 20<sup>th</sup> Floor  
New York, NY 10022  
Pandora stockholders may call toll-free:  
(888) 750-5384  
Banks and Brokers may call collect:  
(212) 750-5833

or

Pandora Media, Inc.  
2100 Franklin Street, Suite 700  
Oakland, California 94612  
Attn.: Investor Relations  
(510) 451-4100

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**SUMMARY**

*The following summary highlights selected information contained elsewhere in this proxy statement/prospectus. This summary does not contain all of the important information that you should consider before voting on the proposals. You should carefully read the entire proxy statement/prospectus, including the annexes and the documents incorporated by reference herein. Each item in this summary includes a page reference directing you to a more complete description of that item.*

**The Parties**

***Sirius XM, Sirius XM Radio and Merger Sub***

1290 Avenue of the Americas, 11<sup>th</sup> Floor  
New York, New York 10104  
(212) 584-5100

Sirius XM is a Delaware corporation. Sirius XM's common stock is listed on the NASDAQ Global Select Market, which we refer to as NASDAQ, under the symbol "SIRI".

Sirius XM owns Sirius XM Radio, which is a Delaware corporation. Sirius XM Radio is the world's largest radio company measured by revenue and has approximately 33.5 million subscribers. Sirius XM Radio transmits music, sports, entertainment, comedy, talk, news, traffic and weather channels, as well as infotainment services, in the United States on a subscription fee basis through its two proprietary satellite radio systems. Subscribers can also receive music and other channels, plus features such as Sirius XM On Demand, over its Internet radio service, including through applications for mobile devices, home devices and other consumer electronic equipment. Sirius XM also provides connected vehicle services. Sirius XM's connected vehicle services are designed to enhance the safety, security and driving experience for vehicle operators while providing marketing and operational benefits to automakers and their dealers.

Merger Sub is a Delaware corporation and a direct, wholly owned subsidiary of Sirius XM. Merger Sub was formed by Sirius XM solely for the purpose of engaging in the transactions contemplated by the merger agreement and has not carried on any business or conducted any other operations.

Liberty Media Corporation, which we refer to as Liberty Media, owns approximately [ ]% of the outstanding Sirius XM common stock as of [ ], 2018, the last practicable date before the filing of this proxy statement/prospectus, and upon completion of the transactions, we expect that Liberty Media will own approximately [ ]% of the outstanding Sirius XM common stock (based on the number of shares of Sirius XM common stock outstanding on [ ], 2018 the last practicable date before the filing of this proxy statement/prospectus).

***Pandora, New Holding Company and Holdco Merger Sub***

Pandora is a Delaware corporation. Pandora's common stock is listed on The New York Stock Exchange, which we refer to as NYSE, under the symbol "P".

Pandora is the world's most powerful music discovery platform, offering a personalized experience for each of Pandora's listeners wherever and whenever they want to listen to music—whether through mobile devices, car speakers or connected devices in the home. Unlike traditional radio that broadcasts the same content at the same time to all of its listeners, Pandora enables its listeners to create personalized stations and playlists, as well as search and play songs

and albums on-demand. The Music Genome Project, Pandora's content programming algorithms and data collected from its listeners power Pandora's ability to predict listener music preferences, play music content suited to the tastes of each individual listener and introduce listeners to the music it thinks they will love. Founded by musicians, Pandora also empowers artists with valuable data and tools to help grow their audience and connect with their fans.

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New Holding Company is a Delaware corporation and a wholly owned subsidiary of Pandora, and Holdco Merger Sub is a Delaware corporation and a wholly owned subsidiary of New Holding Company. Each of New Holding Company and Holdco Merger Sub was formed by Pandora solely for the purpose of engaging in the transactions contemplated by the merger agreement and has not carried on any business or conducted any other operations.

### **The Transactions (page [ ])**

On September 23, 2018, Pandora agreed to be acquired by Sirius XM pursuant to the terms and conditions of the merger agreement. On October 25, 2018, as contemplated by the merger agreement, Sirius XM Radio, New Holding Company and Holdco Merger Sub entered into a joinder agreement to become parties to the merger agreement.

The terms and conditions of the acquisition are contained in the merger agreement, which is attached as Annex A to this proxy statement/prospectus. We encourage you to read the merger agreement carefully, as it is the legal document that governs the transactions.

If the requisite Pandora stockholder approval is obtained and the other conditions to closing under the merger agreement are satisfied or waived, on the closing date the acquisition will be effected as follows:

Holdco Merger Sub will merge with and into Pandora, which we refer to as the holding company merger, with Pandora surviving the holding company merger as a wholly owned subsidiary of New Holding Company and, as a result thereof:

- each share of Pandora common stock will be converted into one share of New Holding Company common stock; and
- each share of Pandora preferred stock will be converted into one share of New Holding company preferred stock, having the same terms and conditions as immediately prior to the effective time of the holding company merger; immediately following the holding company merger, Pandora will be converted into a limited liability company, which we refer to as the conversion; immediately following the conversion, Merger Sub will merge with and into New Holding Company, which we refer to as the merger, with New Holding Company surviving the merger as a wholly owned subsidiary of Sirius XM and, as a result thereof:
  - each share of New Holding Company common stock will be converted into the right to receive 1.44 shares of Sirius XM common stock; and
  - each share of New Holding Company preferred stock will remain issued and outstanding and will be unaffected by the merger; and immediately following the merger, New Holding Company will merge with and into Sirius XM Radio, which we refer to as the Sirius XM Radio merger, with Sirius XM Radio surviving the Sirius XM Radio merger, whereupon the separate existence of New Holding Company will cease and Pandora will be a wholly-owned subsidiary of Sirius XM Radio and, as a result thereof:
    - each share of Sirius XM Radio will remain issued and outstanding and unaffected by such merger; and
    - each share of capital stock of New Holding Company (including the shares of New Holding Company preferred stock) will be cancelled for no consideration.

### **Merger Consideration (page [ ])**

As a result of the closing of the transactions, each share of Pandora common stock held immediately prior to the closing will, after initially being converted into a share of New Holding Company common stock in the holding company merger, entitle the holder thereof to receive 1.44 shares of Sirius XM common stock as a result of the merger, which number of shares we refer



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to as the exchange ratio. The exchange ratio is fixed and will not be adjusted to reflect changes in the stock price of Pandora common stock or Sirius XM common stock prior to the closing.

### **Treatment of Pandora Stock-Based Awards (page [ ])**

*Stock Options.* At the closing of the transactions, each option granted by Pandora under its stock incentive plans to purchase shares of Pandora common stock that is outstanding immediately prior to the closing of the transactions, whether vested or unvested, which we refer to as a Pandora stock option, will be assumed and converted into an option to purchase shares of Sirius XM common stock, which we refer to as a converted Sirius XM option, with appropriate adjustments (based on the exchange ratio) to the exercise price (rounded up to the nearest whole cent) and number of shares of Sirius XM common stock (rounded down to the nearest whole share) subject to such converted Sirius XM option, and will have the same vesting schedule and exercise conditions as in effect as of immediately prior to the closing of the transactions. However, any Pandora stock option that has an exercise price per share that is equal to or greater than the value, at the closing of the transactions, of Sirius XM common stock issued as merger consideration in exchange for each share of Pandora common stock, will be cancelled without payment therefor.

*Restricted Stock Units.* At the closing of the transactions, each right to receive one share of Pandora common stock granted by Pandora under its stock incentive plans in the form of stock units that is outstanding and unvested immediately prior to the closing of the transactions, which we refer to as a Pandora RSU, will be assumed and converted into a right to receive a number of shares of Sirius XM common stock, which we refer to as a converted Sirius XM RSU, with appropriate adjustments (based on the exchange ratio) to the number of shares of Sirius XM common stock to be received upon vesting (rounded down to the nearest whole share), and will have the same vesting schedule and settlement date as in effect as of immediately prior to the closing of the transactions.

*Performance Award.* At the closing of the transactions, each unvested performance award granted by Pandora under its stock incentive plans that is outstanding and unvested immediately prior to the closing of the transactions, which we refer to as a Pandora performance award, will be cancelled and forfeited if, at the closing of the transactions, the value of Sirius XM common stock issued as merger consideration in exchange for each share of Pandora common stock is less than \$20.00. If such closing value equals or exceeds \$20.00, then each Pandora performance award will be assumed and converted into a time-vesting award representing the right to receive a number of shares of Sirius XM common stock (rounded down to the nearest whole share), which we refer to as a converted Sirius XM performance award, based on the exchange ratio, and will have the same time-vesting schedule and settlement date as in effect as of immediately prior to the closing of the transactions.

### **Recommendation of the Pandora Board of Directors (page [ ])**

The Pandora board of directors (i) has determined that the merger agreement and the transactions contemplated thereby are fair to, and in the best interests of, Pandora and its stockholders, (ii) has approved and declared advisable the merger agreement and the transactions contemplated thereby and (iii) recommends that Pandora stockholders vote **FOR** the merger agreement proposal and **FOR** each of the other proposals described in the accompanying proxy statement/prospectus. The member of the Pandora board of directors that are affiliated with Sirius XM did not participate in such decision. See The Transactions Recommendation of the Pandora Board of Directors and Reasons for the Transactions beginning on page [ ].

### **Opinions of Pandora's Financial Advisors (page [ ])**

#### *Opinion of Centerview Partners LLC*

Pandora retained Centerview Partners LLC, which we refer to as Centerview, as a financial advisor to the Pandora board of Directors in connection with the transactions. In connection with

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this engagement, the Pandora board of directors requested that Centerview evaluate the fairness, from a financial point of view, to the holders of shares of Pandora common stock (other than those owned by Pandora (including shares of Pandora common stock held as treasury stock or otherwise) and any shares of Pandora common stock held by Sirius XM or any affiliate of Pandora or Sirius XM (which shares are collectively referred to as "excluded shares" throughout this section and the summary of Centerview's opinion below under the caption "Opinion of Centerview Partners LLC") of the exchange ratio. On September 23, 2018, Centerview rendered to the Pandora board of directors its oral opinion, which was subsequently confirmed by delivery of a written opinion dated September 23, 2018, that, as of such date and based upon and subject to the assumptions made, procedures followed, matters considered, and qualifications and limitations upon the review undertaken by Centerview in preparing its opinion, the exchange ratio was fair, from a financial point of view, to the holders of shares of Pandora common stock other than excluded shares.

The full text of Centerview's written opinion, dated September 23, 2018, which describes the assumptions made, procedures followed, matters considered, and qualifications and limitations upon the review undertaken by Centerview in preparing its opinion, is attached as Annex B and is incorporated herein by reference. **In accordance with its engagement letter, Centerview's financial advisory services and opinion were provided for the information and assistance of the members of the Pandora board of directors who are not designated by, or otherwise affiliated with, Sirius XM (which we refer to as the non-Sirius XM board members) (in their capacity as directors and not in any other capacity) in connection with and for purposes of its consideration of the transactions, and Centerview's opinion addressed only the fairness, from a financial point of view, as of the date thereof, to the holders of shares of Pandora common stock (other than excluded shares) of the exchange ratio. Centerview's opinion did not address any other term or aspect of the merger agreement or the transactions and does not constitute a recommendation to any stockholder of Pandora or any other person as to how such stockholder or other person should vote or otherwise act with respect to the transactions or any other matter.**

**The full text of Centerview's written opinion should be read carefully in its entirety for a description of the assumptions made, procedures followed, matters considered and qualifications and limitations upon the review undertaken by Centerview in preparing its opinion.**

### *Opinion of LionTree Advisors LLC*

On September 23, 2018, at a meeting of the Pandora board of directors, LionTree Advisors LLC (which we refer to as LionTree) rendered an oral opinion to the Pandora board of directors (which was subsequently confirmed in writing by delivery of LionTree's written opinion dated September 23, 2018) as to the fairness, from a financial point of view, as of such date, of the exchange ratio to the holders of Pandora common stock (for purposes of such opinion, other than Sirius XM and its affiliates, which we refer to collectively as the "excluded parties"), based upon and subject to the procedures followed, assumptions made, qualifications and limitations on the review undertaken, and other matters considered by LionTree in preparing its opinion.

**LionTree's opinion was provided to the Pandora board of directors and only addressed the fairness, from a financial point of view, of the exchange ratio to the holders of Pandora common stock (other than the excluded parties) (without giving effect to any impact of the transactions on any particular stockholder of Pandora other than in its capacity as a holder of Pandora common stock). The summary of LionTree's opinion in this proxy statement/prospectus is qualified in its entirety by reference to the full text of its written opinion, which is included as Annex C to this proxy statement/prospectus and incorporated herein by reference, and sets forth the procedures followed, assumptions made, qualifications and limitations on the review undertaken, and other matters considered by LionTree in preparing its opinion. However, neither LionTree's opinion nor the summary of its opinion and the related analyses set forth in this proxy statement/prospectus constitute a**



**recommendation to any holder of Pandora common stock as to how such stockholder should vote or act on any matter relating to the transactions or any other matter.**

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### **Pandora Special Meeting (page [ ])**

The Pandora special meeting will be held on [ ], 2018, at [ ] a.m. local time, at [ ]. At the Pandora special meeting, the Pandora stockholders will be asked to approve the merger agreement proposal, the advisory compensation proposal and the adjournment proposal.

### **Interests of Pandora's Directors and Executive Officers in the Transactions (page [ ])**

Members of the Pandora board of directors and Pandora's executive officers have various interests in the transactions that may be in addition to, or different from, the interests of Pandora's stockholders. The members of the Pandora board of directors were aware of these interests and considered them at the time that the Pandora board of directors (other than Messrs. Frear, Maffei and Meyer, who did not participate in any deliberations regarding the transactions) approved the merger agreement and in making their recommendation that Pandora stockholders adopt the merger agreement. See "The Transactions Interests of Pandora's Directors and Executive Officers in the Transactions" beginning on [ ].

### **Antitrust Approvals Required for the Transactions (page [ ])**

The transactions are subject to the expiration or termination of the waiting period (and any extensions thereof) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the regulations promulgated thereunder, which we refer to as the HSR Act, and the receipt of approvals under the competition laws of Germany and Austria. No other regulatory approvals are required for the transactions.

There can be no assurances that these antitrust approvals will be obtained and, if obtained, there can be no assurances as to the timing of any approvals. For more information, please see "The Merger Agreement Regulatory Approvals" beginning on page [ ].

### **Conditions to Completion of the Transactions (page [ ])**

The obligations of the parties to complete the transactions are subject to the satisfaction of a number of conditions (or waiver of the conditions set forth in the third bullet (to the extent permitted by law), sixth bullet and seventh bullet below), including, among others:

- the receipt of the requisite approval of the Pandora stockholders of the merger agreement proposal;
- the expiration or termination of any waiting period (and any extensions thereof) under the HSR Act and the receipt of approvals under the competition laws of Germany and Austria;
- the absence of any law or order that prohibits or makes illegal the transactions;
- the effectiveness of the registration statement on Form S-4 of which this proxy statement/prospectus forms a part, and there being no stop order or proceedings relating thereto;
- the approval of NASDAQ for the listing of the shares of Sirius XM common stock to be issued in connection with the transactions;
- subject to certain exceptions, the accuracy of the representations and warranties of each party and compliance by the parties with their respective covenants; and
- the absence of a Pandora material adverse effect since September 23, 2018.

Neither Sirius XM nor Pandora can be certain when, or if, the conditions to the transactions will be satisfied or waived, or that the transactions will be completed. For more information, please see "The Merger Agreement Conditions to Completion of the Transactions" beginning on page [ ].



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### **Go-Shop and Non-Solicitation by Pandora (page [ ])**

During the period beginning on September 23, 2018 and continuing until 12:01 a.m. (New York City time) on October 24, 2018, which date we refer to as the no-shop start date, Pandora had the right to:

initiate, solicit, facilitate and encourage any inquiry or the making of any proposal or offer that constitutes, or could reasonably be expected to lead to, a competing acquisition proposal;  
furnish to any person that is party to an acceptable confidentiality agreement any information which is reasonably requested by any person in connection with their potentially making a competing acquisition proposal; and  
participate or engage in discussions or negotiations with such person regarding a competing acquisition proposal.  
On the no-shop start date, subject to certain exceptions, Pandora ceased such activities and is subject to further restrictions, including that it will not solicit proposals or offers that constitute, or could reasonably be expected to lead to, a competing acquisition proposal, or engage in any discussions or negotiations regarding a competing acquisition proposal. In accordance with the terms of the merger agreement, Pandora notified Sirius XM on the no-shop start date that Pandora had not received any acquisition proposals or drafts of proposed agreements, term sheets or letters of intent related to any acquisition from any third party, written or otherwise, after the execution of the merger agreement and prior to the no-shop start date.

For more information, please see [The Merger Agreement Go-Shop and Non-Solicitation by Pandora](#) beginning on page [ ].

### **Termination (page [ ])**

The merger agreement may be terminated in the following circumstances (subject to certain exceptions as described in further detail in this proxy statement/prospectus):

by mutual written agreement of Sirius XM and Pandora;

by either Sirius XM or Pandora if:

- there is a final, non-appealable governmental order prohibiting the transactions;
- the closing has not occurred by June 23, 2019, which date we refer to as the outside date; or
- the Pandora stockholders have not approved the merger agreement proposal at the Pandora special meeting (including at any adjournment or postponement thereof).

by Pandora:

- if Sirius XM is in breach of the merger agreement such that Pandora is not obligated to close the transactions, and such breach is either incurable or not cured within 30 days; or
- in order for Pandora to enter into a binding definitive agreement to effect a transaction constituting a superior proposal, subject to Pandora paying to Sirius XM prior to or concurrently with such termination the termination fee or the go-shop termination fee (each as described below).

by Sirius XM:

- if Pandora is in breach of the merger agreement such that Sirius XM is not obligated to close the transactions, and such breach is either incurable or not cured within 30 days; or
- if Pandora, among other things, has changed its recommendation with respect to the transactions, has materially breached any of the provisions described in the sections entitled [Go-Shop and Non-Solicitation by Pandora](#) beginning on page [ ] or has approved or entered into an alternative acquisition agreement.

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For more information, please see [The Merger Agreement Termination](#) beginning on page [ ].

### **Termination Fee (page [ ])**

In connection with certain of the termination rights described above and under other specified circumstances, Pandora may be required to pay Sirius XM a termination fee of \$105 million, which we refer to as the termination fee. For more information, please see [The Merger Agreement Termination Fees](#) beginning on page [ ].

### **Comparison of Stockholders Rights (page [ ])**

Following the completion of the transactions, the rights of Pandora stockholders who become Sirius XM stockholders pursuant to the transactions will continue to be governed by the laws of the State of Delaware but will no longer be governed by the Pandora charter or the Pandora bylaws and instead will be governed by Sirius XM's amended and restated certificate of incorporation, which we refer to as the Sirius XM charter, and Sirius XM's amended and restated bylaws, which we refer to as the Sirius XM bylaws. For more information, see [Comparison of Stockholders Rights](#) beginning on page [ ].

### **Litigation Related to the Transactions (page [ ])**

Certain litigation is pending in connection with the transactions. For more information, see [The Transactions Litigation Related to the Transactions](#), beginning on page [ ].

### **Appraisal Rights (page [ ])**

The Pandora stockholders are not entitled to appraisal rights under the Delaware General Corporation Law, which we refer to as the DGCL, in connection with the transactions. For more information, see [Appraisal Rights](#) beginning on page [ ].

### **Risk Factors (page [ ])**

You should consider all the information contained in or incorporated by reference into this proxy statement/prospectus in deciding how to vote for the proposals presented herein. In particular, you should consider the factors described under [Risk Factors](#) beginning on page [ ].

### **Accounting Treatment of the Merger (page [ ])**

Sirius XM will account for the transactions as a business combination using the acquisition method of accounting for financial reporting purposes.

### **Material U.S. Federal Income Tax Consequences (page [ ])**

Each of the holding company merger and the conversion, taken together, and the merger and the Sirius XM Radio merger, taken together, are intended to be treated for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code, in which case a U.S. Holder of Pandora common stock generally will not recognize any gain or loss on the conversion of such holder's Pandora common stock into New Holding Company common stock in the holding company merger, and a U.S. Holder of New Holding Company common stock who receives shares of Sirius XM common stock in the merger generally will not recognize gain or loss on the exchange of

such holder's New Holding Company common stock for Sirius XM common stock (other than gain or loss with respect to cash received in lieu of a fractional share).

Subject to Pandora and Sirius XM being able to provide customary representations and covenants in representation letters to be delivered to both parties' counsel, Sirius XM and Pandora intend to obtain the opinions of their respective counsel to the effect that, on the basis of the facts,

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representations and assumptions set forth in such opinions which are consistent with the state of facts existing as of the closing date, each of the holding company merger and the conversion, taken together, and the merger and the Sirius XM Radio merger, taken together, will qualify for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code. Pandora and Sirius XM have agreed that if either of the opinions described above cannot be obtained (for example, because there has been a change in facts and circumstances, or because Sirius XM or Pandora is unable to make customary representations), the parties will restructure the transactions so that they will be treated for U.S. federal income tax purposes as a taxable stock sale by the Pandora stockholders. Additionally, the parties will revise and recirculate this proxy statement/prospectus and the Pandora board of directors will resolicit approval of the Pandora stockholders in favor of the restructured transaction.

The tax consequences of the transactions to each Pandora stockholder may depend on such holder's particular facts and circumstances. Pandora stockholders are urged to consult their tax advisors to understand fully the consequences to them of the transactions in their specific circumstances. For more information, see "The Transactions Material U.S. Federal Income Tax Consequences" beginning on page [ ].

**Table of Contents****SELECTED HISTORICAL FINANCIAL DATA FOR SIRIUS XM**

The following table summarizes financial results achieved by Sirius XM for the periods and at the dates indicated and is derived from, and should be read in conjunction with Sirius XM's consolidated financial statements and the notes to the consolidated financial statements contained in reports that Sirius XM has previously filed with the SEC for the periods indicated. Historical financial information for Sirius XM can be found in its Quarterly Reports on Form 10-Q for the quarters ended September 30, 2018 and September 30, 2017 and its Annual Report on Form 10-K for the year ended December 31, 2017. See "Where You Can Find More Information" beginning on page [ ]. Financial amounts as of and for the nine months ended September 30, 2018 and 2017 are unaudited (and are not necessarily indicative of the results of operations for the full year or any other interim period), but Sirius XM management believes that such amounts reflect all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of its results of operations and financial position as of the dates and for the periods indicated. You should not assume the results of operations for past periods and for the nine months ended September 30, 2018 and 2017 are indicative of results for any future period.

<i>in thousands, except per share data</i>	As of and for the nine months ended			As of and for the years ended December 31,		
	2018 (unaudited)	2017	2017	2016 <sup>(1)</sup>	2015	2014
<b>Statement of Comprehensive Income</b>						
Total revenues	\$ 4,274,784	\$ 4,021,231	\$ 5,425,129	\$ 5,017,220	\$ 4,570,058	\$ 4,181,095
Net income	924,841	684,904	647,908	745,933	509,724	493,241
Net income per share basic <sup>(2)</sup>	0.21	0.15	0.14	0.15	0.09	0.09
Net income per share diluted <sup>(3)</sup>	0.20	0.14	0.14	0.15	0.09	0.08
Weighted average common shares outstanding basic	4,482,249	4,660,041	4,637,553	4,917,050	5,375,707	5,788,944
Weighted average common shares outstanding diluted	4,586,346	4,734,841	4,723,535	4,964,728	5,435,166	5,862,020
Cash dividends declared per share	0.033	0.030	0.041	0.010		
<b>Balance Sheet Data (at period end)</b>						
Cash and cash equivalents	\$ 46,044	\$ 73,553	\$ 69,022	\$ 213,939	\$ 111,838	\$ 147,724
Restricted investments	10,939	10,274	10,352	9,888	9,888	5,922
Total assets <sup>(4)</sup>	8,273,507	8,652,416	8,329,374	8,003,595	8,046,662	8,369,065
	6,562,152	6,728,349	6,741,243	5,842,764	5,443,614	4,487,419



Long-term debt,  
net of current  
portion<sup>(4)</sup>

Stockholders  
(deficit) equity

(1,375,375)

(1,050,101)

(1,523,874)

(792,015)

(166,491)

1,309,837

- (1) For the year ended December 31, 2016, Sirius XM recorded \$293,896 as an increase to its deferred tax assets and decrease to its accumulated deficit as a result of the adoption of Accounting Standards Update 2016-09, *Compensation-Stock Compensation (Topic 718)*.
- (2) The selected financial data for 2013 includes the balances and approximately two months of activity related to the acquisition of the connected vehicle business of Agero, Inc. in November 2013.
- (3) The 2017 net income per basic and diluted share includes the impact of \$184,599 in income tax expense, or a decrease of approximately \$0.04 per share, recorded in the fourth quarter of 2017 due to the reduction in Sirius XM's net deferred tax asset balance as a result of the Tax Cut and Jobs Act signed into law on December 22, 2017. For additional information refer to Note 16 to Sirius XM's consolidated financial statements in Item 8 of Sirius XM's Annual Report on Form 10-K for the year ended December 31, 2017.
- (4) The 2013-2015 balances reflect the adoption of Accounting Standards Update 2015-03, *Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*, and Accounting Standards Update 2015-15, *Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Agreements*. As a result of Sirius XM's adoption of these accounting standards updates, total assets was reduced by \$7,155, \$6,444 and \$17,821 for the years ended December 31, 2015, 2014 and 2013, respectively, and Long-term debt, net of current portion, was reduced by \$7,155, \$6,444 and \$5,120 for the years ended December 31, 2015, 2014 and 2013, respectively.

**Table of Contents****SELECTED HISTORICAL FINANCIAL DATA FOR PANDORA**

The following table sets forth selected historical consolidated financial data for Pandora. The historical consolidated financial information for each of the years in the four-year period ended December 31, 2017 and the eleven months ended December 31, 2013 is derived from the audited consolidated financial statements of Pandora as of and for each of the years in the four-year period ended December 31, 2017 and the eleven months ended December 31, 2013. The historical consolidated financial information for Pandora as of September 30, 2018 and for the nine months ended September 30, 2018 and 2017 has been derived from Pandora's unaudited interim condensed consolidated financial statements and related notes contained in its Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2018, which is incorporated herein by reference, and in the opinion of Pandora's management, include all normal and recurring adjustments that are considered necessary for the fair statement of the results for the interim periods. You should not assume the results of operations for any past periods are indicative of results for any future period, including with respect to the future performance of Pandora following the date of this proxy statement/prospectus or of Sirius XM following the completion of the transactions. You should read this information in conjunction with Pandora's consolidated financial statements and related notes thereto included in Pandora's Annual Report on Form 10-K for the fiscal year ended December 31, 2017, which is incorporated by reference into this proxy statement/prospectus. See "Where You Can Find More Information" beginning on page [ ].

	<b>As of and for the nine months ended September 30,</b>		<b>As of and for the years ended December 31,</b>			
	<b>2018</b>	<b>2017</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Income Statement Data</b>						
<i>(in thousands, except per share data)</i>						
Total revenue	\$ 1,121,655	\$ 1,071,477	\$ 1,466,812	\$ 1,384,826	\$ 1,164,043	\$ 920,802
Net loss	(287,353)	(473,646)	(518,395)	(342,978)	(169,661)	(30,406)
Net loss available to common stockholders	(309,774)	(506,493)	(558,561)	(342,978)	(169,661)	(30,406)
Net loss per common share, basic and diluted	(1.19)	(2.10)	(2.29)	(1.49)	(0.79)	(0.15)
Weighted-average basic and diluted common shares	260,327	241,579	243,637	230,693	213,790	205,273
<b>Balance Sheet Data (at period end)</b>						
<i>(dollars in thousands)</i>						
	\$ 287,523	\$ 493,181	\$ 499,597	\$ 199,944	\$ 334,667	\$ 175,957

Cash and cash equivalents						
Working capital	492,960	694,001	685,883	371,704	451,675	439,254
Total assets	1,172,803	1,165,531	1,166,322	1,184,810	1,240,657	749,290
Long-term debt, net	255,272	267,396	273,014	342,247	234,577	
Total liabilities	606,924	512,616	522,795	630,551	497,270	165,933
Redeemable convertible preferred stock	513,270	483,588	490,849			
Common stock and additional paid-in capital	1,632,205	1,387,982	1,422,246	1,264,717	1,110,562	781,030
Total stockholders equity	52,609	169,327	152,678	554,259	743,387	583,357

**Table of Contents****SUMMARY UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED FINANCIAL INFORMATION**

The following table shows unaudited pro forma condensed combined consolidated financial information about the financial condition and results of operations, including per share data, after giving effect to the transactions and other pro forma adjustments. The unaudited pro forma condensed combined consolidated financial information assumes that the transactions are accounted for under the acquisition method of accounting for business combinations, and that the assets and liabilities of Pandora will be recorded by Sirius XM at their respective fair values as of the date the transactions are completed. The unaudited pro forma condensed combined consolidated balance sheet gives effect to the transactions as if the transactions had occurred on September 30, 2018. The unaudited pro forma condensed combined income statements for the nine months ended September 30, 2018, and the year ended December 31, 2017, give effect to the transactions as if the transactions had become effective at January 1, 2017. The unaudited selected pro forma combined financial information has been derived from and should be read in conjunction with the consolidated financial statements and related notes of Sirius XM, which are incorporated in this proxy statement/prospectus by reference, the consolidated financial statements and related notes of Pandora, which are incorporated in this proxy statement/prospectus by reference, and the more detailed unaudited pro forma condensed combined consolidated financial information, including the notes thereto, appearing elsewhere in this proxy statement/prospectus. See *Where You Can Find More Information* beginning on page [ ] and *Unaudited Pro Forma Combined Condensed Consolidated Financial Information* beginning on page [ ].

The unaudited pro forma condensed combined consolidated financial information is presented for illustrative purposes only and does not indicate the financial results of the combined company had the companies actually been combined at the beginning of each period presented, nor the impact of possible business model changes. The unaudited pro forma condensed combined consolidated financial information also does not consider any potential effects of changes in market conditions on revenues, expense efficiencies, asset dispositions, and share repurchases, among other factors, including those discussed in the section of this proxy statement/prospectus entitled *Risk Factors* beginning on page [ ]. In addition, as explained in more detail in the accompanying notes to the *Unaudited Pro Forma Combined Condensed Consolidated Financial Information* beginning on page [ ], the preliminary allocation of the pro forma purchase price reflected in the unaudited pro forma condensed combined consolidated financial information is subject to adjustment and may vary significantly from the actual purchase price allocation that will be recorded upon completion of the transactions.

	<b>Nine months ended September 30, 2018</b>	<b>Year ended December 31, 2017</b>
<i>in thousands (except per share data)</i>		
<b>STATEMENTS OF COMPREHENSIVE INCOME</b>		
Total revenue	\$ 5,396,439	\$ 6,891,941
Income from operations	922,417	1,072,179
Net income for the period	519,413	62,706
Basic net income per common share	0.107	0.012
Diluted net income per common share	0.104	0.012
Basic weighted average common shares outstanding	4,873,001	5,028,305
Diluted weighted average common shares outstanding	4,977,098	5,114,287

**As of  
September 30,  
2018**

**BALANCE SHEET**

Cash and cash equivalents	\$	356,545
Total assets		11,344,961
Long-term debt		6,996,515
Total stockholders equity		885,377

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**Table of Contents****UNAUDITED COMPARATIVE PER COMMON SHARE DATA**

The following table sets forth the basic net income per common share, diluted net income per share, dividends declared per common share and book value for Sirius XM and Pandora on a historical basis and on a pro forma combined basis, for the nine months ended September 30, 2018, and the basic net income per common share, diluted net income per share and dividends declared per common share on a historical basis and on a pro forma combined basis, for the year ended December 31, 2017. The unaudited pro forma data was derived by combining the historical financial information of Sirius XM and Pandora using the acquisition method of accounting for business combinations, and it assumes the transactions are completed as contemplated and represents a current estimate based on available information of the combined company's results of operations. The unaudited pro forma data and equivalent per share information gives effect to the transactions as if the transactions had been effective on the dates presented, in the case of the book value data, and as if the transactions had become effective on January 1, 2017, in the case of the net income per common share and dividends declared data. The pro forma financial adjustments record the assets and liabilities of Pandora at their estimated fair values and are subject to adjustment as additional information becomes available and as additional analysis is performed.

The unaudited pro forma data below should be read in conjunction with Sirius XM's and Pandora's audited financial statements for the year ended December 31, 2017 and their respective unaudited financial statements for the nine months ended September 30, 2018. This information is presented for illustrative purposes only. You should not rely on the unaudited pro forma data or equivalent amounts presented below as they are not necessarily indicative of the operating results or financial position that would have occurred if the transactions had been completed as of the dates indicated, nor are they necessarily indicative of the future operating results or financial position of the combined company. The pro forma information, although helpful in illustrating the financial characteristics of the combined company under one set of assumptions, does not reflect the benefits of expected cost savings, opportunities to earn additional revenue, the impact of transactions- and integration-related costs, or other factors that may result as a consequence of the transactions and, accordingly, does not attempt to predict or suggest future results. The information below should be read in conjunction with Unaudited Pro Forma Combined Condensed Consolidated Financial Information beginning on page [ ].

	<b>Sirius XM As Reported</b>	<b>Pandora As Reported</b>	<b>Pro Forma Combined Sirius XM<sup>(a)</sup></b>	<b>Pro Forma Equivalent Per Share Information<sup>(b)</sup></b>
<b>For the nine months ended September 30, 2018:</b>				
Basic net income (loss) per common share	\$ 0.21	\$ (1.19)	\$ 0.107	\$ 0.153
Diluted net income (loss) per common share	\$ 0.20	\$ (1.19)	\$ 0.104	\$ 0.150
Dividends declared per common share <sup>(c)</sup>	\$ 0.033	\$	\$ 0.033	\$ 0.048
Book value at September 30, 2018 <sup>(d)</sup>	\$ (0.34)	\$ 0.20	\$ 0.180	\$ 0.259
<b>For the year ended December 31, 2017:</b>				
Basic net income (loss) per common share	\$ 0.14	\$ (2.29)	\$ 0.012	\$ 0.018
Diluted net income (loss) per common share	\$ 0.14	\$ (2.29)	\$ 0.012	\$ 0.018
Dividends declared per common share <sup>(c)</sup>	\$ 0.041	\$	\$ 0.041	\$ 0.059
Book value at December 31, 2017	\$ (0.34)	\$ 0.61	N/a	N/a

(a)

Pro forma earnings per share are based on pro forma combined net income and pro forma combined weighted-average common shares outstanding at the end of the period.

- (b) Pro forma equivalent per share information is calculated based on pro forma combined multiplied by the applicable exchange ratio of 1.44.
- (c) Pro forma dividends declared per common share represent Sirius XM's historical dividends per share.
- (d) Book value per common share is calculated based on pro forma combined equity and pro forma combined common shares outstanding at the end of the period.

**Table of Contents****COMPARATIVE PER SHARE MARKET PRICE AND DIVIDEND INFORMATION**

The table below sets forth, for the calendar quarters indicated, the high and low sales prices, as well as the dividend declared, per share of Sirius XM common stock, which trades on NASDAQ under the symbol SIRI, and per share of Pandora common stock, which trades on the NYSE under the symbol P.

	Sirius XM Common Stock			Pandora Common Stock		
	High	Low	Dividend	High	Low	Dividend
<b>2015</b>						
First Quarter	\$ 4.04	\$ 3.33	\$	\$ 18.90	\$ 14.50	\$
Second Quarter	4.00	3.70		19.20	15.42	
Third Quarter	4.01	3.31		22.60	13.30	
Fourth Quarter	4.20	3.69		22.20	11.38	
<b>2016</b>						
First Quarter	\$ 4.04	\$ 3.29	\$	\$ 12.93	\$ 7.10	\$
Second Quarter	4.05	3.74		12.86	8.05	
Third Quarter	4.44	3.92		14.98	11.61	
Fourth Quarter	4.65	4.05	0.01	14.95	10.15	
<b>2017</b>						
First Quarter	\$ 5.53	\$ 4.40	\$ 0.01	\$ 13.72	\$ 11.30	\$
Second Quarter	5.50	4.73	0.01	12.13	6.76	
Third Quarter	5.89	5.32	0.01	9.98	7.55	
Fourth Quarter	5.79	5.20	0.011	8.34	4.44	
<b>2018</b>						
First Quarter	\$ 6.62	\$ 5.17	\$ 0.011	\$ 5.55	\$ 4.09	\$
Second Quarter	7.70	6.08	0.011	8.78	4.59	
Third Quarter	7.29	6.16	0.011	10.07	6.70	
Fourth Quarter (Through [ ], 2018)	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]

On September 21, 2018, the last trading day before the public announcement of the signing of the merger agreement, the closing sale price per share of Sirius XM common stock on NASDAQ was \$6.98 and the closing sale price per share of Pandora common stock on the NYSE was \$9.09. On [ ], 2018, the latest practicable trading date before the date of this proxy statement/prospectus, the last sale price per share of Sirius XM common stock on NASDAQ was \$[ ] and the last sale price per share of Pandora common stock on the NYSE was \$[ ].



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**RISK FACTORS**

*In addition to the other information included and incorporated by reference into this proxy statement/prospectus, including the matters addressed in Cautionary Statement Concerning Forward-Looking Statements, you should carefully consider the following risks before deciding how to vote. In addition, you should read and consider the risks associated with each of the businesses of Sirius XM and Pandora because these risks will also affect the combined company following completion of the transactions. These risks can be found in the Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q of each of Sirius XM and Pandora, each of which is filed with the SEC and incorporated by reference into this proxy statement/prospectus. You should also read and consider the other information in this proxy statement/prospectus and the other documents incorporated by reference into this proxy statement/prospectus. For more information, see Where You Can Find More Information.*

**Risks Relating to the Transactions**

***The closing of the transactions will permit certain counterparties to commercial agreements to terminate those agreements or exercise other rights.***

Pandora is party to certain agreements that give the counterparties to such agreements, including music labels and other copyright holders that own or control rights that are an essential input to Pandora, certain rights, including notice, consent and other rights in connection with a change of control such as the transactions, that may give rise to a default by Pandora under these agreements or the rights by the counterparties to terminate these agreements or charge Pandora rates that are less favorable to Pandora. These counterparties may assert these rights in connection with the closing, claim a default of the agreements by Pandora, terminate the agreements, and/or request modifications of their agreements as a condition to granting a waiver or consent under these agreements, any of which would adversely affect the business and operations of Pandora and the value of Sirius XM common stock following the closing of the transactions. In addition, the transactions constitute an event that would enable holders of Pandora's outstanding convertible notes to, at each holder's option, convert those notes into, at the election of Pandora, cash, shares of Pandora common stock or a combination thereof.

***The transactions are subject to a number of conditions and may not be completed on the terms or timeline currently contemplated, or at all.***

The closing of the transactions is subject to a number of conditions, including the approval of the merger agreement proposal by the Pandora stockholders and expiration or early termination of the waiting period under the HSR Act, which make the closing (and timing of the closing) of the transactions uncertain. In addition, if the merger is not completed by June 23, 2019, either Sirius XM or Pandora may terminate the merger agreement (subject to certain exceptions). Sirius XM or Pandora may also elect to terminate the merger agreement in certain other circumstances. See The Merger Agreement Conditions to the Closing of the Transactions beginning on page [ ] and The Merger Agreement Termination of the Merger Agreement beginning on page [ ] for additional information of these circumstances.

Sirius XM and Pandora cannot assure you that the transactions will be consummated on the terms and timeline currently contemplated or at all. Many of the conditions to the closing of the transactions are not within the control of Sirius XM or Pandora, and neither company can predict when or if these conditions will be satisfied and could delay the completion of the transactions for a significant period of time or prevent it from occurring. Any delay in completing the transactions could cause each of Sirius XM and Pandora not to realize some or all of the benefits that each expects to achieve if the transactions are successfully completed within its expected timeframe.

***Failure to complete the transactions could adversely affect the stock prices and the future business and financial results of Sirius XM and Pandora.***

If the transactions are not completed on a timely basis, or at all, the ongoing respective businesses of Sirius XM and/or Pandora may be adversely affected and, without realizing the benefit

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of having completed the transactions, Sirius XM and Pandora could be subject to numerous risks, including:

Sirius XM and Pandora will be required to pay their respective costs relating to the transactions, such as legal, accounting, financial advisor, filing, printing and mailing fees;

Sirius XM's and Pandora's respective management has committed time and resources to matters relating to the transactions that could otherwise have been devoted to pursuing other beneficial opportunities;

Sirius XM and Pandora may experience negative reactions from the financial markets, including negative impacts on their respective stock prices, or from their respective customers and employees; and

Sirius XM and Pandora may have reputational harm due to the adverse perception of any failure to successfully complete the transactions.

***The exchange ratio is fixed and will not be adjusted in the event of any change in the market price of either Sirius XM common stock or Pandora common stock.***

As a result of the closing of the transactions, each share of Pandora common stock held immediately prior to the closing will, after initially being converted into a share of New Holding Company common stock in the holding company merger, enable the holder thereof to receive 1.44 shares of Sirius XM common stock as a result of the merger, with cash paid in lieu of fractional shares. The exchange ratio is fixed in the merger agreement and will not be adjusted for changes in the market price of either Sirius XM common stock or Pandora common stock.

Because the exchange ratio is fixed, changes in the market price of Sirius XM common stock prior to the closing of the merger will affect the value of the merger consideration that the Pandora stockholders will receive in connection with the closing. The market price of Sirius XM common stock at the closing may vary from the market prices of Sirius XM common stock on the date the merger agreement was executed, on the date of this proxy statement/prospectus and on the date of the Pandora special meeting.

For example, based on the range of closing prices of Sirius XM common stock during the period from September 21, 2018, the last trading day before public announcement of the merger agreement, through [ ], 2018, the last practicable date before the filing of this proxy statement/prospectus, the market value of 1.44 shares of Sirius XM common stock ranged from a low of \$[ ] to a high of \$[ ]. The actual market value of the merger consideration received by the Pandora stockholders upon completion of the transactions may be outside this range and may even be below the current market price of Pandora common stock. Furthermore, because the transactions will be completed, if at all, after the Pandora special meeting, the market value of the merger consideration cannot be known at the time the Pandora stockholders consider and vote upon the merger agreement proposal at the Pandora special meeting. This fluctuation and uncertainty may adversely impact the willingness of the Pandora stockholders to vote in favor of the merger agreement proposal.

Stock price changes may result from a variety of factors (many of which are beyond the control of Sirius XM or Pandora), including:

changes in, or changes in market expectations of, the companies' respective businesses, operations, assets, liabilities and prospects;

investor behavior and strategies, including market assessments of the likelihood that the transactions will be completed;

interest rates, general market and economic conditions and other factors generally affecting the market price of the companies' common stock;

federal, state and local legislation, governmental regulation and legal developments in the businesses in which the companies operate; and

other factors beyond the control of either Sirius XM or Pandora, including those described under this heading Risk Factors.

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***Sirius XM and Pandora expect to incur significant costs and expenses in connection with the transactions.***

Each of Sirius XM and Pandora have incurred, and expect to further incur, certain nonrecurring costs in connection with the transactions, including advisory, legal and other transaction costs. While many of the expenses that will be incurred, by their nature, are difficult to estimate accurately at the present time, management of Sirius XM and Pandora continue to assess the magnitude of these costs, and additional unanticipated costs that may be incurred in connection with the transactions. Although Sirius XM and Pandora expect that the realization of benefits related to the transactions will offset such costs and expenses over time, no assurances can be made that the net benefits will be achieved in the near term, or at all.

***The announcement and pendency of the transactions could divert the attention of management and adversely affect the business and operations of each of Sirius XM and Pandora.***

Sirius XM and Pandora are currently operated independently of each other. Management of both Sirius XM and Pandora may be required to divert attention away from their respective day-to-day activities and operations and devote time and effort to closing the transactions and integrating the businesses following the closing. The risks, and adverse effects, of such disruptions and diversions could be exacerbated by a delay in the closing of the transactions. These factors could adversely affect the financial position or results of operations of Sirius XM and/or Pandora, regardless of whether the transactions are completed.

Furthermore, uncertainty about the effect of the transactions on employees, customers, and other third parties may have an adverse effect on Pandora and/or Sirius XM. Some customers, vendors or other third parties of each of Pandora and Sirius XM may change, delay or defer decisions with respect to existing or future business relationships. Similarly, current and prospective employees of Pandora or Sirius XM may experience uncertainty about their future roles with Pandora or Sirius XM following the merger, which may adversely affect the ability of Pandora or Sirius XM to attract and retain key personnel during the pendency of the transactions.

***Pandora is subject to contractual restrictions before the closing of the transactions, which could adversely affect Pandora's business.***

The merger agreement imposes certain restrictive interim covenants on Pandora. For instance, the consent of Sirius XM is required in respect of, among other things, amendments to Pandora's organizational documents, share repurchases, certain actions relating to material contracts, certain employee benefit changes, certain capital expenditures, acquisition and dispositions, payments of dividends, and certain issuances of shares of Pandora common stock. These restrictions may prevent Pandora from taking certain actions before the closing of the transactions or the termination of the merger agreement, including making certain acquisitions or otherwise pursuing certain business opportunities, or making certain changes to its capital stock, that the Pandora board of directors may deem beneficial.

***Sirius XM is subject to contractual restrictions while the transactions are pending, which could adversely affect Sirius XM's business.***

Although less restrictive than those imposed on Pandora, the merger agreement does impose certain restrictive interim covenants on Sirius XM. For instance, the consent of Pandora is required in respect of, among other things, certain amendments to Sirius XM's organizational documents and payments of dividends (other than regular quarterly dividends). These restrictions may prevent Sirius XM from taking certain actions before the closing of the transactions or the termination of the merger agreement that the Sirius XM board of directors may deem beneficial.

***Certain provisions of the merger agreement could discourage a competing proposal to acquire Pandora or could result in any competing proposal being offered at a lower price than it might otherwise be offered.***

The merger agreement contains no-shop provisions that restrict Pandora's ability to solicit, encourage, facilitate or discuss competing third-party proposals to acquire all or a significant part of Pandora. In addition, Sirius XM generally has an opportunity to offer to modify the terms of the merger agreement in response to any competing proposal. Upon termination of the merger

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agreement in certain circumstances, Pandora may be required to pay a termination fee to Sirius XM of \$105 million. For additional information, see the sections entitled The Merger Agreement Go-Shop and Non-Solicitation by Pandora beginning on page [ ].

These provisions could discourage a potential acquiror from considering or proposing that acquisition, even if it were prepared to pay consideration with a higher per share cash or market value than the Sirius XM common stock to be received by the Pandora stockholders in connection with the closing of the transactions, or might result in a potential acquiror proposing to pay a lower price than it might otherwise have proposed to pay because of the added expense of the termination fee that may become payable by Pandora in certain circumstances under the merger agreement.

***The directors and executive officers of Pandora have interests in the transactions that are different from, or in addition to, those of the Pandora stockholders.***

The directors and executive officers of Pandora have interests in the transactions that are different from, or in addition to, the interests of the Pandora stockholders generally. These interests include, among others, the treatment of outstanding equity awards pursuant to the merger agreement, potential severance and other benefits upon a qualifying termination in connection with the merger and certain rights to ongoing indemnification and insurance coverage. For additional information, see the section entitled The Transactions Interests of Pandora's Directors and Executive Officers in the Transactions beginning on page [ ].

***The transactions may not qualify as a reorganization, within the meaning of Section 368(a) of the Code, and no ruling has been or will be sought from the IRS regarding the U.S. federal income tax consequences of the transactions.***

It is intended that, for U.S. federal income tax purposes, the transactions will qualify as a reorganization within the meaning of Section 368(a) of the Code. However, if either Pandora or Sirius XM is unable to receive an opinion of counsel to that effect, the parties have agreed to restructure the transactions so that the transactions will be treated as a taxable stock sale and the Pandora board of directors will resolicit the approval of the Pandora stockholders in favor of the restructured transaction. In addition, neither Sirius XM nor Pandora intends to request a ruling from the IRS regarding the U.S. federal income tax consequences of the transactions. Accordingly, no assurance can be given that the transactions will so qualify as a reorganization. Further, even if Sirius XM and Pandora conclude that the transactions so qualify, no assurance can be given that the IRS will not challenge that conclusion or that a court would not sustain such a challenge. Each Pandora stockholder should read the discussion under The Transactions Material U.S. Federal Income Tax Consequences beginning on page [ ] and should consult its own tax advisor for a full understanding of the tax consequences of the transactions to such stockholder.

## **Risks Relating to the Combined Company After Closing of the Transactions**

***Following the transactions, Sirius XM may be unable to integrate the businesses of Sirius XM and Pandora successfully or realize the anticipated synergies and related benefits of the merger or do so within the anticipated time frame.***

The transactions involve the combination of two companies which currently operate as independent companies. Sirius XM will be required to devote significant management attention and resources to integrating the businesses and operations of Pandora. Potential difficulties Sirius XM or Pandora may encounter in the integration process including:

the inability to successfully combine the businesses of Sirius XM and Pandora in a manner that permits Sirius XM to offer cross-promotion opportunities, audio packages that integrate Sirius XM content and programming with Pandora's ad-supported and subscription services and achieve other benefits anticipated to result from the transactions, in the time frame currently anticipated or at all;

the complexities associated with integrating personnel from the two companies and of combining two companies with different histories, cultures and customer bases;

the failure of Sirius XM to retain key employees of either Pandora or Sirius XM;



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potential unknown liabilities and unforeseen increased expenses, delays or regulatory conditions associated with the transactions; and

performance shortfalls at one or both of the two companies as a result of the diversion of management's attention in connection with completing the transactions and integrating the companies' operations.

For all these reasons, you should be aware that it is possible that the integration process could result in the distraction of Sirius XM's or Pandora's management, the disruption of Sirius XM's ongoing business or inconsistencies in Sirius XM's services, standards, controls, procedures and policies, any of which could adversely affect the ability of Sirius XM to maintain relationships with customers, vendors and employees or to achieve the anticipated benefits of the transactions, or could otherwise adversely affect the business and financial results of Sirius XM following the closing of the transactions.

***The combined company's future results will suffer if it does not effectively manage its expanded operations following the closing of the transactions.***

Following the closing of the transactions, the size and scope of operations of the business of Sirius XM will increase beyond the current size and scope of operations of either Sirius XM's or Pandora's current businesses. In addition, Sirius XM may continue to expand its size and operations through additional acquisitions or other strategic transactions. Sirius XM's future success depends, in part, upon its ability to manage its expanded business, which may pose substantial challenges for management, including challenges related to the management and monitoring of new operations and associated increased costs and complexity. There can be no assurances that Sirius XM will be successful or that it will realize the expected economies of scale, synergies and other benefits currently anticipated from the transactions or anticipated from any additional acquisitions or strategic transactions.

***The Pandora stockholders will have a reduced ownership and voting interest in the combined company following the transactions, and will exercise less influence over management of the combined company.***

Because shares of Sirius XM common stock to be received by the Pandora stockholders in the transactions will not represent the same proportionate equity and voting interests as their existing shares of Pandora common stock represent in Pandora, this will result in the Pandora stockholders having less influence over the management of the combined company. Based upon the number of outstanding shares on the record date for the Pandora special meeting, upon completion of the transactions, we expect that former Pandora stockholders will own approximately [ ]% of the Sirius XM common stock (based on the number of shares of Sirius XM common stock outstanding on [ ], 2018, the last practicable date before the filing of this proxy statement/prospectus).

As of [ ], 2018, the last practicable date before the filing of this proxy statement/prospectus, Liberty Media beneficially owned approximately [ ]% of the Sirius XM common stock and upon completion of the transactions, we expect that Liberty Media will own approximately [ ]% of the Sirius XM common stock (based on the number of shares of Sirius XM common stock outstanding on [ ], 2018, the last practicable date before the filing of this proxy statement/prospectus). Accordingly, Liberty Media has, and will have following the closing of the transactions, the ability to influence Sirius XM's affairs, policies and operations. Two Liberty Media executives and one other member of the board of directors of Liberty Media are members of the Sirius XM board of directors. The Sirius XM board of directors currently has thirteen members. Gregory B. Maffei, the President and Chief Executive Officer of Liberty Media, is the Chairman of Sirius XM's board of directors. The Sirius XM board of directors is responsible for, among other things, the appointment of executive management, future issuances of common stock or other securities, the payment of dividends, if any, the incurrence of debt, and the approval of various transactions, including the transactions.

Liberty Media can also determine the outcome of all matters requiring approval of the Sirius XM stockholders, including the election of the board of directors and changes to the Sirius XM certificate of incorporation or by-laws. Liberty Media can also cause or prevent a change of control

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of Sirius XM and could preclude any unsolicited acquisition of Sirius XM. The concentration of ownership could deprive Sirius XM stockholders of an opportunity to receive a premium for their common stock as part of a sale of Sirius XM and might ultimately affect the market price of Sirius XM common stock. In certain cases, the interests of Liberty Media may not be aligned with the interests of other Sirius XM stockholders. Sirius XM is also, and following the closing of the transactions is expected to remain, a controlled company for the purposes of the NASDAQ Stock Market listing rules. As such, Sirius XM has elected not to comply with certain NASDAQ corporate governance requirements. Although a majority of the members of the Sirius XM board of directors consists of independent directors, Sirius XM does not have a compensation committee and nominating and corporate governance committee that consist entirely of independent directors.

***The unaudited pro forma condensed combined consolidated financial statements included in this proxy statement/prospectus are for illustrative purposes, and the actual financial condition and results of operations after the merger may differ materially.***

The unaudited pro forma condensed combined consolidated financial statements in this proxy statement/prospectus are presented for illustrative purposes only and are not necessarily indicative of what the combined company's actual financial condition or results of operations would have been had the transactions been completed on the dates indicated. In addition, the unaudited pro forma condensed combined consolidated financial statements do not purport to project the future financial position or operating results of the combined company. The unaudited pro forma condensed combined consolidated financial statements reflect adjustments, which are based upon assumptions and preliminary estimates, to record the Pandora identifiable assets acquired and liabilities assumed at fair value and the resulting goodwill recognized. The purchase price allocation reflected in this proxy statement/prospectus is preliminary, and final allocation of the purchase price will be based upon the actual purchase price and the fair value of the assets and liabilities of Pandora as of the date of the completion of the transactions. Accordingly, the final acquisition accounting adjustments may differ materially from the pro forma adjustments reflected in this proxy statement/prospectus. For more information, see Unaudited Comparative Per Share Information beginning on page [ ] and Unaudited Pro Forma Condensed Combined Consolidated Financial Statements beginning on page [ ] in this proxy statement/prospectus.

***The prospective financial forecasts for Pandora included in this proxy statement/prospectus reflect the estimates of Pandora's management and Pandora's actual performance may differ materially from such forecasts.***

The prospective financial forecasts for Pandora included in this proxy statement/prospectus are based on assumptions of, and information available to, Pandora at the time such prospective financial forecasts were prepared. Pandora does not know whether the assumptions made will prove correct. Any or all of such information may turn out to be wrong. Such information can be adversely affected by inaccurate assumptions or by known or unknown risks and uncertainties, many of which are beyond Pandora's control. Further, prospective financial forecasts of this type are based on estimates and assumptions that are inherently subject to factors such as company performance, industry performance, general business, economic, regulatory, market and financial conditions, as well as changes to the business, financial condition or results of operations of Pandora, which factors and changes may cause the prospective financial forecasts or the underlying assumptions to be inaccurate. As a result of these contingencies, there can be no assurance that the prospective financial forecasts of Pandora will be realized or that actual results will not be significantly higher or lower than projected. For more information, see the section entitled The Merger Certain Pandora Unaudited Prospective Financial Information beginning on page [ ].

***The market price of Sirius XM common stock may be volatile, and holders of Sirius XM common stock could lose a significant portion of their investment due to drops in the market price of Sirius XM common stock following***

*completion of the transactions.*

The market price of Sirius XM common stock may be volatile, and following completion of the transactions, the Pandora stockholders who receive Sirius XM common stock may not be able to resell their Sirius XM common stock due to fluctuations in the market price, including changes in market price caused by factors unrelated to the combined company's operating performance or

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prospects. In particular, the market price of Sirius XM common stock has in the past experienced significant fluctuation, including fluctuation that is unrelated to Sirius XM's performance, and this fluctuation may continue in the future.

Furthermore, although the combined company will generally be subject to the same risks that each of Sirius XM and Pandora currently face, the results of operations as well as the market price of Sirius XM common stock following the closing may be affected by factors different from those factors affecting Sirius XM and Pandora as independent stand-alone companies. The combined company may face additional risks and uncertainties that Sirius XM or Pandora may currently not be exposed to as independent companies.

*The shares of Sirius XM common stock to be received by the Pandora stockholders will have different rights from the shares of Pandora common stock currently held by the Pandora stockholders.*

In connection with the closing of the transactions, the Pandora stockholders will become Sirius XM stockholders and their rights as stockholders will be governed by Sirius XM's organizational documents. The rights associated with Sirius XM common stock are different from the rights associated with Pandora common stock. For additional information, see the section entitled "Comparison of Stockholders' Rights" beginning on page [ ].

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**CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS**

This proxy statement/prospectus, including information and documents included or incorporated by reference in this proxy statement/prospectus, may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Statements in this proxy statement/prospectus, including the information and documents included or incorporated by reference in this proxy statement/prospectus, that are not historical facts are hereby identified as forward-looking statements for the purpose of the safe harbor provided by Section 21E of the Exchange Act and Section 27A of the Securities Act. These forward-looking statements include, but are not limited to, statements about the benefits of the transactions, including Sirius XM's and/or Pandora's expectations or predictions of future financial or business performance or conditions; statements about Sirius XM's and Pandora's plans, objectives, expectations and intentions with respect to future operations, products and services; and other statements identified by words such as believe, expect, anticipate, intend, target, estimate, continue, positions, plan, predict, guidance, goal, objective, prospects, possible or potential, by future conditional verbs such as assume, will, should, could or may, or by variations of such words or by similar expressions. These forward-looking statements are subject to numerous assumptions, risks and uncertainties, which change over time, are difficult to predict and are generally beyond the control of either company. Forward-looking statements speak only as of the date they are made, and Sirius XM and Pandora assume no duty to update forward-looking statements, except to the extent required by applicable law or regulation.

In addition to factors previously disclosed in Sirius XM's and Pandora's reports filed with the SEC, including the respective company's recent Forms 10-K and 10-Q, and those identified elsewhere in this proxy statement/prospectus, including those disclosed under Risk Factors beginning on page [ ], the following factors, among others, could cause actual results to differ materially from forward-looking statements or historical performance:

- failure to meet or delay in meeting the closing conditions to the transactions, including the approval of Pandora's stockholders, on the expected terms and schedule and the risk that regulatory approvals required for the transactions are not obtained or are obtained subject to conditions that are not anticipated;
- delay in closing the transactions;
- the occurrence of any event, change or other circumstances that could give rise to a right of one or both of Sirius XM and Pandora to terminate the merger agreement;
- difficulties and delays in integrating Sirius XM and Pandora businesses or fully anticipated synergies, cost savings and other benefits estimated to result from the transactions;
- failure to realize the expected benefits from the proposed transactions;
- risks related to disruption of management time from ongoing business operations due to the proposed transactions;
- changes in political or other factors such as monetary policy, legal and regulatory changes, general economic and market conditions or other external factors over which they have no control;
- the outcome of pending or threatened litigation or of matters before regulatory agencies, whether currently existing or commencing in the future, including litigation related to the merger agreement or the transactions;
- Sirius XM's or Pandora's increasing industry competition;
- statements relating to future business prospects, number of subscribers, revenue, income and financial condition;
- new service and product offerings;
- the expected timing and likelihood of completion of the proposed transactions, including the timing and satisfaction of conditions to the proposed transactions that could reduce anticipated benefits or cause the parties to abandon the transactions;

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the risk that any announcements relating to the proposed transactions could have adverse effects on the market price of the Pandora common stock or Sirius XM common stock;  
the risk that the transactions and their announcement could have an adverse effect on the ability of Pandora and Sirius XM to retain and hire personnel and maintain relationships with their suppliers and customers and on their operating results and businesses generally;  
changes and uncertainties in the market for music rights;  
potential changes in accounting principles, policies, practices or guidelines;  
changes in the price of Sirius XM common stock before closing, including as a result of the financial performance of Pandora prior to closing;  
Sirius XM's potential exposure to unknown or contingent liabilities of Pandora; and  
natural disasters, war or terrorist activities.

**You are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this proxy statement/prospectus or the date of the applicable document incorporated by reference in this proxy statement/prospectus. Sirius XM and Pandora assume no duty to update forward-looking statements, except to the extent required by applicable law or regulation. All subsequent written and oral forward-looking statements concerning the transactions or other matters addressed in this proxy statement/prospectus and attributable to Sirius XM or Pandora or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section.**

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### **THE PANDORA SPECIAL MEETING**

This section contains information about the Pandora special meeting and this proxy statement/prospectus is being furnished to the Pandora stockholders in connection with the solicitation of proxies by the Pandora board of directors for use at the Pandora special meeting. Pandora is first mailing this proxy statement/prospectus and accompanying proxy card to its stockholders on or about [ ], 2018.

#### **Time, Place and Date**

The Pandora special meeting will be held on [ ], 2018, at [ ] local time, at [ ], unless the Pandora special meeting is adjourned or postponed, if necessary or appropriate.

#### **Purpose of the Pandora Special Meeting**

At the Pandora special meeting, the Pandora stockholders will be asked to consider and vote upon:

- the merger agreement proposal;
- the advisory compensation proposal; and
- the adjournment proposal.

#### **Recommendation of the Pandora Board of Directors**

The Pandora board of directors recommends that the Pandora stockholders vote **FOR** the merger agreement proposal; **FOR** the advisory compensation proposal; and **FOR** the adjournment proposal. See The Transactions Recommendation of the Pandora Board of Directors and Reasons for the Transactions beginning on page [ ].

#### **Record Date; Stock Entitled to Vote**

The Pandora board of directors has set [ ], 2018 as the record date for the Pandora special meeting. Only holders of record of Pandora common stock and Pandora preferred stock at the close of business on the record date will be entitled to notice of and to vote at the Pandora special meeting and any adjournments or postponements thereof.

#### **Quorum**

The holders of a majority of the combined voting power of all of the outstanding shares of Pandora common stock and Pandora preferred stock entitled to vote at the Pandora special meeting, present in person or represented by proxy, shall constitute a quorum for purposes of the matters to be voted on at the Pandora special meeting. Abstentions and non-votes by brokers will be treated as present at the Pandora special meeting for purposes of determining the presence or absence of a quorum. In the event that a quorum is not present at the Pandora special meeting, the holders of a majority in voting power of the voting interest represented at the Pandora special meeting, in person or represented by proxy, may adjourn the meeting, without notice other than announcement at the meeting, to another time and/or place until a quorum is so present or represented.

#### **Required Vote; Outstanding Shares**

Approval of the merger agreement proposal requires the affirmative vote of the holders of a majority of the combined voting power of the outstanding shares of Pandora common stock and Pandora preferred stock entitled to vote thereon,



voting together as a single class. Abstention, failure to vote or failure to instruct your bank, broker or other nominee with respect to the merger agreement proposal will have the same effect as a vote **AGAINST** the merger agreement proposal. Pandora stockholders must vote to approve the merger agreement proposal in order for the transactions to occur.

Assuming a quorum is present, approval of each of the advisory compensation proposal and the adjournment proposal, if necessary or required, requires the affirmative vote of the holders of a

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majority of the shares of Pandora common stock and Pandora preferred stock present in person or represented by proxy at the Pandora special meeting and entitled to vote thereon. If a quorum is not present, the adjournment proposal may still be approved by the affirmative vote of the holders of a majority in voting power of the shares of Pandora common stock and Pandora preferred stock held by the Pandora stockholders present in person or represented by proxy at the Pandora special meeting. Abstentions will have the same effect as a vote **AGAINST** each of the advisory compensation proposal and the adjournment proposal, but the failure to vote or failures to instruct your bank, broker or other nominee will have no effect on the advisory compensation proposal or the adjournment proposal. Abstentions will, however, be counted towards establishing a quorum.

Each holder of record of shares of Pandora common stock is entitled to one vote for each share of Pandora common stock owned as of the close of business on the record date. As of the close of business on the record date, there were [ ] shares of Pandora common stock issued and outstanding. The Pandora preferred stock is entitled to vote on an as-converted basis. As of the close of business on the record date, there were 480,000 shares of Pandora preferred stock issued and outstanding, all of which were owned by Sirius XM Radio, and which are, in the aggregate, entitled to [ ] votes (which number is equal to the number of shares of Pandora common stock into which the shares of Pandora preferred stock could be converted and constitutes approximately [ ]% of the voting power of Pandora stockholders). Sirius XM has agreed to vote, or cause to be voted, all of such shares of Pandora preferred stock beneficially owned by it in favor of the merger agreement proposal.

## **Voting Procedures for Record Holders**

If you are a stockholder of record of Pandora common stock as of the close of business on the record date, you can submit your proxy before the Pandora special meeting in any of the following ways:

By mail: Complete, sign, date and return the enclosed proxy card to Pandora using the enclosed postage-paid envelope. The envelope requires no additional postage if mailed in the United States.

Via the Internet: Use the Internet to submit a proxy to vote your shares of Pandora common stock by accessing the website [ ] and following the instructions on the website to obtain your records and submit a vote electronically. Please have your proxy card and your social security number or tax identification number available when you access this voting site. You may submit a proxy via the Internet 24 hours a day, 7 days a week until 11:59 p.m. Eastern Time on the day before the Pandora special meeting.

By telephone: Use any touch-tone telephone to submit a proxy to vote your shares of Pandora common stock by calling toll-free [ ] and following the voice recorded instructions. Please have your proxy card and your social security number or tax identification number available when you call. You may submit a proxy by telephone 24 hours a day, 7 days a week until 11:59 p.m., Eastern Time, on the day before the Pandora special meeting.

If you hold your shares in street name through a broker, bank or other nominee, your broker, bank or other nominee will separately send you a voting instruction card describing the procedure for voting your shares of Pandora common stock, including whether you may submit a proxy via the Internet or by telephone.

If you submit an executed proxy prior to the Pandora special meeting but do not indicate how you want to vote, your vote will be counted as a vote **FOR** the approval for each of the merger agreement proposal, the advisory compensation proposal and the adjournment proposal, if necessary or appropriate.

**YOUR VOTE IS VERY IMPORTANT, REGARDLESS OF THE NUMBER OF SHARES OF PANDORA COMMON STOCK YOU OWN. Accordingly, each Pandora stockholder should complete, sign, date and return the enclosed proxy card in the enclosed postage-paid envelope, or vote via the Internet or by telephone as soon as possible, whether or not such Pandora stockholder plans to attend the Pandora special meeting in**

**person.**

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### *Voting in Person*

Shares of Pandora common stock held directly in your name as stockholder of record may be voted in person by ballot at the Pandora special meeting. If you choose to vote your shares of Pandora common stock in person at the Pandora special meeting, please bring a valid, government-issued photo identification. Even if you plan to attend the Pandora special meeting, the Pandora board of directors recommends that you submit a proxy to vote your shares of Pandora common stock in advance as described above so that your vote will be counted if you later decide not to attend the Pandora special meeting.

If you are a beneficial holder, you will receive separate voting instructions from your broker, bank or other nominee explaining how to vote your shares. Please note that if your shares of Pandora common stock are held in street name by a broker, bank or other nominee and you wish to vote at the Pandora special meeting, you will not be permitted to vote in person unless you first obtain a legal proxy, executed in your favor, from the record holder of your shares, such as a broker, bank or other nominee. You are encouraged to request a legal proxy from your broker, bank or other nominee promptly as the process can be lengthy. In addition to such legal proxy, if you plan to attend the Pandora special meeting, but hold your shares in street name, please also bring evidence of your beneficial ownership of your shares (e.g., a copy of a recent brokerage statement showing the shares) and valid photo identification with you to the Pandora special meeting.

### **Revoking a Proxy**

If you are a stockholder of record of Pandora, whether you submit a proxy to vote your shares of Pandora common stock by mail, via the Internet or by telephone, you can change or revoke your proxy before it is voted at the Pandora special meeting by:

- submitting a new proxy card bearing a later date, which new proxy card must be received prior to your shares of Pandora common stock being voted at the Pandora special meeting;
- submitting voting instructions again via the Internet or by telephone at any time before 11:59 p.m. Eastern Time on the day before the Pandora special meeting;
- delivering a written notice of your revocation, which may be delivered to the Pandora corporate secretary at Pandora Media, Inc., Attention: Corporate Secretary, 2100 Franklin Street, Suite 700, Oakland, California 94612, and must be received before your shares of Pandora common stock are voted at the Pandora special meeting; or
- voting in person at the Pandora special meeting. Please note that your attendance at the Pandora special meeting will not alone serve to revoke your proxy.

If you are a beneficial owner of Pandora common stock as of the close of business on the record date, you must follow the instructions of your bank, broker or other nominee to revoke or change your voting instructions.

### **Vote of Pandora's Directors and Executive Officers**

At the close of business on the record date, Pandora's directors and executive officers, as a group, owned and were entitled to vote [ ] shares of Pandora common stock, or approximately [ ]% of the outstanding voting power entitled to vote at the Pandora special meeting.

Pandora currently expects that all of its directors and executive officers will vote their shares **FOR** the merger agreement proposal, **FOR** the advisory compensation proposal and **FOR** the adjournment proposal.

### **Proxy Solicitation Costs**

The enclosed proxy card is being solicited on behalf of the Pandora board of directors. In addition to solicitation by mail, Pandora's directors, officers and employees may solicit proxies in

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person, by telephone or by electronic means. These persons will not be specifically compensated for doing this.

Pandora has retained Innisfree M&A Incorporated, which we refer to as Innisfree, to assist in the proxy solicitation process. Pandora will pay Innisfree a fee of approximately \$25,000, as well as reasonable and documented out-of-pocket expenses. Pandora also has agreed to indemnify Innisfree against various liabilities and expenses that relate to or arise out of its solicitation of proxies (subject to certain exceptions).

Pandora will ask banks, brokers and other nominees to forward the proxy solicitation materials to the beneficial owners of shares of Pandora common stock held of record by such nominee holders. Pandora will reimburse these nominee holders for their customary clerical and mailing expenses incurred in forwarding the proxy solicitation materials to the beneficial owners.

## **Stockholder List**

A list of Pandora stockholders entitled to vote at the Pandora special meeting will be available for examination by any Pandora stockholder at the Pandora special meeting. At least ten days prior to the date of the Pandora special meeting, this stockholder list will be available for inspection by Pandora stockholders, subject to compliance with applicable provisions of Delaware law, during ordinary business hours at the corporate offices of Pandora located at 2100 Franklin Street, Suite 700, Oakland, California 94612.

## **Other Business**

There are no other matters that the Pandora board of directors intends to present at the Pandora special meeting. If you have submitted a proxy to vote before the Pandora special meeting and other matters are properly presented for voting at the Pandora special meeting, your proxy will have the discretion to vote on those matters for you.

## **Other Information**

The matters to be considered at the Pandora special meeting are of great importance to Pandora stockholders. Accordingly, you are urged to read and carefully consider the information contained in or incorporated by reference into this proxy statement/prospectus and submit your proxy by mail, via the Internet or by telephone promptly. **If you submit your proxy via the Internet or by telephone, you do not need to return the enclosed proxy card.**

## **Assistance**

If you need assistance in completing your proxy card or have questions regarding the Pandora special meeting, please contact:

Innisfree M&A Incorporated  
501 Madison Avenue, 20<sup>th</sup> Floor  
New York, NY 10022  
Pandora stockholders may call toll-free:  
(888) 750-5384  
Banks and Brokers may call collect:  
(212) 750-5833

or

Pandora Media, Inc.  
2100 Franklin Street, Suite 700  
Oakland, California 94612  
Attn.: Investor Relations  
(510) 451-4100

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**Householding**

The SEC has adopted rules that permit companies and intermediaries such as brokers to satisfy delivery requirements for proxy statements and annual reports with respect to two or more stockholders sharing the same address by delivering a single proxy statement or annual report, as applicable, addressed to those stockholders. As permitted by the Exchange Act, only one copy of this proxy statement/prospectus is being delivered to stockholders residing at the same address, unless such stockholders have notified Pandora of their desire to receive multiple copies of the proxy statement/prospectus. This process, which is commonly referred to as householding, potentially provides extra convenience for stockholders and cost savings for companies.

Brokers with account holders who are Pandora stockholders may be householding Pandora's proxy materials. A single proxy statement/prospectus may be delivered to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your broker that it will be householding communications to your address, householding will continue until you are notified otherwise or until you notify your broker or Pandora that you no longer wish to participate in householding.

If, at any time, you no longer wish to participate in householding and would prefer to receive a separate proxy statement/prospectus, you may (1) notify your broker, (2) direct your written request to: Pandora Media, Inc., 2100 Franklin Street, Suite 700, Oakland, California 94612, Attention: Investor Relations or (3) contact Pandora's Investor Relations department by telephone at (510) 842-6960. Stockholders who currently receive multiple copies of this proxy statement/prospectus at their address and would like to request householding of their communications should contact their broker. In addition, Pandora will promptly deliver, upon written or oral request made to the address or telephone number above, a separate copy of this proxy statement/prospectus to a stockholder at a shared address to which a single copy of the documents was delivered.



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**PANDORA PROPOSALS**

**Proposal 1: The Merger Agreement Proposal**

As discussed elsewhere in this proxy statement/prospectus, Pandora is asking the Pandora stockholders to consider and vote on the merger agreement proposal.

You should carefully read this proxy statement/prospectus in its entirety, including its Annexes and the information incorporated by reference into this proxy statement/prospectus, for more detailed information concerning the merger agreement and the transactions contemplated thereby. In particular, you are urged to read the sections entitled *The Transactions* and *The Merger Agreement*, as well as the merger agreement in its entirety, which is attached as Annex A hereto.

The approval by the Pandora stockholders of the merger agreement proposal is required by the DGCL and is a condition to the completion of the transactions. If the merger agreement proposal is not approved, the transactions will not be completed.

Sirius XM has agreed to vote, or cause to be voted, all of the shares of Pandora preferred stock beneficially owned by it (constituting approximately [ ]% of the outstanding shares of Pandora common stock on an as-converted basis as of [ ], 2018, the last practicable date before the filing of this proxy statement/prospectus) in favor of the merger agreement proposal.

***Required Vote***

Approval of the merger agreement proposal requires the affirmative vote of the holders of a majority of the combined voting power of the outstanding shares of Pandora common stock and Pandora preferred stock entitled to vote thereon, voting together as a single class. Abstention, failure to vote or failure to instruct your bank, broker or other nominee with respect to the merger agreement proposal will have the same effect as a vote **AGAINST** the merger agreement proposal.

***Vote Recommendation***

The Pandora board of directors recommends that Pandora stockholders vote **FOR** the merger agreement proposal.

**Proposal 2: The Advisory Compensation Proposal**

Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and Rule 14a-21(c) of the Exchange Act, Pandora is seeking non-binding, advisory stockholder approval of the compensation of Pandora's named executive officers that is based on or otherwise relates to the transactions as disclosed in *The Transactions* *Interests of Pandora's Directors and Executive Officers in the Transactions* beginning on page [ ]. The proposal gives Pandora's stockholders the opportunity to express their views on the transaction-related compensation of Pandora's named executive officers. Accordingly, Pandora is requesting stockholders to adopt the following resolution, on a non-binding, advisory basis:

RESOLVED, that the compensation that may be paid or become payable to Pandora's named executive officers in connection with the transactions, and the agreements or understandings pursuant to which such compensation may be paid or become payable, in each case as disclosed pursuant to Item 402(t) of Regulation S-K in *The*

Transactions Interests of Pandora's Directors and Executive Officers in the Transactions, are hereby APPROVED on a non-binding, advisory basis.

The vote on this proposal is a vote separate and apart from the vote of the Pandora stockholders to approve the merger agreement proposal and approval of this advisory compensation proposal is not a condition to completion of the transactions. Accordingly, a Pandora stockholder may vote to not approve this proposal and vote to approve the merger agreement proposal or vice versa. The vote with respect to this advisory compensation proposal is advisory only and will not be binding on Pandora or Sirius XM, regardless of whether the other proposals are approved. If the

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transactions are completed, the transaction-related compensation may be paid to Pandora's named executive officers to the extent payable in accordance with the terms of the compensation agreements and arrangements even if Pandora's stockholders fail to approve this advisory compensation proposal.

### ***Required Vote***

Assuming a quorum is present, approval of the advisory compensation proposal requires the affirmative vote of the holders of a majority of the shares of Pandora common stock and Pandora preferred stock present in person or represented by proxy at the Pandora special meeting and entitled to vote thereon. Abstention will have the same effect as a vote **AGAINST** the advisory compensation proposal, but the failure to vote or failure to instruct your bank, broker or other nominee will have no effect on the advisory compensation proposal. Abstentions will, however, be counted towards establishing a quorum.

### ***Vote Recommendation***

The Pandora board of directors recommends that Pandora stockholders vote **FOR** the advisory compensation proposal.

### **Proposal 3: The Adjournment Proposal**

Pandora stockholders are also being asked to consider and vote on a proposal to adjourn or postpone the Pandora special meeting, if necessary or appropriate, for a minimum period of time reasonable under the circumstances, to solicit additional proxies in the event there are not sufficient votes at the time of the Pandora special meeting to approve the merger agreement proposal.

In the adjournment proposal, Pandora is asking its stockholders to authorize the holder of any proxy solicited by the Pandora board of directors to vote in favor of granting discretionary authority to the proxy holders, and each of them individually, to adjourn the Pandora special meeting to another time and/or place for the purpose of soliciting additional proxies. If the Pandora stockholders approve the adjournment proposal, subject to the terms of the merger agreement, Pandora could adjourn the Pandora special meeting and use the additional time to solicit additional proxies, including the solicitation of proxies from Pandora stockholders who have previously voted. Pandora does not intend to call a vote on the adjournment proposal if the merger agreement proposal is adopted at the Pandora special meeting.

The approval by the Pandora stockholders of the adjournment proposal is not a condition to the completion of the transactions.

### ***Required Vote***

Assuming a quorum is present, approval of the adjournment proposal, if necessary or required, requires the affirmative vote of the holders of a majority of the shares of Pandora common stock and Pandora preferred stock present in person or represented by proxy at the Pandora special meeting and entitled to vote thereon. If a quorum is not present, the adjournment proposal may nevertheless be approved by the affirmative vote of the holders of a majority in voting power of the shares of Pandora common stock held by the Pandora stockholders present in person or represented by proxy at the Pandora special meeting. An abstention will have the same effect as a vote **AGAINST** the adjournment proposal, but the failure to vote or failure to instruct your bank, broker or other nominee will have no effect on the adjournment proposal. Abstentions will, however, be counted towards establishing a quorum.

*Vote Recommendation*

The Pandora board of directors recommends that Pandora stockholders vote **FOR** the adjournment proposal, if necessary or appropriate.

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**THE PARTIES**

***Sirius XM, Sirius XM Radio and Merger Sub***

1290 Avenue of the Americas, 11<sup>th</sup> Floor  
New York, New York 10104  
(212) 584-5100

Sirius XM is a Delaware corporation. Sirius XM's common stock is listed on NASDAQ under the symbol SIRI .

Sirius XM owns Sirius XM Radio, which is a Delaware corporation. Sirius XM Radio is the world's largest radio company measured by revenue and has approximately 33.5 million subscribers. Sirius XM Radio transmits music, sports, entertainment, comedy, talk, news, traffic and weather channels, as well as infotainment services, in the United States on a subscription fee basis through its two proprietary satellite radio systems. Subscribers can also receive music and other channels, plus features such as Sirius XM On Demand, over its Internet radio service, including through applications for mobile devices, home devices and other consumer electronic equipment. Sirius XM also provides connected vehicle services. Sirius XM's connected vehicle services are designed to enhance the safety, security and driving experience for vehicle operators while providing marketing and operational benefits to automakers and their dealers.

Additional information about Sirius XM and its subsidiaries is included in the documents incorporated by reference in this proxy statement/prospectus. See the section entitled "Where You Can Find More Information" beginning on page [ ].

Merger Sub is a Delaware corporation and a direct, wholly owned subsidiary of Sirius XM. Merger Sub was formed by Sirius XM solely for the purpose of engaging in the transactions contemplated by the merger agreement, and has not carried on any business or conducted any other operations.

Liberty Media owns approximately [ ]% of the outstanding Sirius XM common stock as of [ ], 2018, the last practicable date before the filing of this proxy statement/prospectus, and upon completion of the transactions, we expect that Liberty Media will own approximately [ ]% of the outstanding Sirius XM common stock (based on the number of shares of Sirius XM common stock outstanding on [ ], 2018 the last practicable date before the filing of this proxy statement/prospectus).

**Share Repurchases**

Historically, Sirius XM's policy has been to repurchase shares under the "safe harbor" conditions of Rule 10b-18 of the Securities Exchange Act of 1934, as amended, which includes a limitation on the daily volume of repurchases. Rule 10b-18 imposes an additional daily volume limitation on share repurchases during a pending merger or acquisition in which shares of Sirius XM common stock will constitute some or all of the consideration. Sirius XM management has determined that during the pending acquisition of Pandora, when the safe harbor would otherwise be available, it is in Sirius XM's best interest to repurchase shares in excess of this additional daily volume limitation. During this period, Sirius XM intends to repurchase shares in compliance with the other conditions of the safe harbor, including the daily volume limitation that applies whether or not there is a pending merger or acquisition.

Since September 23, 2018 through the close of business on [ ], 2018 (which is the latest practicable date before the filing of this proxy statement/prospectus), Sirius XM has repurchased an aggregate of [ ] shares of its common stock at an average price of \$[ ]. Regulation M under the federal securities laws prohibits Sirius XM from bidding for or repurchasing its common stock during the period commencing with the mailing of this proxy statement/prospectus

through the date of the Pandora special meeting. Accordingly, from the date of the mailing of this proxy statement/prospectus through the date of the meeting, Sirius XM will suspend its repurchase program. Sirius XM may make additional purchases of shares of its common stock after the Pandora special meeting and prior to the completion of the transactions, subject to market conditions and applicable securities laws.

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### ***Pandora, New Holding Company and Holdco Merger Sub***

Pandora Media, Inc.  
2100 Franklin Street, Suite 700  
Oakland, California 94612  
(510) 451-4100

Pandora is a Delaware corporation. Pandora's common stock is listed on NYSE under the symbol "P".

Pandora is the world's most powerful music discovery platform, offering a personalized experience for each of Pandora's listeners wherever and whenever they want to listen to music—whether through mobile devices, car speakers or connected devices in the home. Unlike traditional radio that broadcasts the same content at the same time to all of its listeners, Pandora enables its listeners to create personalized stations and playlists, as well as search and play songs and albums on-demand. The Music Genome Project, Pandora's content programming algorithms and data collected from its listeners power Pandora's ability to predict listener music preferences, play music content suited to the tastes of each individual listener and introduce listeners to the music it thinks they will love. Founded by musicians, Pandora also empowers artists with valuable data and tools to help grow their audience and connect with their fans.

Pandora is available as an ad-supported radio service, a radio subscription service called Pandora Plus and an on-demand subscription service called Pandora Premium. The majority of its listener hours occur on mobile devices, with the majority of its revenue generated from advertising on its ad-supported radio service on these devices. With billions of data points that help Pandora understand its users' preferences, Pandora offers both local and national advertisers the opportunity to deliver targeted messages to its listeners using a combination of audio, display and video advertisements. Pandora also generates increasing revenue from its subscription offerings.

Additional information about Pandora and its subsidiaries is included in the documents incorporated by reference in this proxy statement/prospectus. See the section entitled "Where You Can Find More Information" beginning on page [ ].

New Holding Company is a Delaware corporation and a wholly owned subsidiary of Pandora, and Holdco Merger Sub is a Delaware corporation and a wholly owned subsidiary of New Holding Company. Each of New Holding Company and Holdco Merger Sub was formed by Pandora solely for the purpose of engaging in the transactions contemplated by the merger agreement and has not carried on any business or conducted any other operations.

### **Certain Relationships Among the Parties**

On June 9, 2017, Pandora entered into an investment agreement with Sirius XM Radio to sell 480,000 shares of Pandora preferred stock to Sirius XM Radio for \$480 million. The shares of Pandora preferred stock were issued in two rounds: an initial closing of 172,500 shares for \$172.5 million that occurred on June 9, 2017 upon signing the agreement with Sirius XM Radio, and an additional closing of 307,500 shares for \$307.5 million that occurred on September 22, 2017.

Pursuant to the investment agreement, upon the second closing, Sirius XM Radio designated, and the Pandora board of directors appointed, Gregory Maffei, James Meyer and David Frear to serve as members of the Pandora board of directors. Mr. Maffei was appointed to serve as chairman of the Pandora board of directors and a member of the board's nominating and corporate governance committee, and Mr. Meyer was appointed to serve as a member of the board's compensation committee. Mr. Maffei has served as a director and the president and chief executive officer of Liberty Media (including its predecessor) since May 2007 and has served as a director of Sirius XM since March 2009 and chairman of the Sirius XM board of directors since April 2013. Mr. Meyer has been the chief executive officer of

Sirius XM since December 2012 and has served as a director of Sirius XM board of directors since January 2013. Mr. Frear has served as chief financial officer of Sirius XM since June 2003.



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Messrs. Maffei, Meyer and Frear did not participate in any deliberations of the Pandora board of directors relating to the merger agreement or the acquisition of Pandora by Sirius XM. The Pandora board of directors was aware of these relationships and took them into account in considering whether to approve the merger agreement. For more information, see Background of the Transactions beginning on page [ ].

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### **THE TRANSACTIONS**

*The following is a discussion of the transactions and the material terms of the merger agreement. This discussion is qualified in its entirety by reference to the merger agreement, and you are urged to read the merger agreement carefully and in its entirety, a copy of which is attached as Annex A to this proxy statement/prospectus and incorporated by reference into this proxy statement/prospectus.*

#### **Background of the Transactions**

The Pandora board of directors regularly evaluates the strategic direction and ongoing business plan of Pandora with a view toward strengthening the business and enhancing stockholder value. As part of this evaluation, the Pandora board of directors, from time to time, has considered various potential strategic alternatives for Pandora, including continuation as a standalone enterprise, potential strategic alliances and other commercial arrangements, modifications to its strategy and direction, strategic mergers and acquisitions and other business combinations and/or a possible sale of Pandora, including the possibility of a combination with Sirius XM.

In 2015, Pandora undertook several strategic initiatives, under the oversight of the Pandora board of directors, to create substantial new lines of business, including the acquisition of Ticketfly to enter the event promotion and ticket sale markets, the acquisition of certain technology assets to accelerate Pandora's launch of an interactive, or on-demand, music service to complement its non-interactive radio services, and the entry into music licensing agreements with major music publishers and owners of sound recordings to enable the on-demand service. In December 2015, Pandora raised \$345 million in convertible debt to strengthen its balance sheet in anticipation of further investments and financial commitments in connection with the launch of the on-demand service. Also in December 2015, Pandora's management was contacted by representatives of Sirius XM to explore whether Pandora would be willing to discuss the possibility of Pandora being acquired by Sirius XM, which Pandora's management then raised with the Pandora board of directors.

In January 2016, the Pandora board of directors engaged Morgan Stanley & Co. Incorporated, which we refer to as Morgan Stanley, to assist in evaluating a possible sale of the company as an alternative to executing against Pandora's strategic plan. Sidley Austin, Pandora's principal outside corporate counsel, briefed the Pandora board of directors on fiduciary and other considerations related to both seeking strategic alternatives as well as maintaining Pandora's independence. Over the next two months, at the request of the Pandora board of directors, Pandora's management and Morgan Stanley simultaneously worked to develop preliminary assessments of Pandora's value as a stand-alone business, and to contact selected potential purchasers of Pandora, including Sirius XM, to assess interest in a potential acquisition of Pandora. On January 25, 2016, Sirius XM signed a confidentiality agreement with Pandora. Sirius XM commenced a due diligence review of Pandora and engaged in discussions with Pandora regarding a potential transaction.

In March 2016, having requested indications of interest from parties that had engaged in the process, the Pandora board of directors received a verbal preliminary, non-binding indication from Sirius XM that it was prepared to acquire Pandora for \$15.00 per share, which at the time represented a \$3.9 billion enterprise value. None of the other parties contacted submitted an indication of interest. In March 2016, the volume weighted average price of Pandora's common stock on the New York Stock Exchange was \$10.02 per share. In considering Sirius XM's offer, the Pandora board of directors took account of the company's historical operating results, its financial condition and its strategic initiatives, prospects and projections, among other factors, as well as preliminary valuation and other advice of Morgan Stanley and the legal advice of Sidley Austin. Taking these factors into account, the Pandora board of directors concluded that continuing to execute the company's strategic plan as a stand-alone business offered the best

prospect of creating long-term stockholder value and therefore determined not to further pursue a possible sale of the company at that time.

On March 28, 2016, Pandora announced the appointment of Tim Westergren, a founder and board member, as chief executive officer, following the resignation of Brian McAndrews as chief executive officer on March 25, 2016.

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In June 2016, in response to suggestions by major stockholders of the company that the Pandora board of directors was not sufficiently addressing their concerns about the company's strategy and prospects, the Pandora board of directors engaged Centerview to advise the board on strategy and investor relations.

In August 2016, the Pandora board of directors approved the company's entry into multi-year music license agreements with major music labels to enable Pandora's launch of an on-demand music service. In approving the license agreements, the Pandora board of directors considered numerous factors including the prospects and risks of launching such a service, including the near-term adverse effects on the company's operating results and liquidity in advance of realizing revenue growth, and the potential impact of the strategy on the ability of Pandora to increase stockholder value independently or through a sale transaction. Over the next several months, Pandora announced its entry to these content agreements, as well as enhancements to its existing radio music services that were enabled by these content agreements and the anticipated launch of its on-demand music service, Pandora Premium.

By the end of 2016, Pandora faced delays in the launch of Pandora Premium, the need for additional capital to fund the minimum guarantees under the music license agreements and resistance from major stockholders to raising additional capital. As such, the Pandora board of directors engaged Centerview and Morgan Stanley to evaluate and pursue alternatives for raising capital and, as an alternative, a potential sale of the business. From December 2016 through the first half of 2017, at the direction of the Pandora board of directors, Centerview and Morgan Stanley contacted numerous strategic parties in the technology, media and telecommunications industries, including Sirius XM, as well as financial sponsors, regarding potential investments in or an acquisition of Pandora. At the same time, at the direction of the Pandora board of directors, Centerview contacted potential purchasers of Pandora's Ticketfly business, as the Pandora board of directors had determined that it was not core to the company's strategy.

Through the end of April 2017, Pandora's management, together with Pandora's financial and legal advisors, continued to pursue parallel paths of either securing financing or finding a buyer for Pandora at an attractive price. By the end of April 2017, Pandora had identified KKR as the leading candidate for a significant minority investment in the company.

On May 3, 2017, the Sirius XM board of directors held a meeting at which Sirius XM's management and Sirius XM's financial advisors, Allen & Company and Bank of America Merrill Lynch (which we refer to as BofA Merrill Lynch), provided updates on discussions with Pandora. At the conclusion of the meeting, the Sirius XM board of directors approved Sirius XM submitting a non-binding indication of interest for an acquisition of Pandora, and entering into discussions with Pandora regarding such a transaction.

On May 4, 2017, Sirius XM submitted a letter to the Pandora board of directors indicating, on a preliminary and non-binding basis, that it was prepared to discuss acquiring Pandora in exchange for Sirius XM common stock, valuing Pandora at \$11.00 per share. The letter from Sirius XM included a condition that there be no material change in Pandora's capital structure, and accordingly the proposed KKR investment would result in the withdrawal of Sirius XM's offer. In subsequent conversations, Gregory Maffei, the chairman of the board of Sirius XM (and the chief executive officer of Liberty Media, Sirius XM's majority stockholder), told Robert Pruzan of Centerview that Sirius XM may be willing to pay up to \$11.50 per share in Sirius XM stock to acquire Pandora should the Pandora board of directors agree to pursue a transaction. After several meetings held to discuss the KKR investment and the Sirius XM indication of interest, the Pandora board of directors determined that it was in the best interest of stockholders to secure the commitment from KKR to invest and thereby ensure Pandora's ability to meet near term liquidity needs, while at the same time preserving the ability to evaluate the proposed acquisition by Sirius XM. The Pandora board of directors believed that if it did not pursue such investment, there was substantial risk that Pandora could suffer a liquidity crisis prior to completing an agreement with Sirius XM for the acquisition of Pandora. The Pandora board of

directors determined that the KKR commitment would enable the Pandora board of directors to conduct a disciplined discussion with Sirius XM with a stable balance sheet, providing a stronger negotiating position. Based on these determinations, the Pandora board

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of directors secured a provision in the investment agreement with KKR that would permit Pandora to terminate the agreement without accepting the investment within 30 days in order to accept a proposal for the acquisition of 50% or more of Pandora in exchange for the payment of a \$15 million termination fee.

On May 8, 2017, Pandora announced that KKR had agreed to invest \$150 million in a new issue of Pandora's Series A Convertible Preferred Stock, with a conversion price of \$13.50 per share and the right to a cumulative dividend at the rate of up to 8% per annum.

Following the announcement of the proposed KKR investment, management and representatives of Pandora and Sirius XM held a series of meetings, conducted due diligence and evaluated potential structures for a possible acquisition of Pandora by Sirius XM. At the same time, Pandora's management worked to complete the KKR transaction and also continued discussions with potential purchasers of Ticketfly as an additional means of raising capital.

On June 5, 2017, on behalf of Sirius XM, Mr. Maffei told Mr. Pruzan that Sirius XM was no longer prepared to pursue the proposed acquisition of Pandora for \$11.50 in Sirius XM stock and proposed to Mr. Pruzan that Pandora terminate the investment agreement with KKR and accept a larger minority investment from Sirius XM modeled after the terms of the KKR transaction. The Pandora board of directors determined that, provided acceptable terms could be negotiated, the potential transaction with Sirius XM would be in the best interest of Pandora's stockholders, as it offered the company substantially greater capital as well as the possibility of strategic collaboration with Sirius XM. Over the next few days, representatives of Pandora and Sirius XM negotiated the size, conversion price, governance provisions and other terms of the proposed investment. At the same time, Pandora and KKR agreed on a revised termination right in favor of Pandora, which would enable Pandora to accept the Sirius XM minority investment in exchange for a \$22.5 million termination fee should the Pandora board of directors determine it to be in the best interest of the company to do so.

On June 7-8, 2017, the Pandora board of directors held several meetings at which Pandora's management and Pandora's financial and legal advisors provided updates on discussions with Sirius XM, and the Pandora board of directors discussed the terms and relative merits of the KKR investment versus the Sirius XM investment, as well as the status and prospects for completing Pandora's negotiations to sell Ticketfly to Eventbrite for \$200 million. At the conclusion of these meetings, the Pandora board of directors determined that it was in the best interest of the company, and authorized the officers of the company, to terminate the KKR investment agreement, enter into the investment agreement with Sirius XM and sell Ticketfly to Eventbrite. Under the investment agreement with Sirius XM, Pandora agreed to sell Sirius XM \$480 million of Series A Convertible Preferred Stock, which represented approximately 19.99% of Pandora's then-outstanding common stock on an as-converted basis, with a conversion price of \$10.50 per share and the right to a cumulative dividend at the rate of 6% per annum. The Sirius XM investment agreement provided that 172,500 shares of Series A Convertible Preferred Stock would initially be issued and sold to Sirius XM on June 9, 2017 and the remaining 307,500 shares would be issued and sold to Sirius XM at a second closing following the satisfaction of certain customary closing conditions, including obtaining clearance under the HSR Act. Under the terms of the Sirius XM investment, Sirius XM became entitled to name three members of the Pandora board of directors following the second closing and Sirius XM agreed to certain standstill restrictions on purchasing additional shares of Pandora stock and engaging in activities aimed at influencing the strategy or governance of Pandora other than through membership on the Pandora board of directors.

On June 7, 2017, the Sirius XM board of directors held a meeting at which Sirius XM's management and Sirius XM's financial and legal advisors provided updates on discussions with Pandora. At the conclusion of the meeting the Sirius XM board approved the investment agreement with Pandora on the terms submitted for consideration. Following the

entry into the investment agreement, Sirius XM publicly disclosed that it had no intention to pursue an acquisition of Pandora at that time, however, Sirius XM intended to review its investment on a continuing basis and would from time to time consider pursuing or proposing alternative transactions with Pandora, subject to the restrictions set forth in the investment agreement.

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On June 9, 2017, Pandora terminated the KKR investment agreement, paid KKR the \$22.5 million termination fee, entered into the Sirius XM investment agreement and entered into the agreement to sell Ticketfly to Eventbrite for \$200 million. On June 9, 2017, Sirius XM and Pandora completed the initial closing under the investment agreement, and Sirius XM purchased \$172.5 million of the Series A Convertible Preferred Stock.

On June 27, 2017, Pandora announced that Mr. Westergren had resigned as chief executive officer and as a director of the company, and that the company had commenced a search for his successor.

On August 9, 2017, Pandora announced the appointment of Roger Lynch as chief executive officer and a member of the Pandora board of directors, effective September 18, 2017.

On September 22, 2017, after receiving approval under the HSR Act, Sirius XM and Pandora completed the second closing under the investment agreement, and Sirius XM purchased the remainder of the aggregate \$480 million of Series A Convertible Preferred Stock. Pursuant to the terms of the investment agreement, Mr. Maffei, James Meyer, the chief executive officer of Sirius XM, and David Frear, the chief financial officer of Sirius XM then joined the Pandora board of directors, and Mr. Maffei became the chairman of the Pandora board of directors. Also in connection with the second closing, Roger Faxon, who has served on the Pandora board of directors since 2015, was named Lead Director, and Elizabeth Nelson resigned from the Pandora board of directors.

With its balance sheet strengthened by the Sirius XM investment and the proceeds from the Ticketfly sale that was completed on September 1, 2017, the Pandora board of directors began evaluating the company's strategy and assessing its operations in order to enhance the ability of Pandora to grow its hybrid advertising/subscription model.

In late March 2018, Mr. Frear advised Mr. Faxon that Sirius XM was undertaking a strategic review of its investment in Pandora, including whether the Sirius XM board of directors would be willing to explore an acquisition of Pandora by Sirius XM. Messrs. Frear and Faxon discussed the possibility that Sirius XM might wish to explore an acquisition of Pandora later in the year, and Mr. Frear advised Mr. Faxon that Sirius XM and its board of directors had not developed any plan or made any decision to explore the possibility of such a transaction at this time.

Hereafter, Messrs. Maffei, Meyer and Frear recused themselves from all deliberations and actions of the Pandora board of directors, and waived notice of all meetings of the Pandora board of directors, related to any potential transaction with Sirius XM, including any alternatives to any such transaction with any third party and no representatives of Sirius XM attended any closed sessions of the Pandora board of directors from which Messrs. Maffei, Meyer and Frear were recused.

On April 17, 2018, the Pandora board of directors held a meeting, which meeting was also attended by members of Pandora's management and representatives of Sirius XM, during which members of Pandora's management presented an overview of recent product feature launches and the company's product development roadmap for the remainder of 2018. Pandora's management also updated the Pandora board of directors on the development of the company's podcast publishing technology and efforts to license podcast content. The meeting was adjourned until the following morning.

On April 18, 2018, the Pandora board of directors resumed its meeting from the prior day and, after a closed session, the full Pandora board of directors was joined by Pandora's management, representatives of Sirius XM, and representatives from Sidley Austin. Members of Pandora's management updated the Pandora board of directors on current audience trends with respect to the company's services, the marketing plan for 2018 and the closing of the company's acquisition of AdsWizz. Pandora's management also updated the Pandora board of directors on the company's recent and forecasted financial performance and Pandora's management's plans for refinancing the



company's outstanding convertible debt to extend the maturity of the notes and improve Pandora's liquidity. After discussion, the Pandora board of directors approved the exchange of the company's 1.75% convertible senior notes due 2020 for a new series of notes and authorized a Transaction Committee to determine the terms of the new notes, the selection of financial advisors and the

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terms of the exchange. Pandora's management also reviewed with the Pandora board of directors its proposed plans regarding enhanced operational efficiency and the status of ongoing negotiations of the company's music content-licensing agreements. Messrs. Meyer and Frear and the representatives of Sirius XM departed. Mr. Maffei then discussed with the Pandora board of directors other industry participants and consolidation opportunities. Mr. Maffei then left the meeting, representatives of Centerview joined the meeting and the Pandora board of directors continued the meeting with Pandora's management and representatives of Sidley Austin and Centerview in attendance. Sidley Austin reviewed with the Pandora board of directors its fiduciary obligations with respect to any consolidation transaction and the various roles that Sirius XM and Liberty Media could play in such a transaction. Representatives from Centerview also provided business and strategic observations and the Pandora board of directors engaged in a lengthy discussion, focusing on the recent activities of Sirius XM and Liberty Media and Centerview's perspective on their investment objective, the company's pending acquisition of AdsWizz and the proposed convertible note exchange. After the discussion, the Pandora board of directors determined that it would continue to pursue its existing strategy and pending transactions (including the convertible note exchange).

On April 26, 2018, Mr. Faxon updated Mr. Frear on the Pandora board of directors' determinations, and they discussed the convertible note offering and the ongoing valuation analysis to be used to inform the Pandora board of directors (excluding the Sirius XM board designees) on alternatives to maximize stockholder value, including a potential transaction with Sirius XM, as well as timing considerations related to the pursuit of these potential transactions.

On June 1, 2018, Pandora completed the exchange of \$192.9 million aggregate principal amount of its 1.75% convertible senior notes due 2020 for a like amount of 1.75% convertible senior notes due 2023. Sirius XM declined to exercise its pre-emptive rights under the investment agreement to purchase a portion of the newly issued notes.

On June 8, 2018, Mr. Frear called Mr. Faxon to explore whether Pandora would be interested in considering a potential transaction once Sirius XM completed a strategic review of its investment in Pandora. Mr. Faxon conveyed to Mr. Frear his view that any such consideration would be premature as the results of Pandora's efforts in the areas of improving Pandora's advertising technology, organizational efficiency and listenership metrics were only beginning to emerge, and that Pandora's management expected to update the strategic plan for discussion at the July Pandora board meeting. Mr. Frear acknowledged this timing and stated he believed Sirius XM might not decide whether it was interested in exploring a transaction with Pandora, in any event, until its standstill obligations under the investment agreement expired. Mr. Faxon reiterated the Pandora board of directors' willingness to consider any proposal from Sirius XM if and when Sirius XM chose to make one.

On June 15, 2018, Mr. Frear called Mr. Faxon and encouraged the Pandora board of directors to complete its work on Pandora's operating model and valuation analysis by the July board meeting so that the Pandora board of directors would be in a position to discuss whether to explore an acquisition by Sirius XM. Mr. Faxon noted that the work was in process, and agreed to convey Mr. Frear's message to the Pandora board of directors.

On June 28, 2018, the Pandora board of directors (excluding the Sirius XM board designees) held a meeting, which meeting was also attended by members of Pandora's management and representatives of Sidley Austin and Centerview to receive a report on management's revised operating model and discuss whether and how to engage with Sirius XM regarding a potential transaction. During the meeting Pandora's management discussed work and progress to date on the company's model and corporate development strategies, including several drivers behind its financial planning and analysis. Pandora's management discussed certain strategic considerations, including tailwinds and headwinds facing the business, and the expected timing of certain developments in the business, in each case as context for the assumptions underlying management's forward operating model. Pandora's management then discussed projected operating results under four scenarios, including the projections previously shared with the Pandora board of directors

in October 2017, an updated version of such projections, reflecting both actual results for the interim period and updated assumptions based on new information about trends and company plans, and two additional

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scenarios reflecting varying assumptions regarding greater achievement of operating efficiencies and greater deployment of capital against growth strategies. The representatives of Sidley Austin advised the Pandora board of directors on its fiduciary duties regarding its potential exploration of any sale of the company. The Pandora board of directors discussed a range of strategic alternatives, including exploring a potential sale of the company to Sirius XM or other parties, potential acquisitions by the company and potential capital raising and refinancing activities. Representatives of LionTree were invited to the meeting by the Pandora board of directors to share their perspectives on the company and its prospects and opportunities, and so that the Pandora board of directors could consider whether the firm's industry relationships would be complementary to those of Centerview. After the representatives of LionTree exited the meeting, the Pandora board of directors discussed LionTree's perspective with Pandora's management and the representative from Sidley Austin. The Pandora board of directors also considered the fact that LionTree had extensive prior dealings representing companies in which the Chairman of the Board of Liberty Media owns or has owned a large voting position, including Liberty Global plc and other related entities in which it has a significant direct or indirect interest. Before concluding the meeting, the Pandora board of directors instructed Pandora's management to request that Centerview begin preparing a preliminary financial analysis of Pandora, taking into account its long-term operating plans.

On July 2, 2018, at Mr. Faxon's suggestion, Naveen Chopra, the chief financial officer of Pandora, called Mr. Frear and offered to review Pandora's work on its long-term operating model with him in advance of the scheduled July 19, 2018 Pandora board meeting, so as to share a similar discussion as had been held with the Pandora board of directors on June 28, 2018. Mr. Frear requested that Mr. Chopra send him the materials to review to allow Sirius XM to evaluate whether a call or meeting to discuss the model would be useful. Mr. Chopra then sent the materials to Mr. Frear.

On July 9, 2018, Messrs. Frear and Faxon had a call regarding Pandora's operating plans and the possibility that the parties may, in the future, decide to explore a transaction. Mr. Frear expressed his view that Pandora's current stock price did not adequately reflect the risk that Pandora would not achieve long term results consistent with Pandora management's projections. Mr. Faxon indicated that he believed that Pandora's management was executing a strategy that would build stockholder value, and that as such he believed the timing was not optimal to pursue a sale. Mr. Faxon added that the Pandora board of directors would, however, consider any proposal Sirius XM wished to make, but he noted that the Pandora board of directors had not yet received Centerview's preliminary financial analysis.

On July 13, 2018, Mr. Frear called Mr. Faxon to ask about the status of Centerview's preliminary financial analysis of Pandora's long-term operating plans. Mr. Faxon replied that Centerview was expected to present its analysis to the Pandora board of directors at its meeting the following week. Mr. Frear asked if the Pandora board of directors (other than the Sirius XM board designees) was developing a sense of the value of Pandora in the event that the parties did, in the future, decide to pursue a transaction. Mr. Faxon replied that he did not wish to speculate. Mr. Frear and Mr. Faxon also discussed the standstill obligations of Sirius XM in the investment agreement.

On July 18, 2018, the Sirius XM board of directors held a meeting at which they discussed, among other things, Sirius XM's investment in Pandora and Pandora's long-term plans. The meeting was also attended by Sirius XM's management and Sirius XM's financial advisors who presented a preliminary valuation analysis of Pandora. Allen & Company and BofA Merrill Lynch had each advised Sirius XM in connection with the 2017 investment in Pandora's Series A Convertible Preferred Stock, the 2016 preliminary, non-binding indication of interest from Sirius XM and other transactions unrelated to Pandora. The Sirius XM board of directors discussed the investment in Pandora, particularly in light of the information learned and perspectives gained over the last year since the investment was made, Sirius XM's standstill obligations and whether Pandora would be interested in exploring a transaction with Sirius XM. The Sirius XM board authorized Messrs. Maffei, Meyer and Frear to discuss with Pandora and its advisors

whether Pandora would be interested in exploring a transaction and if so, on what terms, in order to determine whether a viable transaction could be presented to the Sirius XM board of directors for its consideration.

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Throughout July, August and September, Mr. Maffei provided the members of the Sirius XM board periodic updates regarding their exploratory discussions with Pandora and its advisors.

Later on July 18, 2018, following a dinner held with the full Pandora board of directors, Mr. Meyer told Timothy Leiweke, a director of Pandora, that while he would personally support having Sirius XM evaluate an acquisition of Pandora in a stock-for-stock merger, the Sirius XM board of directors had not made any determination yet as to whether it was prepared to proceed with discussions regarding a transaction. Mr. Leiweke responded that in his view any proposal would need to be higher than \$10.00 per share or else the Pandora board of directors would not engage with Sirius XM.

On July 19, 2018, the Pandora board of directors held a meeting, which was also attended by members of Pandora's management and representatives of Sidley Austin. At the conclusion of the regular business of the meeting, Messrs. Maffei, Meyer and Frear recused themselves, and representatives of Centerview joined the meeting. Centerview then presented its preliminary financial analyses of the company's operating plans and assessment of various potential aspects of a potential transaction with Sirius XM. Sidley Austin reviewed with the Pandora board of directors a relationship disclosure letter from Centerview that was previously circulated to the Pandora board of directors. The Pandora board of directors discussed with the group what stock price might reasonably be attainable in a bid from Sirius XM or another party, how to structure a process in a manner that would allow the Pandora board of directors to actively seek to obtain the greatest value for stockholders and the relative desirability of pursuing alternative paths. The Pandora board of directors also discussed the company's historical financial performance and the prospects for AdsWizz, and the likely timing of that platform achieving success on a scale that is material to the company, as well as the likely timing and level of success of the company's strategy for increasing its share of listening in automobiles. The Pandora board of directors (excluding the Sirius XM board designees) also discussed prior conversations with Messrs. Maffei, Meyer and Frear and expressed confidence in Pandora's management team and strategy, although the Pandora board of directors was willing to consider an appropriate premium to the current stock price in a near term sale process. The consensus of the Pandora board of directors was to remain open to considering a potential combination with Sirius XM at an appropriate valuation, but to communicate clearly that any transaction would need to be structured to allow the directors to seek and obtain offers of higher value for the company's stockholders.

After the Pandora board meeting on July 19, 2018, Mr. Lynch had a conversation with Mr. Meyer, during which Mr. Meyer suggested that \$9.00 per share would be an appropriate price. Mr. Lynch expressed skepticism to Mr. Meyer that the Pandora board of directors would engage in discussions regarding a transaction unless the implied share price was substantially in excess of \$10.00. Mr. Lynch also told Mr. Meyer that he believed any transaction would need to include appropriate protective terms, such as a go-shop, that would allow the Pandora board of directors to actively explore whether a more favorable deal from another party was available.

Also after the meeting of the Pandora board of directors on July 19, 2018, Mr. Frear had a conversation with Michael Lynton, a director of Pandora, in which Mr. Frear suggested that Sirius XM might be willing to explore an all-stock transaction in which the Pandora stockholders would own up to approximately 8% of the combined company after the merger. Mr. Lynton expressed to Mr. Frear his view that Pandora would be better served waiting at least a year before engaging with Sirius XM so that it could demonstrate further execution against its strategic plan, and that therefore if Sirius XM wished to pursue any strategic transaction with Pandora it should lead with its highest possible price.

On July 20, 2018, Mr. Frear contacted Mr. Faxon and stated that Sirius XM intended to confer internally and revert to Pandora with a view as to whether Sirius XM would be willing to explore a potential transaction between Sirius XM and Pandora, and if so what its views were as to possible valuation.

On July 22, 2018, the Pandora board of directors (excluding the Sirius XM board designees) held a telephonic meeting, which was also attended by members of Pandora's management and representatives of Sidley Austin and Centerview, during which Mr. Lynch recounted his conversation

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with Mr. Meyer on July 19, 2018, Mr. Lynton recounted his conversation with Mr. Frear on July 19, 2018 and Mr. Faxon relayed his discussions with Mr. Frear on July 20, 2018. The representatives of Sidley Austin briefed the Pandora board of directors about its fiduciary duties and other considerations in the event a transaction was explored. Representatives of Centerview discussed with the Pandora board of directors the transaction dynamics, negotiation leverage and timing and cadence of any transaction between Sirius XM and Pandora. Representatives of Centerview were then excused from the meeting. Certain members of the Pandora board of directors then discussed whether to engage LionTree as a financial advisor to the company and concluded that it might be desirable to do so in light of LionTree's relationships in the media sector with companies (other than Sirius XM and its affiliates) that were viewed as complementary to those relationships of Centerview, and the Pandora board of directors then directed Pandora's management to pursue the engagement.

On July 27, 2018, the Pandora board of directors (excluding the Sirius XM board designees) held a telephonic meeting, which meeting was also attended by members of Pandora's management and representatives of Sidley Austin and LionTree. At the meeting, LionTree shared its perspective on industry dynamics and considerations related to potential strategies and timing for eliciting the highest possible value for Pandora in a transaction with Sirius XM or any other party. The Pandora board of directors then discussed the relative trading multiples of the stock of both Sirius XM and the company, potential strategy and tactics for interaction with Sirius XM and the relative merits of pursuing any strategic transaction at the present time versus deferring consideration of any transaction. The representatives of LionTree left the meeting and the group continued to discuss the company's posture in communicating with Sirius XM as it considered whether or not to pursue a transaction.

Over the next few days, at the direction of the Pandora board of directors, Mr. Pruzan had several conversations with Mr. Maffei during which they discussed the process for a transaction should Pandora wish to engage with Sirius XM.

On August 1, 2018, Mr. Faxon spoke to Mr. Maffei who stated that, while the Sirius XM board had not approved any acquisition proposal, he believed that Sirius XM would consider a possible 100% stock-for-stock transaction with Pandora on the basis of a value of \$9.00 per share.

On August 1, 2018, the Pandora board of directors (excluding the Sirius XM board designees) held a telephonic meeting, which meeting was also attended by members of Pandora's management and representatives of Sidley Austin, during which the attendees reviewed the potential engagement of LionTree. As part of the discussion, Sidley Austin reviewed with the Pandora board of directors certain disclosures by LionTree regarding potential conflicts of interest. The Pandora board of directors then engaged in a discussion of the relative merits of engaging LionTree, including a discussion as to whether any potential conflicts of interest could compromise LionTree's advice, subsequently concluding that LionTree should be engaged as a financial advisor to the Pandora board of directors. The Pandora board of directors also directed Pandora's management to continue to maintain Centerview as the exclusive financial advisor point of contact between the company and Sirius XM. The Pandora board of directors invited representatives of LionTree and Centerview to join the meeting and the group discussed the current state of discussions with Sirius XM, including the discussions that had been held with Mr. Maffei during the prior few days. Following these discussions, the Pandora board of directors agreed that they did not see value in engaging with Sirius XM regarding a potential transaction on the terms generally discussed in light of the view of the Pandora board of directors regarding the company's current operations, its financial plans and forecasts and its prospects. The Pandora board of directors in particular believed that the potential management distraction of pursuing any such discussions with Sirius XM was not justified, and that management resources would be better applied in building stockholder value through execution of the company's plans. The Pandora board of directors instructed Centerview to respond to Mr. Maffei that while the Pandora board of directors would be willing to discuss any proposal Sirius XM might actually make, that it would not be interested in actively engaging regarding any proposal unless the implied price was substantially higher than the



\$9.00 per share indication from Mr. Maffei.

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On August 2, 2018, Mr. Pruzan contacted Mr. Maffei to convey the decisions made at the Pandora board meeting.

On August 4, 2018, Mr. Maffei contacted Mr. Pruzan to ask whether the Pandora board of directors would be willing to explore a transaction if Sirius XM were prepared to offer \$9.25 in Sirius XM common stock. Mr. Pruzan said he would convey the question to Pandora.

On August 5, 2018, after conferring with Messrs. Faxon and Lynch, as well as with Sidley Austin, Mr. Pruzan contacted Mr. Maffei and advised him that such price, which Mr. Pruzan indicated implied an exchange ratio of 1.34, was not acceptable, and that Mr. Pruzan believed the Pandora board of directors would not be interested in pursuing a possible transaction unless it were well in excess of \$10.00 per share.

On August 23, 2018, Mr. Maffei informed Mr. Pruzan that Sirius XM may be willing to explore a transaction at a price of \$9.75 per share.

On August 30, 2018, the Pandora board of directors (excluding the Sirius XM board designees) held a telephonic meeting, which meeting was also attended by members of Pandora's management and representatives of Sidley Austin, Centerview and LionTree during which Centerview summarized to the Pandora board of directors Centerview's conversation with Mr. Maffei on August 23, 2018. Representatives of LionTree presented a preliminary analysis of potential revenue and cost synergies that might be achieved if Pandora were acquired by one of several buyers, including Sirius XM. The representatives of LionTree also cautioned that they had not contacted any potential buyers and that there was no assurance any buyers would emerge if the company were marketed to third parties or that any such buyer would have the same view of synergies, but offered examples of counterparties that the company might approach in the event of a go-shop. Sidley Austin led a discussion on a typical go-shop structure and market terms for duration, break-fee and legal terms. The representatives from Centerview discussed exchange ratio floors or collars that could be used to hedge against fluctuations in stock prices. The financial advisors and Pandora's management exited the meeting and the Pandora board of directors continued the meeting in a closed session with representatives of Sidley Austin, during which the Pandora board of directors (excluding the Sirius XM board designees) unanimously agreed that any transaction would need to include an exchange ratio implying a value per share substantially in excess of \$10.00 and would require a go-shop and exchange ratio collar.

On August 31, 2018, Centerview conveyed to Mr. Maffei the decisions made at the Pandora board meeting.

On September 3, 2018, Mr. Maffei discussed with Mr. Pruzan the possibility of exploring a transaction at a price of \$9.80 per share (or an exchange ratio of 1.38 based on the respective closing stock prices of Pandora and Sirius XM on August 31, 2018) with a 3% break-up fee for a customary fiduciary out allowing the Pandora board of directors to terminate the transaction to accept a superior proposal but without a go-shop provision in an agreement. Mr. Pruzan agreed to convey the discussion to the company.

On September 4 and 5, 2018, Mr. Pruzan discussed with Mr. Maffei that, following consultation with Messrs. Faxon and Lynch, as well as Sidley Austin, it was the position of the Pandora board of directors that the price would need to be in excess of \$10.00 per share for it to have interest in engaging in a transaction.

On September 5, 2018, Mr. Maffei discussed with Mr. Lynton that Sirius XM was not inclined to move any higher on price, and Mr. Lynton informed Mr. Maffei that it was his sense that the Pandora board of directors would not approve a transaction on those terms. A few days later, Mr. Maffei informed Mr. Pruzan that Sirius XM may be willing to explore a transaction at an exchange ratio of 1.425 (with an implied price per share of \$10.15 based on the respective closing stock prices of Pandora and Sirius XM on September 12, 2018), without a go-shop provision or a collar on the

exchange ratio, but with a no-shop provision, a customary fiduciary out and a break-up fee of 3.0%. Mr. Pruzan agreed to convey the discussion to the company.

On September 14, 2018, the Pandora board of directors (excluding the Sirius XM board designees) held a telephonic meeting, which meeting was also attended by representatives of Sidley

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Austin and Centerview. Centerview referred to the 1.425 exchange ratio it had discussed with Mr. Maffei the day before, noting that it implied a \$10.25 per share price based on the prior day's closing price, or approximately \$10.00 per share based on the one, two or three month volume-weighted average price, or VWAP, of Sirius XM common stock. Members of the Pandora board of directors discussed the company's operating performance and outlook for the quarter and full year. Centerview noted that the company had not done reverse diligence on Sirius XM to understand future events that could affect Sirius XM's stock price. The Pandora board of directors concluded that while they were prepared to engage with Sirius XM to evaluate a transaction with Sirius XM and have the company conduct reverse diligence of Sirius XM, they still viewed the value offered by the proposed exchange ratio as too low, and directed Centerview to convey to Mr. Maffei that getting to any agreement would require Sirius XM to substantially increase the proposed exchange ratio and agree to a go-shop provision to allow Pandora to affirmatively seek a superior offer. The Pandora board of directors also concluded that an exchange ratio collar may be desirable to hedge risk, but that it was willing to re-consider the necessity of the collar depending on the findings of reverse diligence. Members of Pandora's management then joined the meeting and updated the Pandora board of directors on Pandora's management's efforts since April to extend Pandora's existing debt maturities and potentially raise additional capital should the opportunity to do so on favorable terms be available. Mr. Chopra noted that Pandora's management had been actively developing a proposal for raising convertible debt both to repay or repurchase convertible notes due in 2020 and to strengthen the company's balance sheet. Mr. Chopra discussed with the Pandora board of directors the expected financial terms of an offering as well as execution considerations and the interplay between pursuing either a transaction with Sirius XM or a new financing. Mr. Chopra explained that Pandora's management had selected investment banking firms to facilitate a financing and was pursuing both the financing and a possible acquisition by Sirius XM in parallel to preserve optionality in the event that Sirius XM and Pandora were unable to come to terms on a potential acquisition of Pandora.

Later on September 14, 2018, based on the instructions from the Pandora board of directors, Mr. Pruzan contacted Mr. Maffei, indicating that after extensive discussion, the Pandora board of directors would be willing to explore a transaction with Sirius XM only if the transaction was based on an exchange ratio of 1.44 and any agreement included a go-shop provision, the terms of which Mr. Pruzan proposed would include a 45 day go-shop period wherein a 1% break-up fee would apply, with the break-up fee going to 3% for any party that did not submit a bona fide proposal during the go-shop period. Mr. Pruzan also stated that the Pandora board of directors continued to view a collared exchange ratio as important, but that it was willing to re-engage on the issue after completion of due diligence. Mr. Maffei replied that he was not optimistic Sirius XM would be interested in evaluating a transaction on those terms.

On September 16, 2018, Mr. Maffei informed Mr. Pruzan that, based on analysis of precedent transactions conducted by Allen & Company, Sirius XM may be willing to agree to a 30-day go-shop period with a 1.5% break-up fee during the go-shop period. Mr. Maffei also stated that Sirius XM was not inclined to evaluate a transaction at a higher exchange ratio.

Later on September 16, 2018, after conferring with Messrs. Faxon and Lynch, as well as Sidley Austin, Mr. Pruzan contacted Mr. Maffei and indicated that Pandora was not prepared to reconvene the Pandora board of directors to consider whether the Pandora board of directors would be willing to evaluate a transaction without further improvement in Sirius XM's proposed terms. Specifically, Mr. Pruzan indicated that the Pandora board of directors would require a higher exchange ratio and a go-shop period that was longer and permitted any party submitting an offer during the shopping period to be grandfathered under the lower break-up fee, regardless of whether such party actually signed a definitive agreement during the go-shop period. Mr. Pruzan and Mr. Maffei also discussed the desirability of an exchange ratio collar. Both agreed that the desirability of a collar, as well as the feasibility of a transaction generally, required Pandora to conduct due diligence on Sirius XM. Mr. Maffei agreed that due diligence work should proceed, and that Sidley Austin and Simpson Thacher, counsel to Sirius XM, should discuss next steps,

so as to better evaluate whether a mutually acceptable potential transaction was a realistic possibility.

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On September 17, 2018, Sidley Austin and Simpson Thacher conferred on the state of conversations between their respective clients and discussed the process for moving forward if their clients decided to pursue a transaction. As directed by Pandora, Sidley Austin reminded Simpson Thacher of the standstill obligations under the investment agreement, including that Sirius XM was not permitted to make any public disclosure with respect thereto, without the consent of the Pandora board of directors, and the Pandora board of directors had not provided such consent at this time. Simpson Thacher stated that they would confer further with their client and that, if Sirius XM wished to proceed, Simpson Thacher expected to deliver a first draft of a merger agreement for Pandora's consideration by the following day.

On September 18, 2018, Centerview contacted BofA Merrill Lynch and Allen & Company to begin coordinating due diligence work between their respective clients. The respective management, financial advisory, legal and accounting teams each began work to evaluate the potential transaction, and these activities continued for the balance of the week.

Also on September 18, 2018, Simpson Thacher provided a draft merger agreement to Sidley Austin, Pandora and Sirius XM executed an extension to their pre-existing non-disclosure agreement to facilitate due diligence and Baker Botts, also representing Sirius XM, contacted Sidley Austin to begin evaluation of competition law filings that may be required should the parties decide to enter into a transaction. Throughout the week, legal advisors to the parties were in regular contact regarding the terms of a potential transaction with the objective of having satisfactory documentation ready should the parties decide to transact. To that end, Sidley Austin sent a revised version of the draft merger agreement to Simpson Thacher late in the evening of September 20, 2018, California time. Negotiation of the definitive agreement and related schedules continued through September 23.

On September 21, 2018, representatives of Sirius XM, Simpson Thacher, BofA Merrill Lynch and Allen & Company met telephonically with representatives of Pandora, Sidley Austin, Centerview and LionTree for purposes of facilitating each party's due diligence of the other party's businesses, operating results and financial condition, legal and accounting matters, human resources and prospects.

Also on September 21, 2018, Mr. Maffei informed Mr. Lynton that Sirius XM remained interested in pursuing a transaction. Mr. Lynton replied that, at the exchange ratio under discussion, he was not certain whether or not the Pandora board of directors would approve a transaction, and he encouraged Sirius XM to raise the price it would be willing to offer.

On September 22, 2018, Mr. Pruzan and Mr. Maffei were in contact throughout the day with regard to a potential exchange ratio. Mr. Pruzan noted that Sirius XM's stock price had declined over the course of the week, and consistent with instructions from the Pandora board of directors expressed concern that the Pandora board of directors would not approve a transaction at the proposed exchange ratio. Based on instructions from the Pandora board of directors, Mr. Pruzan relayed that should Sirius XM offer an exchange ratio of 1.45, Mr. Pruzan believed the Pandora board of directors would be willing to accept the proposal.

Also on September 22, 2018, the Pandora board of directors (excluding the Sirius XM board designees) held a telephonic meeting, which meeting was also attended by members of Pandora's management and representatives of Sidley Austin, Centerview and LionTree. Prior to inviting the representatives from Centerview and LionTree to join the meeting, Sidley Austin reminded the Pandora board of directors of prior discussions of fiduciary obligations in considering a potential merger with Sirius XM or any other party. Sidley Austin also reviewed with the Pandora board of directors updated relationship disclosure letters from each of Centerview and LionTree that were previously circulated to the Pandora board of directors and reminded the Pandora board of directors of prior discussions regarding these matters. Sidley Austin also noted that Pandora's senior management had not conducted any discussions

of future roles for themselves post-acquisition with Sirius XM, and that there had been no assurances given to such persons by Sirius XM in that regard. Centerview and LionTree then joined the meeting. Sidley Austin described to the Pandora board of directors the principal terms of the draft merger agreement with Sirius XM and discussed considerations relating to such terms, including the parties' positions on the exchange ratio and the terms that had been proposed for the go-shop provision. Regarding the go-shop provision, Sidley

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Austin advised that both Pandora's original proposal and Sirius XM's counterproposal were within the market range for such terms. Sidley Austin also noted that, after due diligence on Sirius XM and its prospects, Pandora's management had concluded that there was a relatively low likelihood of catalysts related to Sirius XM's business that would adversely affect the price of Sirius XM common stock. Centerview discussed the potential effects on the price of Sirius XM common stock of the announcement of the proposed merger, and also recounted repeated statements by Mr. Maffei that a collared exchange ratio would not be acceptable to Sirius XM. Sidley Austin then explained that, taking into account these factors, and the desirability of not constraining the upside of a fixed exchange ratio in the interest of hedging downside risk, Pandora's management recommended that the company not insist on a collar as part of the transaction. The Pandora board of directors and Pandora's management then discussed the proposed non-executive retention plan to be implemented during the period between the signing and closing of the transaction. Thereafter, Centerview and LionTree each presented their preliminary financial analyses of the exchange ratio in the transaction, assuming for purposes of their analysis the 1.425 exchange ratio then suggested by Sirius XM. Both Centerview and LionTree discussed the assumptions, methodologies and considerations taken into account in preparing their preliminary financial analyses of the 1.425 exchange ratio. Centerview then provided a summary to the Pandora board of directors of Pandora management's reverse diligence findings, noting that Sirius XM's historical operating performance continually surpassed analysts' financial projections and was expected to surpass expectations again in the third quarter based on available data through September 21, 2018. Centerview and LionTree reviewed with the Pandora board of directors the outlined plan of outreach and parties to be contacted in the go-shop process should the Pandora board of directors determine to proceed with a transaction. The Pandora board of directors then excused Centerview and LionTree and discussed with Pandora's management and Sidley Austin their views of the financial and legal terms of the proposed transaction and potential trade-offs related thereto, Centerview's and LionTree's analyses of the transaction and negotiation strategies to increase the exchange ratio. Pandora management also advised the Pandora board of directors that, should the company be unable to reach a deal with Sirius XM, the company was prepared to launch a convertible debt financing the week of September 24. The Pandora board of directors did not approve the transaction at that time but rather instructed Centerview to seek an increase in the exchange ratio.

On the morning of September 23, 2018, the Sirius XM board of directors held a meeting, which meeting was also attended by members of Sirius XM management and representatives of Allen & Company, BofA Merrill Lynch and Simpson Thacher. Simpson Thacher reviewed with the Sirius board of directors its fiduciary duties, and Allen & Company and BofA Merrill Lynch presented a financial analysis of Pandora. The board discussed the potential acquisition of Pandora. Following discussion, including the proposed terms of the merger agreement submitted for consideration, the Sirius XM board of directors unanimously adopted resolutions to approve the merger agreement, subject to Messrs. Maffei and Meyer finalizing the exchange ratio negotiations.

On September 23, 2018, discussion continued between Mr. Pruzan and Mr. Maffei, and Mr. Maffei indicated that Sirius XM may be interested in entering into a transaction with a proposed exchange ratio of 1.435. Mr. Pruzan expressed concern that, at that exchange ratio, the Pandora board of directors would not approve the transaction. Mr. Pruzan, on behalf of the Pandora board of directors, informed Mr. Maffei that the Pandora board of directors was willing to accept the proposed duration and break-fee for the go-shop if Sirius XM were to propose an acceptable exchange ratio. After further discussion, Mr. Maffei informed Mr. Faxon that Sirius XM might be willing to consider entering into a transaction at an increased exchange ratio of 1.44, and Mr. Faxon agreed to recommend to the Pandora board of directors that it accept this proposal.

Also on September 23, 2018, the Pandora board of directors (excluding the Sirius XM board designees) held a telephonic meeting, which meeting was also attended by members of Pandora's management and representatives of Sidley Austin, Centerview and LionTree. Prior to inviting the representatives from Centerview and LionTree to join



the meeting, Mr. Faxon described to the Pandora board of directors the conversation he had with Mr. Maffei regarding the increase of the exchange ratio offered by Sirius XM. Mr. Faxon noted that at the 1.44 exchange ratio offered by Sirius XM, the implied price per share of Pandora stock was in excess of \$10.00 per share based on

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the closing price of Sirius XM common stock on Friday, September 21, 2018 which engendered Mr. Faxon's support. Sidley Austin reminded the Pandora board of directors about their fiduciary duties when considering the proposed transaction with Sirius XM. Centerview and LionTree then joined the meeting and Sidley Austin described the final terms of the merger agreement to the extent they varied from the terms described the previous day, noting that based on an exchange ratio of 1.44, the go-shop termination fee had been set at \$52,500,000 and the non-go-shop termination fee had been set at \$105,000,000. Pandora's management discussed restrictions on the company's operations after signing and prior to closing and the non-executive retention plan. Centerview and LionTree each discussed their financial analysis based on the 1.44 exchange ratio and provided a brief recap of its prior financial analysis revised to incorporate the higher exchange ratio. Centerview reviewed with the Pandora board of directors Centerview's financial analysis of the exchange ratio, and rendered to the Pandora board of directors an oral opinion, which was subsequently confirmed by delivery of a written opinion dated September 23, 2018, that, as of such date and based upon and subject to various assumptions made, procedures followed, matters considered, and qualifications and limitations upon the review undertaken in preparing its opinion, the exchange ratio provided pursuant to the merger agreement was fair, from a financial point of view, to the holders of shares of Pandora common stock other than shares held by the company and Sirius XM and its affiliates. For a detailed discussion of Centerview's opinion, please see below under the section entitled "Opinion of Centerview Partners LLC." Representatives of LionTree reviewed with the Pandora board of directors LionTree's financial analysis of the exchange ratio, and rendered to the Pandora board of directors an oral opinion, which was subsequently confirmed by delivery of a written opinion dated September 23, 2018, that, as of such date and based upon and subject to various assumptions made, procedures followed, matters considered, and qualifications and limitations upon the review undertaken in preparing its opinion, the exchange ratio was fair, from a financial point of view, to the holders of shares of Pandora common stock other than shares held by the company and Sirius XM and its affiliates. For a detailed discussion of LionTree's opinion, please see below under the section entitled "Opinion of LionTree Advisors LLC." Centerview and LionTree discussed the outreach plan, and noted that they would commence outreach to alternative bidders immediately after announcement of the transaction, should it be approved.

At this point in the meeting, both Centerview and LionTree left the meeting and the Pandora board of directors (excluding the Sirius XM board designees) discussed observations and questions regarding the advisability of accepting the Sirius XM offer versus remaining an independent company, balancing a variety of considerations including the fact that the Pandora board of directors had confidence in Pandora's management team and Pandora's progress toward executing the operating plan versus the need for greater financial resources and the strategic value for the company's stockholders in combining with a better capitalized and much larger company in light of competitive dynamics in the market. In this regard, the Pandora board of directors discussed Pandora's history of execution in an increasingly competitive market and the relative merits of continuing as an independent company versus combining with Sirius XM on the terms and conditions of the proposed merger in terms of the prospect for increasing Pandora's stockholder value. The Pandora board of directors also discussed the relative merits of effecting a transaction now versus deferring to a later time, the legal terms of the transaction, including the go-shop provisions and termination rights, the advice of Centerview and LionTree as to the fairness of the transaction from a financial point of view and each director's views that the transaction was fair to, and in the best interests of, the company's stockholders. After each such member of the Pandora board of directors provided his or her opinion and after further discussion, the Pandora board of directors (excluding the Sirius XM board designees) unanimously adopted the resolutions to approve the merger agreement and the transactions contemplated thereby. Sidley Austin then explained the process to signing and led a discussion regarding the company's schedule after the announcement of the transaction.

On September 24, 2018, Mr. Chopra spoke with the investment banks that had been working on the proposed financing transaction to thank them for their efforts to ensure that the company was prepared to launch the convertible note offering, and advise them that the offering would not go forward in light of the transaction with Sirius XM.



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On October 24, 2018 at 12:01 a.m., the go-shop period under the merger agreement expired. On October 24, 2018, Pandora announced and informed Sirius XM that it and its representatives had actively solicited alternative acquisition proposals during the go-shop period from 40 potential acquirers. During such time, none of these parties executed a confidentiality agreement or otherwise expressed an interest in pursuing a transaction, and no other party proposed an alternative transaction.

### **Pandora's Purpose and Reasons for the Transactions; Recommendations of the Pandora Board of Directors**

The Pandora board of directors recommends that the Pandora stockholders vote **FOR** the merger agreement proposal.

As described above, Messrs. Maffei, Meyer and Frear, which we refer to as the Sirius XM board designees, recused themselves from all deliberations and actions of the Pandora board of directors, and waived notice of all meetings of the Pandora board of directors, related to any potential transaction with Sirius XM, including any alternatives to any such transaction with any third party. In reaching the decision to approve the merger agreement and to recommend that the Pandora stockholders vote to approve the merger agreement proposal, the Pandora board of directors (excluding the Sirius XM board designees) consulted extensively with Pandora's senior management and outside legal and financial advisors and also considered other potential strategic alternatives.

After such discussions and considering such alternatives, at a meeting on September 23, 2018, the Pandora board of directors (excluding the Sirius XM board designees) unanimously determined the proposed merger agreement and the transactions to be fair to, and in the best interest of, Pandora and the Pandora stockholders. In reaching its decision, the Pandora board of directors considered and evaluated numerous factors at such meeting and at other meetings at which it considered the proposed transactions.

The reasons considered by the Pandora board of directors (excluding the Sirius XM board designees) in favor of such determination included the following (which factors are not presented in order of relative importance):

- the Pandora board of directors and Pandora's management's knowledge of Pandora's business, operations, financial condition, and prospects, and its and their understanding of Sirius XM and Sirius XM's operations, financial condition, and prospects, including the information about Sirius XM obtained through a due diligence review conducted by Pandora management and its advisors;

- the current and prospective competitive climate in the respective audio entertainment markets in which Pandora and Sirius XM operate and the belief that the transactions would create the world's largest audio entertainment company with greater cross-promotional opportunities to the largest digital audio audience in the U.S., enhanced scale of investments in content and technology and expanded monetization opportunities and optimized programming resulting in improved opportunities for growth, cost savings and innovation relative to what Pandora could achieve on a standalone basis;

- the fact that the current financial market conditions, historical market prices, volatility and trading information with respect to Pandora common stock and the stock of other companies that the Pandora board of directors considered similar to Pandora and Sirius XM demonstrated the value of the merger consideration to the Pandora stockholders, including in light of the analysis of the Pandora board of directors of other strategic alternatives available to Pandora;

- the aggregate value of the merger consideration to be received by the Pandora stockholders in the transactions, which, (i) based on the two-month volume-weighted average price of \$7.03 per share of Sirius XM common stock as of September 21, 2018, the last trading day prior to the announcement of the merger agreement, represented a premium of approximately 19% over the two-month volume-weighted average price of \$8.50 per share of Pandora common



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stock on the same date, (ii) based on the two-week volume-weighted average price of \$7.08 per share of Sirius XM common stock as of September 21, 2018, the last trading day prior to the announcement of the merger agreement, represented a premium of approximately 7% over the two-week volume-weighted average price of \$9.54 per share of Pandora common stock as of the same date and (iii) based on the price of \$6.98 per share of Sirius XM common stock on September 21, 2018, the last trading day prior to the announcement of the merger agreement, represented a premium of approximately 11% over the price of \$9.09 per share of Pandora common stock on the same date; that the exchange ratio represents a fixed number of shares of Sirius XM common stock, which affords the Pandora stockholders the opportunity to benefit from any increase in the trading price of Sirius XM common stock between the announcement of the execution of the merger agreement and the closing of the transactions; the potential that the value of Sirius XM common stock the Pandora stockholders will receive as consideration for the transactions will increase after the completion of the transactions compared to the shares of Pandora common stock, and the participation of the Pandora stockholders in the future growth of the combined company; the financial presentation and the opinion of Centerview rendered to the Pandora board of directors on September 23, 2018, which was subsequently confirmed by delivery of a written opinion dated such date that, as of such date and based upon and subject to the assumptions made, procedures followed, matters considered, and qualifications and limitations upon the review undertaken by Centerview in preparing its opinion, the exchange ratio was fair, from a financial point of view, to the holders of shares of Pandora common stock (other than, generally, holders affiliated with Sirius XM and Liberty Media, in each case as described in the opinion of Centerview reproduced in its entirety in Annex B of this proxy statement/prospectus); the financial presentation and the opinion of LionTree rendered to the Pandora board of directors on September 23, 2018, which was subsequently confirmed by delivery of a written opinion dated such date that, as of such date and based upon and subject to the assumptions made, procedures followed, matters considered, and qualifications and limitations upon the review undertaken by LionTree in preparing its opinion, the exchange ratio was fair, from a financial point of view, to the holders of shares of Pandora common stock (other than, generally, holders affiliated with Sirius XM and Liberty Media, in each case as described in the opinion of LionTree reproduced in its entirety in Annex C of this proxy statement/prospectus); the efforts made to negotiate a merger agreement favorable to Pandora and its stockholders and the terms and conditions of the merger agreement; the ability of Pandora under the terms of the merger agreement to, during the go-shop period, (i) initiate, solicit, facilitate and encourage any inquiry or the making of any proposal or offer that constitutes, or could reasonably be expected to lead to, a competing acquisition proposal, (ii) furnish to any person that is a party to an acceptable confidentiality agreement any information that is reasonably requested by any person in connection with their potentially making a competing acquisition proposal, and (iii) participate or engage in discussions or negotiations with such person regarding a competing acquisition proposal; the ability of the Pandora board of directors to change its recommendation, terminate the merger agreement and enter into a transaction that the Pandora board of directors determines to be a superior proposal, subject to the terms and conditions of the merger agreement, including payment of a termination fee; the likelihood that the transactions would be completed; and the fact that Pandora had not received an offer from any other person for the acquisition of Pandora, despite its efforts over the years to sell the company as further described in the Background of the Transactions .

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In the course of its deliberations, the Pandora board of directors (excluding the Sirius XM board designees) also weighed the factors described above against certain factors, uncertainties and potential risks associated with entering into the merger agreement, including, among others, the following (which factors are not presented in order of relative importance):

the lack of opportunity for the Pandora stockholders to participate in Pandora's potential upside as a stand-alone company after the transactions, including potential earnings and growth as a result of Pandora management's recent initiatives to improve Pandora's advertising technology, organizational efficiency and listenership metrics, other than indirectly as part of the combined company through the ownership of shares of Sirius XM common stock received as merger consideration;

the possibility of significant costs and delays resulting from seeking regulatory approvals necessary to complete the transactions, the possibility that the transactions may not be completed if such approvals are not obtained, and the potential negative impacts on Pandora, its business, and the price of Pandora common stock if such approvals are not obtained;

the potential decrease of the implied value of the merger consideration that would result from a decrease in the trading price of Sirius XM common stock because the merger consideration is based on a fixed exchange ratio and the merger agreement does not provide Pandora with a price-based termination right or adjustment for fluctuations in the trading price of Sirius XM common stock between the announcement of the execution of the merger agreement and the closing of the transactions;

the fact that the integration of Pandora and Sirius XM may be complex and time consuming and may require substantial resources and effort, and the risk that if Pandora and Sirius XM are not successfully integrated the anticipated strategic and operational benefits of the transactions may not be fully realized or at all or may take longer to realize than expected;

the risks and costs that could be borne by Pandora if the transactions are not completed, including the potential for diversion of Pandora's management and employee attention and for increased employee attrition during the period prior to completion of the transactions, and the potential effect of the transactions on Pandora's business and relations with customers, vendors, and suppliers;

the risk that certain employees and customers of Pandora might not choose to remain with the combined company;

the restrictions on the conduct of Pandora's business prior to completion of the transactions, requiring Pandora to conduct its business only in the ordinary course, subject to specific limitations, which could delay or prevent Pandora from undertaking business opportunities that may arise pending completion of the transactions and could negatively impact Pandora's relationships with its employees, customers, vendors, and suppliers;

the fact that if the merger agreement is terminated under certain circumstances, Pandora will be required to pay Sirius XM a termination fee of \$105 million or \$52.5 million;

the transaction costs to be incurred by Pandora in connection with the transactions;

the fact that certain of Pandora's directors may have interests in the transactions or that are different from, or in addition to, those of the Pandora stockholders generally and the manner in which they would be affected by the transactions as more fully described in the section entitled "Interests of Pandora's Directors and Executive Officers in the Transactions;" and

various other risks described in the section entitled "Risk Factors."

The Pandora board of directors (excluding the Sirius XM board designees) considered all of these factors as a whole, including the analyses and opinions of its financial advisors, in reaching their respective determinations that the proposed transactions were fair to, and in the best interests of, Pandora and the Pandora stockholders. The foregoing discussion of the information and factors considered by the Pandora board of directors (excluding the Sirius XM board designees) is not exhaustive. In view of the wide variety of factors considered by the Pandora board of directors (excluding the Sirius XM board designees) in connection with their evaluation of the transactions





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and the complexity of these matters, the Pandora board of directors (excluding the Sirius XM board designees) did not consider it practical to, nor did they attempt to, quantify, rank or otherwise assign relative weights to the specific factors that they considered in reaching their respective decisions. In considering the factors described above and any other factors, individual directors may have viewed factors differently or given different weight or merit to different factors.

The foregoing discussion of the information and factors considered by the Pandora board of directors (excluding the Sirius XM board designees) is forward-looking in nature. This information should be read in light of the factors described in the section entitled **Cautionary Statement Concerning Forward-Looking Statements** beginning on page [ ].

## **Certain Financial Forecasts**

Pandora, as a matter of course, does not make public long-term projections as to future revenues, earnings or other results due to, among other reasons, the uncertainty of the underlying assumptions and estimates. The unaudited forecasted financial information set forth below was prepared by Pandora's management and made available to (i) the members of the Pandora board of directors who are not affiliated with Sirius XM, (ii) Centerview and (iii) LionTree, in each case solely in connection with the evaluation of the transactions by the members of the Pandora board of directors who are not affiliated with Sirius XM. In addition, following review by the members of the Pandora board of directors who are not affiliated with Sirius XM, the unaudited forecasted financial information set forth below with respect to fiscal years 2018 through 2023 only, was also made available to Sirius XM and the members of the Pandora board of directors who are affiliated with Sirius XM. The inclusion of this information in this proxy statement/prospectus should not be regarded as an indication that any of the Pandora board of directors, Centerview, LionTree or any other recipient of this information considered, or now considers, it to be necessarily predictive of actual future results. Readers of this proxy statement/prospectus are cautioned not to place undue reliance on the unaudited forecasted financial information.

The unaudited forecasted financial information was, in general, prepared solely for internal use and is subjective in many respects. As a result, there can be no assurance that the forecasted results will be realized or that actual results will not be significantly higher or lower than estimated. Since the unaudited forecasted financial information covers multiple years, such information by its nature becomes less predictive with each successive year. The estimates and assumptions underlying the unaudited forecasted financial information involve judgments with respect to, among other things, future economic, competitive, regulatory and financial market conditions and future business decisions which may not be realized and that are inherently subject to significant uncertainties and contingencies, all of which are difficult to predict and many of which are beyond the control of Pandora. Pandora stockholders are urged to review the SEC filings of Pandora for a description of risk factors with respect to the business of Pandora. See **Cautionary Statement Concerning Forward-Looking Statements** beginning on page [ ] and **Where You Can Find More Information** beginning on page [ ]. Pandora stockholders are also urged to review the section entitled **Risk Factors** beginning on page [ ]. The unaudited forecasted financial information was not prepared with a view toward public disclosure and is included in this proxy statement/prospectus only because such unaudited forecasted financial information was, with respect to fiscal years 2018 through 2023, made available to Sirius XM and certain of their representatives in connection with their due diligence review of Pandora, and Centerview and LionTree for use in connection with their respective financial analyses. The unaudited forecasted financial information also was not prepared with a view toward compliance with published guidelines of the SEC, the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information or GAAP (including because certain metrics are non-GAAP measurements) but, in the view of Pandora's management, was prepared on a reasonable basis, reflected the best currently available estimates and judgments, and presented, to the best of Pandora's management's knowledge and belief, the expected course of action and the expected

future financial performance of Pandora. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this proxy statement/prospectus are cautioned not to place undue reliance on the unaudited forecasted financial

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information. Neither the independent registered public accounting firm of Pandora nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the unaudited forecasted financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability. The report of the independent registered public accounting firm of Pandora contained in its Annual Report on Form 10-K for the year ended December 31, 2017, which is incorporated by reference into this proxy statement/prospectus, relates to the historical financial information of Pandora. It does not extend to the unaudited forecasted financial information and should not be read to do so. Furthermore, the unaudited forecasted financial information does not take into account any circumstances or events occurring after the date it was prepared and does not give effect to the transactions. Further, the unaudited forecasted financial information does not take into account the potential consequences should the transactions fail to be consummated, and should not be viewed in that context.

PANDORA DOES NOT INTEND TO UPDATE OR OTHERWISE REVISE THE UNAUDITED FORECASTED FINANCIAL INFORMATION TO REFLECT CIRCUMSTANCES EXISTING AFTER THE DATE WHEN MADE OR TO REFLECT THE OCCURRENCE OF FUTURE EVENTS, EVEN IN THE EVENT THAT ANY OR ALL OF THE ASSUMPTIONS UNDERLYING SUCH PROSPECTIVE FINANCIAL INFORMATION ARE NO LONGER APPROPRIATE, EXCEPT AS MAY BE REQUIRED BY LAW.

### ***Unaudited Forecasted Financial Information***

The following tables present the selected unaudited forecasted financial information of Pandora prepared by Pandora's management, which consist of two different financial and operating scenarios, each for the fiscal years ending 2018 through 2025, and were provided to the members of the Pandora board of directors, Centerview, LionTree and, with respect to fiscal years 2018 through 2023, Sirius XM.

At the time the forecasts were prepared, the Pandora board of directors and Pandora's management concurred that the Pandora Scenario 1a Forecasts and the Pandora Scenario 2 Forecasts were the best approximations of likely future outcomes and that they expected actual future results to fall somewhere between. On the September 21, 2018 diligence call held among representatives of Sirius XM and its advisors and representatives of Pandora and its advisors, including Centerview and Liontree, Pandora management indicated that there was significant uncertainty with respect to the Company's forecasts for 2019, and that on the downside Pandora management believed that Adjusted EBITDA for 2019 could be as much as \$20-30 million lower than projected in the Pandora Scenario 1a Forecasts and the Pandora Scenario 2 Forecasts. Pandora management also previously shared this update with the Pandora board of directors.

#### ***Pandora Scenario 1a Forecasts***

Certain unaudited forecasted financial information was initially prepared by Pandora's management in October 2017 and provided to the Pandora board of directors and was updated in July 2018 to take into account certain updated assumptions including, among other things, new information about market trends and Pandora's plans after October 2017. We refer to such July 2018 unaudited forecasted financial information as the Pandora Scenario 1a Forecasts.

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**Pandora Unaudited Forecasted Financial Information**  
**(U.S. dollars in millions, except per share data)<sup>(a)</sup>**  
**Fiscal Years Ending December 31,**

	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	
Advertising	\$ 1,071	\$ 1,152	\$ 1,240	\$ 1,370	\$ 1,511	\$ 1,629	\$ 1,735	\$
Subscription & Other	471	569	647	703	766	829	893	
<b>Total Revenue</b>	<b>\$ 1,542</b>	<b>\$ 1,721</b>	<b>\$ 1,887</b>	<b>\$ 2,073</b>	<b>\$ 2,277</b>	<b>\$ 2,458</b>	<b>\$ 2,627</b>	<b>\$</b>
<i>% Growth</i>	<i>11.3%</i>	<i>11.7%</i>	<i>9.6%</i>	<i>9.9%</i>	<i>9.9%</i>	<i>7.9%</i>	<i>6.9%</i>	
Content Costs	\$ 889	\$ 915	\$ 992	\$ 1,080	\$ 1,156	\$ 1,235	\$ 1,305	\$
Other COGS	129	169	188	207	223	243	264	
<b>Total COGS</b>	<b>\$ 1,017</b>	<b>\$ 1,084</b>	<b>\$ 1,179</b>	<b>\$ 1,287</b>	<b>\$ 1,379</b>	<b>\$ 1,478</b>	<b>\$ 1,569</b>	<b>\$</b>
<b>Gross Profit</b>	<b>\$ 524</b>	<b>\$ 637</b>	<b>\$ 707</b>	<b>\$ 786</b>	<b>\$ 898</b>	<b>\$ 980</b>	<b>\$ 1,059</b>	<b>\$</b>
<i>% Margin</i>	<i>34.0%</i>	<i>37.0%</i>	<i>37.5%</i>	<i>37.9%</i>	<i>39.4%</i>	<i>39.9%</i>	<i>40.3%</i>	
Product Development	\$ 132	\$ 173	\$ 173	\$ 177	\$ 178	\$ 183	\$ 188	\$
Sales & Marketing	448	390	396	404	410	418	428	
General & Administrative	112	117	115	117	118	120	122	
<b>Total Operating Expenses</b>	<b>\$ 693</b>	<b>\$ 680</b>	<b>\$ 684</b>	<b>\$ 698</b>	<b>\$ 706</b>	<b>\$ 721</b>	<b>\$ 737</b>	<b>\$</b>
<b>Operating Income / (Loss)<sup>(b)</sup></b>	<b>\$ (168)</b>	<b>\$ (43)</b>	<b>\$ 23</b>	<b>\$ 88</b>	<b>\$ 192</b>	<b>\$ 259</b>	<b>\$ 321</b>	<b>\$</b>
<i>% Margin</i>	<i>(10.9)%</i>	<i>(2.5)%</i>	<i>1.2%</i>	<i>4.2%</i>	<i>8.4%</i>	<i>10.5%</i>	<i>12.2%</i>	
Depreciation	49	54	53	55	49	49	52	
<b>Adjusted EBITDA<sup>(c)</sup></b>	<b>\$ (119)</b>	<b>\$ 11</b>	<b>\$ 76</b>	<b>\$ 143</b>	<b>\$ 241</b>	<b>\$ 307</b>	<b>\$ 373</b>	<b>\$</b>
<i>% Growth</i>	<i>(13.2)%</i>	<i>nm</i>	<i>nm</i>	<i>87.7%</i>	<i>69.0%</i>	<i>27.5%</i>	<i>21.5%</i>	
<i>% Margin</i>	<i>(7.7)%</i>	<i>0.7%</i>	<i>4.0%</i>	<i>6.9%</i>	<i>10.6%</i>	<i>12.5%</i>	<i>14.2%</i>	

(a) Certain totals in the tables included in this proxy statement/prospectus may not sum due to rounding. Table does not reflect stock-based compensation.

(b) Excludes amortization of intangible assets.

- (c) Adjusted EBITDA, which is calculated as consolidated net earnings before interest, income taxes, stock-based compensation expense and depreciation and amortization expense, is a non-GAAP financial measure as it excluded these amounts, which are included in net earnings, the most directly comparable measure calculated in accordance with GAAP. This measure should not be considered as an alternative to net earnings or other measures derived in accordance with GAAP.

**Table of Contents****Pandora Unaudited Forecasted Financial Information (Continued)****Pandora Unlevered Free Cash Flows<sup>(a)</sup>****(U.S. dollars in millions, except per share data)<sup>(b)(c)</sup>****Fiscal Years Ending December 31,**

	<b>2H 2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	
Advertising Revenue	\$ 586	\$ 1,153	\$ 1,241	\$ 1,371	\$ 1,512	\$ 1,630	\$ 1,736	\$
Subscription Revenue	251	568	646	702	765	828	892	
<b>Total Revenue</b>	<b>\$ 838</b>	<b>\$ 1,721</b>	<b>\$ 1,887</b>	<b>\$ 2,073</b>	<b>\$ 2,277</b>	<b>\$ 2,458</b>	<b>\$ 2,627</b>	<b>\$</b>
<i>% Growth</i>		11.7%	9.6%	9.9%	9.9%	7.9%	6.9%	
<b>Adjusted EBITDA<sup>(d)</sup></b>	<b>\$ (11)</b>	<b>\$ 11</b>	<b>\$ 76</b>	<b>\$ 143</b>	<b>\$ 241</b>	<b>\$ 307</b>	<b>\$ 373</b>	<b>\$</b>
<i>% Margin</i>	(1.3)%	0.7%	4.0%	6.9%	10.6%	12.5%	14.2%	
(-) Stock Compensation	(59)	(117)	(107)	(98)	(90)	(86)	(83)	
<b>Adjusted EBITDA less SBC</b>	<b>\$ (70)</b>	<b>\$ (106)</b>	<b>\$ (31)</b>	<b>\$ 45</b>	<b>\$ 151</b>	<b>\$ 221</b>	<b>\$ 290</b>	<b>\$</b>
<i>% Margin</i>	(8.4)%	(6.1)%	(1.7)%	2.2%	6.6%	9.0%	11.0%	
(-) D&A	(27)	(60)	(59)	(55)	(49)	(49)	(52)	
<b>EBIT</b>	<b>\$ (98)</b>	<b>\$ (166)</b>	<b>\$ (90)</b>	<b>\$ (11)</b>	<b>\$ 102</b>	<b>\$ 172</b>	<b>\$ 239</b>	<b>\$</b>
<i>% Margin</i>	(11.6)%	(9.6)%	(4.8)%	(0.5)%	4.5%	7.0%	9.1%	
(-) Taxes					(24)	(41)	(56)	
<b>NOPAT</b>	<b>\$ (98)</b>	<b>\$ (166)</b>	<b>\$ (90)</b>	<b>\$ (11)</b>	<b>\$ 78</b>	<b>\$ 132</b>	<b>\$ 182</b>	<b>\$</b>
(+) D&A	27	60	59	55	49	49	58	
(-) Capex	(23)	(48)	(50)	(54)	(43)	(46)	(63)	
(+)/(-) Δ NWC	(37)	22	6	(20)	(24)	(19)	(14)	
<b>Unlevered Free Cash Flow</b>	<b>(131)</b>	<b>\$ (131)</b>	<b>\$ (75)</b>	<b>\$ (30)</b>	<b>\$ 59</b>	<b>\$ 115</b>	<b>\$ 157</b>	<b>\$</b>

<sup>(a)</sup> Source: Pandora's management, Pandora's public filings, FactSet and Wall Street research as of September 21, 2018.

- (b) Valuation date of June 30, 2018 applying mid-year convention through the fiscal year ending December 31, 2025. Terminal value based on range of multiples applied to forward EBITDA in the fiscal year ending December 31, 2025. Includes present value of future cash tax savings related to NOLs.
- (c) Certain totals in the tables included in this proxy statement/prospectus may not sum due to rounding. Table does not reflect stock-based compensation.
- (d) Adjusted EBITDA, which is calculated as consolidated net earnings before interest, income taxes, stock-based compensation expense and depreciation and amortization expense, is a non-GAAP financial measure as it excluded these amounts, which are included in net earnings, the most directly comparable measure calculated in accordance with GAAP. This measure should not be considered as an alternative to net earnings and other measures derived in accordance with GAAP.

The Pandora unaudited forecasted financial information in the Pandora Scenario 1a Forecasts is based on various assumptions, including the following key assumptions:

approximately \$80-90 million of external marketing spend annually with increases to efficiency beyond that realized in 2018 to-date;

hours per active user ( HPA ) would decrease slightly in 2019 and increase after 2020 as new users expand feature usage;

the number of ad-supported service users would reach 77.1 million by 2025;

advertising revenue per thousand listener hours ( RPM ) would increase from \$67.95 in 2018 to \$80.22 million in 2022, including increases in audio RPM, slight decreases in display RPM and increases in video RPM;

there would be no material improvement in the monthly free-trial starts for Pandora Plus, while the monthly free-trial starts for Pandora Premium would improve slightly with the mix shifting towards family plan subscriptions;

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the percentage of the family plan subscriptions in the new Pandora Premium additions would increase from 2% in 2018 to 25% by 2025;  
 direct Pandora Premium acquisition spending would reach \$5 million annually by 2020;  
 non-music content share would account for 10% of total listening by 2025;  
 headcount costs would remain materially flat, with many functions to shift to lower-cost geographies;  
 costs saved from the reduction in force plans relative to the end of 2017 run rate would be \$70 million in 2019 and \$100 million annually in each of the years from 2020 to 2025, with a component of the savings reinvested; and  
 the stock-based compensation expenses would decrease from \$117 million in 2019 to \$86 million in 2023.

*Pandora Scenario 2 Forecasts*

In June 2018, Pandora's management also updated the unaudited forecasted financial information that was initially prepared in October 2017 to present a more optimistic view driven primarily by audience and hours growth from improvements in marketing efficiency, higher marketing spending and growth in audience engagement through Pandora's new content and product capabilities, which we refer to as the Pandora Scenario 2 Forecasts. The Pandora Scenario 2 Forecasts are based on the assumptions of greater achievement of operating efficiencies as Pandora implements these plans and greater deployment of capital toward growth strategies, which are described below.

**Pandora Unaudited Forecasted Financial Information**  
 (U.S. dollars in millions, except per share data)<sup>(a)</sup>  
 Fiscal Years Ending December 31,

	2018	2019	2020	2021	2022	2023	2024	
Advertising	\$ 1,071	\$ 1,210	\$ 1,357	\$ 1,553	\$ 1,747	\$ 1,917	\$ 2,083	\$
Subscription & Other	471	596	712	829	947	1,064	1,189	
<b>Total Revenue</b>	<b>\$ 1,542</b>	<b>\$ 1,806</b>	<b>\$ 2,069</b>	<b>\$ 2,382</b>	<b>\$ 2,694</b>	<b>\$ 2,981</b>	<b>\$ 3,272</b>	<b>\$</b>
<i>% Growth</i>	<i>11.3%</i>	<i>17.1%</i>	<i>14.6%</i>	<i>15.1%</i>	<i>13.1%</i>	<i>10.6%</i>	<i>9.8%</i>	
Content Costs	\$ 889	\$ 958	\$ 1,086	\$ 1,240	\$ 1,367	\$ 1,496	\$ 1,614	\$
Other COGS	129	176	200	226	250	279	309	
<b>Total COGS</b>	<b>\$ 1,017</b>	<b>\$ 1,133</b>	<b>\$ 1,286</b>	<b>\$ 1,466</b>	<b>\$ 1,617</b>	<b>\$ 1,775</b>	<b>\$ 1,923</b>	<b>\$</b>
<b>Gross Profit</b>	<b>\$ 524</b>	<b>\$ 673</b>	<b>\$ 783</b>	<b>\$ 916</b>	<b>\$ 1,077</b>	<b>\$ 1,205</b>	<b>\$ 1,349</b>	<b>\$</b>
<i>% Margin</i>	<i>34.0%</i>	<i>37.2%</i>	<i>37.8%</i>	<i>38.5%</i>	<i>40.0%</i>	<i>40.4%</i>	<i>41.2%</i>	
Product Development	\$ 132	\$ 174	\$ 188	\$ 205	\$ 217	\$ 233	\$ 248	\$
Sales & Marketing	448	418	425	450	471	490	511	
General & Administrative	112	111	116	120	123	128	133	
<b>Total Operating Expenses</b>	<b>\$ 693</b>	<b>\$ 704</b>	<b>\$ 730</b>	<b>\$ 775</b>	<b>\$ 811</b>	<b>\$ 851</b>	<b>\$ 892</b>	<b>\$</b>



<b>Operating Income / (Loss)<sup>(b)</sup></b>	<b>\$ (168)</b>	<b>\$ (31)</b>	<b>\$ 53</b>	<b>\$ 141</b>	<b>\$ 265</b>	<b>\$ 354</b>	<b>\$ 457</b>	<b>\$</b>
<i>% Margin</i>	<i>(10.9)%</i>	<i>(1.7)%</i>	<i>2.6%</i>	<i>5.9%</i>	<i>9.8%</i>	<i>11.9%</i>	<i>14.0%</i>	
Depreciation	49	54	53	56	52	53	58	
<b>Adjusted EBITDA<sup>(c)</sup></b>	<b>\$ (119)</b>	<b>\$ 23</b>	<b>\$ 107</b>	<b>\$ 198</b>	<b>\$ 317</b>	<b>\$ 407</b>	<b>\$ 515</b>	<b>\$</b>
<i>% Growth</i>	<i>(13.2)%</i>	<i>nm</i>	<i>nm</i>	<i>85.0%</i>	<i>60.3%</i>	<i>28.4%</i>	<i>26.6%</i>	
<i>% Margin</i>	<i>(7.7)%</i>	<i>1.3%</i>	<i>5.2%</i>	<i>8.3%</i>	<i>11.8%</i>	<i>13.6%</i>	<i>15.7%</i>	

(a) Certain totals in the tables included in this proxy statement/prospectus may not sum due to rounding. Table does not reflect stock-based compensation.

(b) Excludes amortization of intangible assets.

(c) Adjusted EBITDA, which is calculated as consolidated net earnings before interest, income taxes, stock-based compensation expense and depreciation and amortization expense, is a non-GAAP financial measure as it excluded these amounts, which are included in net earnings, the most

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directly comparable measure calculated in accordance with GAAP. This measure should not be considered as an alternative to net earnings or other measures derived in accordance with GAAP.

**Pandora Unaudited Forecasted Financial Information (Continued)****Pandora Unlevered Free Cash Flows<sup>(a)</sup>****(U.S. dollars in millions, except per share data)<sup>(b)(c)</sup>****Fiscal Years Ending December 31,**

	<b>2H 2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	
Advertising Revenue	\$ 586	\$ 1,211	\$ 1,358	\$ 1,554	\$ 1,748	\$ 1,918	\$ 2,084	\$
Subscription Revenue	251	595	711	828	946	1,063	1,188	
<b>Total Revenue</b>	<b>\$ 838</b>	<b>\$ 1,806</b>	<b>\$ 2,069</b>	<b>\$ 2,382</b>	<b>\$ 2,694</b>	<b>\$ 2,981</b>	<b>\$ 3,272</b>	<b>\$</b>
<i>% Growth</i>		17.1%	14.6%	15.1%	13.1%	10.6%	9.8%	
<b>Adjusted EBITDA<sup>(d)</sup></b>	<b>\$ (11)</b>	<b>\$ 23</b>	<b>\$ 107</b>	<b>\$ 198</b>	<b>\$ 317</b>	<b>\$ 407</b>	<b>\$ 515</b>	<b>\$</b>
<i>% Margin</i>	(1.3)%	1.3%	5.2%	8.3%	11.8%	13.6%	15.7%	
(-) Stock Compensation	(59)	(120)	(116)	(109)	(100)	(93)	(90)	
<b>Adjusted EBITDA less SBC</b>	<b>\$ (70)</b>	<b>\$ (97)</b>	<b>\$ (9)</b>	<b>\$ 88</b>	<b>\$ 217</b>	<b>\$ 314</b>	<b>\$ 425</b>	<b>\$</b>
<i>% Margin</i>	(8.4)%	(5.4)%	(0.4)%	3.7%	8.0%	10.5%	13.0%	
(-) D&A	(27)	(60)	(59)	(57)	(52)	(53)	(58)	
<b>EBIT</b>	<b>\$ (98)</b>	<b>\$ (158)</b>	<b>\$ (68)</b>	<b>\$ 31</b>	<b>\$ 165</b>	<b>\$ 261</b>	<b>\$ 367</b>	<b>\$</b>
<i>% Margin</i>	(11.6)%	(8.7)%	(3.3)%	1.3%	6.1%	8.8%	11.2%	
(-) Taxes				(7)	(39)	(61)	(86)	
<b>NOPAT</b>	<b>\$ (98)</b>	<b>\$ (158)</b>	<b>\$ (68)</b>	<b>\$ 24</b>	<b>\$ 126</b>	<b>\$ 200</b>	<b>\$ 281</b>	<b>\$</b>
(+) D&A	27	60	59	57	52	53	58	
(-) Capex	(23)	(48)	(53)	(59)	(47)	(52)	(72)	
(+)(-) Δ NWC	(37)	13	8	(22)	(26)	(20)	(22)	
<b>Unlevered Free Cash Flow</b>	<b>(131)</b>	<b>\$ (133)</b>	<b>\$ (54)</b>	<b>\$ (1)</b>	<b>\$ 105</b>	<b>\$ 181</b>	<b>\$ 244</b>	<b>\$</b>

- (a) Source: Pandora's management, Pandora's public filings, FactSet and Wall Street research as of September 21, 2018.
- (b) Valuation date of June 30, 2018 applying mid-year convention through the fiscal year ending December 31, 2025. Terminal value based on range of multiples applied to forward EBITDA in the fiscal year ending December 31, 2025. Includes present value of future cash tax savings related to NOLs.
- (c) Certain totals in the tables included in this proxy statement/prospectus may not sum due to rounding. Table does not reflect stock-based compensation.
- (d) Adjusted EBITDA, which is calculated as consolidated net earnings before interest, income taxes, stock-based compensation expense and depreciation and amortization expense, is a non-GAAP financial measure as it excluded these amounts, which are included in net earnings, the most directly comparable measure calculated in accordance with GAAP. This measure should not be considered as an alternative to net earnings and other measures derived in accordance with GAAP.

The Pandora unaudited forecasted financial information in the Pandora Scenario 2 Forecasts is based on various assumptions, including the following key assumptions:

annual external marketing spending would increase by 10% to 20% compared to the Pandora Scenario 1a Forecasts and there would be a 10% efficiency improvement in user acquisition costs compared to the Pandora Scenario 1a Forecasts;

HPA would be 2.5% higher in 2019 than in the Pandora Scenario 1a Forecasts, increasing to 10% higher in 2025;

the number of ad-supported service users would reach 84.3 million by 2025;

advertising RPM would increase from \$67.95 in 2018 to \$78.48 in 2022, including modest increases in audio RPM, decreases in display RPM and increases in video RPM;

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data licensing revenue would achieve robust growth and reach \$12 million to \$15 million by 2025;  
monthly free-trial starts for Pandora Plus would increase by 20-25% from 2018 to 2025, and 20-35% for Pandora Premium from 2018 to 2025, both driven primarily by the improved on-platform marketing;  
the percentage of family plan subscriptions in the new Pandora Premium additions would increase from 2% in 2018 to 25% by 2025;  
the trial conversion rate to Pandora Premium would improve by 1% to 3% by 2025, driven primarily by the improved on-platform marketing and user experience;  
direct Pandora Premium acquisition spending would reach \$5 million annually by 2020;  
non-music content share would account for 12% of total listening by 2025;  
operating expenses would increase by 2% year-over-year in 2019, with the annual growth rate thereafter increasing to 5% year-over-year in 2022, with many functions shifting towards lower-cost geographies;  
costs saved from the reduction in force plans relative to the end of 2017 run rate would be \$70 million in 2019 and \$100 million annually in each of the years from 2020 to 2025, with a component of the savings reinvested; and  
stock-based compensation expenses would decrease from \$120 million in 2019 to \$93 million in 2023.

For the foregoing and other reasons, inclusion of the Pandora unaudited forecasted financial information in this proxy statement/prospectus should not be regarded as a representation by any person that the results contained in the Pandora unaudited forecasted financial information will be achieved.

## **Opinions of Pandora's Financial Advisors**

### *Opinion of Centerview Partners LLC*

On September 23, 2018, Centerview rendered to the Pandora board of directors its oral opinion, subsequently confirmed in a written opinion dated such date, that, as of such date and based upon and subject to various assumptions made, procedures followed, matters considered, and qualifications and limitations upon the review undertaken by Centerview in preparing its opinion, the exchange ratio was fair, from a financial point of view, to the holders of shares of Pandora common stock other than excluded shares.

The full text of Centerview's written opinion, dated September 23, 2018, which describes the assumptions made, procedures followed, matters considered, and qualifications and limitations upon the review undertaken by Centerview in preparing its opinion, is attached as Annex B and is incorporated herein by reference. **The summary of the written opinion of Centerview set forth below is qualified in its entirety to the full text of Centerview's written opinion attached as Annex B. In accordance with Centerview's engagement letter, Centerview's financial advisory services and opinion were provided for the information and assistance of the non-Sirius XM board members (in their capacity as directors and not in any other capacity) in connection with and for purposes of its consideration of the transactions, and Centerview's opinion only addressed the fairness, from a financial point of view, as of the date thereof, to the holders of shares of Pandora common stock (other than excluded shares) of the exchange ratio. Centerview's opinion did not address any other term or aspect of the merger agreement or the transactions and does not constitute a recommendation to any stockholder of Pandora or any other person as to how such stockholder or other person should vote or otherwise act with respect to the transactions or any other matter.**

**The full text of Centerview's written opinion should be read carefully in its entirety for a description of the assumptions made, procedures followed, matters considered, and qualifications and limitations upon the review undertaken by Centerview in preparing its opinion.**



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In connection with rendering the opinion described above and performing its related financial analyses, Centerview reviewed, among other things:

a draft of the merger agreement dated September 23, 2018, referred to in this summary of Centerview's opinion as the draft merger agreement ;

Annual Reports on Form 10-K, as amended, of Pandora for the years ended December 31, 2017, December 31, 2016 and December 31, 2015 and Annual Reports on Form 10-K of Sirius XM for the years ended December 31, 2017, December 31, 2016 and December 31, 2015;

certain interim reports to stockholders and Quarterly Reports on Form 10-Q of Pandora and Sirius XM;

certain publicly available research analyst reports for Pandora and Sirius XM;

certain other communications from Pandora and Sirius XM to their respective stockholders;

certain internal information relating to the business, operations, earnings, cash flow, assets, liabilities and prospects of Pandora, including certain financial forecasts, analyses and projections relating to Pandora prepared by management of Pandora and furnished to Centerview by Pandora for purposes of Centerview's analysis, which are referred to in this summary of Centerview's opinion as the Pandora Forecasts, and which are collectively referred to in this summary of Centerview's opinion as the Pandora Internal Data;

certain internal information relating to the business, operations, earnings, cash flow, assets, liabilities and prospects of Sirius XM (collectively, the Sirius XM Internal Data );

certain publicly available research analysts' estimates relating to Sirius XM suggested by Sirius XM for purposes of Centerview's analysis and deemed relevant by Centerview (the Sirius XM Public Forecasts ); and

certain cost savings and operating synergies projected by the management of Pandora to result from the transactions furnished to Centerview by Pandora for purposes of Centerview's analysis (the Synergies ).

Centerview also participated in discussions with members of the senior management and representatives of Pandora and Sirius XM regarding their assessment of the Pandora Internal Data (including, without limitation, the Pandora Forecasts), the Sirius XM Internal Data, the Sirius XM Public Forecasts and the Synergies, as appropriate) and the strategic rationale for the transactions. In addition, Centerview reviewed publicly available financial and stock market data, including valuation multiples, for Pandora and compared that data with similar data for certain other companies, the securities of which are publicly traded, in lines of business that Centerview deemed relevant. Centerview also compared certain of the proposed financial terms of the transactions with the financial terms, to the extent publicly available, of certain other transactions that Centerview deemed relevant, and conducted such other financial studies and analyses and took into account such other information as Centerview deemed appropriate.

Centerview assumed, without independent verification or any responsibility therefor, the accuracy and completeness of the financial, legal, regulatory, tax, accounting and other information supplied to, discussed with, or reviewed by Centerview for purposes of its opinion and, with Pandora's consent, Centerview relied upon such information as being complete and accurate. In that regard, Centerview assumed, at Pandora's direction, that the Pandora Internal Data (including, without limitation, the Pandora Forecasts) and the Synergies were reasonably prepared on bases reflecting the best currently available estimates and judgments of the management of Pandora as to the matters covered thereby and that the Sirius XM Public Forecasts are a reasonable basis upon which to evaluate the future financial performance of Sirius XM, and Centerview relied, at Pandora's direction, on the Pandora Internal Data (including, without limitation, the Pandora Forecasts), the Sirius XM Internal Data, the Sirius XM Public Forecasts and the Synergies for purposes of Centerview's analysis and opinion. Centerview expressed no view or opinion as to the Pandora Internal Data (including, without limitation, the Pandora Forecasts), the Sirius XM Internal Data, the Sirius XM Public Forecasts or the Synergies or the assumptions on which they were based. In addition, at Pandora's direction, Centerview did not make any independent evaluation or



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appraisal of any of the assets or liabilities (contingent, derivative, off-balance-sheet or otherwise) of Pandora or Sirius XM, nor was Centerview furnished with any such evaluation or appraisal, and was not asked to conduct, and did not conduct, a physical inspection of the properties or assets of Pandora or Sirius XM. Centerview assumed, at Pandora's direction, that the final executed merger agreement would not differ in any respect material to Centerview's analysis or opinion from the draft merger agreement reviewed by Centerview. Centerview also assumed, at Pandora's direction, that the transactions will be consummated on the terms set forth in the merger agreement and in accordance with all applicable laws and other relevant documents or requirements, without delay or the waiver, modification or amendment of any term, condition or agreement, the effect of which would be material to Centerview's analysis or Centerview's opinion and that, in the course of obtaining the necessary governmental, regulatory and other approvals, consents, releases and waivers for the transactions, no delay, limitation, restriction, condition or other change, including any divestiture requirements or amendments or modifications, will be imposed, the effect of which would be material to Centerview's analysis or opinion. Centerview did not evaluate and did not express any opinion as to the solvency or fair value of Pandora or Sirius XM, or the ability of Pandora or Sirius XM to pay their respective obligations when they come due, or as to the impact of the transactions on such matters, under any state, federal or other laws relating to bankruptcy, insolvency or similar matters. Centerview is not a legal, regulatory, tax or accounting advisor, and Centerview expressed no opinion as to any legal, regulatory, tax or accounting matters.

Centerview's opinion expressed no view as to, and did not address, Pandora's underlying business decision to proceed with or effect the transactions, or the relative merits of the transactions as compared to any alternative business strategies or transactions that might be available to Pandora or in which Pandora might engage. Centerview's opinion was limited to and addressed only the fairness, from a financial point of view, as of the date of Centerview's written opinion, to the holders of the shares of Pandora common stock (other than excluded shares) of the exchange ratio. For purposes of its opinion, Centerview was not asked to, and Centerview did not, express any view on, and its opinion did not address, any other term or aspect of the merger agreement or the transactions, including, without limitation, the structure or form of the transactions, or any other agreements or arrangements contemplated by the merger agreement or entered into in connection with or otherwise contemplated by the transactions, including, without limitation, the fairness of the transactions or any other term or aspect of the transactions to, or any consideration to be received in connection therewith by, or the impact of the transactions on, the holders of any other class of securities, creditors or other constituencies of Pandora or any other party. In addition, Centerview expressed no view or opinion as to the fairness (financial or otherwise) of the amount, nature or any other aspect of any compensation to be paid or payable to any of the officers, directors or employees of Pandora or any party, or class of such persons in connection with the transactions, whether relative to the exchange ratio or otherwise. Centerview's opinion was necessarily based on financial, economic, monetary, currency, market and other conditions and circumstances as in effect on, and the information made available to Centerview as of, the date of Centerview's written opinion, and Centerview does not have any obligation or responsibility to update, revise or reaffirm its opinion based on circumstances, developments or events occurring after the date of Centerview's written opinion. Centerview expressed no view or opinion as to what the value of shares of Sirius XM common stock actually would be when issued pursuant to the transactions or the prices at which the shares of Pandora common stock or shares of Sirius XM common stock will trade or otherwise be transferable at any time, including following the announcement or consummation of the transactions. Centerview's opinion does not constitute a recommendation to any stockholder of Pandora or any other person as to how such stockholder or other person should vote with respect to the merger or otherwise act with respect to the transactions or any other matter. In accordance with Centerview's engagement letter, Centerview's financial advisory services and its written opinion were provided for the information and assistance of the non-Sirius XM board members (in their capacity as directors and not in any other capacity) in connection with and for purposes of its consideration of the transactions. The issuance of Centerview's opinion was approved by the Centerview Partners LLC Fairness Opinion Committee.





**Table of Contents*****Summary of Centerview Financial Analysis***

The following is a summary of the material financial analyses prepared and reviewed with the Pandora board of directors in connection with Centerview's opinion, dated September 23, 2018. **The summary set forth below does not purport to be a complete description of the financial analyses performed or factors considered by, and underlying the opinion of, Centerview, nor does the order of the financial analyses described represent the relative importance or weight given to those financial analyses by Centerview. Centerview may have deemed various assumptions more or less probable than other assumptions, so the reference ranges resulting from any particular portion of the analyses summarized below should not be taken to be Centerview's view of the actual value of Pandora. Some of the summaries of the financial analyses set forth below include information presented in tabular format. In order to fully understand the financial analyses, the tables must be read together with the text of each summary, as the tables alone do not constitute a complete description of the financial analyses performed by Centerview. Considering the data in the tables below without considering all financial analyses or factors or the full narrative description of such analyses or factors, including the methodologies and assumptions underlying such analyses or factors, could create a misleading or incomplete view of the processes underlying Centerview's financial analyses and its opinion.** In performing its analyses, Centerview made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of Pandora or any other parties to the transactions. None of Pandora, Sirius XM, Merger Sub or Centerview or any other person assumes responsibility if future results are materially different from those discussed. Any estimates contained in these analyses are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than as set forth below. In addition, analyses relating to the value of Pandora do not purport to be appraisals or reflect the prices at which Pandora may actually be sold. Accordingly, the assumptions and estimates used in, and the results derived from, the financial analyses are inherently subject to substantial uncertainty. Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data as it existed on or before September 21, 2018 (the last trading day before the public announcement of the transactions) and is not necessarily indicative of current market conditions.

***Selected Public Companies Analyses***

Centerview performed a selected public companies analysis in which Centerview reviewed certain financial and stock market information relating to Pandora and selected publicly traded companies that Centerview, in its experience and professional judgment, deemed relevant to consider in relation to Pandora. The financial data that was used with respect to these selected companies were based on Wall Street research consensus estimates, public filings and other publicly available information.

In performing this analysis, Centerview reviewed the enterprise value (calculated as fully-diluted market capitalization plus total debt, plus minority interests, less cash and cash equivalents and investments), which is referred to in this summary of Centerview's opinion as EV, as a multiple of the next-twelve-months revenue (NTM Revenue) of the public companies noted below, referred to as the selected companies. The overall low to high estimated EV / NTM Revenue multiples observed for the selected companies as of September 21, 2018 were 3.60x to 4.12x, as reflected below:

**EV /  
NTM  
Revenue**

Spotify Technology S.A.	4.12x
TripAdvisor, Inc.	3.79x
YELP INC.	3.60x

Based on its analysis and other considerations that Centerview deemed relevant in its professional judgment (including the fact that Pandora's common stock had historically traded at a lower EV / NTM multiple compared to those selected companies), Centerview applied a range of EV / NTM Revenue multiples of 1.25x to 2.00x to (a) Pandora's NTM Revenue as of September 21,

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2018 of \$1.67 billion as reflected in the Pandora Scenario 1a Forecasts, which resulted in a range of implied values per share of Pandora common stock of \$5.50 to \$9.75, and to (b) Pandora's NTM Revenue as of September 21, 2018 of \$1.73 billion as reflected in the Pandora Scenario 2 Forecasts, which resulted in a range of implied values per share of Pandora common stock of \$5.75 to \$10.25, in each case, rounded to the nearest \$0.25. Centerview then compared this range to the \$10.05 per share value of the merger consideration implied by the exchange ratio, based on the closing price of Sirius XM common stock on September 21, 2018 (the Implied Consideration Value).

Although none of the selected companies is directly comparable to Pandora, the companies listed above were chosen by Centerview, among other reasons, because they are publicly traded U.S. companies in the consumer internet business that have certain operational, business and/or financial characteristics that, for purposes of Centerview's analysis, may be considered similar to those of Pandora. However, because none of the selected companies is exactly the same as Pandora, Centerview believed that it was inappropriate to, and therefore did not, rely solely on the quantitative results of the selected company analysis. Accordingly, Centerview also made qualitative judgments, based on its experience and professional judgment, concerning differences between the business, financial and operating characteristics and prospects of Pandora and the selected companies that could affect the public trading values of each in order to provide a context in which to consider the results of the quantitative analysis.

*Selected Transactions Analysis*

Centerview performed a selected transactions analysis in which Centerview reviewed and compared certain information relating to the following selected transactions in the public consumer internet industry in the past five years involving publicly traded target companies with EBITDA margins of less than 20% that Centerview, based on its experience and professional judgment, deemed relevant to consider in relation to Pandora and the transactions.

The selected transactions were:

<b>Announcement Date</b>	<b>Acquiror</b>	<b>Target</b>	<b>EV / LTM Revenues</b>
May 2017	HomeAdvisor, Inc.	Angie's List, Inc.	1.68x
November 2016	Adobe Systems Incorporated	TubeMogul, Inc.	2.55x
July 2016	Verizon Communications Inc.	Yahoo! Inc.	0.99x
May 2015	Verizon Communications Inc.	AOL Inc.	1.71x
February 2015	Expedia, Inc.	Orbitz Worldwide, Inc.	1.72x
September 2014	News Corporation	Move, Inc.	3.96x

No company or transaction used in this analysis is identical or directly comparable to Pandora or the transactions, respectively. The target companies included in the selected transactions listed above were selected, among other reasons, because they have certain characteristics that, for the purposes of this analysis, may be considered similar to certain characteristics of Pandora. The reasons for and the circumstances surrounding each of the selected transactions analyzed were diverse and there are inherent differences in the business, operations, financial conditions and prospects of Pandora and the target companies included in the selected transactions analysis. Accordingly, Centerview believed that it was inappropriate to, and therefore did not, rely solely on the quantitative results of the selected transactions analysis. This analysis involves complex considerations and qualitative judgments concerning differences in financial and operating characteristics and other factors that could affect the public trading, acquisition or other values of the selected target companies and Pandora.

Financial data for the selected transactions were based solely on publicly available information at the time of the initial announcement of the relevant transactions as noted in the preceding table that Centerview obtained from SEC filings and other publicly available data sources.

Centerview calculated, for each selected transaction set forth above, among other things, the enterprise value implied for the applicable target company based on the consideration payable in the applicable selected transactions, which is referred to in this summary of Centerview's opinion as TEV, as a multiple of the target company's revenue for the last-twelve-month period (LTM

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Revenue ) for which financial information had been made public at the time of the announcement of such transactions. The results of this analysis are summarized as follows:

	<b>TEV / LTM Revenue</b>
25 <sup>th</sup> Percentile	1.69x
Median	1.71x
Mean	2.10x
75 <sup>th</sup> Percentile	2.34x

Based on its analysis and other considerations that Centerview deemed relevant in its professional judgment, Centerview applied a range of TEV / LTM Revenue multiples of 1.75x to 2.50x to Pandora's last-twelve-month revenue as of June 30, 2018 of \$1.46 billion (excluding revenue of the divested ticket service business) as reflected in public filings of Pandora, which resulted in a range of implied values per share of Pandora common stock of \$7.25 to \$10.75, rounded to the nearest \$0.25. Centerview then compared this range to the Implied Consideration Value of \$10.05.

*Discounted Cash Flow Analyses*

Centerview performed a discounted cash flow analysis of Pandora based on the Pandora Scenario 1a Forecasts and the Pandora Scenario 2 Forecasts, respectively, other Pandora Internal Data and information reflected in public filings of Pandora. A discounted cash flow analysis is a traditional valuation methodology used to derive a valuation of an asset by calculating the present value of estimated future cash flows of the asset. Present value refers to the current value of future cash flows and is obtained by discounting those future cash flows by a discount rate that takes into account macroeconomic assumptions and estimates of risk, the opportunity cost of capital, expected returns and other appropriate factors.

In performing this analysis based on the Pandora Scenario 1a Forecasts, Centerview calculated a range of illustrative equity values for Pandora by discounting to present value as of June 30, 2018, using discount rates ranging from 9.50% to 11.50% (reflecting Centerview's analysis of Pandora's weighted average cost of capital in Centerview's professional judgment): (a) the forecasted unlevered after-tax free cash flows of Pandora over the period beginning June 30, 2018 and ending December 31, 2025, as reflected in the Pandora Scenario 1a Forecasts and the assumptions provided by Pandora's management, and (b) a range of illustrative terminal values of Pandora, calculated by Centerview applying a range of illustrative enterprise value to earnings before interest, taxes, depreciation and amortization (adjusted to include stock-based compensation expense), which is referred to in this summary of Centerview's opinion as Adjusted EBITDA, multiples of 10.0x to 12.5x, based on Centerview's experience and professional judgment, to Pandora's estimated forward Adjusted EBITDA as of December 31, 2025, as provided by Pandora's management based on Pandora Scenario 1a Forecasts. Centerview then (i) added the estimated value of the tax benefits from Pandora's net operating loss carryforwards, as of June 30, 2018, and (ii) subtracted from the foregoing results (A) the value of Pandora's net debt (calculated as the face value of long-term debt minus cash and cash equivalents) and (B) minority interests, each as of June 30, 2018, as reflected in public filings of Pandora. Centerview divided the result of the foregoing calculations by the number of fully diluted outstanding shares of Pandora common stock as of September 21, 2018 to derive a range of implied values per share of Pandora common stock of \$4.50 to \$7.00, rounded to the nearest \$0.25. Centerview then compared this range to the Implied Consideration Value of \$10.05.

In performing this analysis based on the Pandora Scenario 2 Forecasts, Centerview calculated a range of illustrative equity values for Pandora by discounting to present value as of June 30, 2018, using discount rates ranging from 9.50% to 11.50% (reflecting Centerview's analysis of Pandora's weighted average cost of capital in Centerview's professional judgment): (a) the forecasted unlevered after-tax free cash flows of Pandora over the period beginning June 30, 2018 and ending December 31, 2025, as reflected in the Pandora Scenario 2 Forecasts and the assumptions provided by Pandora's management, and (b) a range of illustrative terminal values of Pandora, calculated by Centerview applying a range of illustrative enterprise value to Adjusted EBITDA multiples of 10.5x to 13.0x, based on Centerview's experience and professional judgment, to Pandora's estimated

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forward Adjusted EBITDA as of December 31, 2025, as provided by Pandora's management based on Pandora Forecasts Scenario 2. Centerview then (i) added the estimated value of the tax benefits from Pandora's net operating loss carryforwards, as of June 30, 2018, and (ii) subtracted from the foregoing results (A) the value of Pandora's net debt (calculated as the face value of long-term debt minus cash and cash equivalents) and (B) minority interests, each as of June 30, 2018, as reflected in public filings of Pandora. Centerview divided the result of the foregoing calculations by the number of fully diluted outstanding shares of Pandora common stock as of September 21, 2018 to derive a range of implied values per share of Pandora common stock of \$8.50 to \$11.75, rounded to the nearest \$0.25. Centerview then compared this range to the Implied Consideration Value of \$10.05.

*Other Factors*

Centerview also reviewed and considered other factors, which were not considered part of its financial analysis in connection with rendering its opinion, but were referenced for informational purposes, including, among other things, the following:

trading prices for the Pandora common stock during the 52 week period ended September 21, 2018, which ranged from \$4.13 to \$9.97;

publicly available stock price targets of selected research analysts for Pandora common stock, which indicated stock price targets of \$7.00 to \$13.00 per share;

Illustrative Present Value of Future Share Price Analysis of Pandora on an EV / Adjusted EBITDA Multiple Basis. Centerview performed an illustrative analysis of the implied present value of the future price per share of Pandora common stock based on an EV / NTM Adjusted EBITDA multiple (based on the Pandora Scenario 1a Forecasts and the Pandora Scenario 2 Forecasts, respectively):

- In calculating the implied present value of future share price of Pandora common stock based on the Pandora Scenario 1a Forecasts, Centerview first calculated a range of implied enterprise values of Pandora at the end of year 2024 by multiplying the estimated NTM Adjusted EBITDA of Pandora (as indicated in the Pandora Scenario 1a Forecasts) at the end of year 2024 by an NTM Adjusted EBITDA multiple range of 10.0x to 12.5x, based on Centerview's experience and professional judgment. Centerview then calculated a range of implied equity values of Pandora at the end of year 2024 by (i) adding the estimated value of the tax benefits from Pandora's net operating loss carryforwards at the end of year 2024, and (ii) subtracting the estimated net debt of Pandora at the end of year 2024 from the implied enterprise values. Centerview then divided the implied equity values by the total number of outstanding shares of Pandora common stock on a fully diluted basis. Centerview then discounted those implied values to June 30, 2018 by using an equity discount rate equal to 11.5%, reflecting Centerview's analysis of Pandora's cost of equity. The analysis resulted in a range of implied present values of one share of Pandora common stock as of June 30, 2018 equal to \$5.65 to \$6.70; and
- In calculating the implied present value of future share price of Pandora common stock based on the Pandora Scenario 2 Forecasts, Centerview first calculated a range of implied enterprise values of Pandora at the end of year 2024 by multiplying the estimated NTM Adjusted EBITDA of Pandora (as indicated in the Pandora Scenario 2 Forecasts) at the end of year 2024 by an NTM Adjusted EBITDA multiple range of 10.5x to 13.0x, based on Centerview's experience and professional judgment. Centerview then calculated a range of implied equity values of Pandora at the end of year 2024 by (i) adding the estimated value of the tax benefits from Pandora's net operating loss carryforwards at the end of year 2024, and (ii) subtracting the estimated net debt of Pandora at the end of year 2024 from the implied enterprise values. Centerview then divided the implied equity values by the total number of outstanding shares of Pandora common stock on a fully diluted basis. Centerview then discounted those implied values to June 30, 2018 by using an equity discount rate equal to 11.5%, reflecting



Centerview's analysis of Pandora's cost of equity. The analysis resulted in a range of implied present  
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values of one share of Pandora common stock as of June 30, 2018 equal to \$8.56 to \$9.94;

Illustrative Present Value of Future Share Price Analysis of Pandora on an EV / Revenue Multiple Basis.

Centerview performed an illustrative analysis of the implied present value of the future price per share of Pandora common stock based on EV / NTM Revenue multiple (based on the Pandora Scenario 1a Forecasts and the Pandora Scenario 2 Forecasts, respectively):

- In calculating the implied present value of future share price of Pandora common stock based on the Pandora Scenario 1a Forecasts, Centerview first applied EV / NTM Revenue multiples of 1.50x and 1.75x, respectively, based on Centerview's experience and professional judgment, to Pandora's NTM Revenue at the end of year 2020, 2021 and 2022 of \$2.07 billion, \$2.28 billion and \$2.46 billion, respectively, in each case, as provided by Pandora. Centerview then calculated the implied equity values of Pandora at the end of each such year by (i) adding the estimated value of the tax benefits from Pandora's net operating loss carryforwards at the end of each such year, and (ii) subtracting the estimated net debt of Pandora at the end of each such year from the applicable implied enterprise value. Centerview then divided the applicable equity values by the total number of outstanding shares of Pandora common stock on a fully diluted basis at the end of each such year. Centerview then discounted those implied values to June 30, 2018 by using an equity discount rate equal to 11.5%, reflecting Centerview's analysis of Pandora's cost of equity. The analysis resulted in a range of implied present values of one share of Pandora common stock as of June 30, 2018 equal to \$6.27 to \$7.55; and
- In calculating the implied present value of future share price of Pandora common stock based on the Pandora Scenario 2 Forecasts, Centerview first applied EV / NTM Revenue multiples of 1.75x and 2.00x, respectively, based on Centerview's experience and professional judgment, to Pandora's NTM Revenue at the end of year 2020, 2021 and 2022 of \$2.38 billion, \$2.69 billion and \$2.98 billion, respectively, in each case, as provided by Pandora. Centerview then calculated the implied equity values of Pandora at the end of each such year by (i) adding the estimated value of the tax benefits from Pandora's net operating loss carryforwards at the end of each such year, and (ii) subtracting the estimated net debt of Pandora at the end of each such year from the applicable implied enterprise value. Centerview then divided the applicable equity values by the total number of outstanding shares of Pandora common stock on a fully diluted basis at the end of each such year. Centerview then discounted those implied values to June 30, 2018 by using an equity discount rate equal to 11.5%, reflecting Centerview's analysis of Pandora's cost of equity. The analysis resulted in a range of implied present values of one share of Pandora common stock as of June 30, 2018 equal to \$9.02 to \$10.43; and

Illustrative Future Share Price Analysis of Sirius XM Pro Forma for the transactions on an EV / Adjusted EBITDA Multiple Basis. Centerview performed an illustrative analysis of the implied future price per share of Sirius XM common stock pro forma for the transactions based on EV / NTM Adjusted EBITDA multiple (based on both the Sirius XM Public Forecasts and the Pandora Scenario 1a Forecasts and the Pandora Scenario 2 Forecasts, respectively) and assuming, at the direction of Pandora's management, approximately \$50 million run-rate Synergies to be phased in over two years after the closing of the transactions:

- In calculating the illustrative future share price of Sirius XM common stock based on the Sirius XM Public Forecasts and the Pandora Scenario 1a Forecasts, Centerview first applied EV / NTM Adjusted EBITDA multiples of 17.4x and 18.4x, respectively, based on Centerview's experience and professional judgment, to Sirius XM's NTM pro forma Adjusted EBITDA at the end of year 2018, 2019, 2020 and 2021 (in each case, as indicated in the Sirius XM Public Forecasts and the Pandora Scenario 1a Forecasts).

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Centerview then calculated the implied pro forma equity values of Sirius XM at the end of each such year by (i) adding the estimated value of the tax benefits from Sirius XM's pro forma net operating loss carryforwards at the end of each such year, and (ii) subtracting the estimated pro forma net debt of Sirius XM at the end of each such year from the applicable implied enterprise value. Centerview then divided the applicable equity values by the total number of pro forma outstanding shares of Sirius XM common stock on a fully diluted basis. The analysis resulted in a range of illustrative future pro forma Sirius XM share prices of \$6.14 to \$10.53, implying illustrative future value to Pandora shareholders of \$8.84 to \$15.16 at the exchange ratio. Centerview compared these implied future pro forma per share values for Pandora shareholders to a range of \$7.06 to \$10.88 per share based on an illustrative analysis of the implied value of the future price per share of Pandora common stock based on an EV / NTM Revenue multiple basis; and

- In calculating the illustrative future share price of Sirius XM common stock based on the Sirius XM Public Forecasts and the Pandora Scenario 2 Forecasts, Centerview first applied EV / NTM Adjusted EBITDA multiples of 17.4x and 18.4x, respectively, based on Centerview's experience and professional judgment, to Sirius XM's NTM pro forma Adjusted EBITDA at the end of year 2018, 2019, 2020 and 2021 (in each case, as indicated in the Sirius XM Public Forecasts and the Pandora Scenario 2 Forecasts). Centerview then calculated the implied pro forma equity values of Sirius XM at the end of each such year by (i) adding the estimated value of the tax benefits from Sirius XM's pro forma net operating loss carryforwards at the end of each such year, and (ii) subtracting the estimated pro forma net debt of Sirius XM at the end of each such year from the applicable implied enterprise value. Centerview then divided the applicable equity values by the total number of pro forma outstanding shares of Sirius XM common stock on a fully diluted basis. The analysis resulted in a range of illustrative future pro forma Sirius XM share prices of \$6.17 to \$10.83, implying illustrative future value to Pandora shareholders of \$8.88 to \$15.60 at the exchange ratio. Centerview compared these implied future pro forma per share values for Pandora shareholders compared to a range of \$9.01 to \$15.26 per share based on an illustrative analysis of the implied value of the future price per share of Pandora common stock based on an EV / NTM Revenue multiple basis.

*General*

The preparation of a financial opinion is a complex analytical process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, a financial opinion is not readily susceptible to summary description. In arriving at its opinion, Centerview did not draw, in isolation, conclusions from or with regard to any factor or analysis that it considered. Rather, Centerview made its determination as to fairness on the basis of its experience and professional judgment after considering the results of all of the analyses.

Centerview's financial analyses and opinion were only one of many factors taken into consideration by the Pandora board of directors in its evaluation of the transactions. Consequently, the analyses described above should not be viewed as determinative of the views of the Pandora board of directors or management with respect to the exchange ratio or as to whether the Pandora board of directors would have been willing to determine that a different consideration was fair. The consideration for the transactions was determined through arm's-length negotiations between Pandora and Sirius XM and was approved by the Pandora board of directors. Centerview provided advice to Pandora during these negotiations. Centerview did not, however, recommend any specific amount of consideration to Pandora or the Board or that any specific amount of consideration constituted the only appropriate consideration for the transactions.

Centerview is a securities firm engaged directly and through affiliates and related persons in a number of investment banking, financial advisory and merchant banking activities. In the two years



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prior to the date of its written opinion, Centerview was engaged to provide financial advisory services to Pandora from time to time, including in connection with Sirius XM's preferred equity investment in Pandora, Pandora's sale of its Ticketfly business to Eventbrite and Pandora's ongoing review of strategic alternatives, and Centerview has received compensation of approximately \$21 million from Pandora for such services. In the two years prior to the date of its written opinion, Centerview was not engaged to provide financial advisory or other services to Sirius XM or Merger Sub, and Centerview did not receive compensation from Sirius XM. Centerview may provide investment banking and other services to or with respect to Pandora or Sirius XM or their respective affiliates in the future, for which Centerview may receive compensation. Certain of (i) Centerview's and Centerview's affiliates' directors, officers, members and employees, or family members of such persons, (ii) Centerview's affiliates or related investment funds and (iii) investment funds or other persons in which any of the foregoing may have financial interests or with which they may co-invest, may at any time acquire, hold, sell or trade, in debt, equity and other securities or financial instruments (including derivatives, bank loans or other obligations) of, or investments in, Pandora, Sirius XM, or any of their respective affiliates, or any other party that may be involved in the transactions.

As disclosed to the Pandora board of directors prior to entry into its engagement letter with respect to the transactions, Centerview also acted as financial advisor to the special committee of the board of directors of HSN, Inc. in connection with HSN, Inc.'s sale to Liberty Interactive Corporation (now known as Qurate Retail, Inc.), an entity in which the Chairman of the Board of Liberty Media also holds a large voting interest. In connection with such transaction, Centerview orally advised Liberty Interactive Corporation that, to the extent Centerview was to be engaged in the future to provide investment banking advisory services to Liberty Interactive Corporation or certain entities controlled by it, Centerview would provide, depending on the circumstances, a credit of up to \$5,000,000 toward such engagement. The foregoing discussion did not include any commitment or agreement by Liberty Interactive Corporation or any other entity to hire Centerview for future work or any commitment or agreement by Centerview to provide any future investment banking advisory services to Liberty Interactive Corporation or any other entity.

The Pandora board of directors selected Centerview as its financial advisor in connection with the transactions based on Centerview's reputation and experience. Centerview is an internationally recognized investment banking firm that has substantial experience in transactions similar to the transactions.

In connection with Centerview's services as the financial advisor to the Pandora board of directors, Pandora has agreed to pay Centerview an aggregate fee that is estimated, based on the information available as of the date of announcement, to be \$21 million, \$3 million of which is payable upon the earlier of (i) the consummation of the transactions and (ii) the 13-month anniversary of the execution of the merger agreement, and the remainder of which is payable contingent upon consummation of the transactions. In addition, Pandora has agreed to reimburse certain of Centerview's expenses arising, and to indemnify Centerview against certain liabilities that may arise, out of Centerview's engagement.

***Opinion of LionTree Advisors LLC***

On September 23, 2018, at a meeting of the Pandora board of directors, LionTree rendered an oral opinion to the Pandora board of directors (which was subsequently confirmed in writing by delivery of LionTree's written opinion dated September 23, 2018) as to the fairness, from a financial point of view, as of such date, of the exchange ratio to the holders of Pandora common stock (other than the excluded parties), based upon and subject to the procedures followed, assumptions made, qualifications and limitations on the review undertaken, and other matters considered by LionTree in preparing its opinion.

**LionTree's opinion was provided to the Pandora board of directors and only addressed the fairness, from a financial point of view, of the exchange ratio to the holders of Pandora common stock (other than the excluded parties) (without giving effect to any impact of the transactions on any particular stockholder of Pandora other than in its capacity as a holder of Pandora common**

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stock). The summary of LionTree’s opinion in this proxy statement/prospectus is qualified in its entirety by reference to the full text of its written opinion, which is included as Annex C to this proxy statement/prospectus and incorporated herein by reference, and sets forth the procedures followed, assumptions made, qualifications and limitations on the review undertaken, and other matters considered by LionTree in preparing its opinion. However, neither LionTree’s opinion nor the summary of its opinion and the related analyses set forth in this proxy statement/prospectus constitute a recommendation to any holder of Pandora common stock as to how such stockholder should vote or act on any matter relating to the transactions or any other matter.

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

- reviewed a draft, dated September 23, 2018, of the merger agreement;
- reviewed certain publicly available business and financial information relating to Pandora and Sirius XM;
- reviewed certain historical financial information and other data relating to Pandora that were provided to LionTree by the management of Pandora, approved for LionTree’s use by Pandora, and not publicly available;
- reviewed certain internal financial forecasts, estimates, and other data relating to the business and financial prospects of Pandora that were provided to LionTree by the management of Pandora, approved for LionTree’s use by Pandora, and not publicly available, including financial forecasts and estimates for the fiscal years ending December 31, 2018 through December 31, 2025, prepared by the management of Pandora;
- conducted discussions with members of the senior management of Pandora concerning the business, operations, historical financial results, and financial prospects of Pandora and the transactions;
- conducted limited discussions with members of the senior management of Sirius XM concerning near term financial prospects of Sirius XM;
- reviewed current and historical market prices of Pandora common stock and Sirius XM common stock;
- reviewed certain publicly available financial and stock market data with respect to certain other companies;
- reviewed and compared data regarding the premiums paid in certain other transactions;
- reviewed certain financial performance data of Pandora and compared that data with similar data for certain other companies; and
- conducted such other financial studies, analyses and investigations, and considered such other information, as LionTree deemed necessary or appropriate.

In connection with LionTree’s review, with Pandora’s consent, LionTree assumed and relied upon, without independent verification, the accuracy and completeness of the information provided to, discussed with, or reviewed by LionTree for the purpose of its opinion. In addition, with Pandora’s consent, LionTree did not make any independent evaluation or appraisal of any of the assets or liabilities (contingent or otherwise) of Pandora or Sirius XM, or any of their respective subsidiaries, nor was LionTree furnished with any such evaluation or appraisal. Pandora’s management provided to LionTree Pandora Scenario 1a Forecasts and Pandora Scenario 2 Forecasts (which forecasts are summarized in the section entitled “The Transactions – Certain Financial Forecasts” and which we refer to collectively as the forecasts). LionTree assumed, with Pandora’s consent (and based on advice of the management of Pandora), that the forecasts have been reasonably prepared in good faith on a basis reflecting the best currently available estimates and judgments of the management of Pandora as to the future financial performance of Pandora and its subsidiaries and will be achieved at the times and in the amounts projected. LionTree expressed no opinion with respect to such forecasts. LionTree assumed, with Pandora’s consent, that the transactions will have the tax consequences contemplated by the merger agreement. LionTree’s opinion did not address any legal, regulatory, taxation, or accounting matters, and LionTree assumed the accuracy and veracity of all assessments made by Pandora’s professional advisors with respect to

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such matters. LionTree's opinion is necessarily based on economic, monetary, market, and other conditions as in effect on, and the information available to LionTree as of, the date of its opinion and LionTree's opinion speaks only as of the date thereof.

In rendering its opinion, LionTree assumed, with Pandora's consent, that except as would not be in any way meaningful to LionTree's analysis: (a) the final executed form of the merger agreement would not differ from the draft that LionTree reviewed, (b) the representations and warranties of the parties to the merger agreement were true and correct, (c) the parties to the merger agreement will comply with and perform all covenants and agreements required to be complied with or performed by such parties under the merger agreement, and (d) the transactions will be consummated in accordance with the terms of the merger agreement without any waiver or amendment of any term or condition thereof. LionTree also assumed, with Pandora's consent, that all governmental, regulatory or other third-party consents and approvals necessary for the consummation of the transactions or otherwise contemplated by the merger agreement will be obtained without any adverse effect on Pandora, Sirius XM, or on the expected benefits of the transactions in any way meaningful to LionTree's analysis.

LionTree's opinion was provided for the information and assistance of the Pandora board of directors (in its capacity as such) in connection with its evaluation of the transactions, and does not constitute a recommendation to any holder of Pandora common stock as to how such stockholder should vote or act with respect to the transactions or any other matter.

LionTree's opinion did not address Pandora's underlying business decision to engage in the transactions or any related transaction, the relative merits of the transactions or any related transaction as compared to other business strategies or transactions that might be available to Pandora, or whether the consideration to be received by the holders of Pandora common stock pursuant to the merger agreement represents the best price obtainable. In connection with its engagement, LionTree did not negotiate the exchange ratio or any other matter with Sirius XM or its representatives on behalf of Pandora, and LionTree was not asked to, and did not, solicit interest from other parties prior to the date of its opinion with respect to an acquisition of, or other business combination with, Pandora or any other alternative transaction. LionTree expressed no view as to, and its opinion does not address, the solvency of Pandora or any other entity under any state, federal, or other laws relating to bankruptcy, insolvency, or similar matters. LionTree's opinion addressed only the fairness, from a financial point of view, of the exchange ratio as of the date of the merger agreement, to the holders of Pandora common stock (other than the excluded parties). LionTree was not asked to, nor did LionTree, offer any opinion as to the terms (other than the exchange ratio to the extent expressly specified therein) of the merger agreement or the form of the transactions or any related transaction (including any agreement or transaction between any excluded party and Pandora or between any excluded party and Sirius XM), including the fairness of the transactions to, or any consideration received in connection therewith by, the holders of any other class of securities, creditors, or other constituencies of Pandora, Sirius XM, or any of their respective affiliates. LionTree was not asked to, nor did LionTree, offer any opinion with respect to the fair market value of Pandora, Sirius XM, the Pandora common stock, or the Sirius XM common stock. In addition, LionTree expressed no opinion as to the fairness of the amount or nature of any compensation to be received by any officers, directors, or employees of any parties to the transactions, any excluded parties, or any class of such persons, whether relative to the exchange ratio or otherwise. LionTree expressed no opinion as to what the value of the Sirius XM common stock will be when issued pursuant to the transactions or the prices at which the shares of Sirius XM common stock or Pandora common stock will trade at any time.

In rendering its opinion to the Pandora board of directors, LionTree performed a variety of analyses, including those described below. The summary of LionTree's analyses is not a complete description of the analyses underlying LionTree's opinion. The preparation of a fairness opinion involves various quantitative and qualitative judgments and



determinations with respect to the financial, comparative and other analytical methods employed and the adaptation and application of these methods to the unique facts and circumstances presented. Consequently, neither a fairness opinion nor its underlying analyses is readily susceptible to summary description. LionTree arrived at its opinion based on the results of all analyses undertaken by it, assessed as a whole, and did not

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draw, in isolation, conclusions from or with regard to any individual analysis, methodology or factor. Accordingly, LionTree believes that its analyses and the following summary must be considered as a whole and that selecting portions of its analyses, methodologies and factors or focusing on information presented in tabular format, without considering all analyses, methodologies and factors or the narrative description of the analyses, could create a misleading or incomplete view of the process underlying LionTree's analyses and opinion. Each analytical technique has inherent strengths and weaknesses, and the nature of the available information may further affect the value of particular techniques.

In performing its analyses, LionTree considered general business, economic, industry, regulatory and market conditions, financial and otherwise, and other matters as they existed on, and could be evaluated as of, the date of its opinion. LionTree's analyses involved judgments and assumptions with regard to general business, economic, industry, regulatory and market conditions, financial and otherwise, and other matters, many of which are beyond the control of the parties to the merger agreement, such as the impact of competition on the business of the parties and on the industry generally, industry growth and the absence of any material change in the financial condition and prospects of the parties or the proposed transactions, and an evaluation of the results of those analyses is not entirely mathematical. LionTree believes that mathematical derivations (such as determining mean and median) of financial data are not by themselves meaningful and should be considered together with qualities, judgments, and informed assumptions. The estimates contained in the forecasts and the implied reference range values indicated by LionTree's analyses are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than those suggested by the analyses. Additionally, any analyses relating to the value of assets, businesses or securities do not purport to be appraisals or to reflect the prices at which businesses or securities actually may be sold, which may depend on a variety of factors, many of which are beyond the control of the parties. Much of the information used in, and accordingly the results of, LionTree's analyses are inherently subject to substantial uncertainty.

LionTree's opinion was provided to the Pandora board of directors in connection with its evaluation of the transactions and was only one of many factors considered by the Pandora board of directors in evaluating the transactions. Neither LionTree's opinion nor its analyses were determinative of the consideration selected for the transactions or of the views of the Pandora board of directors or Pandora's management with respect to their decision to pursue the transactions or the consideration to be paid thereunder. The type and amount of consideration payable in the transactions were determined through negotiation between Pandora and Sirius XM and the decision to enter into the merger agreement was solely that of the Pandora board of directors. LionTree did not recommend any specific type or amount of consideration to Pandora or the Pandora board of directors, nor did it recommend that any specific type or amount of consideration constituted the only appropriate consideration for the transactions.

The following is a summary of the material analyses performed by LionTree in connection with LionTree's presentation to the Pandora board of directors and opinion rendered on September 23, 2018. The order of the analyses does not represent relative importance or weight given to those analyses by LionTree. The analyses summarized below include information presented in tabular format. The tables alone do not constitute a complete description of the analyses. Considering the data in the tables below without considering the full narrative description of the analyses, as well as the methodologies underlying, and the assumptions, qualifications and limitations affecting, each analysis, could create a misleading or incomplete view of LionTree's analyses.

For purposes of its analyses, LionTree reviewed a number of financial and operating metrics, including:

equity value, calculated as the value of the relevant company's outstanding equity securities (taking into account its shares outstanding, outstanding restricted stock awards, and outstanding vested and unvested options, warrants, and

other in-the-money convertible securities, based on the treasury stock method), based on the relevant company's closing stock price;

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enterprise value (which we refer to as EV), calculated as the relevant company's equity value plus net debt (calculated as outstanding indebtedness, out-of-the-money convertible securities, preferred stock, and capital lease obligations minus the amount of cash and cash equivalents on its balance sheet) plus the value of interests of others in majority (but not wholly-owned) subsidiaries, or minority interests, minus the value of interests in entities for which the relevant company owns less than 50% of the equity, or associates, as of a specified date; and EBITDA, calculated as the relevant company's earnings before interest, taxes, depreciation and amortization, adjusted to exclude stock-based compensation expense (unless otherwise indicated).

Unless the context indicates otherwise, EVs and equity values derived from the selected companies analyses described below were calculated using the closing price of Pandora common stock, Sirius XM common stock, and the common equity of the selected publicly traded companies listed below as of market close on September 21, 2018. Accordingly, this information may not reflect current or future market conditions.

In addition, unless the context indicates otherwise, per share amounts for Pandora common stock and Sirius XM common stock were calculated on a fully diluted basis using the treasury stock method, taking into account outstanding restricted stock awards and outstanding vested and unvested options and other in-the-money convertible securities.

*Financial Analyses*

**Implied Value of the Merger Consideration.** LionTree calculated an implied value of \$10.05 for each share of Pandora common stock reflected by the exchange ratio, by multiplying the closing price per share of Sirius XM common stock of \$6.98 on September 21, 2018, the last completed trading day before LionTree delivered its opinion to the Pandora board of directors, by 1.44. The closing price per share of Pandora common stock was \$9.09 on September 21, 2018.

**Historical Exchange Ratio Analysis.** LionTree reviewed the historical trading prices for Pandora common stock and Sirius XM common stock for the two year period ended September 21, 2018, and analyzed the exchange ratio compared to the relative values of Pandora common stock and Sirius XM common stock. This analysis resulted in the following:

<b>Historical Date or Period</b>	<b>Average Exchange Ratio during Period</b>
September 21, 2018	1.302x
1-Month	1.275x
3-Months	1.187x
6-Months	1.067x
1-Year	1.023x
2-Years	1.647x

**DCF Analysis for Pandora on a Stand-Alone Basis.** LionTree performed a discounted cash flow (which we refer to as DCF) analysis of Pandora by calculating the estimated net *present* value of the unlevered, after-tax free cash flows that Pandora was forecasted to generate through the fiscal year ending December 31, 2025 (which we refer to as FY 2025) for each of the Pandora Scenario 1a Forecasts and the Pandora Scenario 2 Forecasts.

*Scenario 1a Forecasts*

For the DCF analysis with respect to the Pandora Scenario 1a Forecasts, LionTree calculated terminal values for Pandora by applying a range of terminal value multiples of 9.5x to 11.5x to Pandora's estimated EBITDA for FY 2025 based on the Pandora Scenario 1a Forecasts (which analysis implied exit terminal year EBITDA (including stock based compensation expense) multiples of 11.7x to 14.2x). These terminal value multiple estimates were derived by LionTree utilizing its professional judgment and experience, taking into account, among other things, estimated operational metrics for Pandora based on the Pandora Scenario 1a Forecasts and the operational

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metrics and EBITDA multiples for selected publicly traded companies. The present values of the cash flows and terminal values were then calculated using discount rates ranging from 9.00% to 10.50%, reflecting estimates of Pandora's weighted average cost of capital (which we refer to as WACC). In each case, LionTree included the estimated net present value (which we refer to as NPV) of Pandora's net operating losses (which we refer to as NOLs) of \$179.4 million as calculated and provided by Pandora's management using a cost of equity of 10.5%. LionTree then subtracted from the range of implied enterprise values Pandora's net debt to derive a range of implied equity values for Pandora. LionTree divided the range of implied equity values it derived by the number of fully diluted outstanding shares of Pandora common stock as of September 21, 2018. Using the Pandora Scenario 1a Forecasts, the DCF analysis indicated a standalone implied per share equity value reference range of \$5.53 to \$7.81 for the Pandora common stock.

*Scenario 2 Forecasts*

For the DCF analysis with respect to the Pandora Scenario 2 Forecasts, LionTree calculated terminal values for Pandora by applying a range of terminal value multiples of 10.0x to 12.0x to Pandora's estimated EBITDA for FY 2025 based on the Pandora Scenario 2 Forecasts (which analysis implied exit terminal year EBITDA (including stock based compensation expense) multiples of 11.7x to 14.1x). These terminal value multiple estimates were derived by LionTree utilizing its professional judgment and experience, taking into account, among other things, estimated operational metrics for Pandora based on the Pandora Scenario 2 Forecasts and the operational metrics and EBITDA multiples for selected publicly traded companies. The present values of the cash flows and terminal values were then calculated using discount rates ranging from 9.00% to 10.50%, reflecting estimates of Pandora's WACC. In each case, LionTree included the estimated NPV of Pandora's NOLs of \$194.0 million as calculated and provided by Pandora's management using a cost of equity of 10.5%. LionTree then subtracted from the range of implied enterprise values Pandora's net debt to derive a range of implied equity values for Pandora. LionTree divided the range of implied equity values it derived by the number of fully diluted outstanding shares of Pandora common stock as of September 21, 2018. Using the Pandora Scenario 2 Forecasts, the DCF analysis indicated a standalone implied per share equity value reference range of \$9.41 to \$12.22 for the Pandora common stock.

Selected Publicly Traded Companies Analysis for Pandora. Using publicly available information, LionTree compared selected financial data of Pandora to corresponding financial data for the following publicly traded companies in the subcategories described below:

Satellite Radio

Sirius XM Holdings Inc.

Digital Music

Spotify Technology S.A.

Terrestrial Radio

Entercom Communications Corp.

Townsquare Media, Inc.

Internet

Alphabet Inc.

eBay Inc.

Expedia Group, Inc.

Facebook, Inc.  
Groupon Inc.  
Netflix, Inc.  
Roku, Inc.  
TripAdvisor, Inc.  
Twitter, Inc.  
Yelp Inc.

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Although none of the selected companies is directly comparable to Pandora, the companies included were chosen because they are publicly traded companies with operations that for purposes of this analysis may, in certain respects, be considered similar to certain operations of Pandora. The analyses necessarily involve complex considerations and judgments concerning differences in financial and operational characteristics of the companies involved and other factors that could affect the companies differently than they would affect Pandora.

Using publicly available information, for each of the selected companies, LionTree calculated valuation multiples, including (a) EV as a multiple of sales for the last reported twelve-month (which we refer to as LTM) period and estimated 2018 and 2019 sales (with respect to estimates, based on consensus equity research analyst estimates), (b) EV as a multiple of EBITDA for the LTM period, and for estimated 2018 and 2019 EBITDA (with respect to estimates, based on consensus equity research analyst estimates), (c) EV as a multiple of EBITDA for the LTM period (adjusted to include stock based compensation expense), and (d) share price as a multiple of estimated 2018 earnings per share (which we refer to as EPS) and estimated 2019 EPS (based on consensus equity research analyst estimates).

The multiples of the selected companies were compared to the corresponding multiples of Pandora derived from (a) the Pandora Scenario 1a Forecasts and Pandora Scenario 2 Forecasts, and (b) the Pandora Scenario 1a Forecasts and Pandora Scenario 2 Forecasts, in each case adjusted to include the NPV of Pandora's NOLs of \$179.4 million and \$194.0 million, respectively, as calculated and provided by Pandora's management using a cost of equity of 10.5%. LionTree noted that Pandora's EBITDA and EPS multiples were negative or uncharacteristically high because the forecasts included no profitability in the fiscal year ending December 31, 2018 and limited profitability in the fiscal year ending December 31, 2019, whereas the majority of the selected companies had meaningful EBITDA and EPS multiples because of significant estimated profitability in such periods (based on consensus equity research analyst estimates).

The multiples for each selected company in the Satellite Radio, Digital Music, Terrestrial Radio and Internet subcategories, the low, high and median multiples for the selected companies in the



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Internet subcategory, and the multiples for Pandora (at its closing price as of September 21, 2018) are set forth below:

<b>Selected Companies</b>	<b>EV / LTM Sales</b>	<b>EV / 2018E Sales</b>	<b>EV / 2019E Sales</b>	<b>EV / LTM EBITDA</b>	<b>EV / 2018E EBITDA</b>	<b>EV / 2019E EBITDA</b>	<b>EV / (EBITDA SBC)</b>	<b>Price / 2018E EPS</b>	<b>Price / 2019E EPS</b>
<b>Satellite Radio</b>									
Sirius XM Holdings Inc.	6.70x	6.50x	6.14x	17.3x	17.1x	15.9x	18.4x	28.3x	25.3x
Sirius XM Holdings Inc. (Adj. for NPV of NOLs) <sup>(1)</sup>	6.65x	6.45x	6.10x	17.1x	17.0x	15.7x	18.3x	28.3x	25.3x
<b>Digital Music</b>									
Spotify <sup>(2)</sup>	5.66x	4.98x	3.87x	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
<b>Terrestrial Radio</b>									
Entercom	1.86x	1.88x	1.87x	6.9x	7.6x	7.5x	7.2x	6.5x	6.0x
Townsquare Media	1.75x	1.72x	1.70x	7.9x	7.7x	7.6x	8.0x	9.2x	9.0x
<b>Internet</b>									
Alphabet Inc.	5.89x	5.32x	4.46x	15.6x	14.5x	12.0x	19.1x	26.3x	24.7x
eBay Inc.	3.48x	3.24x	3.01x	9.9x	9.7x	9.1x	11.6x	19.5x	16.7x
Expedia Group, Inc.	1.95x	1.85x	1.66x	12.3x	11.0x	9.6x	13.5x	30.9x	24.9x
Facebook, Inc.	9.12x	7.94x	6.36x	14.1x	13.2x	11.2x	16.1x	20.6x	18.0x
Groupon Inc.	0.68x	0.71x	0.70x	7.2x	6.6x	6.0x	10.2x	19.1x	15.5x
Netflix, Inc. <sup>(2)</sup>	12.08x	10.58x	8.50x	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Roku, Inc. <sup>(2)</sup>	14.77x	12.41x	9.20x	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
TripAdvisor, Inc.	4.18x	4.02x	3.70x	19.0x	17.6x	16.0x	27.8x	35.2x	31.3x
Twitter, Inc.	7.50x	6.95x	6.13x	19.8x	18.9x	16.1x	30.3x	47.7x	35.9x
Yelp Inc.	4.33x	4.03x	3.44x	23.8x	20.4x	15.8x	69.4x	53.7x	47.5x
Low (Internet only)	0.68x	0.71x	0.70x	7.2x	6.6x	6.0x	10.2x	19.1x	15.5x
High (Internet only)	14.77x	12.41x	9.20x	23.8x	20.4x	16.1x	69.4x	53.7x	47.5x
Median (Internet only)	5.11x	4.68x	4.08x	14.9x	13.8x	11.6x	17.6x	28.6x	24.8x
<b>Pandora<sup>(2)(3)</sup></b>									
Pandora Scenario 1a Forecasts	2.15x	2.04x	1.82x	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Pandora Scenario 2 Forecasts	2.15x	2.04x	1.74x	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Pandora Scenario 1a Forecasts (Adj. for NPV of NOLs) <sup>(1)</sup>	2.03x	1.92x	1.72x	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Pandora Scenario 2 Forecasts (Adj. for NPV of NOLs) <sup>(1)</sup>	2.02x	1.91x	1.63x	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.

<sup>(1)</sup> Included for reference purposes only.

<sup>(2)</sup>

Excludes negative or uncharacteristically high EBITDA and EPS multiples resulting from negative or limited profitability.

- (3) Based on the closing price per share of Pandora common stock on September 21, 2018. EV (adjusted for the NPV of NOLs) as a multiple of sales based on the implied value for each share of Pandora common stock reflecting the exchange ratio are set forth below:

	<b>EV / LTM Sales</b>	<b>EV / 2018E Sales</b>	<b>EV / 2019E Sales</b>
Pandora Scenario 1a Forecasts (Adj. for NPV of NOLs)	2.23x	2.11x	1.89x
Pandora Scenario 2 Forecasts (Adj. for NPV of NOLs)	2.23x	2.10x	1.80x

Analyst Price Target Analysis for Sirius XM. LionTree reviewed share price targets for shares of Sirius XM common stock prepared and published by 12 equity research analysts and known to LionTree as of September 21, 2018. The share price targets for Sirius XM common stock ranged from \$5.00 to \$8.50 per share and the average share price target for Sirius XM common stock was \$6.95 per share compared to the closing price per share of Sirius XM common stock of \$6.98 on September 21, 2018. The share price targets published by equity research analysts do not necessarily reflect current market trading prices for Sirius XM common stock and these estimates are subject to uncertainties, including future financial performance of Sirius XM and future market conditions.

Stock Liquidity Analysis for Sirius XM. LionTree used publicly available information to review Sirius XM's average daily common stock trading activity for the 5 day, 30 day and 90 day periods ending September 21, 2018. During those periods, Sirius XM's daily average common stock trading

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activity ranged from approximately 13.8 million shares to approximately 20.9 million shares per day. Based on an estimated 457.8 million shares of Sirius XM common stock to be issued in connection with the transactions, the analysis indicated that it would take between approximately 22 and 33 trading days to sell all of the shares of Sirius XM common stock issued to the holders of Pandora common stock on a combined basis.

Earnings Performance History Analysis for Sirius XM. LionTree used publicly available information to compare Sirius XM's quarterly sales for the period beginning on July 1, 2015 and ending on June 30, 2018 to the average estimated quarterly sales of Sirius XM prepared and reported by equity research analysts over the same period. The analysis indicated that Sirius XM's actual sales results over the period outperformed estimates of equity research analysts by 0.8%. In addition, LionTree used publicly available information to compare Sirius XM's quarterly EBITDA for the period beginning on July 1, 2015 and ending on June 30, 2018 to the average estimated quarterly EBITDA of Sirius XM prepared and reported by equity research analysts over the same period. The analysis indicated that Sirius XM's actual EBITDA results over the period outperformed estimates of equity research analysts by 2.6%.

*Other Matters*

The Pandora board of directors selected LionTree as its financial advisor because LionTree is an internationally recognized investment banking firm that has substantial experience in transactions similar to these transactions, and because of its significant prior experience with the industries in which Pandora and Sirius XM operate. Pursuant to its engagement letter, Pandora will pay LionTree \$4.0 million for its services which, subject to the following sentence, is contingent upon the consummation of the transactions. Pandora paid LionTree \$2.0 million in connection with LionTree's delivery of its fairness opinion, which will be credited against the fee described in the preceding sentence upon the closing of the transactions. In addition, Pandora may pay LionTree an additional fee in its sole discretion in connection with the consummation of the transactions. Pandora has also agreed to reimburse LionTree for certain expenses and to indemnify LionTree, its affiliates, and certain related parties against certain liabilities and expenses.

LionTree and its affiliates have provided investment banking services and capital markets services to affiliates of Sirius XM and their related entities or entities in which such affiliates or related entities have a significant direct or indirect interest, unrelated to the proposed transactions, for which LionTree and its affiliates received, and may receive, compensation, including having acted as (a) financial advisor to Charter Communications, Inc., Liberty Global plc, Lions Gate Entertainment Corp., Live Nation Entertainment, Inc. and Starz in connection with a number of transactions and (b) co-manager in connection with certain debt offerings of such entities (including Charter Communications, Inc. and Live Nation Entertainment, Inc.). In the past two years, LionTree has received approximately \$30.4 million in compensation in the aggregate for services provided to affiliates of Sirius XM and their related entities or entities in which such affiliates or related entities have a significant direct or indirect interest. LionTree and its affiliates may in the future provide such services to Pandora, Sirius XM, their respective affiliates and their related entities or entities in which they have a significant direct or indirect interest, and expect to receive fees for the rendering of these services. In addition, from time to time, John C. Malone, who has significant ownership in Liberty Media, which in turn owns approximately [ ]% of the outstanding Sirius XM common stock as of [ ], 2018, the last practicable date before the filing of this proxy statement/prospectus, and Greg Maffei, who is Chairman of Pandora and Chairman of Sirius XM, have invested in, or alongside with, investment vehicles established by one or more of LionTree's affiliates. One or more of LionTree's affiliates may establish investment vehicles in the future in which affiliates of Sirius XM may invest. In connection with the bankruptcy proceedings of iHeart Media, Inc., in which Liberty Media owns certain debt securities, LionTree and its affiliates have been engaged to act as a special financial advisor to iHeart Media, Inc. for which LionTree and its affiliates may receive compensation. In the ordinary course of business, certain of LionTree's employees and affiliates may hold or trade, for their own accounts and the accounts of their investors, securities of Pandora and Sirius XM and, accordingly, may at any time hold a long or short

position in such securities. In the past two years, LionTree has not received any compensation for services provided to Pandora,

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excluding compensation paid or to be paid to LionTree pursuant to its engagement in connection with the transactions as described in the preceding paragraph.

**The Sirius XM Board of Directors Reasons for the Transactions**

The Sirius XM board of directors determined that the merger agreement and the transactions contemplated thereby, are advisable and in the best interests of Sirius XM and its stockholders. In reaching this conclusion, the Sirius XM board of directors consulted with Sirius XM's management and its legal and financial advisors, and considered a variety of factors, including the material factors described below.

In reaching its conclusion that the merger agreement and the transactions contemplated thereby, including the transactions, are advisable and in the best interest of Sirius XM and its stockholders, the Sirius XM board of directors considered a number of factors that it believes support its determination, including (not necessarily in order of importance):

- the expectation that the transactions will enhance the long-term equity value for Sirius XM stockholders;
- the in-depth knowledge of Pandora's business, operations, financial condition and prospects developed by Sirius XM as an investor in Pandora and through its three seats on the Pandora board of directors;