

SIRIUS XM RADIO INC.
Form PRE 14A
March 29, 2010

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

Sirius XM Radio Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

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(1) Amount Previously Paid:

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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON THURSDAY, MAY 27, 2010**

To our Stockholders:

You are cordially invited to attend our Annual Meeting of Stockholders, which will be held on Thursday, May 27, 2010, at 9:00 a.m., New York City time, in The Auditorium at The Equitable Center, 787 Seventh Avenue, New York, New York 10019. The annual meeting is being held to:

1. Elect the eight directors listed herein.
2. Approve a short-term stockholder rights plan (the Rights Plan) designed to preserve certain potential tax benefits to the company.
3. Extend for one more year our board of directors authority (through the approval of an amendment to our certificate of incorporation) to (i) effect a reverse stock split of our common stock by a ratio of not less than one-for-two and not more than one-for-twenty-five, with the exact ratio to be set at a whole number within this range to be determined by our board of directors in its discretion, and (ii) reduce the number of authorized shares of our common stock as set forth in the proxy statement. Approval of this proposal would extend previous authority for a reverse stock split and reduction in shares that was approved at our 2009 annual meeting.
4. Ratify the appointment of KPMG LLP as our independent registered public accountants for 2010.
5. Transact any other business that may properly come before the meeting and any adjournments thereof.

Only stockholders of record at the close of business on _____, 2010 are entitled to vote at the annual meeting. A list of stockholders entitled to vote will be available for examination for the ten days prior to the annual meeting, between the hours of 9:00 a.m. and 4:00 p.m., New York City time, at our offices at 1221 Avenue of the Americas, 36th Floor, New York, New York 10020.

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

Voting over the Internet or by telephone is fast, convenient, and your vote is immediately confirmed and tabulated. By using the Internet or telephone, you help us reduce postage and proxy tabulation costs. If you received a paper copy of the proxy materials, please do not return the enclosed paper ballot if you are voting over the Internet or by telephone.

If You Plan to Attend

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

By Order of the Board of Directors,

PATRICK L. DONNELLY

Executive Vice President, General Counsel and Secretary

New York, New York

April , 2010

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PROXY STATEMENT

This proxy statement contains information related to the annual meeting of stockholders of Sirius XM Radio Inc. to be held on Thursday, May 27, 2010, beginning at 9:00 a.m., New York City time, in The Auditorium at The Equitable Center, 787 Seventh Avenue, New York, New York 10019, and at any postponements or adjournments thereof. This proxy statement is being distributed or made available, as the case may be, to stockholders on or about April 27, 2010.

A copy of our Annual Report on Form 10-K for the year ended December 31, 2009, as filed with the Securities and Exchange Commission, except for exhibits, will be furnished without charge to any stockholder upon written request to Sirius XM Radio Inc., Attention: Corporate Secretary, 1221 Avenue of the Americas, 36th Floor, New York, New York 10020.

ABOUT THE MEETING

What is the purpose of the annual meeting?

At our annual meeting, stockholders will act upon the matters outlined in the Notice of Annual Meeting, including:

the election of eight directors to our board (Joan L. Amble, Leon D. Black, Lawrence F. Gilberti, Eddy W. Hartenstein, James P. Holden, Mel Karmazin, James F. Mooney and Jack Shaw – these eight directors are referred to as the Common Stock Directors), which will be voted upon by the holders of our common stock and our Series A Convertible Preferred Stock, voting together as a single class;

the approval of a short-term stockholder rights plan (the Rights Plan) designed to preserve certain potential tax benefits for the company, which will be voted on by holders of our common stock, our Series A Convertible Preferred Stock and our Series B-1 Preferred Stock, voting together as a single class;

the extension for one more year our board of directors' authority (through the approval of an amendment to our certificate of incorporation) to effect a reverse stock split of our common stock and reduce the number of authorized shares of our common stock at any time prior to June 30, 2011 as set forth in Item 3 below, which will be voted upon by holders of our common stock, our Series A Convertible Preferred Stock and our Series B-1 Preferred Stock, voting together as a single class, and by holders of our common stock, voting as a separate class;

the ratification of the appointment of KPMG LLP as our independent registered public accountants, which will be voted upon by the holders of our common stock, our Series A Convertible Preferred Stock and our Series B-1 Preferred Stock, voting together as a single class; and

such other business that may properly be conducted at the annual meeting or any adjournment or postponement thereof.

An affiliate of Liberty Media Corporation owns all of the outstanding shares of our Series B-1 Preferred Stock. That holder of the Series B-1 Preferred Stock does not have the right to vote with the holders of our common stock and the holders of our Series A Convertible Preferred Stock to elect the Common Stock Directors at the annual meeting.

Instead, the Series B-1 Preferred Stock is entitled to designate and elect members of our board of directors proportional to its interest in the company (the Preferred Stock

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Directors). John C. Malone, Gregory B. Maffei and David J.A. Flowers were elected to our board of directors in 2009 as Preferred Stock Directors.

At the annual meeting, management will also report on our performance and respond to questions from stockholders.

What are the voting rights of the holders of our common stock and our preferred stock?

Each holder of our common stock is entitled to one vote per common share on all matters to be acted upon at the annual meeting and the holder of our Series A Convertible Preferred Stock is entitled to 1/5 of a vote per share of our Series A Convertible Preferred Stock on all matters to be acted upon at the annual meeting. Holders of our common stock are also entitled to vote separately as a class to approve the amendment to our certificate of incorporation.

The holder of our Series B-1 Preferred Stock does not have the right to vote with the holders of our common stock and our Series A Convertible Preferred Stock to elect the Common Stock Directors at the annual meeting. On all other matters submitted to a vote of the holders of our common stock, the holder of our Series B-1 Preferred Stock is entitled to slightly less than 207 votes per share of Series B-1 Preferred Stock, voting together with the holders of our common stock and our Series A Convertible Preferred Stock as a single class. On the record date, shares of our common stock were outstanding. In addition, 24,808,959 shares of our Series A Convertible Preferred Stock, representing aggregate voting power of 4,961,792 shares of common stock, and 12,500,000 shares of our Series B-1 Preferred Stock, representing aggregate voting power of 2,586,976,762 shares of common stock, were outstanding.

As of the Record Date, holders of our common stock and our Series A Convertible Preferred Stock held approximately 60% of the general voting power, and holders of our Series B-1 Preferred Stock held approximately 40% of the general voting power. General voting power refers to all securities entitled to vote at the annual meeting. With respect to an individual proposal, voting power refers to all securities entitled to vote on the proposal.

What vote is required to approve each item?

Assuming the presence of a quorum, the eight Common Stock Directors who receive the most votes from the holders of shares of our common stock and our Series A Convertible Preferred Stock for their election will be elected. That is the affirmative vote of a plurality in voting power of our common stock and our Series A Convertible Preferred Stock voting together as a single class, present, in person or by proxy and entitled to vote is required for the election of the Common Stock Directors. Abstentions and broker non-votes will have no effect on the outcome of the elections.

The affirmative vote of a majority in voting power of our common stock, our Series A Convertible Preferred Stock and our Series B-1 Convertible Preferred Stock, voting together as a single class, present, in person or by proxy, and entitled to vote is required for the approval of the Rights Plan and to act upon any other matter that may properly come before the meeting. Abstentions will have the same effect as negative votes and broker non-votes will have no effect on the outcome.

Approval of an amendment to our certificate of incorporation to effect a reverse stock split of our outstanding common stock at a ratio of not less than one-for-two and not more than one-for-fifty, with the exact ratio to be set at a whole number within this range to be determined by our board of directors, together with the reduction in the number of authorized shares of our common stock as set forth in Item 3 below, requires the affirmative vote of a majority of the voting power of our common stock, our Series A Convertible Preferred Stock and our Series B-1 Preferred Stock, voting together as a single class, and a majority of holders of our common stock, voting as a separate class. Abstentions will have the same effect as negative votes.

The affirmative vote of the holders of a majority of the voting power of our common stock, our Series A Convertible Preferred Stock and our Series B-1 Preferred Stock, voting together as a single class, present, in person or by proxy, and entitled to vote on the proposal is required to ratify the appointment of KPMG LLP as

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our independent registered public accountants and to act upon any other matter that may properly come before the meeting. Abstentions will have the same effect as negative votes.

When will voting results be available?

We will announce preliminary results at the annual meeting. We will report final results in a Current Report on Form 8-K shortly after the meeting.

Who can attend the annual meeting?

Subject to space availability, all stockholders as of _____, 2010 (the Record Date), or their duly appointed proxies, may attend the meeting. Since seating is limited, admission to the meeting will be on a first-come, first-served basis. Registration and seating will begin at 8:30 a.m., New York City time.

What constitutes a quorum?

The presence, in person or by proxy, of the holders of a majority of the voting power of the issued and outstanding shares of our common stock, our Series A Convertible Preferred Stock and our Series B-1 Preferred Stock entitled to vote at the annual meeting is necessary to constitute a quorum to transact business. In addition, the presence, in person or by proxy, of a majority of the voting power of the issued and outstanding shares of our common stock entitled to vote at the annual meeting is necessary to constitute a quorum to transact business with regards to the proposal amending our certificate of incorporation. If a quorum is not present or represented at the annual meeting, the stockholders entitled to vote thereat, present in person or by proxy, may adjourn the annual meeting from time to time without notice or other announcement until a quorum is present or represented. Abstentions and broker non-votes are counted as present for purposes of determining a quorum.

What is a broker non-vote?

Brokers who hold shares on behalf of their customers have the authority to vote on certain proposals when they have not received instructions from beneficial owners. A broker non-vote occurs when a broker holding shares for a beneficial owner does not vote on a particular proposal because the matter is not routine and therefore the broker does not have discretionary voting power with respect to that item and has not received voting instructions from the beneficial owner.

What if I don't return my proxy card and don't attend the annual meeting?

If you are a holder of record (that is, your shares are registered in your own name with our transfer agent) and you don't vote your shares, your shares will not be voted.

If you hold your shares in street name, and you do not give your bank, broker or other holder of record specific voting instructions for your shares, your record holder can vote your shares on the amendment of our certificate of incorporation and the ratification of the independent registered public accountants for 2010. However, your record holder cannot vote your shares without your specific instructions on the election of the directors and the proposal for the ratification of the Rights Plan. **It is therefore important that you provide instructions to your broker if your shares are held by a broker so that your vote with respect to directors and the Rights Plan is counted.**

For the aforementioned proposals for which a broker cannot vote without your instruction, if you do not provide voting instructions to your broker on such proposals, the votes will be considered broker non-votes and will not be counted in determining the outcome of the vote. Broker non-votes will be counted as present for purposes of

determining whether enough votes are present to hold the annual meeting.

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How do I vote?

Stockholders of record can vote as follows:

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

By Telephone: Stockholders may vote by telephone 1-866-540-5760 by following the instructions included with your proxy card. You will need the 12-digit Control Number included on the proxy card in order to vote by telephone.

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

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

If your shares are held in street name, please check your proxy card or contact your broker or nominee to determine whether you will be able to vote by telephone or electronically. The deadline for voting by telephone or electronically is 5:00 p.m., New York City time, on Wednesday, May 26, 2010. Street name stockholders who wish to vote in person at the meeting will need to obtain a proxy form from the institution that holds their shares.

This proxy statement and the 2009 Annual Report to Stockholders are available at <http://bnymellon.mobular.net/bnymellon/siri>.

What is householding?

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

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

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

Can I change my vote?

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

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

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

Voting in person at the annual meeting.

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

Who will count the votes?

A representative of BNY Mellon Shareowner Services will tabulate the votes and act as inspector of elections.

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What is a proxy?

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

Whom am I designating as my proxy?

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

How will my proxy vote my shares?

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

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

If any Common Stock Director nominee becomes unavailable for election, votes will be cast for such substitute nominee or nominees as may be designated by our board of directors, unless our board of directors reduces the number of directors on our board.

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

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

What is the purpose of the Rights Plan?

Our rights plan was adopted in April 2009. The purpose of the Rights Plan is to help preserve the long-term value of our NOLs. The Rights Plan is designed to deter the acquisition of our common stock in excess of amounts that could inhibit our ability to use the NOLs to reduce our future taxable income.

What are NOLs, and how important are the NOLs?

NOLs are net operating losses (NOLs) for U.S. federal income tax purposes. We had approximately \$8 billion of NOLs as of December 31, 2009. NOLs are a significant asset that could save up to almost \$2.8 billion in taxes over the next 17 years. Because the amount and timing of our future taxable income, if any, cannot be accurately predicted, we cannot estimate the exact amount of NOLs that we can ultimately use to reduce our federal taxable income. Although we are unable to quantify an exact value, we believe the NOLs are a very valuable asset. Our board of directors believes that the Rights Plan is an important tool in avoiding adverse impacts to our NOLs that could result

from an ownership change for tax purposes.

What acquisitions will the Rights Plan deter?

Subject to certain limited exceptions, the Rights Plan would restrict any person from buying our common stock if the acquisition would result in a stockholder (or several stockholders, in the aggregate, who hold their stock as a group as defined under the federal securities laws) owning 4.9% or more of our common stock.

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Will the board of directors be able to make exceptions for acquisitions that would otherwise be restricted?

Yes, our board of directors may, in its sole discretion, exempt any person or group from triggering the dilutive effect of the Rights Plan.

How long would the Rights Plan be in place?

The Rights Plan would expire on the earliest of (i) August 1, 2011, (ii) the rights being redeemed pursuant to the Rights Plan, (iii) the rights being exchanged pursuant to the Rights Plan, (iv) the repeal of applicable provision of the tax laws, or any successor statute, if our board of directors determines that the Rights Plan is no longer necessary for the preservation of tax benefits, (v) the beginning of a taxable year to which our board of directors determines that no tax benefits may be carried forward, and (vi) June 30, 2010, if the Rights Plan has not been approved by our stockholders.

Why are you seeking approval of the authority to effect a reverse stock split?

On September 15, 2009, we received notice from the NASDAQ Stock Market that our common stock had closed below \$1.00 per share for 30 consecutive business days and was therefore not in compliance with the NASDAQ Marketplace Rule that requires the \$1.00 per share minimum closing bid price. On March 16, 2010, we received a letter from the NASDAQ staff stating that we had not regained compliance with the \$1.00 minimum closing bid price requirement for continued listing under NASDAQ Listing Rule 5450(a)(1) during the allowed grace period. We have been granted a hearing before a NASDAQ Hearings Panel to appeal the staff's determination. This request automatically stayed any action to delist our common stock from The NASDAQ Global Select Market until the hearing procedures have concluded. The purpose of any reverse stock split would be to increase the per share trading value of our common stock above \$1.00 if necessary to comply with such rule. We meet all of the NASDAQ Global Select Market's continued listing criteria, other than the minimum bid price requirement. Our board of directors intends to effect the reverse stock split only if the implementation of the reverse stock split is determined by the board of directors to be in the best interests of the company and its stockholders.

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

To be eligible for inclusion in our proxy statement and form of proxy for next year's annual meeting, stockholder proposals must be submitted in writing by the close of business on December 24, 2010, which would be at least 120 days prior to the anticipated 2011 meeting, to our Corporate Secretary, Sirius XM Radio Inc., 1221 Avenue of the Americas, 36th Floor, New York, New York 10020.

If any proposal that is not submitted for inclusion in next year's proxy statement (as described in the preceding paragraph) is instead sought to be presented directly at next year's annual meeting, the proxies may vote in their discretion if (a) we receive notice of the proposal before the close of business on March 9, 2011 and advise stockholders in next year's proxy statement about the nature of the matter and how management intends to vote on such matter, or (b) we do not receive notice of the proposal prior to the close of business on March 9, 2011. Notices of intention to present proposals at next year's annual meeting should be addressed to our Corporate Secretary, Sirius XM Radio Inc., 1221 Avenue of the Americas, 36th Floor, New York, New York 10020.

Table of Contents**STOCK OWNERSHIP****Who are the principal owners of SIRIUS XM s stock?**

The following table sets forth information regarding beneficial ownership of our common stock as of February 28, 2010 by each person known by us to be the beneficial owner of more than 5% of our outstanding common stock. In general, beneficial ownership includes those shares a person has the power to vote or transfer, and options to acquire our common stock that are exercisable currently or become exercisable within 60 days. We believe that the beneficial owner of the common stock listed below, based on information furnished by this owner, has sole investment and voting power with respect to these shares.

Name and Address of Beneficial Owner of Common Stock	Shares Beneficially Owned as of February 28, 2010	
	Number	Percent
Liberty Media Corporation(1) 12300 Liberty Boulevard Englewood, CO 80112	2,586,976,762	40%

(1) Liberty Radio LLC, an affiliate of Liberty Media Corporation, owns 12,500,000 shares of our Series B-1 Preferred Stock. Each share of our Series B-1 Preferred Stock is convertible into 206.9581409 shares of our common stock. Our Series B-1 Preferred Stock is convertible into an aggregate of 2,586,976,762 shares of our common stock.

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

The following table shows the number of shares of common stock beneficially owned by each of our directors, our Chief Executive Officer, our Chief Financial Officer and the four other most highly compensated executive officers as of February 28, 2010. The table also shows common stock beneficially owned by all of our directors and executive officers as a group as of February 28, 2010.

Name of Beneficial Owner	Number of Shares Beneficially Owned(1)	Percent of Class	Shares Acquirable within 60 days
Joan L. Amble	304,559	*	
Leon D. Black(2)	333,584	*	
David J. Flowers(3)		*	
Lawrence F. Gilberti	1,293,106	*	
Eddy W. Hartenstein	350,559	*	
James P. Holden	466,831	*	
Chester A. Huber, Jr.(4)		*	

Gregory B. Maffei(3)		*
John Malone(3)		*
John W. Mendel(5)	400	*
James F. Mooney(6)	387,329	*
Jack Shaw	703,641	*
Mel Karmazin	8,786,641	*
Scott A. Greenstein	4,340,526	*
James E. Meyer	3,427,917	*
Dara F. Altman	1,003,998	*
Patrick L. Donnelly	3,377,971	*
David J. Frear(7)	4,166,702	*
All Executive Officers and Directors as a Group (18 persons)	28,943,765	0.7%

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

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- (1) These amounts include shares of common stock, restricted shares of common stock and restricted stock units that the individuals hold and shares of common stock they have a right to acquire within 60 days after February 28, 2010 through the exercise of stock options. Also included are the shares of common stock acquired under our 401(k) savings plan as of February 28, 2010: Mr. Karmazin 286,641 shares; Mr. Greenstein 73,815 shares; Mr. Meyer 77,615 shares; Ms. Altman 38,180; Mr. Donnelly 3,720 shares; and Mr. Frear 73,466 shares.
- (2) Mr. Black is the founding partner of Apollo Management, L.P., an affiliate of Apollo Investment Fund IV, L.P. and Apollo Overseas Partners IV, L.P. The number of shares shown in the table includes shares that Mr. Black owns directly. Mr. Black disclaims beneficial ownership of shares owned by Apollo Investment Fund IV, L.P. and Apollo Overseas Partners IV, L.P.
- (3) Messrs. Flowers, Maffei and Malone are employees of Liberty Media Corporation, which beneficially owns 12,500,000 shares of our Series B-1 Preferred Stock and they disclaim beneficial ownership of the shares owned by an affiliate of Liberty Media Corporation.
- (4) Mr. Huber was an employee of General Motors, which beneficially owns 24,808,959 shares of our Series A Convertible Preferred Stock. Mr. Huber disclaims beneficial ownership of the shares owned by General Motors.
- (5) Mr. Mendel is an employee of American Honda, which beneficially owns 93,835,676 shares of our common stock. Mr. Mendel disclaims beneficial ownership of the shares owned by American Honda.
- (6) Includes 9,100 shares held as custodian for a child.
- (7) Includes 1,900 shares held by Mr. Frear's spouse.

Section 16(a) Beneficial Ownership Reporting Compliance

Based solely upon a review of Form 4s furnished to us during our most recent fiscal year, we know of no director, executive officer or beneficial owner of more than ten percent of our common stock who failed to file on a timely basis reports of beneficial ownership of our common stock as required by Section 16(a) of the Securities Exchange Act of 1934, as amended.

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GOVERNANCE OF THE COMPANY

What are the responsibilities of the board of directors?

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

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

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

Copies of the charters for the Audit Committee and the Nominating and Corporate Governance Committee are available on our website at <http://investor.sirius.com>. The Compensation Committee has not adopted a charter.

The number of committee meetings held during 2009 are as follows: 11 audit committee meetings, 10 compensation committee meetings and 3 nominating and corporate governance committee meetings.

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

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

Assists in developing criteria for open positions as Common Stock Directors on the board of directors
Reviews background information on potential candidates for Common Stock Directors and makes recommendations to the board of directors
Makes recommendations to the board of directors with respect to committee assignments

* Chair

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How often are directors elected to the board of directors?

All Common Stock Directors stand for election annually. Our board reaffirms its accountability to common stockholders through this annual election process. The Preferred Stock Directors will serve until their respective successors have been duly elected and qualified pursuant to the Certificate of Designations for the Series B-1 Preferred Stock.

How are nominees for the board of directors selected?

Our Nominating and Corporate Governance Committee reviews possible candidates to be Common Stock Directors and is responsible for overseeing matters of corporate governance, including the evaluation of performance and practices of the board of directors, the board's committees, management succession plans and executive resources. The Nominating and Corporate Governance Committee considers suggestions from many sources, including stockholders, for possible Common Stock Directors. Such suggestions, together with appropriate biographical information, should be submitted to our Corporate Secretary, Sirius XM Radio Inc., 1221 Avenue of the Americas, 36th Floor, New York, New York 10020. Candidates who are suggested by our stockholders are evaluated by the Nominating and Corporate Governance Committee in the same manner as are other possible candidates to be Common Stock Directors. During 2009, our board of directors did not retain any third parties to assist in the process of identifying and evaluating potential nominees to be Common Stock Directors.

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

Who is the board's chairman?

On November 12, 2009, Eddy W. Hartenstein was elected the non-executive Chairman of the Board of Directors. The chairman of our board organizes the work of the board and ensures that the board has access to sufficient information to enable the board to carry out its functions, including monitoring our performance and the performance of management. The chairman, among other things, presides over meetings of the board of directors, establishes the agendas of each meeting of the board in consultation with our Chief Executive Officer, oversees the distribution of information to directors, and performs other duties or assignments as agreed with either the board of directors or our Chief Executive Officer.

How does the board determine which directors are considered independent?

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

Pursuant to the *Guidelines*, the board undertook a review of director independence in March 2010. As part of this review, we reviewed written questionnaires submitted by directors. The questionnaires disclose

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transactions and relationships between each director or members of his immediate family and SIRIUS XM, other directors, members of our senior management and our affiliates.

As a result of this review, the board determined that all of our directors and nominees are independent of the company and its management under the standards set forth in our *Guidelines*, with the exception of Mel Karmazin, our Chief Executive Officer, and John C. Malone, Gregory B. Maffei and David J.A. Flowers, each of whom is an employee of Liberty Media Corporation. Chester A. Huber, Jr. and John W. Mendel, who are or have been employees of General Motors and American Honda, respectively, have indicated that they do not wish to stand for reelection to the board of directors.

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

Our independent directors meet regularly in executive sessions.

What is the Company's approach toward oversight of risk management?

On behalf of the board of directors, the Audit Committee is responsible for oversight of our risk management policies and procedures. We are exposed to a number of risks, including financial, strategic and operational risks and risks relating to regulatory and legal compliance. The Audit Committee will discuss with senior management our major risk exposures and the steps senior management has taken to monitor and control such exposures. Our Chief Financial Officer is responsible for our risk management function and works closely with our management to identify material risks. The Chief Financial Officer will meet with the Audit Committee and our Chief Executive Officer regularly to discuss the risks facing us, highlighting any new risks that may have arisen since they last met. The Audit Committee will also report to the board of directors to apprise them of their discussions with the Chief Financial Officer regarding our risk management efforts. Finally, the Chief Financial Officer will report directly to the board of directors at least annually to apprise them directly of our risk management efforts.

What are our policies and procedures for related party transactions?

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

Our related person transaction policy requires:

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

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

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

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

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

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

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

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

Since the beginning of 2009, we have entered into several related party transactions with General Motors, American Honda and Liberty Media Corporation. Each of these transactions was evaluated and approved in accordance with our related party transaction policy.

Relationship with General Motors

Distribution Agreement

Our wholly-owned subsidiary, XM Satellite Radio Inc. (XM), has a long-term distribution agreement with General Motors Corp. (GM). GM has a representative on our board of directors and is considered a related party. Mr. Huber has indicated that he does not wish to stand for reelection at this meeting and GM will no longer be a related party following his term as a director. During the term of the agreement, which expires in 2020, GM has agreed to distribute the XM service.

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

Bandwidth

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

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Relationship with American Honda

XM has agreed to make a certain amount of its bandwidth available to American Honda. American Honda has a representative on our board of directors and is considered a related party. Mr. Mendel has indicated that he does not wish to stand for reelection at this meeting and American Honda will no longer be a related party following his term as a director. XM can use the bandwidth until it is actually used by American Honda. American Honda's use of XM's bandwidth must be in compliance with applicable laws, must not compete or adversely interfere with XM's business, and must meet XM's quality standards. This agreement remains in effect so long as American Honda holds a certain amount of its investment in us. In January 2007, XM announced a 10-year extension to its arrangement with American Honda to be its supplier of satellite radio and related data services in Honda and Acura vehicles. XM also agreed to make incentive payments to American Honda for each purchaser of a Honda or Acura vehicle that becomes a self-paying XM subscriber and share with American Honda a portion of the subscription revenue attributable to Honda and Acura vehicles with installed XM radios.

Relationship with Liberty Media

In February and March 2009, we entered into several transactions to borrow up to \$530 million from Liberty Media Corporation and its affiliates. All of these loans were repaid during 2009 in cash from the proceeds of notes issued by us and XM.

As part of the transactions with Liberty Media, on February 17, 2009, we entered into an investment agreement (the "Investment Agreement") with Liberty Radio, LLC, an indirect wholly-owned subsidiary of Liberty Media Corporation. Pursuant to the Investment Agreement, we agreed to issue to Liberty Radio, LLC 12,500,000 shares of convertible preferred stock with a liquidation preference of \$0.001 per share in partial consideration for the loan investments described herein. The preferred stock was issued on March 6, 2009, as described below. See "Relationship with Liberty Media - Issuance of the Preferred Stock".

The preferred stock is convertible into approximately 40% of our outstanding shares of common stock (after giving effect to such conversion). Liberty Radio, LLC has agreed not to acquire more than 49.9% of our outstanding common stock for three years from the date the preferred stock was issued, except that Liberty Radio, LLC may acquire more than 49.9% of our outstanding common stock at any time after the second anniversary of such date pursuant to any cash tender offer for all of the outstanding shares of our common stock that are not beneficially owned by Liberty Radio, LLC or its affiliates at a price per share greater than the closing price of the common stock on the trading day preceding the earlier of the public announcement or commencement of such tender offer. The Investment Agreement also provides for certain other standstill provisions during such three year period.

The rights, preferences and privileges of the preferred stock are set forth in the Certificate of Designations of Convertible Perpetual Preferred Stock, Series B-1 (the "Certificate of Designations"), filed with the Secretary of State of the State of Delaware. The holder of our preferred stock is entitled to appoint a proportionate number of our board of directors based on its ownership levels from time to time. The Certificate of Designations also provides that so long as at least 6,250,000 shares of Series B-1 Preferred Stock are outstanding, we need the consent of the holder of the Series B-1 Preferred Stock for certain actions, including:

- the grant or issuance of our equity securities;
- any merger or sale of all or substantially all of our assets;
- any acquisition or disposition of assets other than in the ordinary course of business above certain thresholds;

the incurrence of debt in amounts greater than a stated threshold;

engaging in a business different than the business currently conducted by us; and

amending our certificate of incorporation or by-laws in a manner that materially adversely affects the holders of the preferred stock.

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The preferred stock, with respect to dividend rights, ranks on a parity with our common stock, and with respect to rights on liquidation, winding-up and dissolution, ranks senior to our common stock. Dividends on the preferred stock are payable, on a non-cumulative basis, as and if declared on our common stock, in cash, on an as-converted basis.

Issuance of the Preferred Stock

On March 6, 2009, we issued 1,000,000 shares of our Series B-1 Preferred Stock in consideration for the investments described herein and 11,500,000 nonvoting shares of Convertible Perpetual Preferred Stock, Series B-2 (the Series B-2 Preferred Stock). All of the shares of our Series B-2 Preferred Stock were converted into 11,500,000 shares of Series B-1 Preferred Stock on April 21, 2009. The rights, preferences and privileges of the preferred stock are described in the Certificate of Designations. A summary of the terms of the Certificate of Designations is described above. The foregoing description of the Certificate of Designations does not purport to be a complete description of all of the terms of such Certificate of Designations and is qualified in its entirety by reference to the Certificate of Designations, a copy of which is filed as Exhibit 3.1 to the Current Report on Form 8-K dated March 6, 2009 filed with the Securities and Exchange Commission.

Who is the Audit Committee's financial expert?

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

How often did the board meet during 2009?

During 2009, there were eighteen meetings of our board of directors and two written consents in lieu of a meeting. Each director, other than Leon Black, attended more than 75% of the total number of meetings of the board and meetings held by committees on which he or she served. Directors are encouraged to attend the annual meeting of stockholders. Ms. Amble and Messrs. Flowers, Gilberti, Maffei, Malone, Shaw and Karmazin attended our 2009 annual meeting of stockholders.

How can stockholders communicate with the board of directors?

Stockholders may communicate directly with our board of directors, or specified individual directors, according to the procedures described on our website at <http://investor.sirius.com>.

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

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

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

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

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

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

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Our Compensation Discussion and Analysis, or CD&A, is organized into the following sections:

Introduction;

Overall program objectives and processes;

Elements of the executive compensation program for our named executive officers (the six executive officers named in our summary compensation table); and

Other arrangements and policies relating to our executive compensation program.

Introduction

We have designed our executive compensation program to (1) support our corporate strategy and business by rewarding performance, (2) retain and recruit highly qualified and effective executive talent, and (3) create a strong performance alignment with stockholders' interests. We have achieved these objectives through a compensation program consisting primarily of three elements: base salary, performance-based annual bonus and equity compensation.

Changes in market conditions and our business caused us to make adjustments to our compensation program in 2008 and 2009. Key matters addressed by the Compensation Committee in 2009 with respect to the compensation of our named executive officers included the following:

new employment agreements with Messrs. Karmazin, Greenstein, Meyer and Donnelly, providing for increases in their base salaries effective in 2010 and grants of options related to the execution of the agreements;

cancellation of our discretionary annual bonus program for 2008;

determination of our discretionary annual bonuses for 2009; and

creation of a retention-based short-term incentive program during 2009 as a means to retain employees while conserving cash.

As economic conditions change, we will continue to respond with innovation and flexibility, as needed, to advance our objectives of motivating, attracting and retaining high-quality employees.

Overall Program Objectives and Processes

Program Objectives

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

support our corporate strategy and business plan by clearly communicating goals and objectives to executives and by rewarding achievement;

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retain and recruit highly qualified and effective executive talent; and

create a strong performance alignment with our stockholders' interests.

Currently, we seek to achieve these objectives through three key compensation elements:

a base salary;

bonuses and other payments that constitute the short-term incentive element of our program, including a performance-based discretionary annual bonus; and, for 2009 only, a retention-based vesting requirement; and

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

The Compensation Committee believes that this three-part approach is consistent with programs adopted by similarly situated companies and best serves the interests of our stockholders. The approach is an effort to meet the requirements of the competitive environment in which we operate, while ensuring that executive officers are compensated in a manner that advances both the short- and long-term interests of our stockholders.

The Compensation Committee believes that delivering compensation in the form of, or based on the value of, our common stock promotes alignment between executive performance and stockholder interests. Accordingly, the value of our common stock represents a large portion of our executives' long-term compensation, including stock options and/or restricted stock units and matching contributions under the Sirius XM 401(k) Savings Plan. Compensation for our executives also involves a high proportion of pay that is at risk—namely, the discretionary annual bonus and the value of equity-based awards. This at-risk compensation is used to motivate executives to achieve goals and objectives that support our business plan and align executives with the short- and long-term interests of our stockholders.

Processes and Compensation Decisions

The Compensation Committee is responsible for developing and maintaining compensation programs for our executive officers, including our named executive officers. The Compensation Committee regularly reviews our compensation practices to assess—in light of current market conditions, the status of our business and development and our financial condition and prospects—whether our existing compensation structure properly advances the near- and long-term interests of our stockholders. The Compensation Committee did not employ a compensation consultant in 2009, relying instead on its own significant experience in making executive compensation-related decisions.

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

In determining compensation element levels, including the annual grants of stock options, for each named executive officer (other than the Chief Executive Officer), the Compensation Committee considers the recommendations of the Chief Executive Officer.

Executive Compensation Elements

Our practices with respect to the key compensation elements identified above, as well as other elements of compensation, are described below, followed by a discussion of the specific factors considered in determining key compensation elements for the named executive officers for 2009.

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Base Salary

Objectives. The objective of base salary is to reflect job responsibilities, value to us and individual performance with respect to market competitiveness. Salaries generally are reviewed annually and often are reviewed in connection with the extension of an employment agreement.

Process. Base salaries for named executive officers are determined in accordance with the employment agreements with those officers. The named executive officers are employed pursuant to agreements described under *Potential Payments upon Termination or Change-in-Control Employment Agreements* below. The minimum salaries set forth in the employment agreements and the amount of any increase over these salaries are determined by the Compensation Committee based on a variety of factors, including:

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

the expertise of the individual executive;

the executives' salary history;

the competitiveness of the market for the executives' services; and

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

In setting base salaries, the Compensation Committee also considers the importance of linking a high proportion of each executive officer's compensation to performance in the form of the discretionary annual bonus as well as long-term stock-based compensation, which is tied to our stock price performance.

Year 2009 Decisions. During 2009, our Compensation Committee approved an increase in the base salary of Mr. Karmazin for the first time since he joined us in 2004. Mr. Karmazin's base salary was increased to \$1,500,000 from \$1,250,000, effective January 1, 2010. The Compensation Committee believed the increase was appropriate following the successful completion of the merger and integration of the two companies and as part of an agreement to extend his employment.

Our Compensation Committee also approved increases in the base salaries of Messrs. Greenstein, Meyer and Donnelly beginning in 2010 as part of agreements to extend their employment. The Compensation Committee believed these increases were necessary to assist us in remaining competitive in the labor market and to compensate the executives for increased responsibilities brought about by the merger and changing economic conditions. Effective January 1, 2010, Mr. Greenstein's base salary was increased to \$925,000 from \$850,000, Mr. Meyer's base salary was increased to \$1,100,000 from \$950,000, and Mr. Donnelly's base salary was increased to \$575,000 from \$525,000.

Annual Bonus

Objectives. Our compensation program contemplates a performance-based annual bonus that is completely discretionary. The Compensation Committee has the discretion to award any annual bonuses in cash, restricted stock, restricted stock units or a combination thereof.

The bonuses approved by the Compensation Committee for 2009 were intended to achieve two principal objectives:

to link compensation with performance, as measured at the company and individual levels; and

to reward and differentiate employees based on individual performance.

The Compensation Committee assessed our overall performance subsequent to year-end in the exercise of its discretion. The Compensation Committee did not establish performance objectives for the year ended December 31, 2009.

Process. Although our annual bonus awards are discretionary, the Compensation Committee employed the process described below to assist in shaping its decision and assist in evaluating whether it was appropriate to award bonuses to our named executive officers with respect to the year ended December 31, 2009. The

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Compensation Committee may not employ the same process, or may adopt a modified or wholly different process, in making future bonus decisions.

After the end of the year, the Compensation Committee evaluated our actual performance against a variety of operating metrics to determine the appropriate funding of a bonus pool for all employees. In measuring our performance, the Compensation Committee exercised its judgment as to whether to reflect or exclude the impact of changes in accounting principles, extraordinary, unusual or infrequently occurring events reported in our public filings, and changes approved from time to time by the board outside of the original 2009 operating budget. In determining the bonus pool, the Compensation Committee also considered a variety of additional accomplishments and factors that it believed were relevant.

Following a consideration of overall annual performance, additional accomplishments and other factors the Compensation Committee deemed relevant, the Compensation Committee determined an aggregate bonus pool for all employees. For named executive officers (other than himself), our Chief Executive Officer recommended to the Compensation Committee individual bonus amounts, taking into account the responsibilities and contributions of each individual during the year. These amounts were reviewed and discussed with the Compensation Committee by our Chief Executive Officer and, following consideration by the Compensation Committee, the amounts were approved or modified. For the Chief Executive Officer, the Compensation Committee reviewed his performance for the year, determined he should receive a bonus and determined the bonus amount.

In 2010, the Compensation Committee intends to determine the overall bonus funding by evaluating our performance against our 2010 business plan as approved by our board of directors, including operating metrics such as total subscribers, cash, revenues, EBITDA, SAC per gross addition, churn, operating expense growth, and other factors that it determines are appropriate.

Year 2008 Decisions. The Compensation Committee did not award any bonuses with respect to the year ended December 31, 2008 in light of the economic environment and concerns regarding our liquidity.

Year 2009 Decisions. Following the process described above, including considering our performance, additional accomplishments and other factors it deemed relevant, the Compensation Committee determined that it was appropriate to award bonuses for 2009 and approved a bonus pool to be divided among employees. The Compensation Committee also determined that it was appropriate to award bonuses for 2009 to our named executive officers (the bonuses are described below and are reflected in the Summary Compensation Table) and determined that the bonuses to our named executive officers for 2009 would be paid in cash.

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

Mr. Greenstein was awarded a bonus for his contributions during the year, including his role in the continued enhancement of our programming and the marketing efforts which supported our brand awareness and customer satisfaction levels, the renegotiation and extension of various programming agreements resulting in extended terms and significant cost reductions, the launch of the SIRIUS XM application for the iPhone and iPod touch, and the successful integration of the legacy SIRIUS and XM operations resulting in significant synergies.

Mr. Meyer was awarded a bonus for his contributions during the year, including his role in the company being cash flow positive for full year 2009, the reduction of operating expense growth, the stabilization of self-pay churn levels and improvement in customer save rates, the reduction in subscriber acquisition costs per gross addition, the launch of the SIRIUS XM application for the iPhone and iPod touch, the improvement in automaker penetration, the negotiation of extensions and amendments of our agreements with various automakers, and the successful integration of the legacy

SIRIUS and XM operations resulting in significant synergies.

Mr. Donnelly was awarded a bonus for his contributions during the year, including his regular on-going contributions as our general counsel, and his role in the successful restructuring of our capital structure,

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including the Liberty Media transactions, the negotiation and execution of amendments to our agreements with various automakers, and the successful integration of the legacy SIRIUS and XM operations resulting in significant synergies.

Mr. Frear was awarded a bonus for his contributions during the year, including his regular on-going contributions as our chief financial officer, and his role in the company being cash flow positive for full year 2009, the reduction of operating expense growth, the reduction in subscriber acquisition costs per gross addition, the successful restructuring of our capital structure, including the Liberty Media transactions, and the successful integration of the legacy SIRIUS and XM operations resulting in significant synergies.

Ms. Altman was awarded a bonus for her contributions during the year, including her regular on-going contributions as our chief administrative officer, managing the on-going personnel reductions, oversight of the DC-based operations, and the successful integration of the legacy SIRIUS and XM operations resulting in significant synergies.

Based on the foregoing, the Compensation Committee approved the bonus amounts set forth in the Summary Compensation Table for each of the above named executive officers.

2009 Retention-Based Short Term Incentive Program

In May 2009, the Compensation Committee approved grants of restricted stock units to certain employees, including the named executive officers (other than Mr. Karmazin). These grants vested in periodic installments over the course of 2009 and were issued for the purpose of retaining these employees. The Compensation Committee considered these awards appropriate to try to keep intact our management and key employees following the merger and in the face of challenging economic conditions. The awards to the named executive officers under this program are identified in the Grants of Plan-Based Awards Table for 2009. The Compensation Committee does not anticipate approving a similar short-term incentive program for 2010.

Long-term Incentive Compensation

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

Process. Our Compensation Committee grants long-term incentive compensation in the form of stock options and restricted stock units because our Compensation Committee believes that these two forms of awards reward stockholder value creation in different ways. Stock options (which have exercise prices equal to the market price on the date of grant) reward named executive officers only if our stock price increases. Restricted stock units have value on the date of grant. Restricted stock units are affected by all stock price changes, so the value to named executive officers is affected by both increases and decreases in our stock price.

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

Year 2009 Decisions. The long-term compensation awarded by the Compensation Committee to named executive officers in 2009 under the programs described above is identified in the Grants of Plan-Based Awards Table for 2009. The executives were awarded these long-term incentives in recognition of their prior contributions and as an incentive for the executives to continue to enhance stockholder value. Each of Messrs. Karmazin, Greenstein and Meyer received a long-term incentive award in the form of stock options as part of an agreement to extend his employment in 2009 and Mr. Donnelly as part of his agreement to extend

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his employment in 2010. Each of Ms. Altman and Messrs. Donnelly, Frear and Meyer received a long-term incentive award in the form of stock options as part of a broad-based grant to employees in August 2009.

Retirement and Other Employee Benefits

We maintain broad-based benefits for all employees, including health and dental insurance, life and disability insurance and a 401(k) plan. Our executives are eligible to participate in all of our employee benefit plans on the same basis as other employees. Our named executive officers participate in our 401(k) Savings Plan, including the matching and profit sharing component of that plan. We did not make any contributions to the profit sharing component of our 401(k) Savings Plan with respect to the year ended December 31, 2009. We do not sponsor or maintain any other retirement or deferred compensation plans for any of our employees.

Perquisites and Other Benefits for Named Executive Officers

The Compensation Committee supports providing perquisites and other benefits to named executive officers that, except as to Mr. Meyer, are substantially the same as those offered to our other full time employees and are provided to executives in similarly situated companies. In addition, as Mr. Meyer's principal residence is in Indianapolis, Indiana, we reimburse Mr. Meyer for the reasonable costs of an apartment in the New York metropolitan area and other incidental living expenses, up to a maximum of \$5,000 per month for rent. We also reimburse Mr. Meyer for the reasonable costs of coach class air-fare from his home in Indianapolis, Indiana, to our offices in New York City. We also pay Mr. Meyer an additional amount to hold him harmless as a result of any federal, state or New York City income taxes imputed in respect of the expenses we reimburse him for.

Payments to Named Executive Officers Upon Termination or Change-in-Control

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

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

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

Total Compensation for Named Executive Officers

The Compensation Committee's goal is to award compensation that is reasonable when all elements of potential compensation are considered. In making decisions with respect to any element of a named executive officer's compensation, the Compensation Committee considers the total compensation that may be awarded to the officer, including salary, annual bonus, long-term incentives, perquisites and other benefits. In addition, the Compensation Committee considers the other benefits to which the officer is entitled by his or her employment agreement, including compensation payable upon termination of employment. In making its decisions regarding compensation for 2009, the Compensation Committee reviewed the total compensation potentially payable to, and the benefits accruing to, each named executive officer.

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Related Policies and Considerations

Compensation of our Chief Executive Officer

In November 2004, our board of directors negotiated, and we entered into, a five-year employment agreement with Mel Karmazin to serve as our Chief Executive Officer. In June 2009, Mr. Karmazin's employment agreement was extended through the end of 2012. As reflected in the Grants of Plan-Based Awards Table for 2009, Mr. Karmazin received an award of stock options in 2009 upon entering into his employment agreement extension. This is the first equity-based award granted to Mr. Karmazin since joining us in 2004. The material terms of Mr. Karmazin's employment agreement are described below under Potential Payments Upon Termination and Change-in-Control Employment Agreements - Mel Karmazin.

The terms of Mr. Karmazin's employment were established by negotiations between Mr. Karmazin and the Compensation Committee. The Compensation Committee did not retain an independent compensation consultant to advise them in the negotiation of Mr. Karmazin's compensation arrangements or to assess the reasonableness of the compensation arrangements. The Compensation Committee concluded that, in its business judgment, Mr. Karmazin's profile, qualifications and experience, particularly in radio, were uniquely suited to our needs, and that the compensation, including the base salary and stock option components of the compensation, was, taken as a whole, appropriate under the circumstances.

Mr. Karmazin did not receive a bonus in respect of the year ended December 31, 2008, nor did he receive an award of restricted stock units in 2009. In February 2010, with respect to his performance in 2009, the Compensation Committee awarded a cash bonus to Mr. Karmazin of \$7,000,000 in recognition of his performance and our corporate performance, including:

Achieving positive free cash flow for the full year 2009;

Achieving an improvement of over \$1 billion in EBITDA over a two-year period;

Successfully negotiating and executing a restructuring of our capital structure, including the transactions with Liberty Media;

Directing the successful integration of the SIRIUS and XM operations, while achieving synergies in excess of \$500 million;

Increasing our 2009 revenues, on a pro forma basis, by approximately 4% and reducing total cash operating expenses (excluding depreciation and stock-based compensation) by approximately 20%;

Stabilizing our average monthly churn;

Launching the SIRIUS XM on-line application for the iPhone and iPod touch;

Continuing to enhance our programming while reducing programming expenses; and

Executing extensions to our agreements with various automakers, and securing increased penetration rates from automakers.

In May 2009, Mr. Karmazin voluntarily forfeited an aggregate of 30,000,000 non-qualified stock options. These options had an exercise price of \$4.72 per share. Of these options, 24,000,000 were vested, and 6,000,000 were

unvested. Upon forfeiture of these options, the shares underlying these options again became available for grants under the Amended and Restated Sirius Satellite Radio 2003 Long-Term Stock Incentive Plan. Mr. Karmazin's decision to forfeit these options allowed us to more efficiently use these shares to meet our purposes of attracting, motivating and retaining key employees. Mr. Karmazin did not receive any consideration in exchange for the forfeiture of these stock options.

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

Section 162(m) of the Internal Revenue Code places a \$1 million per person limitation on the tax deduction we may take for compensation paid to our Chief Executive Officer and our three other highest paid executive officers other than our Chief Executive Officer and Chief Financial Officer, except that compensation

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constituting performance-based compensation, as defined by the Internal Revenue Code, is not subject to the \$1 million limit. The Compensation Committee reserves the discretion to pay compensation that does not qualify for exemption under Section 162(m) where the Compensation Committee believes such action to be in the best interests of our stockholders.

Compensation Committee Report

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

Compensation Committee

Lawrence F. Gilberti, *Chairman*

James P. Holden

Jack Shaw

Summary Compensation Table

The following table provides information concerning total compensation earned or paid to our Chief Executive Officer, our Chief Financial Officer and our four other most highly compensated executive officers who served in such capacities as of December 31, 2009 for services rendered to us during the past three fiscal years. These six officers are referred to herein as the named executive officers.

Name and Principal Position	Year	Salary (\$)	Bonus(2) (\$)	Stock Awards(3) (\$)	Option Awards(3) (\$)	All Other Compensation(4) (\$)	Total(5) (\$)
Mel Karmazin Chief Executive Officer	2009	1,250,000	7,000,000		35,209,440	7,350	43,466,790
	2008	1,250,000				6,900	1,256,900
	2007	1,250,000	4,000,000			18,743	5,268,743
Scott A. Greenstein President and Chief Content Officer	2009	850,000	1,000,000	850,035	7,986,116	27,134	10,713,285
	2008	845,834		440,003	1,123,873	6,900	2,416,610
	2007	791,667	440,000	400,003	851,280	17,243	2,500,193
James E. Meyer President, Operations and Sales	2009	950,000	1,250,000	1,000,022	11,500,278	176,632	14,876,932
	2008	945,834		512,502	1,309,025	152,967	2,920,328
	2007	891,667	512,500	462,500	1,001,966	136,003	3,004,636
Dara F. Altman(1) Executive Vice President and Chief Administrative Officer	2009	446,332	600,000	500,029	750,139	19,006	2,315,506
	2008	92,986					92,986
	2007						
Patrick L. Donnelly Executive Vice President,	2009	525,000	750,000	600,020	1,000,336	21,328	2,896,684
	2008	522,917		300,001		6,900	829,818
	2007	475,000	300,000	973,001	2,579,880	18,743	4,346,624

General Counsel and Secretary							
David J. Frear	2009	750,000	850,000	700,012	1,000,336	23,650	3,323,998
Executive Vice President	2008	631,251		1,292,002	3,897,033	6,900	5,827,186
and Chief Financial Officer	2007	518,750	350,000	262,500	600,788	18,743	1,750,781

- (1) Information for Ms. Altman is included for the period after September 26, 2008, the date she became an employee.
- (2) For 2007, Messrs. Greenstein, Meyer, Donnelly and Frear's bonuses were paid 50% in cash and 50% restricted stock units; Mr. Karmazin's bonus was paid in cash. No bonuses were paid for 2008. For 2009, all bonuses were paid in cash. The amount shown in the Bonus column for 2007 reflects the portion of the annual bonus paid in cash.
- (3) The aggregate grant date fair value of restricted stock unit and stock option awards was computed in accordance with ASC 718, Compensation - Stock Compensation. The assumptions used in the valuation are discussed in Note 13 to our audited consolidated financial statements in our Annual Report on

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Form 10-K for the year ended December 31, 2009. Mr. Karmazin did not receive equity-based awards in 2005, 2006, 2007 or 2008.

- (4) Represents matching and profit sharing contributions by us under our 401(k) savings plan. The profit sharing contribution was \$0 in 2008 and 2009. The matching contributions were paid in the form of shares of our common stock. All other compensation for Mr. Meyer also includes amounts reimbursed for temporary living and travel expenses. In 2009, Mr. Meyer was paid \$55,000 for rent, \$22,449 for travel, \$5,177 for utilities, and \$63,389 for reimbursement of taxes associated with these expenditures in accordance with his employment agreement. Travel-related expenses include airfare, taxi/car services, and other incidental travel-related costs which are reimbursed based on receipts. All other compensation includes amounts paid for commissions related to the sale of restricted stock units granted in 2009. The total paid was \$19,784 for Mr. Greenstein, \$23,267 for Mr. Meyer, \$11,656 for Ms. Altman, \$13,978 for Mr. Donnelly, and \$16,300 for Mr. Frear.
- (5) The amount of compensation reported for federal tax purposes for Mr. Karmazin in 2009 was \$1,620,316. We are providing this information to highlight the difference between compensation reported under the SEC rules and compensation amounts realized and reported as taxable income on Mr. Karmazin's Form W-2. The amount reported on Mr. Karmazin's W-2 includes, among other items: (1) total cash wages and bonuses paid to Mr. Karmazin in 2009, less amounts deferred under our 401(k) plan and (2) the value of restricted stock awards that vested during 2009.

Grants of Plan-Based Awards in 2009

The following table provides information with respect to equity grants made during fiscal year 2009 to the named executive officers.

Name	Grant Date	All Other Stock Awards: Number of Shares of Stock or Units (#)(1)	All Other Option Awards: Number of Securities Underlying Options (#)(2)	Exercise or Base Price of Option Awards (\$/Sh)(3)	Grant Date Fair Value of Stock and Option Awards (\$)(4)
Mel Karmazin	6/30/2009		120,000,000	0.43	35,209,440
Scott A. Greenstein	5/19/2009	2,322,500			850,035
	7/28/2009		27,768,136	0.43	7,986,116
James E. Meyer	5/19/2009	2,732,300			1,000,022
	8/31/2009		3,322,000	0.6735	1,500,278
	10/14/2009		25,184,984	0.5752	10,000,000
Dara F. Altman	5/19/2009	1,366,200			500,029
	8/31/2009		1,661,000	0.6735	750,139
Patrick L. Donnelly	5/19/2009	1,639,400			600,020
	8/31/2009		2,215,000	0.6735	1,000,336
David J. Frear	5/19/2009	1,912,600			700,012
	8/31/2009		2,215,000	0.6735	1,000,336

(1)

All grants during 2009 were made under the Sirius XM Radio Inc. 2009 Long-Term Stock Incentive Plan. The restricted stock unit awards granted on May 19, 2009 vested in 10 equal installments on May 20, 2009, June 2, 2009, June 16, 2009, July 20, 2009, August 3, 2009, September 1, 2009, September 30, 2009, November 2, 2009, November 16, 2009, and December 1, 2009.

- (2) The stock option awards granted on August 31, 2009 vest proportionally over four years from the date of grant and have a term of ten years. The option award granted on June 30, 2009 to Mr. Karmazin in connection with the extension of his employment agreement vests in four equal annual installments on December 31, 2010, December 31, 2011, June 30, 2012 and December 31, 2012 and has a term that ends on December 31, 2014; *provided* that if the parties subsequently agree to extend the term of his employment agreement through December 31, 2013 or later, then the term of these options will automatically extend until the later of (i) December 31, 2015 and (ii) the date that is one year following the date that such new employment agreement expires but in no event later than the 10th anniversary of the grant date. The option award granted on July 28, 2009 to Mr. Greenstein in connection with the extension of his

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employment agreement vests in four equal annual installments beginning on July 26, 2010 and has a term of ten years. The option award granted on October 14, 2009 to Mr. Meyer in connection with the extension of his employment agreement vests proportionally over four years from the date of grant and has a term of ten years.

- (3) The exercise price of each option is equal to the fair market value, or closing price, of our common stock on the date of grant.
- (4) The aggregate grant date fair value of restricted stock unit and stock option awards was computed in accordance with ASC 718, Compensation – Stock Compensation. The assumptions used in the valuation are discussed in Note 13 to our audited consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2009.

Outstanding Equity Awards at Fiscal Year-End 2009

The following table provides information with respect to the status at December 31, 2009 of all unexercised options and unvested restricted stock and restricted stock units awarded to each of the named executive officers.

Name	Option Awards		Option	Option	Number of	Market
	Number of	Number of				
	Securities	Securities			Units	of Shares or
	Underlying	Underlying			of Stock	Units of
	Unexercised	Unexercised	Exercise	Expiration	that	Stock
	Options	Options	Price	Date	have not	that have
	(#)	(#)	(\$)		Vested	not
	Exercisable	Unexercisable			(#)(7)	Vested
						(\$)(8)
Mel Karmazin(1)		120,000,000	0.43	12/31/2014		
Scott A. Greenstein(2)	1,000,000		3.14	5/5/2014		
	1,250,000		6.60	8/8/2015		
	217,500	217,500	3.70	2/1/2017		
	151,750	455,250	2.87	1/23/2018		
		27,768,136	0.43	7/27/2019		
James E. Meyer(3)	50,000		6.75	12/14/2011		
	66,666		1.04	8/11/2013		
	1,012,500	337,500	5.54	2/2/2016		
	256,000	256,000	3.70	2/1/2017		
	176,750	530,250	2.87	1/23/2018		
		3,322,000	0.6735	8/31/2019		
		25,184,984	0.5752	10/14/2019		
Dara F. Altman(4)		1,661,000	0.6735	8/31/2019	107,333	64,400
					171,733	103,040
Patrick L. Donnelly(5)	400,000		7.50	5/1/2011	91,668	55,001
	100,000		7.61	5/1/2011		
	16,666		1.04	8/11/2013		

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	90,000	30,000	5.71	2/1/2016		
	128,000	128,000	3.70	2/1/2017		
	966,666	483,334	2.72	5/17/2017		
		2,215,000	0.6735	8/31/2019		
David J. Freear(6)	1,150,000		1.85	8/11/2013	200,000	120,000
	700,000		6.61	8/10/2015		
	153,500	153,500	3.70	2/1/2017		
	120,750	362,250	2.87	1/23/2018		
	500,000	1,000,000	3.10	2/12/2018		
		2,215,000	0.6735	8/31/2019		

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- (1) Outstanding equity awards for Mr. Karmazin vest in four equal annual installments on December 31, 2010, December 31, 2011, June 30, 2012 and December 31, 2012.
- (2) Outstanding equity awards for Mr. Greenstein vest as follows: options granted at an exercise price of \$3.14 vested immediately on the date of grant on May 5, 2004; options granted at an exercise price of \$6.60 vested in three equal annual installments from the date of grant on August 8, 2005; options granted at an exercise price of \$3.70 vest in four equal annual installments from the date of grant on February 1, 2007; options granted at an exercise price of \$2.87 vest in four equal annual installments from the date of grant on January 23, 2008; and options granted at an exercise price of \$0.43 vest in four equal annual installments commencing on July 26, 2010.
- (3) Outstanding equity awards for Mr. Meyer vest as follows: options granted at an exercise price of \$6.75 vested 50% on the date of grant on December 14, 2001 and 25% per year thereafter; options granted at an exercise price of \$1.04 vested in three equal annual installments on July 1, 2004, July 1, 2005 and July 1, 2006; options granted at an exercise price of \$5.54 vest in four equal annual installments from the date of grant on February 2, 2006; options granted at an exercise price of \$3.70 vest in four equal annual installments from the date of grant on February 1, 2007; options granted at an exercise price of \$2.87 vest in four equal annual installments from the date of grant on January 23, 2008; options granted at an exercise price of \$0.6735 vest in four equal annual installments from the date of grant on August 31, 2009; and options granted at an exercise price of \$0.5752 vest in four equal annual installments from the date of grant on October 14, 2009.
- (4) Outstanding equity awards for Ms. Altman vest as follows: options granted at an exercise price of \$0.6735 vest in four equal annual installments from the date of grant on August 31, 2009; 107,333 restricted stock awards vest on May 25, 2010; and of the remaining 171,733 restricted stock awards, 85,867 vested on February 1, 2010 and 85,866 vest on February 1, 2011.
- (5) Outstanding equity awards for Mr. Donnelly vest as follows: options granted at an exercise price of \$7.50 vested 41.25% on the date of grant on May 1, 2001, 19.75% on October 15, 2001, 19.5% on April 15, 2002 and 19.5% on October 15, 2002; options granted at an exercise price of \$7.61 vested immediately on the date of grant on May 1, 2001; options granted at an exercise price of \$1.04 vested in three equal annual installments on July 1, 2004, July 1, 2005 and July 1, 2006; options granted at an exercise price of \$5.71 vest in four equal annual installments from the date of grant on February 1, 2006; options granted at an exercise price of \$3.70 vest in four equal annual installments from the date of grant on February 1, 2007; options granted at an exercise price of \$2.72 vest in three equal annual installments from the date of grant on May 17, 2007; options granted at an exercise price of \$0.6735 vest in four equal annual installments from the date of grant on August 31, 2009; and 91,668 restricted stock units vest on May 17, 2010.
- (6) Outstanding equity awards for Mr. Frear vest as follows: options granted at an exercise price of \$1.85 vested either in three equal annual installments on July 1, 2004, July 1, 2005, and July 1, 2006, on March 15, 2004 as a result of the satisfaction of performance targets for the year ended December 31, 2003, or on March 15, 2005 as a result of the satisfaction of performance targets for the year ended December 31, 2004; options granted at an exercise price of \$6.61 vested in three equal annual installments from the date of grant on August 10, 2005; options granted at an exercise price of \$3.70 vest in four equal annual installments from the date of grant on February 1, 2007; options granted at an exercise price of \$2.87 vest in four equal annual installments from the date of grant on January 23, 2008; options granted at an exercise price of \$3.10 vest in three equal annual installments from the date of grant on February 12, 2008; options granted at an exercise price of \$0.6735 vested in four equal annual installments from the date of grant on August 31, 2009; and of the 200,000 restricted stock units, 100,000 vested on March 5, 2010 and 100,000 vest on February 12, 2011.

- (7) Vesting and payment of all restricted stock units reflected above will be accelerated upon the death of the executive officer or upon a triggering event following a change in control, as defined under our stock incentive plans, or upon the occurrence of an event that triggers immediate vesting of the outstanding awards under the executive's employment agreement.
- (8) Amount is based on the closing price of our common stock of \$0.60 on December 31, 2009.

Table of Contents**Option Exercises and Stock Vested in 2009**

The following table provides information with respect to option exercises and restricted stock and restricted stock units that vested during 2009.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
Mel Karmazin			600,000	388,080
Scott A. Greenstein			2,475,811	1,195,998
James E. Meyer			2,910,872	1,406,805
Dara F. Altman			1,804,731	817,738
Patrick L. Donnelly			1,835,596	876,171
David J. Frear			2,134,552	989,878

Non-Qualified Deferred Compensation and Pension Benefits

We do not offer non-qualified deferred compensation or pension benefits to our named executive officers.

Potential Payments Upon Termination or Change-in-Control***Employment Agreements***

We have entered into an employment agreement with each of our named executive officers that contains provisions regarding payments upon a termination or change of control.

Mel Karmazin

In June 2009, we amended our employment agreement with Mel Karmazin. The amendment (i) extended the term of his employment agreement through December 31, 2012, (ii) increased his base salary from \$1,250,000 per year to \$1,500,000 per year beginning on January 1, 2010, and (iii) provided for the grant of an option to purchase 120,000,000 shares of our common stock, at an exercise price of \$0.430 per share (the closing price of our common stock on the date of the amendment).

These options vest in equal installments on each of December 31, 2010, December 31, 2011, June 30, 2012 and December 31, 2012. The vesting of these stock options accelerate upon the termination of Mr. Karmazin's employment by us without cause, by him for good reason, upon his death or disability and in the event of a change of control. These options will generally expire on December 31, 2014; *provided* that if the parties subsequently agree to extend the term of his employment agreement through December 31, 2013 or later, then the term of these options will automatically extend until the later of (i) December 31, 2015 and (ii) the date that is one year following the date that such new employment agreement expires, but no later than the 10th anniversary of the date of grant.

In the event Mr. Karmazin's employment is terminated by us without cause, or by Mr. Karmazin for good reason, his unvested stock options will vest and become exercisable, and he will receive his current base salary for the remainder of the term, any earned but unpaid annual bonus, a pro rata portion of his target bonus for the year in which the termination occurs (if established) and health and life insurance benefits for the remainder of the term.

In the event that any payment we make, or benefit we provide, to Mr. Karmazin would require him to pay an excise tax under Section 280G of the Internal Revenue Code, we have agreed to pay Mr. Karmazin the amount of such tax and such additional amount as may be necessary to place him in the exact same financial position that he would have been in if the excise tax was not imposed.

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Scott A. Greenstein

In July 2009, we entered into a new employment agreement with Scott A. Greenstein to continue to serve as our President and Chief Content Officer through July 27, 2013. The employment agreement provides for an annual base salary in 2010 of \$925,000, with specified increases.

In connection with the execution of the employment agreement, we granted Mr. Greenstein an option to purchase 27,768,136 shares of our common stock at an exercise price of \$0.43 per share (the closing price of our common stock on the date of the employment agreement). These options vest in four equal installments on each of July 26, 2010, July 26, 2011, July 26, 2012 and July 26, 2013. The vesting of these stock options will accelerate upon the termination of Mr. Greenstein's employment by us without cause, by him for good reason, and upon his death or disability. These options will generally expire on July 27, 2019, subject to earlier termination following Mr. Greenstein's termination of employment.

If Mr. Greenstein's employment is terminated without cause or he terminates his employment for good reason, subject to an execution of a release of claims, we are obligated to pay him a lump sum payment equal to his then annual salary and the cash value of the bonus last paid or payable to him in respect of the preceding fiscal year and to continue his health and life insurance benefits for one year.

In the event that any payment we make, or benefit we provide, to Mr. Greenstein would require him to pay an excise tax under Section 280G of the Internal Revenue Code, we have agreed to pay Mr. Greenstein the amount of such tax and such additional amount as may be necessary to place him in the exact same financial position that he would have been in if the excise tax was not imposed.

James E. Meyer

In October 2009, we entered into a new employment agreement with James E. Meyer to continue to serve as our President, Operations and Sales, through May 1, 2013. The employment agreement provides for an initial annual base salary of \$950,000, with specified increases.

In connection with the execution of the employment agreement, we granted Mr. Meyer an option to purchase 25,184,984 shares of our common stock at an exercise price of \$0.5752 per share (the closing price of our common stock on date of the employment agreement). The option will generally vest in four equal installments on each of October 14, 2010, October 14, 2011, October 14, 2012 and October 14, 2013, and expire on October 14, 2019, subject to earlier acceleration or termination under certain circumstances.

If Mr. Meyer's employment is terminated without cause or he terminates his employment for good reason, subject to an execution of a release of claims, we are obligated to continue his health benefits for 18 months and his life insurance benefits for one year and pay him a lump sum payment equal to Mr. Meyer's annual base salary plus, the greater of (x) a bonus equal to 60% of his then annual base salary or (y) the prior year's bonus actually paid to him (the Designated Amount). In the event Mr. Meyer elects to retire in April 2011, subject to an execution of a release of claims and generally in lieu of any other payments under the employment agreement, we are obligated to continue his health and life benefits for two years and pay him a lump sum payment equal to two times the Designated Amount.

Upon the expiration of the employment agreement in May 2013 or following his retirement in April 2011, we have agreed to offer Mr. Meyer a one-year consulting agreement for no additional consideration, other than reimbursement of reasonable out-of-pocket expenses associated with the performance of his obligations under the consulting agreement.

In the event that any payment we make, or benefit we provide, to Mr. Meyer would require him to pay an excise tax under Section 280G of the Internal Revenue Code, we have agreed to pay Mr. Meyer the amount of such tax and such additional amount as may be necessary to place him in the exact same financial position that he would have been in if the excise tax was not imposed.

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Dara F. Altman

In September 2008, we entered into a three year employment agreement with Dara F. Altman to serve as our Executive Vice President and Chief Administrative Officer. We pay Ms. Altman an annual salary of \$446,332.

If Ms. Altman's employment is terminated without cause or she terminates her employment for good reason, she is entitled to receive a lump sum severance payment, in cash equal to two times the sum of (1) her base salary as in effect immediately prior to the termination date or, if higher, in effect immediately prior to the first occurrence of an event or circumstance constituting good reason, and (2) the higher of (a) the last annual bonus actually paid to her and (b) 55% of her base salary as in effect immediately prior to the termination date or, if higher, in effect immediately prior to the first occurrence of an event or circumstance constituting good reason. In the event Ms. Altman's employment is terminated without cause or she terminates her employment for good reason, all options to purchase our common stock, restricted stock units or restricted shares of common stock issued by us to her during the term that are held by her on the termination date shall immediately vest. Any such vested stock options shall expire 90 days following the termination. In addition, in the event Ms. Altman's employment is terminated without cause or she terminates her employment for good reason, we are also obligated to continue her medical, dental and life insurance benefits for 24 months following her termination.

In the event that any payment we make, or benefit we provide, to Ms. Altman would require her to pay an excise tax under Section 280G of the Internal Revenue Code, we have agreed to pay Ms. Altman the amount of such tax and any additional amount as may be necessary to place her in the exact same financial position that she would have been in if the excise tax was not imposed.

Patrick L. Donnelly

In January 2010, we entered into a new employment agreement with Patrick L. Donnelly to continue to serve as our Executive Vice President, General Counsel and Secretary, through January 13, 2014. The employment agreement provides for an initial annual base salary of \$575,000, with specified increases.

In connection with the execution of the employment agreement, we granted Mr. Donnelly an option to purchase 13,163,495 shares of our common stock at an exercise price of \$0.6669 per share (the last sale price of our common stock on The NASDAQ Global Select Market prior to the execution of the employment agreement). The option will generally vest in four equal installments on each of January 14, 2011, January 14, 2012, January 14, 2013 and January 14, 2014, and expires on January 14, 2020, subject to earlier acceleration or termination under certain circumstances.

If Mr. Donnelly's employment is terminated without cause or he terminates his employment for good reason, subject to an execution of a release of claims, we are obligated to pay him a lump sum payment equal to his then annual salary and the cash value of the bonus last paid or payable to him in respect of the preceding fiscal year and to continue his health and life insurance benefits for one year.

In the event that any payment we make, or benefit we provide, to Mr. Donnelly would require him to pay an excise tax under Section 280G of the Internal Revenue Code, we have agreed to pay Mr. Donnelly the amount of such tax and any additional amount as may be necessary to place him in the exact same financial position that he would have been in if the excise tax was not imposed.

David J. Frear

Mr. Frear has agreed to serve as our Executive Vice President and Chief Financial Officer through July 2011. We pay Mr. Frear an annual salary of \$750,000.

If Mr. Frear's employment is terminated without cause or he terminates his employment for good reason, we are obligated to pay hi