SIRIUS SATELLITE RADIO INC
Form S-4/A
January 30, 2003

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JANUARY 29, 2003

REGISTRATION NO. 333-101317

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

AMENDMENT NO. 3

TO
FORM S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

SIRIUS SATELLITE RADIO INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	4899	52-1700207
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)	(I.R.S. EMPLOYER IDENTIFICATION NUMBER)

1221 AVENUE OF THE AMERICAS, 36TH FLOOR, NEW YORK, NEW YORK 10020
(212) 584-5100
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

PATRICK L. DONNELLY
EXECUTIVE VICE PRESIDENT, GENERAL COUNSEL AND SECRETARY
SIRIUS SATELLITE RADIO INC.
1221 AVENUE OF THE AMERICAS, 36TH FLOOR, NEW YORK, NEW YORK 10020
(212) 584-5100
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF AGENT FOR SERVICE)

WITH A COPY TO:

GARY L. SELLERS
SIMPSON THACHER & BARTLETT
425 LEXINGTON AVENUE, NEW YORK, NEW YORK 10017
(212) 455-2000

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as possible after the effective date of this Registration Statement.

If the securities being registered on this form are to be offered in connection with the formation of a holding company and there is compliance with General Instruction G, please check the following box: [ ]

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

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

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933, AS AMENDED, OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IT IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

SUBJECT TO COMPLETION, DATED JANUARY 29, 2003

PROSPECTUS_ AND_ SOLICITATION_ STATEMENT

SIRIUS SATELLITE RADIO INC.

[SIRIUS SATELLITE LOGO] OFFER TO EXCHANGE

596,669,765 SHARES OF COMMON STOCK

FOR

$150,000,000 LEHMAN SENIOR TERM LOANS,

$50,000,000 LORAL SENIOR TERM LOANS,

$280,430,000 15% SENIOR SECURED DISCOUNT NOTES DUE 2007,

$200,000,000 14 1/2% SENIOR SECURED NOTES DUE 2009 AND

$16,461,000 8 3/4% CONVERTIBLE SUBORDINATED NOTES DUE 2009,

INCLUDING IN EACH CASE ACCRUED INTEREST

CONSENT SOLICITATION

AND

SOLICITATION OF ACCEPTANCES TO PREPACKAGED PLAN OF REORGANIZATION

Sirius Satellite Radio Inc. has proposed a financial restructuring through one of the following two alternatives:

- an out-of-court restructuring, or 'recapitalization plan,' which consists of:
  - -- an offer to exchange all of our outstanding debt securities for common stock;
  - -- a consent solicitation to remove all the restrictive covenants in our outstanding debt;
  - -- the concurrent exchange of our outstanding preferred stock for common stock; and
  - -- the purchase of our common stock by certain investors for $200 million cash;

or

- an in-court restructuring, or 'prepackaged plan,' which will attempt to accomplish the restructuring on substantially the same terms as the recapitalization plan, through the solicitation of acceptances under Chapter 11 of the Bankruptcy Code. Our ability to complete the in-court restructuring is subject to the prior confirmation by the investors of their willingness to purchase $200 million of our common stock.

Each holder of our debt securities will receive 779.5 shares of our common stock for each $1,000 of principal and accrued interest exchanged. The completion of the recapitalization is conditioned upon, among other conditions, our receipt of valid tenders from not less than (1) 97% in aggregate principal amount of our outstanding debt securities and (2) 90% in aggregate principal amount of our convertible subordinated notes, subject to certain exceptions described in this prospectus.

The exchange offer, consent solicitation and the solicitation period for acceptance of the prepackaged plan will expire at 5:00 p.m., New York City time, on Tuesday, March 4, 2003, unless extended.

Our common stock is listed on the Nasdaq National Market under the symbol 'SIRI.' The closing bid price of our common stock on January 30, 2003 was $ per share.

SEE 'RISK FACTORS' ON PAGE 13 FOR FACTORS THAT YOU SHOULD CONSIDER.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS AND SOLICITATION STATEMENT IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE DATE OF THIS PROSPECTUS AND SOLICITATION STATEMENT IS JANUARY 30, 2003.

DEALER MANAGER
UBS WARBURG

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INCORPORATION BY REFERENCE

The SEC allows us to 'incorporate by reference' in this prospectus and solicitation statement other information we file with it, which means that we can disclose important information to you by referring you to those documents. This prospectus and solicitation statement incorporates important business and financial information about us that is not included in or delivered with this prospectus and solicitation statement. The information we file later with the SEC will automatically update and supersede the information included in and incorporated by reference in this prospectus and solicitation statement. We incorporate by reference the documents listed below and any future filings made with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act until expiration of the exchange offer, consent solicitation and solicitation period for acceptance of the prepackaged plan.

1. Our Annual Report on Form 10-K for the year ended December 31, 2001, as amended by a Form 10-K/A dated April 30, 2002.

2. Our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2002, June 30, 2002 and September 30, 2002.

3. Our Current Reports on Form 8-K dated January 3, 2002, April 11, 2002 and October 22, 2002.

4. The description of our common stock contained in our Registration Statement on Form 8-A filed pursuant to Section 12(b) of the Exchange Act.

We have filed each of these documents with the SEC and they are available from the SEC's internet site and public reference rooms described under 'Where You May Find Additional Available Information About Us.' You may also request a copy of these filings, at no cost, by writing or calling us at the following address or telephone number:

Patrick L. Donnelly
Executive Vice President, General Counsel and Secretary
Sirius Satellite Radio Inc.
1221 Avenue of the Americas, 36th floor
New York, New York 10020
(212) 584-5100

You should rely only on the information incorporated by reference or provided in this prospectus and solicitation statement. We have not authorized anyone else to provide you with different information.

QUESTIONS AND ANSWERS REGARDING PROCEDURAL ASPECTS OF THE EXCHANGE OFFER AND SOLICITATION

Q: HOW DO I TENDER MY DEBT SECURITIES IN THE EXCHANGE OFFER, AND WHO DO I SEND MY DEBT SECURITIES TO?

A: If you hold your debt securities through a broker, dealer, bank, trust company or other nominee, you should instruct your nominee to tender your debt securities for you.

If you hold your debt securities in your own name, you should complete the letter of transmittal included with this prospectus and deliver the completed letter of transmittal with the debt securities to the exchange agent, The Bank of New York. The address and telephone number for The Bank of New York is on the back cover of this prospectus.

Q: HOW LONG IS THE EXCHANGE OFFER OPEN FOR?

A: The exchange offer will expire at 5:00 p.m., New York City time, on Tuesday, March 4, 2003, unless extended by us.

Q: IF I TENDER MY DEBT SECURITIES, WHEN WILL I RECEIVE MY SHARES OF COMMON STOCK?

A: Holders of debt securities that tender in the exchange offer will receive shares of common stock promptly after the closing of the exchange offer.

Q: HOW DO I CONSENT TO THE AMENDMENTS TO THE INDENTURES AND WAIVE THE DEFAULTS UNDER THE INDENTURES?

A: By tendering your debt securities you also consent to the amendments to the indentures and agree to waive the defaults under the indentures. You cannot tender your debt securities without also consenting to the amendments to the indentures and agreeing to waive the defaults under the indentures.

Q: WHEN IS THE DEADLINE FOR CONSENTING TO THE AMENDMENTS TO THE INDENTURES AND AGREEING TO WAIVE THE DEFAULTS UNDER THE INDENTURES?

A: The consent solicitation will expire at the same time as the exchange offer, 5:00 p.m., New York City time, on Tuesday, March 4, 2003, unless extended by us.

Q: HOW DO I VOTE ON THE PREPACKAGED PLAN?

A: You should complete the ballot included with this prospectus and deliver the completed ballot to your broker, dealer, bank, trust company or other nominee.

Q: CAN I REVOKE MY TENDER OF DEBT SECURITIES, OR MY VOTE, ON THE PREPACKAGED PLAN AT ANY TIME?

A: You can revoke the tender of your debt securities prior to the expiration of the exchange offer by contacting the exchange agent, The Bank of New York, at its address on the back cover of this prospectus.

You can revoke your vote in favor of the prepackaged plan prior to the solicitation expiration date by contacting your broker, bank, trust company or other nominee.

Q: WHO DO I CALL IF I HAVE QUESTIONS OR NEED ADDITIONAL COPIES OF THIS PROSPECTUS, THE LETTER OF TRANSMITTAL OR OTHER DOCUMENTS?

A: Additional copies of this prospectus, the letter of transmittal and other documents can be obtained from the information agent, MacKenzie Partners, Inc. The address and telephone number for MacKenzie Partners is on the back cover of this prospectus.

See 'The Exchange Offer and Consent Solicitation -- Procedures for Tendering Debt Securities and Delivering Consents' and 'The Prepackaged Plan -- The Prepackaged Plan Solicitation.'

SUMMARY

ABOUT OUR COMPANY

From our three orbiting satellites, we directly broadcast digital-quality radio to motorists throughout the continental United States for a monthly subscription fee of $12.95. We deliver 60 original channels of 100% commercial-free music in virtually every genre, and 40 channels of news, sports, weather and entertainment programming. Our broad and deep range of almost every music format as well as our news, sports and entertainment programming is not available on conventional radio in any market in the United States. We hold one of only two licenses issued by the Federal Communications Commission to operate a national satellite radio system.

On February 14, 2002, we launched our service in select markets and on

July 1, 2002, we launched our service nationwide. As of December 31, 2002, we had 29,947 subscribers. Our financial results from our inception on May 17, 1990 through September 30, 2002 were as follows:

revenues of $120,000;

net losses of approximately $805 million;

net losses from operations of approximately $645 million;

net losses applicable to common stockholders of approximately $1,057 million; and

negative cash flow of approximately $1,590 million.

We believe that the completion of the restructuring is critical to our continuing viability. At December 31, 2002, we had approximately $180 million of available cash, cash equivalents, marketable securities and restricted investments. This amount will cover our estimated funding needs only through the second quarter of 2003, without giving effect to the restructuring. If the restructuring is not completed, we may not be able to raise sufficient funds on favorable terms or at all. If we fail to obtain additional financing on a timely basis, we will not have sufficient liquidity to continue to operate our business and we could default on our commitments to our distribution partners, creditors or others, and may have to seek a purchaser for our business or assets.

We have substantial indebtedness which adversely affects our financial condition. As of September 30, 2002, the book value of our debt was $683.6 million and we had stockholders' equity of $170.4 million. We have significant principal payments under our indebtedness coming due in the next several years. Unless the restructuring occurs, we will be required to make the following principal payments on our long-term debt: $49.8 million in the remainder of 2003 (which includes $15.0 million due but not paid in 2002); $38.5 million in 2004; $111.7 million in 2005; $280.4 million in 2007; and $216.5 million in the aggregate thereafter.

The restructuring will eliminate all or substantially all of our outstanding debt and all of our preferred stock and provide us with sufficient cash to cover our estimated funding needs into the second quarter of 2004. After giving effect to the restructuring, we anticipate that we will need further additional funding of approximately $75 million before we achieve 'cash flow breakeven,' the point at which our revenues are sufficient to fund expected operating expenses, capital expenditures, interest and principal payments and taxes. We expect to raise this $75 million through the issuance of debt, equity or a combination thereof. This amount is an estimate and may change, and we may need additional funding to remain in business and continue to develop and market our satellite radio service. Our estimates are based upon many significant assumptions, including the assumption that we will have approximately two million subscribers at year-end 2005. These assumptions are described under the caption 'Unaudited Projected Consolidated Financial Information.' We are continuing to evaluate initiatives that could enable us to achieve cash flow breakeven without raising additional funds.

Our principal executive offices are located at 1221 Avenue of the Americas, New York, New York 10020. Our telephone number is (212) 584-5100. Our internet address is sirius.com. Sirius.com is an inactive textual reference only, meaning that the information contained on the website is not part of this prospectus and is not incorporated in this prospectus by reference.

THE RESTRUCTURING

We propose to effect a financial restructuring through one of the following two alternatives:

- an out-of-court restructuring, or 'recapitalization plan,' which consists of:
  - an offer to exchange all of our outstanding debt securities for common stock;
  - a consent solicitation to remove substantially all the restrictive covenants in our outstanding debt and obtain waivers of defaults;
  - the concurrent exchange of our outstanding preferred stock for common stock; and
  - the purchase of common stock by certain investors for $200 million cash;

or

- an in-court restructuring, or 'prepackaged plan,' which will attempt to accomplish the restructuring on substantially the same terms as the recapitalization plan, through the solicitation of acceptances of a prepackaged plan of reorganization under Chapter 11 of the Bankruptcy Code. Our ability to complete the in-court restructuring is subject to the prior confirmation by the investors of their willingness to purchase $200 million of our common stock.

Under the prepackaged plan, the holders of our debt and equity securities (as well as the holders of all other claims) will receive the same consideration in exchange for their claims and interests as they would receive in the recapitalization plan.

To complete the recapitalization plan, we must receive:

- the valid tender of 97% in aggregate principal amount of our outstanding debt securities and 90% in aggregate principal amount of our convertible subordinated notes (subject to certain exceptions described in this prospectus);
- the consents of holders of a majority in aggregate principal amount of our senior secured discount notes, senior secured notes and convertible subordinated notes; and
- the approval of our stockholders to the recapitalization transactions.

To seek confirmation of the prepackaged plan from the bankruptcy court, we must receive:

- for each impaired 'class of claims' (such as each class of our outstanding debt), the affirmative votes to accept the prepackaged plan from holders of at least two-thirds in dollar amount and more than one-half in number of the holders of claims in such class who actually cast ballots; and for each impaired 'class of interests' (such as our common stock), the affirmative votes to accept the prepackaged plan from holders of at least two-thirds of the number of shares in such class who actually cast ballots,

unless we seek confirmation of the prepackaged plan under the 'cram down' provisions of Section 1129 of the Bankruptcy Code. See 'Prepackaged Plan -- Confirmation of the Prepackaged Plan Without Acceptance by All Classes of Impaired Claims and Interests.'

If we are not able to complete the recapitalization plan for any reason, including if the minimum tender condition is not met, but we receive the required votes from each impaired class of claims or interests to accept the prepackaged plan and so long as Oppenheimer, Apollo and Blackstone agree to proceed with the new equity purchase, we will seek confirmation of the prepackaged plan in the bankruptcy court. If the prepackaged plan is confirmed by the bankruptcy court, it will bind all of our security holders.

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THE RECAPITALIZATION PLAN

THE RECAPITALIZATION PLAN

The exchange offer and consent solicitation are a part of, and are being conducted pursuant to, the recapitalization plan for achieving our financial restructuring goals. Consummation of the recapitalization plan will result in the elimination of all or substantially all of our outstanding debt, the elimination of all of our outstanding preferred stock and the investment of $200 million of new equity capital. The recapitalization plan consists of the several concurrent transactions described below, each of which is conditioned upon the successful consummation of the others.

We have entered into a lockup agreement with Lehman Commercial Paper Inc., Space Systems/Loral, Inc., the holders of all of our outstanding preferred stock and holders of approximately 71% in aggregate principal amount at maturity of our outstanding senior secured discount notes, approximately 70% in aggregate principal amount of our outstanding senior secured notes and approximately 64% in aggregate principal amount of our outstanding convertible subordinated notes, which agreement sets forth the terms and conditions of the restructuring and the obligations and commitments of the parties with respect to the restructuring. Additional holders of our notes may become parties to the lockup agreement. A copy of the lockup agreement is attached to this prospectus as Exhibit A. For a description of the lockup agreement, see 'The Restructuring -- Lockup Agreement.'

EXCHANGE OFFER AND CONSENT SOLICITATION

Pursuant to and upon the terms and conditions set forth in this prospectus, we are offering to exchange an aggregate of 596,669,765 shares of our common stock, representing approximately 62% of our outstanding common stock after giving effect to the restructuring, for all of our outstanding debt securities (or 779.5 shares of common stock for each $1,000 of principal and accrued interest).

In connection with the exchange offer, we are soliciting the consent of each holder of our notes to the adoption of certain amendments to the indentures under which the notes were issued and the waiver of any defaults and events of default under such indentures now in existence (whether or not related to the restructuring) or caused by the recapitalization plan. Pursuant to the lockup agreement, holders of approximately:

- 71% in aggregate principal amount at maturity of our outstanding senior secured discount notes;

- 70% in aggregate principal amount of our outstanding senior secured notes; and

- 64% in aggregate principal amount of our outstanding convertible subordinated notes,

have agreed to tender their notes in the exchange offer and consent to the proposed amendments and waivers, thereby assuring that the proposed amendments and waivers will become effective in the event the exchange offer is completed.

PREFERRED STOCK EXCHANGE

Pursuant to the lockup agreement, affiliates of Apollo Management, L.P., or Apollo, and The Blackstone Group L.P., or Blackstone, have agreed to exchange all of our outstanding preferred stock for:

- an aggregate of 76,992,865 newly issued shares of our common stock (or approximately 140 shares of common stock for each $1,000 in liquidation preference and accrued dividends), as of March 15, 2003 representing approximately 8% of our outstanding common stock after giving effect to the restructuring; and

- warrants to purchase an aggregate of 87,577,114 shares of our common stock, representing approximately 9.1% of our outstanding common stock after giving effect to the restructuring.

52,546,268 of these warrants will have an exercise price of $1.04 per share of common stock, and 35,030,846 of these warrants will have an exercise price of $0.92 per share of common stock. The warrants will expire two years after the effective date of the restructuring.

NEW EQUITY INVESTMENT

Pursuant to the lockup agreement, Apollo, Blackstone and certain affiliates of OppenheimerFunds, Inc., or Oppenheimer, have agreed to purchase an aggregate of 211,730,379 newly issued shares of our common stock, representing approximately 22% of our outstanding common stock after giving effect to the restructuring, for a total purchase price of $200 million cash.

The obligation of each of Apollo, Blackstone and Oppenheimer to purchase this common stock is conditioned upon each of the other purchasers (or a replacement purchaser) fulfilling its obligation to purchase common stock on the closing date of the restructuring and may be terminated by Apollo, Blackstone or Oppenheimer upon the occurrence of specified events which constitute a material adverse change, in the event the minimum tender condition of the exchange offer is not satisfied or upon the commencement of a case under the Bankruptcy Code by or against us. For a description of the terms and conditions of the new equity investment, see 'The Restructuring -- Lockup Agreement' and 'The Recapitalization -- The New Equity Investment.'

PROXY SOLICITATION

Concurrently with the exchange offer and consent solicitation, we are soliciting proxies from our existing stockholders to:

- approve the issuance of shares of our common stock in the exchange offer, the preferred stock exchange and the new equity investment; and

- approve an amendment and restatement of our certificate of incorporation to increase the authorized number of shares of our common stock.

The consummation of the transactions contemplated by the recapitalization plan is conditioned upon our receiving the required stockholder approval. We are also soliciting acceptances of the prepackaged plan from our stockholders pursuant to the proxy solicitation.

To obtain stockholder approval for the recapitalization plan, we need to receive the affirmative vote of holders of a majority of the total shares entitled to vote on such matters and attributable to our outstanding common stock and preferred stock, voting together as a single class. Pursuant to the lockup agreement, Apollo and Blackstone (the holders of all of our outstanding preferred stock and one million shares of our common stock) and Oppenheimer (the holder of 13,258,200 shares of our common stock) have agreed to vote in favor of these items in the proxy solicitation, which together represent approximately 30% of the total votes entitled to participate in the proxy solicitation. Holders of the notes that are party to the lockup agreement have also agreed to vote any shares of common stock owned by them in favor of the recapitalization plan.

BOARD OF DIRECTORS

Upon consummation of the restructuring, two members of our board of directors will resign and two new board members, to be selected by the informal committee of creditors, will fill those vacancies. See 'Management.'

THE EXCHANGE OFFER AND CONSENT SOLICITATION

THE EXCHANGE OFFER

Subject to the terms and conditions set forth in this prospectus, we are offering to exchange an aggregate of 596,669,765 shares of our common stock, par value $0.001 per share, representing

approximately 62% of the outstanding shares of our common stock after giving effect to the restructuring, in exchange for all of our outstanding debt securities.

The following table sets forth the number of shares of our common stock we are offering to exchange for each $1,000 of principal amount and accrued and unpaid interest through March 15, 2003:

TITLE OF SECURITY	AGGREGATE PRINCIPAL AMOUNT OUTSTANDING AT MARCH 15, 2003	ACCRUED INTEREST THROUGH MARCH 15, 2003(1)	TOTAL OBLIGATION	TOTAL SHARES OF COMMON STOCK TO BE ISSUED	CO OU REST
SENIOR SECURED DISCOUNT NOTES...	$280,430,000	$12,151,967	$292,581,967	228,067,643	
SENIOR SECURED NOTES............	200,000,000	24,166,667	224,166,667	174,737,917	
LEHMAN SENIOR TERM LOANS........	150,000,000	5,213,333	155,213,333	120,988,793	
LORAL SENIOR TERM LOANS.........	50,000,000	25,644,620	75,644,620	58,964,982	
CONVERTIBLE SUBORDINATED NOTES..........................	16,461,000	1,384,324	17,845,324	13,910,430	
TOTAL.......................	$696,891,000	$68,560,911	$765,451,911	596,669,765	

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(1) Per $1,000 principal amount of debt, accrued interest through March 15, 2003 will be: $43.33 for the senior secured discount notes; $120.83 for the senior secured notes; $34.76 for the Lehman senior term loans; $512.89 for the Loral senior term loans; and $84.10 for the convertible subordinated notes. Consideration in the exchange offer will be based on the 'total obligation' calculated above (assuming accrued interest through March 15, 2003) notwithstanding the actual closing date. By participating in the exchange offer, each holder agrees to treat the common stock as received in exchange for principal of the debt securities. See 'Material Federal Income Tax Consequences -- Consequences of the Exchange of Common Stock for Notes.'

(2) Does not give effect to the exercise of warrants that will be outstanding after the restructuring. See 'Description of Capital Stock and Warrants.'

(3) Based on the closing bid price of our common stock on January 30, 2003, 779.5 shares of our common stock would have a market value of $.

MINIMUM TENDER CONDITION

The completion of the exchange offer is conditioned upon, among other conditions, our receipt of valid tenders from not less than (1) 97% in aggregate principal amount of our outstanding debt securities and (2) 90% in aggregate principal amount of our convertible subordinated notes; provided that the holders of a majority of our debt securities may reduce the minimum tender condition to not less than 90% in aggregate principal amount of our debt securities and may lower or eliminate the minimum condition applicable to our convertible subordinated notes. We reserve the right to waive the minimum tender condition, which we will be able to do only with the prior written consent of our board of directors, the holders of a majority of our debt securities, Apollo and Blackstone.

Pursuant to the lockup agreement:

Lehman and Loral agreed to tender all of their outstanding term loans in the exchange offer; and

the holders of approximately:

-- 71% in aggregate principal amount at maturity of our senior secured discount notes;

-- 70% in aggregate principal amount of our senior secured notes; and

-- 64% in aggregate principal amount of our convertible subordinated notes,

agreed to tender their notes in the exchange offer and to consent to the proposed amendments and waivers, for an aggregate of approximately 79% of total outstanding debt securities. Under certain circumstances, certain parties to the lockup agreement will be able to retain a small portion of their debt securities as more fully described in 'The Exchange Offer and Consent Solicitation -- Terms of the Exchange Offer and Consent Solicitation.'

OTHER CONDITIONS

The completion of the exchange offer is also conditioned upon:

the approval by our existing stockholders of the restructuring,

receipt of any required consents or approvals from governmental authorities, including the approval of the Federal Communications Commission, if required,

approvals under the Hart-Scott-Rodino Antitrust Improvements Act, if required, and

there being no action or proceeding which enjoins, restricts or prohibits the consummation of the exchange offer.

TENDER EXPIRATION DATE

The exchange offer and consent solicitation will expire at 5:00 p.m., New York City time, on Tuesday, March 4, 2003, unless extended by us; provided that we may not extend the tender expiration date to any date later than March 15, 2003 without the prior approval of the holders of a majority of our debt securities, Apollo and Blackstone. See 'The Exchange Offer and Consent Solicitation -- Tender Expiration Date; Extension; Amendment and Termination.'

THE CONSENT SOLICITATION

Concurrently with the exchange offer, we are soliciting the consent of each holder of our notes to:

the adoption of certain amendments to the indentures under which the notes were issued to eliminate substantially all of the restrictive covenants contained in the indentures; and

the waiver of any defaults and events of default under the indentures now in existence (whether or not related to the restructuring) or caused by the recapitalization plan.

IF THE RECAPITALIZATION PLAN IS COMPLETED AND SUPPLEMENTAL INDENTURES ARE EXECUTED, THE PROPOSED AMENDMENTS AND WAIVERS WILL BE BINDING UPON NON-TENDERING HOLDERS OF NOTES, REGARDLESS OF WHETHER SUCH HOLDERS CONSENTED TO THE PROPOSED

AMENDMENTS AND WAIVERS.

Delivery of a properly completed and validly executed letter of transmittal will constitute delivery of a consent. HOLDERS CANNOT TENDER NOTES IN THE EXCHANGE OFFER UNLESS THEY ALSO CONSENT TO THE PROPOSED AMENDMENTS AND WAIVERS. HOLDERS WHO TENDER NOTES IN THE EXCHANGE OFFER IN ACCORDANCE WITH THE PROCEDURES DESCRIBED IN THIS PROSPECTUS WILL BE DEEMED TO HAVE DELIVERED CONSENTS TO THE PROPOSED AMENDMENTS AND WAIVERS.

PROPOSED AMENDMENTS

If the proposed amendments become operative, they will eliminate substantially all of the restrictive covenants contained in the indentures.

The proposed amendments to the senior secured discount notes indenture and senior secured notes indenture:

- delete the provisions of the indentures which limit indebtedness, restricted payments, permitted investments, issuance and sale of capital stock of subsidiaries, transactions with affiliates, liens, dividends, the business activities of our subsidiary and other payment restrictions affecting subsidiaries; and

- delete the provisions of the indentures requiring us to pay taxes and other claims, maintain in-orbit satellite insurance, and provide a statement by officers as to default.

The proposed amendments to the convertible subordinated notes indenture will eliminate certain events of default.

REQUISITE CONSENTS

Consents from holders of a majority in aggregate principal amount at maturity of the senior secured discount notes, a majority in aggregate principal amount of the senior secured notes and a majority in aggregate principal amount of the convertible subordinated notes, in each case held by holders that are not our 'affiliates' within the meaning of the indentures, are necessary to effect the proposed amendments and waivers. Pursuant to the lockup agreement, our receipt of requisite consents is assured.

FEDERAL INCOME TAX CONSEQUENCES

We have received an opinion from Simpson Thacher & Bartlett, our outside counsel, that the exchange of our common stock for debt securities will constitute a tax-free recapitalization for United States federal income tax purposes. Due to the absence of authority, Simpson Thacher & Bartlett cannot opine on the tax consequences for holders of the notes that do not participate in the exchange offer. Although we intend to take the position that non-participating holders will not recognize gain or loss as a result of the amendments to the indentures, it is possible that such amendments will result in non-participating holders recognizing gain or loss. For a further description of United States federal income tax consequences of the restructuring, see 'Material Federal Income Tax Consequences.'

DEALER MANAGER, INFORMATION AGENT AND EXCHANGE AGENT

UBS Warburg LLC is the dealer manager, MacKenzie Partners, Inc. is the information agent and The Bank of New York is the exchange agent. Their addresses and telephone numbers are set forth on the back cover of this prospectus.

THE PREPACKAGED PLAN

We have prepared the prepackaged plan as an alternative to the recapitalization plan for effecting the restructuring if the conditions to the completion of the exchange offer, including the minimum tender condition, are not met or waived but we do receive the required acceptances to seek confirmation of the prepackaged plan. We are therefore soliciting the vote of each holder of our debt securities in favor of the prepackaged plan by soliciting ballots with this prospectus. We are also soliciting acceptances of the prepackaged plan from our stockholders pursuant to the proxy solicitation.

The prepackaged plan consists of a plan of reorganization under Chapter 11 of the Bankruptcy Code that would effect the same transactions contemplated by the recapitalization plan, including the issuance of common stock in exchange for our debt securities and our preferred stock and the new equity investment. Under the prepackaged plan, the holders of our debt and equity securities (as well as the holders of all other claims) will receive the same consideration in exchange for their claims and interests as they would receive in the recapitalization plan.

However, in the event that we determine to file the prepackaged plan with the bankruptcy court, Apollo, Blackstone and Oppenheimer may elect to terminate their obligations to purchase $200 million of common stock in the new equity investment. In that event, and provided that no suitable alternative new equity investment is located, the prepackaged plan will not be filed, and your vote in favor of the prepackaged plan will be disregarded. We have not yet identified any suitable alternative equity investment.

VOTING ON THE PREPACKAGED PLAN

Under the prepackaged plan, creditors and stockholders who hold substantially similar legal claims or interests with respect to the distribution of the value of our assets are divided into separate 'classes' of claims or interests. Under the Bankruptcy Code, the separate classes of claims and interests must be designated either as 'impaired' (affected by the plan) or 'unimpaired' (unaffected by the plan). For the prepackaged plan to be confirmed by the bankruptcy court without invoking the 'cram down' provisions, each class of claims or interests that is impaired must vote to accept the prepackaged plan. An impaired class of claims (such as each class of our debt) is deemed to accept a plan of reorganization under the provisions of the

Bankruptcy Code if holders of at least two-thirds in dollar amount and more than one-half in number of the holders of claims who actually cast ballots vote to accept the prepackaged plan. An impaired class of interests (such as our preferred stock and common stock) is deemed to accept a plan of reorganization if the holders of at least two-thirds in amount of the interests in such class who actually cast ballots vote to accept the prepackaged plan.

Under the prepackaged plan, the following constitute impaired classes:

- the claims held by holders of the Lehman senior term loans, senior secured discount notes and senior secured notes (Class 2);
- the claims held by holders of the Loral senior term loans (Class 3);
- the claims held by the holders of our convertible subordinated notes (Class 5);
- the interests held by holders of our preferred stock (Class 8); and
- the interests held by holders of our common stock (Class 9).

Pursuant to the lockup agreement, approximately 78% in aggregate principal amount of Class 2, 100% in aggregate principal amount of Class 3, approximately 64% in aggregate principal amount of Class 5 and Apollo and Blackstone, the holders of our preferred stock and 100% of the interests in Class 8, have agreed to vote to accept the prepackaged plan, thereby assuring acceptance of the prepackaged plan by Classes 3 and 8.

If all classes of impaired claims and interests, other than the interests held by our common stockholders (Class 9), accept the prepackaged plan, and Apollo, Blackstone and Oppenheimer (or any replacement purchaser) agree to proceed with the new equity investment, we intend to pursue confirmation of the prepackaged plan under the 'cram down' provisions of the Bankruptcy Code. If the prepackaged plan is confirmed under the 'cram down' provisions of the Bankruptcy Code, all classes of claims and interests will be bound by the terms of the plan regardless of whether such class voted to accept the prepackaged plan. See 'The Prepackaged Plan -- Confirmation of the Prepackaged Plan Without Acceptance by All Classes of Impaired Claims and Interests.'

VOTING RECORD DATE

The 'voting record date' for determining the holders of claims or interests for purposes of voting on the prepackaged plan is the close of business on Tuesday, January 21, 2003.

SOLICITATION EXPIRATION DATE

The ballots must be received by the voting agent by 5:00 p.m., New York City time, on Tuesday, March 4, 2003 (unless the prepackaged plan solicitation period is extended, in which case ballots must be received by the voting agent by the last date to which the prepackaged plan solicitation period is extended). We will notify the voting agent of any extension by oral or written notice and will make a public announcement thereof, prior to 9:00 a.m., New York City time, on the next business day after the previously scheduled solicitation expiration date.

VOTING AGENT AND INFORMATION AGENT

MacKenzie Partners, Inc. is the voting agent and the information agent. Its address and telephone number is set forth on the back cover of this prospectus.

Questions and requests for assistance or for additional copies of this prospectus, the letter of transmittal, the ballots or any other required documents may be directed to the information agent at the address and telephone number set forth on the back cover of this prospectus.

DESCRIPTION OF OUR COMMON STOCK

TO BE ISSUED TO HOLDERS OF DEBT SECURITIES

An aggregate of up to 596,669,765 newly issued shares of common stock, par value $0.001 per share, will be issued in exchange for our outstanding debt. After giving effect to the restructuring and assuming that 100% of the debt securities are exchanged in the exchange offer, we estimate that there will be 962,385,874 shares of our common stock issued and outstanding and approximately 260,106,813 shares reserved for issuance under warrants and stock options.

DIVIDENDS

We have never declared or paid any cash dividends on our capital stock. We intend to retain future earnings, if any, for use in our business and do not anticipate paying any cash dividends in the foreseeable future.

VOTING RIGHTS

The holders of our common stock will be entitled to one vote per share on all matters as to which stockholders may be entitled to vote pursuant to the Delaware General Corporation Law.

STOCK OPTIONS

In connection with the restructuring, we will implement our new stock option plan, through which options for approximately 15% of our outstanding common stock after giving effect to the recapitalization will be available for grant.

TRADING MARKET

Our common stock trades on the Nasdaq National Market under the symbol 'SIRI'.

SUMMARY CONSOLIDATED FINANCIAL DATA

The summary consolidated financial data shown below as of and for the years ended December 31, 1999, 2000 and 2001 is derived from our respective audited consolidated financial statements. The summary consolidated financial data as of and for the nine months ended September 30, 2001 and 2002 is derived from our unaudited consolidated financial statements. In the opinion of management, the unaudited consolidated financial statements include all adjustments, consisting of normal recurring adjustments, that are necessary for a fair presentation of our consolidated financial position and results of operations for these periods. The summary consolidated financial data includes certain reclassifications to conform to our current presentation. The summary consolidated financial data should be read together with 'Management's Discussion and Analysis of Financial

Condition and Results of Operations' and the consolidated financial statements and related notes from our annual report on Form 10-K for the year ended December 31, 2001 and our quarterly report on Form 10-Q for the quarter ended September 30, 2002, both incorporated by reference in this prospectus.

	FOR THE YEAR ENDED DECEMBER 31,		
	1999	2000	2001
	(IN THOUSANDS, EXCEPT PER		
STATEMENT OF OPERATIONS DATA:			
Operating revenues(1)	$ --	$ --	$ --
Operating expenses(2)	(63,518)	(125,634)	(168,456)
Operating loss	(63,518)	(125,634)	(168,456)
Net loss	(62,822)	(134,744)	(235,763)
Preferred stock dividends	(30,321)	(39,811)	(41,476)
Preferred stock deemed dividends(3)	(3,535)	(8,260)	(680)
Accretion of dividends in connection with the issuance of warrants on preferred stock	(303)	(900)	--
Net loss applicable to common stockholders	(96,981)	(183,715)	(277,919)
Net loss per share applicable to common stockholders (basic and diluted)	$ (3.96)	$ (4.72)	$ (5.30)
Weighted average common shares outstanding (basic and diluted)	24,470	38,889	52,427
BALANCE SHEET DATA (END OF PERIOD):			
Cash and cash equivalents	$ 81,809	$ 14,397	$ 4,726
Marketable securities(4)	317,810	121,862	304,218
Restricted investments(5)	67,454	48,801	21,998
Working capital	303,865	143,981	275,732
Total assets	1,206,612	1,323,582	1,527,605
Short-term notes payable	114,075	--	--
Current portion of long-term debt	--	--	15,000
Deferred satellite payments and accrued interest	55,140	60,881	67,201
Long-term debt	488,690	472,602	589,990
10 1/2% Series C Preferred Stock	149,285	--	--
9.2% Series A Junior Cumulative Convertible Preferred Stock	148,894	162,380	177,120
9.2% Series B Junior Cumulative Convertible Preferred Stock	64,238	70,507	77,338
9.2% Series D Junior Cumulative Convertible Preferred Stock	--	210,125	230,710
Accumulated deficit	(134,491)	(269,235)	(504,998)
Stockholders' equity	134,179	290,483	322,649

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(1) We were a development stage company until we entered commercial operations on February 14, 2002.

(2) Operating expenses include non-cash stock compensation expense of $1,206, $7,176, $14,044, $3,374 and a non-cash stock compensation benefit of $7,995 for the years ended December 31, 1999, 2000 and 2001, and for the nine months ended September 30, 2001 and 2002, respectively.

(footnotes continued on next page)

(footnotes continued from previous page)

(3) Preferred stock deemed dividends for the years ended December 31, 1999 and 2000 relate primarily to the conversions of our 10 1/2% Series C Convertible Preferred Stock for shares of our common stock.

(4) Marketable securities are stated at market value and consist of fixed income securities with a maturity at the time of purchase of greater than three months.

(5) Restricted investments are stated at amortized cost and consist of securities held by the trustee for the senior secured notes to pay interest on those notes through May 15, 2002 and certificates of deposit pledged to secure our reimbursement obligations under letters of credit required by lessors and other creditors.

UNAUDITED PRO FORMA SUMMARY CONSOLIDATED FINANCIAL DATA

The following pro forma summary consolidated financial data for the year ended December 31, 2001, and as of and for the nine months ended September 30, 2002 has been derived by the application of pro forma adjustments to our historical consolidated financial statements. The historical consolidated financial data includes certain reclassifications to conform to our current presentation. The pro forma summary consolidated financial data is presented for illustrative purposes only and is not necessarily indicative of the financial position or results of operations that would have actually been reported had the restructuring occurred at the beginning of the periods presented, nor is it indicative of our future financial position or results of operations. The pro forma summary consolidated balance sheet data as of September 30, 2002 gives effect to the recapitalization plan and the payment of related fees and expenses as if each had occurred on the date of the consolidated balance sheet. The unaudited pro forma consolidated statements of operations data for the year ended December 31, 2001, and the nine months ended September 30, 2002, give effect to the restructuring as if it had occurred on January 1, 2001. The pro forma summary consolidated financial data assumes that 100% of our outstanding debt securities and preferred stock are exchanged for common stock.

The pro forma summary consolidated financial data is unaudited and based on assumptions that we believe are reasonable and should be read in conjunction with 'Capitalization' on page 31, and the consolidated financial statements and related notes from our annual report on Form 10-K for the year ended December 31, 2001 and our quarterly report on Form 10-Q for the quarter ended September 30, 2002, both incorporated by reference in this prospectus.

(IN THOUSANDS, EXCEPT PER SHARE DATA)

	PRO FORMA	
	YEAR ENDED DECEMBER 31, 2001	NINE MONTHS ENDED SEPTEMBER 30, 200
	(UNAUDITED)	
STATEMENT OF OPERATIONS DATA:		
Operating revenues	$--	$ 120
Operating expenses	(168,456)	(222,451)
Operating loss	(168,456)	(222,331)
Net loss	(159,645)	(229,994)
Net loss per share (basic and diluted)	$ (0.17)	$ (0.24)
Weighted average common shares outstanding (basic and diluted)	937,820	961,213

	PRO FORMA AS OF SEPTEMBER 30, 2002
	(UNAUDITED)
BALANCE SHEET DATA:	
Cash and cash equivalents	$ 249,266
Marketable securities, at market	184,732
Restricted investments	7,200
Working capital	409,366
Total assets	1,603,485
Deferred satellite payments and accrued interest	--
Long-term debt	--
Preferred stock	--
Accumulated deficit	(530,943)(1)
Stockholders' equity	1,555,391

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(1) The accumulated deficit has been adjusted due to an estimated gain on the exchange of debt for common stock. We have estimated the gain on the exchange of debt to be $274,450, based on the assumption that the market value of our common stock on the closing date of the restructuring will be $0.64, the closing bid price on December 31, 2002. See 'Accounting Treatment of the Restructuring -- Exchange of Debt Securities for Common Stock' for further discussion regarding the calculation of the gain on the exchange of debt for common stock.

RISK FACTORS

You should carefully consider the following risk factors before you decide to tender your debt securities in the exchange offer, deliver a consent in the consent solicitation and vote to accept or reject the prepackaged plan.

RISKS RELATED TO THE RESTRUCTURING

IF THE RESTRUCTURING IS NOT COMPLETED, WE MAY NOT BE ABLE TO OBTAIN THE SUBSTANTIAL ADDITIONAL FINANCING WE NEED BY EARLY 2003 TO CONTINUE TO PROVIDE SERVICE AND TO FURTHER DEVELOP AND MARKET OUR SATELLITE RADIO SERVICE.

At December 31, 2002, we had approximately $180 million of available cash, cash equivalents, marketable securities and restricted investments. This amount is sufficient to cover our estimated funding needs only through the second quarter of 2003, without giving effect to the restructuring.

We have substantial indebtedness which adversely affects our financial condition. We have significant principal payments under our indebtedness coming due in the next several years. Unless the restructuring occurs, we will be required to make the following principal payments on our long-term debt: $49.8 million in the remainder of 2003 (which includes $15.0 million due but not paid in 2002); $38.5 million in 2004; $111.7 million in 2005; $280.4 million in 2007; and $216.5 million in the aggregate thereafter.

If we are not able to complete the restructuring or obtain additional financing on a timely basis, we may be forced to declare bankruptcy.

WE WILL STILL NEED ADDITIONAL FINANCING FOLLOWING THE RESTRUCTURING, WHICH MAY NOT BE AVAILABLE.

The restructuring will eliminate all or substantially all of our outstanding debt and provide us with sufficient cash to cover our estimated funding needs into the second quarter of 2004. After giving effect to the restructuring, we anticipate that we will need further additional funding of approximately $75 million dollars before we achieve cash flow breakeven, the point at which our revenues are sufficient to fund expected operating expenses, capital expenditures, interest and principal payments and taxes. This amount is an estimate and may change, and we may need additional financing in excess of this estimate. Our actual funding requirements could vary materially from our current estimates. We may have to raise more funds than expected to remain in business and continue to develop and market our satellite radio service.

Even if we complete the restructuring, we may continue to struggle to stay in business. Our financial projections are based on assumptions which we believe are reasonable but contain significant uncertainties, including, most importantly, the length of time and level of costs necessary to obtain the number of subscribers required to sustain our operations.

AN ALTERNATIVE TO THE RESTRUCTURING MAY NOT BE AVAILABLE TO US AND, IF AVAILABLE AND COMPLETED, MAY BE LESS FINANCIALLY ATTRACTIVE TO OUR CREDITORS THAN THE RESTRUCTURING.

We believe that the completion of the restructuring is critical to our continuing viability. If the restructuring is not completed, we may be forced to seek an alternative restructuring of our capitalization and our obligations to our creditors and equity holders and obtain their consent to any such restructuring plan with or without a pre-approved plan of reorganization or otherwise. An alternative restructuring arrangement or plan may not be available, or if available, may not result in a successful reorganization or be on terms as favorable to our creditors and equity holders as the terms of the restructuring. In addition, there is a risk that distributions to our creditors under a liquidation or under a protracted and non-orderly reorganization would be substantially delayed and diminished.

WE WILL NOT BE ABLE TO COMPLETE THE RECAPITALIZATION PLAN IF WE DO NOT OBTAIN STOCKHOLDER APPROVAL OF THE RESTRUCTURING TRANSACTIONS.

The consummation of the transactions contemplated by the recapitalization plan is conditioned upon our receiving the approval of our existing stockholders to the issuance of our common stock in the exchange offer, the preferred stock exchange and the new equity investment and an amendment and restatement of our certificate of incorporation to increase the authorized number of shares of our common stock. Therefore, even if the minimum tender condition and each of the other conditions to the exchange offer are met or waived, the failure to obtain such stockholder approval will prevent us from consummating the recapitalization plan and require us to seek to implement the restructuring through the prepackaged plan.

Pursuant to the lockup agreement, Apollo and Blackstone (the holders of all of our outstanding preferred stock and one million shares of our common stock) and Oppenheimer (the holder of 13,258,200 shares of our common stock), which together represent approximately 30% of the total votes entitled to participate in the proxy solicitation, have agreed to vote in favor of these items. We therefore need the affirmative vote of another 21% of our stockholders to obtain approval for the restructuring.

IF THE MINIMUM TENDER CONDITION IS NOT MET FOR THE EXCHANGE OFFER, THERE MAY BE SUFFICIENT VOTES TO ACCEPT THE PREPACKAGED PLAN.

The consummation of the exchange offer is conditioned upon, among other things, our receipt of valid tenders from not less than (1) 97% in aggregate principal amount of our outstanding debt securities and (2) 90% in aggregate principal amount of our convertible subordinated notes; provided that the holders of a majority of our debt securities may reduce the minimum tender condition to not less than 90% in aggregate principal amount of our debt securities and may lower or eliminate the minimum tender condition applicable to our convertible subordinated notes.

To obtain approval of the prepackaged plan, however, we need to receive from each impaired class of claims (such as each class of our debt) the affirmative votes of holders of only two-thirds in dollar amount and one-half in number of the holders of such class who actually cast ballots.

If we are not able to complete the recapitalization plan for any reason, including if the minimum tender condition is not met, but we receive the required votes from each impaired class of claims or interests to accept the prepackaged plan, we will seek confirmation of the prepackaged plan in the bankruptcy court. If the prepackaged plan is confirmed by the bankruptcy court, it will bind all of our security holders. Therefore, assuming the prepackaged plan satisfies the other requirements of the bankruptcy court, a significantly smaller number of security holders can bind other security holders to the terms of the prepackaged plan.

Furthermore, if all classes of impaired claims and interests, other than the interests held by our common stockholders (Class 9), accept the prepackaged plan, and Apollo, Blackstone and Oppenheimer (or any replacement purchaser) agree to proceed with the new equity investment, we intend to pursue confirmation of the prepackaged plan under the 'cram down' provisions of the Bankruptcy Code. If the prepackaged plan is confirmed under the 'cram down' provisions of the Bankruptcy Code, all classes of claims and interests will be bound by the terms of the plan regardless of whether such class voted to accept the prepackaged plan. See 'The Prepackaged Plan -- Confirmation of the Prepackaged Plan Without Acceptance by All Classes of Impaired Claims and Interests.'

WE MAY INCUR INCOME TAX LIABILITY OR LOSE TAX ATTRIBUTES AS A RESULT OF THE RESTRUCTURING.

We will realize cancellation of indebtedness, or COD, income as a result of the exchange to the extent that the value of the common stock issued in exchange for the debt securities is less than the 'adjusted issue price' of the debt securities. Thus, the precise amount of COD income cannot be determined until the closing date of the restructuring.

We will not recognize COD income to the extent we are considered insolvent from a tax perspective immediately prior to the completion of the restructuring. If and to the extent COD income is excluded from taxable income due to insolvency, we will generally be required to reduce certain of our tax attributes, including, but not limited to, net operating losses and loss carryforwards. This may result in a significant reduction in, and possible elimination of, our tax attributes. Taxable income will result to the extent COD income exceeds the amount by which we are considered to be insolvent immediately prior to the completion of the restructuring.

To the extent that we are considered solvent from a tax perspective immediately prior to the completion of the restructuring and realize COD income, our available losses may offset all or a portion of the COD income. COD income realized in excess of available losses will result in a tax liability. In addition, the issuance of our common stock in the exchange will result in an ownership change in our company that will significantly limit the use of our remaining tax attributes, including net operating losses.

Alternatively, if the discharge of the debt securities occurs in a Chapter 11 bankruptcy case pursuant to the prepackaged plan, we will not recognize any COD income as a result of such discharge although certain of our tax attributes will be reduced.

RISKS RELATED TO THE EXCHANGE OFFER

THE PROPOSED AMENDMENTS TO THE INDENTURES WILL SIGNIFICANTLY REDUCE THE PROTECTIONS AFFORDED NON-TENDERING HOLDERS OF THE NOTES.

If the minimum tender condition and each of the other conditions to the exchange offer are met or waived and the exchange offer and the recapitalization plan are completed, we and the trustees under the indentures will execute supplemental indentures effecting the proposed amendments. Upon execution of the supplemental indentures, the proposed amendments will apply to all of the notes that remain outstanding and each holder of such notes not tendered in the exchange offer will be bound by the supplemental indentures, regardless of whether such holder consented to the proposed amendments. The proposed amendments will, among other things, eliminate substantially all of the restrictive covenants contained in the indentures.

The proposed amendments to the senior secured discount notes indenture and senior secured notes indenture:

- delete the provisions of the indentures which limit indebtedness, restricted payments, permitted investments, issuance and sale of capital stock of subsidiaries, transactions with affiliates, liens, dividends, the business activities of our subsidiary and other payment restrictions affecting subsidiaries; and

- delete the provisions of the indentures requiring us to pay taxes and other claims, maintain in-orbit satellite insurance, and provide a statement by officers as to default.

The proposed amendments to the convertible subordinated notes indenture eliminate certain events of default. For a description of the proposed amendments, see 'The Exchange Offer and Consent Solicitation -- Proposed Amendments and Waivers.'

Pursuant to the lockup agreement, holders of approximately 71% of our senior secured discount notes, approximately 70% of our senior secured notes and approximately 64% of our convertible subordinated notes have agreed to consent to the proposed amendments and waivers, thereby assuring they will become effective if the recapitalization plan is consummated.

THE EXCHANGE OFFER WILL REDUCE THE LIQUIDITY OF THE NOTES THAT ARE NOT TENDERED.

There is currently a limited trading market for the notes, and no reliable public pricing information for the notes is generally available. The notes are not traded on any national securities exchange or automated quotation system. We understand that from time to time a small number of brokers and dealers have made a market in the notes as a service for their clients. The trading market for unexchanged notes could become even more limited or nonexistent due to the

reduction in the amount of such notes outstanding upon completion of the recapitalization plan, which might adversely affect the liquidity, market price and price volatility of any unexchanged notes. If a market for unexchanged notes exists or develops, those notes will likely trade at a discount to the price at which the notes would trade if the amount outstanding were not reduced, depending on prevailing interest rates, the market for similar securities and other factors.

HOLDERS OF THE DEBT SECURITIES WHO RECEIVE COMMON STOCK IN THE EXCHANGE OFFER WILL LOSE THEIR CONTRACTUAL RIGHTS AS CREDITORS.

Upon tendering debt securities in the exchange offer for our common stock, holders of debt securities will lose the contractual rights they currently have as our creditors and will have different rights as our common stockholders. For example, in a liquidation, a holder of common stock will be paid, if at all, only after claims of holders of debt are satisfied. Consequently, as stockholders, the holders of debt securities may suffer more from future adverse developments relating to our financial condition, results of operations or prospects than they would as holders of our debt.

ARTHUR ANDERSEN LLP, THE INDEPENDENT PUBLIC ACCOUNTANT THAT AUDITED OUR ANNUAL CONSOLIDATED FINANCIAL STATEMENTS, HAS NOT CONSENTED TO OUR USE OR INCORPORATION BY REFERENCE OF ITS AUDIT OPINION AND HAS BEEN CONVICTED OF OBSTRUCTION OF

JUSTICE, WHICH MAY ADVERSELY AFFECT THE ABILITY OF ARTHUR ANDERSEN TO SATISFY ANY CLAIMS THAT MAY ARISE OUT OF ITS AUDITS OF OUR CONSOLIDATED FINANCIAL STATEMENTS.

Arthur Andersen LLP is the independent public accountant that audited our consolidated financial statements as of December 31, 2001 and 2000 and for each of the three years in the period ended December 31, 2001. Arthur Andersen was recently convicted of obstruction of justice in connection with the U.S. government's investigation of Enron Corp. Events arising out of this conviction may adversely affect the ability of Arthur Andersen to satisfy any claims that may arise out of Arthur Andersen's audits of our consolidated financial statements. Additionally, because the personnel responsible for the audits of our consolidated financial statements are no longer employed by Arthur Andersen, we have not received Arthur Andersen's consent with respect to the incorporation by reference of those consolidated financial statements and the related audit report; accordingly, if those consolidated financial statements are inaccurate, your ability to make a claim against Arthur Andersen may be limited or prohibited.

HOLDERS OF THE DEBT SECURITIES WHO DO NOT PARTICIPATE IN THE EXCHANGE OFFER MAY INCUR TAX CONSEQUENCES.

Holders of the debt securities who choose not to participate in the exchange offer may be deemed to have exchanged their notes for new notes in an exchange, which could result in the recognition of gain or loss for tax purposes. In addition, under certain circumstances, the new notes may be deemed to be issued with original issue discount, which holders would have to accrue into income on a constant yield basis. For a more detailed description of the tax consequences to holders who do not participate in the exchange offer, see 'Material United States Federal Income Tax Consequences -- Consequences of Not Participating in the Exchange Offer.'

RISKS RELATED TO THE PREPACKAGED PLAN

THE PREPACKAGED PLAN MAY HAVE A MATERIAL ADVERSE EFFECT ON OUR OPERATIONS.

We believe that the solicitation of votes to approve the prepackaged plan, and the potential subsequent commencement of a prepackaged Chapter 11 case by us in connection with the prepackaged plan, would not materially adversely affect our relationships with customers, employees, partners and others, provided that we can demonstrate sufficient liquidity to continue to operate our business and a likelihood of success for the prepackaged plan in a reasonably short time frame. However, the prepackaged plan solicitation or any subsequent commencement of a prepackaged Chapter 11 case could adversely affect the relationships between us and our

customers, employees, partners and others. There is a risk, due to uncertainty about our future, that:

customers could seek alternative sources of service from our competitors, including XM Radio;

employees could be distracted from performance of their duties or more easily attracted to other career opportunities; and radio, retail, content or automaker partners could terminate their relationship with us or require financial assurances or enhanced performance.

These factors could adversely affect our ability to obtain confirmation of the prepackaged plan.

EVEN IF ALL CLASSES OF CLAIMS AND INTERESTS THAT ARE ENTITLED TO VOTE ACCEPT THE PREPACKAGED PLAN, THE PREPACKAGED PLAN MAY NOT BECOME EFFECTIVE.

The confirmation and effectiveness of the prepackaged plan is subject to certain conditions and requirements that may not be satisfied, and the bankruptcy court may conclude that the requirements for confirmation and effectiveness of the prepackaged plan have not been satisfied. See 'The Prepackaged Plan -- Conditions to Confirmation' and ' -- Conditions to Effective Date of the Prepackaged Plan.'

Furthermore, in the event that we determine to file the prepackaged plan with the bankruptcy court, Apollo, Blackstone and Oppenheimer may elect to terminate their obligations to purchase common stock in the new equity investment. Without the new equity investment or a suitable alternative new equity investment, we do not believe the prepackaged plan would meet the confirmation requirement of Section 1129 of the Bankruptcy Code that the plan be 'feasible.' See 'The Prepackaged Plan -- Conditions to Confirmation.' In that event, we will not seek confirmation of the prepackaged plan and your vote in favor of the prepackaged plan will be disregarded.

THE BANKRUPTCY COURT MAY CONCLUDE THAT THE PREPACKAGED PLAN DOES NOT MEET THE REQUIREMENTS FOR CONFIRMATION AND MAY REQUIRE MODIFICATION TO THE PLAN.

If all of the conditions to the exchange offer cannot be satisfied or waived by March 15, 2003, but we receive required acceptances to seek confirmation of the prepackaged plan, then on March 15, 2003 (or such earlier or later date as we and the other parties to the lockup agreement may agree), we expect to file a voluntary petition for reorganization under Chapter 11 of the Bankruptcy Code and, provided that Apollo, Blackstone and Oppenheimer agree to proceed with the new equity investment, will seek confirmation of the prepackaged plan as promptly as practicable thereafter.

However, the prepackaged plan may not be confirmed by the bankruptcy court. Section 1129 of the Bankruptcy Code, which sets forth the requirements for confirmation of a plan of reorganization, requires, among other things, a finding by the bankruptcy court that the plan is 'feasible,' that all claims and interests have been classified in compliance with the provisions of Section 1122 of the Bankruptcy Code, and that, under the plan, each holder of a claim or interest within each impaired class either accepts the plan or receives or retains cash or property of a value, as of the date the plan becomes effective, that is not less than the value such holder would receive or retain if the debtor were liquidated under Chapter 7 of the Bankruptcy Code. A bankruptcy court may conclude that the feasibility test and other requirements of Section 1129 of the Bankruptcy Code have not been met with respect to the prepackaged plan.

If the prepackaged plan is filed, modifications thereto may be required for confirmation, and such modifications may require a resolicitation of votes on the prepackaged plan. We believe that, if the prepackaged plan is confirmed, it would not be followed by a liquidation or an immediate need for further financial reorganization and that holders of claims and interests in any impaired class would receive or retain value that is not less than the value such holders would receive or retain if we were liquidated under Chapter 7 of the Bankruptcy Code.

IF THE PREPACKAGED PLAN CANNOT BE CONFIRMED, OUR REORGANIZATION CASE MAY BE CONVERTED TO A CASE UNDER CHAPTER 7 OF THE BANKRUPTCY CODE.

If no plan can be confirmed, our reorganization case may be converted to a case under Chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be appointed or elected to liquidate our assets for distribution in accordance with the priorities established by the Bankruptcy Code. A discussion of the effects that a Chapter 7 liquidation would have on the recoveries of holders of claims and interests and our liquidation analysis are set forth under 'The Prepackaged Plan -- Liquidation Analysis.' We believe that liquidation under Chapter 7 would result in:

smaller distributions being made to creditors than those provided for in the prepackaged plan because of:

- the likelihood that our assets would have to be sold or otherwise disposed of in a less orderly fashion over a short period of time;
- additional administrative expenses involved in the appointment of a trustee; and
- additional expenses and claims, some of which would be entitled to priority, which would be generated during the liquidation and from the rejection of leases and other executory contracts in connection with a cessation of our operations; and

no distributions being made to holders of our preferred stock and common stock.

THE BANKRUPTCY COURT MAY DISAGREE WITH OUR CLASSIFICATION OF CLAIMS AND INTERESTS.

Section 1122 of the Bankruptcy Code provides that a plan may place a claim or an interest in a particular class only if such claim or interest is substantially similar to the other claims or interests of such class. We believe that the classification of claims and interests under the prepackaged plan complies with the requirements set forth in the Bankruptcy Code; however, once a Chapter 11 case has been commenced a claim or interest holder could challenge the classification. In such event, the cost of the prepackaged plan and the time needed to confirm the prepackaged plan would increase and the bankruptcy court may not agree with our classification of claims and interests.

If the bankruptcy court concludes that the classification of claims and interests under the prepackaged plan does not comply with the requirements of the Bankruptcy Code, we may need to modify the prepackaged plan. Such modification could require a resolicitation of votes on the prepackaged plan. If the bankruptcy court determined that our classification of claims and interests was not appropriate, the prepackaged plan may not be confirmed.

THE BANKRUPTCY COURT MAY FIND THE SOLICITATION OF ACCEPTANCES INADEQUATE.

Usually, a plan of reorganization is filed and votes to accept or reject the plan are solicited after the filing of a petition commencing a Chapter 11 case. Nevertheless, a debtor may solicit votes prior to the commencement of a Chapter 11 case in accordance with Section 1126(b) of the Bankruptcy Code and Bankruptcy

Rule 3018(b). Section 1126(b) of the Bankruptcy Code and Bankruptcy Rule 3018(b) require that:

the plan of reorganization be transmitted to substantially all creditors and other interest holders entitled to vote;

the time prescribed for voting is not unreasonably short; and

the solicitation of votes is in compliance with any applicable nonbankruptcy law, rule or regulation governing the adequacy of disclosure in such solicitation or, if no such law, rule or regulation exists, votes be solicited only after the disclosure of adequate information.

Section 1125(a)(1) of the Bankruptcy Code describes adequate information as information of a kind and in sufficient detail as would enable a hypothetical reasonable investor typical of holders of claims and interests to make an informed judgment about the plan. With regard to solicitation of votes prior to the commencement of a bankruptcy case, if the bankruptcy court concludes that

the requirements of Bankruptcy Rule 3018(b) have not been met, then the bankruptcy court could deem such votes invalid, whereupon the prepackaged plan could not be confirmed without a resolicitation of votes to accept or reject the prepackaged plan. While we believe that the requirements of Section 1126(b) of the Bankruptcy Code and Bankruptcy Rule 3018 will be met, the bankruptcy court may not reach the same conclusion.

THE DISTRIBUTION OF PROCEEDS IN THE PREPACKAGED PLAN WILL BE DELAYED UNTIL AFTER CONFIRMATION.

If we file a Chapter 11 case and the prepackaged plan can be confirmed, the date of the distributions to be made pursuant to the prepackaged plan will be delayed until after confirmation of the prepackaged plan by the bankruptcy court. We estimate that the process of obtaining confirmation of the prepackaged plan will last a minimum of 30 days from the date of the commencement of our Chapter 11 case and could last considerably longer. The distribution will be delayed for a minimum of 10 days thereafter and may be delayed for a substantially longer period.

OUR FUTURE OPERATIONAL AND FINANCIAL PERFORMANCE MAY VARY MATERIALLY FROM THE FINANCIAL PROJECTIONS.

We have prepared the financial projections contained in this prospectus as required by the 'feasability test' of Section 1129 of the Bankruptcy Code. See 'The Prepackaged Plan -- Confirmation of the Prepackaged Plan -- Feasibility of the Prepackaged Plan.' These projections are based upon a number of assumptions and estimates, including that the restructuring will be implemented in accordance with its current terms.

Financial projections are necessarily speculative in nature and one or more of the assumptions and estimates underlying these projections may prove not to be valid. The assumptions and estimates underlying these projections are inherently uncertain and are subject to significant business, economic and competitive risks and uncertainties, many of which are beyond our control. See 'Risk Factors -- Risks Related to Our Business.' For example, as of December 31, 2002, we had 29,947 subscribers. Our projections assume that our gross additional subscribers will be 300,000 in 2003, 1.0 million in 2004, 1.7 million in 2005 and 2.3 million in 2006. Accordingly, our financial condition and results of operations following the exchange offer may vary significantly from those set forth in the financial projections. Consequently, the financial projections should not be regarded as a representation by us, our advisors or any other person that the projections will be achieved. Holders are cautioned not to place undue reliance on the financial projections. See 'Unaudited Projected Consolidated Financial Information.'

RISKS RELATED TO OUR COMMON STOCK

OUR COMMON STOCK MAY BE DELISTED BY NASDAQ.

Our common stock is currently listed on the Nasdaq National Market. We may fail to comply with the continued listing requirements of Nasdaq, and the failure to do so may result in the delisting of our common stock. Nasdaq rules require, among other things, that the minimum bid price of our common stock be at least $1.00. If the minimum bid price of our common stock closes below $1.00 for more than 30 consecutive trading days and we are unable to cure such defect within the 90-day cure period, Nasdaq may delist our common stock from the Nasdaq National Market. On December 23, 2002, Nasdaq notified us that the minimum bid price of our common stock had closed below $1.00 for more than 30 consecutive days and that we had until March 24, 2003 to cure such defect. If our common stock fails to close above $1.00 for ten consecutive days prior to March 24, 2003, we have the right to request a hearing prior to delisting by Nasdaq. Such delisting will have an adverse impact on the liquidity of our common stock and, as a result, the market price for our common stock may become more volatile. Such delisting could make it more difficult for us to raise additional capital.

While we hope that the restructuring will have the effect of increasing the minimum bid price of our common stock, the minimum bid price may not increase, at all or for any period of time,

and we may not be successful in maintaining the listing of our common stock on the Nasdaq National Market.

IF OUR COMMON STOCK IS DEEMED A 'PENNY STOCK,' ITS LIQUIDITY WILL BE ADVERSELY AFFECTED.

If the market price for our common stock falls below $1.00 per share, our common stock may be deemed to be penny stock. If our common stock is considered penny stock, it would be subject to rules that impose additional sales practices on broker-dealers who sell our securities. For example, broker-dealers must make a special suitability determination for the purchaser and have received the purchaser's written consent to the transaction prior to sale. Also, a disclosure schedule must be delivered to each purchaser of a penny stock, disclosing sales commissions and current quotations for the securities. Monthly statements are also required to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks. Because of these additional conditions, some brokers may choose to not effect transactions in penny stocks. This could have an adverse effect on the liquidity of our common stock.

WE CANNOT PREDICT THE PRICE AT WHICH OUR COMMON STOCK WILL TRADE FOLLOWING THE RESTRUCTURING.

We expect to issue approximately 885 million shares of our common stock to the holders of our debt securities, preferred stock and providers of new equity capital in connection with the restructuring. There are currently approximately 77 million shares of our common stock issued and outstanding. After giving effect to the restructuring, we estimate that there will be approximately 962 million shares of our common stock issued and outstanding, which means that our existing common stockholders will hold only approximately 8% of our common stock following the restructuring.

This issuance of common stock could materially depress the price of our common stock if holders of a large number of shares of common stock attempt to sell all or a substantial portion of their holdings following the restructuring. We cannot predict what the demand for our stock will be following the restructuring; how many shares of our common stock will be offered for sale or be sold following the restructuring; or the price at which our common stock will trade following the restructuring. There are no agreements or other restrictions that prevent the sale of a large number of our shares of common stock immediately following the restructuring. The issuance of the shares of common stock offered pursuant to this prospectus in exchange for our debt securities has been registered with the SEC. As a consequence, those shares will, in general, be freely tradeable. We have also agreed to file a shelf registration statement covering resales of the shares of common stock to be purchased by Oppenheimer, Apollo and Blackstone in the new equity investment and the shares to be issued to Apollo and Blackstone upon exchange of their preferred stock and exercise of their warrants. Upon effectiveness of this shelf registration statement, such shares will also be freely tradeable.

RISKS RELATED TO OUR BUSINESS

OUR BUSINESS MIGHT FAIL EVEN AFTER THE RESTRUCTURING.

We were a development stage company until early 2002. We began generating revenues on February 14, 2002, although, to date, these revenues have not been significant. Our ability to generate significant revenues and ultimately to become profitable will depend upon several factors, including whether we can attract and retain a sufficient number of subscribers and advertisers to our satellite radio service and whether we compete successfully. As of December 31, 2002, we had 29,947 subscribers.

We cannot estimate with any certainty the consumer demand for our service or the degree to which we will meet that demand. Among other things, consumer acceptance will depend upon whether we obtain, produce and market high quality programming consistent with consumers'

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tastes; the willingness of consumers to pay subscription fees to obtain satellite radio; the cost and availability of our radios; our marketing and pricing strategy; and the marketing and pricing strategy of our direct competitor, XM Radio. If demand for our service does not develop as expected, we may not be able to generate enough revenues to become profitable or to generate positive cash flow.

WE WILL NEED ADDITIONAL FINANCING AFTER THE RESTRUCTURING TO OPERATE OUR SERVICE AND ADDITIONAL FINANCING MIGHT NOT BE AVAILABLE.

Following consummation of the restructuring, we expect to have sufficient cash to cover our funding needs only into the second quarter of 2004. After giving effect to the restructuring, we anticipate that we can achieve cash flow breakeven with further additional funding of approximately $75 million. This amount is an estimate and may change. However, if the number of actual subscribers, or the cost to acquire each new subscriber, differs substantially from our expectations, we may need substantial additional funding.

We plan to raise future funds by selling debt or equity securities, or both, publicly and/or privately, and by obtaining loans or other credit lines from banks or other institutions. We may not be able to raise sufficient funds on favorable terms or at all. If we fail to obtain any necessary financing on a timely basis, then our business would be materially impacted and we could default on commitments to our distribution partners, creditors or others, and may have to discontinue operations or seek a purchaser for our business or assets.

OUR SUBSTANTIAL INDEBTEDNESS WILL ADVERSELY AFFECT OUR FINANCIAL CONDITION IF WE FAIL TO COMPLETE THE RESTRUCTURING.

As of September 30, 2002, the book value of our debt was $683.6 million and we had stockholders' equity of $170.4 million. We have significant principal payments under our indebtedness coming due in the next several years. Unless we complete the restructuring, we will be required to make the following principal payments on our long-term debt: $49.8 million in the remainder of 2003 (which includes $15.0 million due but not paid in 2002); $38.5 million in 2004; $111.7 million in 2005; $280.4 million in 2007; and $216.5 million in the aggregate thereafter. Our substantial indebtedness has important consequences. For example, it:

- increases our vulnerability to general adverse economic and industry conditions;

- requires us to dedicate a substantial portion of our cash to payments of principal and interest on our indebtedness, thereby reducing the cash available to fund working capital, capital expenditures, research and development efforts and other general corporate purposes;

- limits our flexibility in planning for, or reacting to, changes in our business and industry; and

- limits our ability to raise additional capital.

At December 31, 2002, we had approximately $180 million of available cash, cash equivalents, marketable securities and restricted investments. However, with the consent of the parties to the lockup agreement, we chose not to make any payments in respect of our debt in order to conserve our cash to allow us to continue to develop our business and attempt to complete the restructuring.

OUR EXPENDITURES AND LOSSES HAVE BEEN SIGNIFICANT AND ARE EXPECTED TO GROW.

We had incurred capital expenditures, excluding capitalized interest, of $970.1 million and aggregate net losses of approximately $805.4 million from our inception, May 17, 1990, through September 30, 2002. We expect our cumulative net losses and negative cash flow to grow as we make payments under our various contracts, incur marketing and subscriber acquisition costs and make principal and interest payments on our outstanding indebtedness. If we are unable ultimately to generate sufficient revenues to become profitable and have positive cash flow we could default on commitments to our distribution partners, creditors or others, and may have to discontinue operations or seek a purchaser for our business or assets.

FAILURE OF THIRD PARTIES TO PERFORM COULD AFFECT OUR REVENUES.

We need to assure continued proper manufacturing and distribution of our radios and development and provision of programming in connection with our service. Many of these tasks depend on the efforts of third parties, including Agere Systems, Inc., which has designed, developed and is manufacturing our chip set and is designing, developing and manufacturing the next generation of our chip set; consumer electronics manufacturers, which are manufacturing, distributing and marketing our radios; retailers, which are marketing and selling our radios and promoting subscriptions to our service; automakers, which have entered into agreements which contemplate manufacturing, marketing and selling vehicles capable of receiving our service, but have limited or no obligations to do so; and other third party vendors, who have designed or operate important elements of our system, such as our call center or subscriber management system. If one or more of these third parties do not perform in a sufficient manner, our business may be adversely affected.

HIGHER THAN EXPECTED SUBSCRIBER ACQUISITION COSTS OR SUBSCRIBER TURNOVER COULD ADVERSELY AFFECT OUR FINANCIAL PERFORMANCE.

We are spending substantial funds on advertising and marketing and in transactions with car and radio manufacturers, retailers and others to obtain and attract subscribers. If the costs of attracting subscribers or incentivizing other parties are greater than expected, our financial performance and results of operations will be adversely affected.

We expect to experience some subscriber turnover, or churn. We cannot predict the amount of churn we will experience or how successful we will be at retaining customers who purchase or lease vehicles that include a subscription to our service. High subscriber turnover or our inability to attract customers who purchase or lease new vehicles with our service would adversely affect our financial performance and results of operations.

COMPETITION FROM XM RADIO AND TRADITIONAL AND EMERGING AUDIO ENTERTAINMENT PROVIDERS COULD ADVERSELY AFFECT OUR ABILITY TO GENERATE REVENUES.

We compete for both listeners and advertising revenues from many sources, including XM Radio, the other satellite radio licensee; traditional AM/FM radio and digital AM/FM radio when it becomes available; internet based audio providers; direct broadcast satellite television audio services; and cable systems that carry audio services. XM Radio began commercial operations in September 2001, offers its service for a monthly charge of $9.99, features 100 channels, and has acquired a significant number of subscribers. If consumers perceive that XM Radio offers a more attractive service or enhanced features, superior equipment alternatives, or has stronger marketing or distribution channels, it may gain a long-term competitive advantage over us. As of December 31, 2002, we had a total of 29,947 subscribers. As of September 30, 2002, XM Radio had reported a total of 201,500 subscribers.

Unlike Sirius, traditional AM/FM radio has a well established and dominant market presence for its services and generally offers free broadcast reception supported by commercial advertising rather than by a subscription fee. Further, the incumbent terrestrial broadcasters have announced intentions to enhance their existing broadcasts with digital quality services utilizing new technology in the near future. Also, many radio stations offer information programming of a local nature, such as traffic and weather reports, which we do not offer as effectively as local radio. To the extent that consumers place a high value on these features of traditional AM/FM radio, we are at a competitive disadvantage.

PREMATURE DEGRADATION OR FAILURE OF OUR SATELLITES COULD DAMAGE OUR BUSINESS.

We expect that our satellites will function effectively for approximately 15 years, and that after this period their performance in delivering our satellite radio service will deteriorate. However, the useful life of any particular satellite may vary from this estimate. Our operating results would be adversely affected if the useful life of our satellites is significantly shorter than 15 years.

The useful lives of our satellites will vary and depend on a number of factors, including:

- degradation and durability of solar panels;
- quality of construction;
- amount of fuel our satellites consume;
- durability of component parts;
- random failure of satellite components, which could result in damage to or loss of a satellite; and
- in rare cases, damage or destruction by electrostatic storms or collisions with other objects in space.

Loral, the manufacturer of our satellites, has identified circuit failures in solar arrays on satellites launched since 1997, including our satellites. The circuit failures our satellites have experienced to date are not expected to limit the power of our broadcast signal, reduce the expected useful life of our satellites or otherwise affect our operations. However, if a substantial number of additional circuit failures were to occur, the estimated useful life of our satellites could be reduced.

If one of our three satellites fails in orbit and we are required to launch our spare satellite, our operations could be suspended for up to six months. If two or more of our satellites fail in orbit, our operations could be suspended for at least 16 months. In either event, our business would be materially impacted and we could default on our commitments to our distribution partners, creditors or others and may have to permanently discontinue operations or seek a purchaser for our business or assets.

LOSSES FROM SATELLITE DEGRADATION MAY NOT BE COVERED BY INSURANCE, AND THE COVENANTS REQUIRING US TO MAINTAIN IN-ORBIT INSURANCE ON OUR SATELLITES WILL BE ELIMINATED AS PART OF THE CONSENT SOLICITATION.

We maintain in-orbit insurance policies from global space insurance underwriters. Our current policies cover in-orbit losses totaling $110 million per satellite through March 31, 2003, an amount sufficient to launch our replacement satellite but not purchase an additional replacement satellite. This amount decreases to approximately $49 million per satellite from April 1, 2003 until August 1, 2003.

Our indentures currently require us to maintain insurance covering our in-orbit satellites. Concurrently with the exchange offer, we are soliciting the consent of each holder of the notes to amend the indentures under which the notes were issued to eliminate all of the restrictive covenants contained in the indentures, including the covenants that require us to maintain insurance covering our in-orbit satellites.

We intend to evaluate the benefits of continuing to purchase in-orbit satellite insurance in light of the increased costs and the probability of an insurable failure occurring, and may decline to purchase such insurance or purchase less insurance than we currently maintain. In the event we decline to purchase in-orbit satellite insurance, a failure of any of our in-orbit satellites would not be covered by insurance. Further, if we insure our in-orbit satellites for an amount less than the cost of replacing the satellites and launching the replacements, a failure of any of our satellites may not be covered, or may only be covered in part, by insurance.

FAILURE TO COMPLY WITH FCC REQUIREMENTS COULD DAMAGE OUR BUSINESS.

As an owner of one of two FCC licenses to operate a satellite radio service in the United States, we are subject to FCC rules and regulations, and the terms of our license, which require us to meet certain conditions such as interoperability of our system with XM Radio, the other licensed satellite radio system in the United States; coordination of our satellite radio service with radio systems operating in the same range of frequencies in neighboring countries; and coordination of our communications links to our satellites with other systems that operate in the same frequency band.

Non-compliance by us with these conditions could result in fines, additional license conditions, license revocation or other detrimental FCC actions. We may also be subject to interference from adjacent radio frequency users if the FCC does not adequately protect us against such interference in its rulemaking process.

The FCC has not yet issued final rules permitting us to operate and deploy terrestrial repeaters to fill gaps in satellite coverage. We are operating our repeaters on a non-interference basis pursuant to a grant of special temporary authority from the FCC, and this authority is currently being challenged by operators of terrestrial wireless systems who have asserted that our repeaters may cause interference. The FCC's final terrestrial repeater rules may require us to reduce the power of our terrestrial repeaters and limit our ability to deploy additional repeaters. If we are required to significantly reduce the power of our terrestrial repeaters, this would have an adverse effect on the quality of our service in certain markets and/or cause us to alter our terrestrial repeater infrastructure at a substantial cost. If the FCC limits our ability to deploy additional terrestrial repeaters, our ability to improve any deficiencies in our service quality that may be identified in the future would be adversely affected.

THE COMPANY THAT DEVELOPED AND OPERATES OUR SUBSCRIBER MANAGEMENT SYSTEM HAS FILED A PETITION TO REORGANIZE UNDER CHAPTER 11 OF THE BANKRUPTCY CODE. WE MAY BEGIN USING A NEW SUBSCRIBER MANAGEMENT SYSTEM IF THE BANKRUPTCY COURT PERMITS US TO TERMINATE OUR ARRANGEMENT WITH THAT COMPANY.

On November 4, 2002, we notified Sentraliant, Inc., the company that developed and operates our subscriber management system, that it had breached the agreement under which it provides that system, and that, unless various defects and other problems with the system were corrected by January 3, 2003, the agreement would terminate on that date. We later extended the termination date to January 17, 2003. Sentraliant has informed us that it believes the issues we identified have been previously resolved, are enhancements to the system that had not yet been authorized by us, or are defects that are not material.

On January 15, 2003, Sentraliant filed a petition under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of Virginia. On January 22, 2003, Sentraliant filed a proceeding with the Bankruptcy Court seeking:

a judgment requiring us to pay approximately $150,000 of fees we have not paid Sentraliant, and

a declaratory judgment that our agreement with Sentraliant has not terminated and that our subscriber management system is free of material defects.

If the Bankruptcy Court finds that the subscriber management system is free of material defects, we will continue our arrangement with Sentraliant. If the Bankruptcy Court finds that the agreement is no longer in effect or that the subscriber management system contains material defects, the agreement will be terminated. Termination of our agreement with Sentraliant will result in a non-cash charge of approximately $16 million related to the development of our subscriber management system.

Upon termination of our agreement with Sentraliant, we are prepared to implement a new subscriber management system. Our new system effectively manages our existing customer data,

captures new customer data and interfaces with our conditional access system, although we have not completed development and testing of all of the system's functions. We expect that this development and testing will be completed during the first quarter of 2003.

OUR NATIONAL BROADCAST STUDIO, TERRESTRIAL REPEATER NETWORK OR OTHER GROUND FACILITIES COULD BE DAMAGED BY NATURAL CATASTROPHES OR TERRORIST ACTIVITIES.

An earthquake, tornado, flood or other catastrophic event could damage our national broadcast studios or terrestrial repeater network, interrupt our service and harm our business in the affected area. We do not have replacement or redundant facilities that can be used to assume the functions of our terrestrial repeater network or national broadcast studio in the event of a catastrophic event. Any damage to our terrestrial repeater network would likely result in degradation of our service for some subscribers and could result in complete loss of service in affected areas. Damage to our national broadcast studio would restrict our production of programming and require us to obtain programming from third parties to continue our service.

CONSUMERS COULD PIRATE OUR SERVICE.

Like all radio transmissions, our signal is subject to interception. Pirates may be able to obtain or rebroadcast our own satellite radio service without paying the subscription fee. Although we use encryption technology to mitigate the risk of signal theft, such technology may not be adequate to prevent theft of our signal. If signal theft becomes widespread, it could harm our business.

WE NEED TO OBTAIN RIGHTS TO PROGRAMMING, WHICH COULD BE MORE COSTLY THAN ANTICIPATED.

We have yet to enter into music programming royalty arrangements with the performing rights society, Broadcast Music, Inc., or BMI. Radio broadcasters currently pay BMI a royalty of approximately 1.6% of their revenues, though BMI has commenced a court proceeding to obtain a higher royalty rate. We expect to negotiate or establish a license fee with BMI through a rate court proceeding in the U.S. District Court for the Southern District of New York, but such royalty arrangement may be more costly than anticipated.

We must also enter into royalty arrangements with the owners of the copyrights in the sound recordings we play, who are primarily represented by the Recording Industry Association of America. Cable audio services recently agreed to pay these owners 7.0% of gross subscriber revenue earned in 2003 and 2004, and 7.25% of gross subscriber revenue earned from 2005 through 2007. Our negotiations to date have not resulted in an agreement, and an arbitration proceeding is likely to commence in early 2003. Although we believe we can distinguish our satellite radio system sufficiently from cable audio services in order to negotiate or obtain through arbitration a lower rate, we may not be able to do so, and we could be required to pay a higher rate. In any event, we expect to pay the same rates as XM Radio, the other satellite radio licensee.

RAPID TECHNOLOGICAL AND INDUSTRY CHANGES COULD MAKE OUR SERVICE OBSOLETE.

The satellite industry and the audio entertainment industry are both characterized by rapid technological change, frequent new product innovations, changes in customer requirements and expectations, and evolving industry standards. If we are unable to keep pace with these changes, our business may be unsuccessful. Products using new technologies, or emerging industry standards, could make our technologies obsolete. In addition, we may face unforeseen problems in operating our system that could harm our business. Because we have depended on third parties to develop technologies used in key elements of our system, more advanced technologies that we may wish to use may not be available to us on reasonable terms or in a timely manner. Further, our competitors may have access to technologies not available to us, which may enable them to produce entertainment products of greater interest to consumers, or at a more competitive cost.

OUR CHARTER DOCUMENTS, DELAWARE LAW AND OUR STOCKHOLDER RIGHTS AGREEMENT MAY INHIBIT AN ACQUISITION OF OUR COMPANY, WHICH COULD ADVERSELY AFFECT THE VALUE OF OUR COMMON STOCK.

Our certificate of incorporation and bylaws, as well as Delaware corporation law, contain provisions that could delay or prevent a change of control or changes in our management that a stockholder might consider favorable. These provisions include, for example:

- authorizing the issuance of preferred stock, the terms of which may be determined at the sole discretion of the board of directors;

- establishing advance notice requirements for nomination for election to the board of directors or for proposing matters that can be acted on by stockholders at meetings;

providing that special meetings of stockholders may only be called by the Chief Executive Officer or at least two members of our board of directors;

prohibiting cumulative voting in the election of directors; and

establishing limitations on the amendment of our bylaws.

In addition, our stockholder rights agreement includes provisions designed to have an anti-takeover effect. For example, under our stockholder rights agreement, each share of our common stock has associated with it one preferred stock purchase right. If

any acquiring person merges into the company, transfers assets to the company in exchange for stock, sells assets to the company on better-than-arms-length terms or receives compensation or financial assistance from the company;

any person acquires 15% or more of our common stock; or

the stake held by an acquiring person increases by more than one percent by virtue of a reclassification, reorganization, merger, consolidation or other transaction involving the company,

then each holder of a right, other than the acquiring person, will be entitled to purchase, at the purchase price, a number of our shares of common stock having a market value two times the purchase price.

All of the foregoing provisions would apply even if the change or event were considered beneficial by some of our stockholders. If a change of control or change in management is delayed or prevented by these provisions, the market price of our common stock could decline. Furthermore, these provisions are intended to discourage certain types of coercive takeover practices and inadequate takeover bids, even though such a transaction may offer our stockholders the opportunity to sell their stock at a price above the prevailing market price. Prior to the closing of the restructuring, we will amend the rights agreement to render it inapplicable to the restructuring transactions.

RISKS RELATED TO RELATIONSHIPS WITH STOCKHOLDERS, AFFILIATES AND RELATED PARTIES

IF THE RESTRUCTURING IS COMPLETED, A SMALL NUMBER OF STOCKHOLDERS WILL CONTROL A SIGNIFICANT PORTION OF OUR COMMON STOCK.

Upon completion of the restructuring, and assuming all of our debt securities are exchanged for common stock and assuming the exercise of the warrants issued in the restructuring, Oppenheimer, Apollo, Lehman, Blackstone, Loral and Continental Casualty Company will be our largest stockholders and will beneficially own approximately 23%, 16%, 13%, 10%, 6% and 6% of our outstanding common stock, respectively. As a result, these stockholders have significant voting power with respect to the ability to:

authorize additional shares of capital stock;

amend our certificate of incorporation or bylaws;

elect our directors; or

effect or reject a merger, sale of assets or other fundamental transaction.

The extent of ownership by these stockholders may also discourage a potential acquirer from making an offer to acquire us. This could reduce the market price of our common stock.

Furthermore, pursuant to the lockup agreement and in connection with the restructuring, our board of directors will be reconstituted. Upon consummation of the restructuring, we expect that Messrs. David Margolese and Joseph V. Vittoria will resign and our board of directors will appoint two directors, to be selected by the informal creditors committee, to fill those vacancies. Biographical information for these two directors will be contained in the press release we issue announcing their selection. As a result, the reconstituted board of directors will comprise our Chief Executive Officer, two directors nominated by Apollo and Blackstone and four directors nominated by (or otherwise acceptable to) the informal creditors committee. See 'Management.'

FORWARD-LOOKING STATEMENTS

The following cautionary statements identify important factors that could cause our actual results to differ materially from those projected in the forward-looking statements made in this prospectus and solicitation statement. Any statements about our beliefs, plans, objectives, expectations, assumptions or future events or performance are not historical facts and may be forward-looking. These statements are often, but not always, made through the use of words or phrases such as 'will likely result,' 'are expected to,' 'will continue,' 'is anticipated,' 'estimated,' 'intends,' 'plans,' 'projection,' and 'outlook.' Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this prospectus and solicitation statement. Among the significant factors that could cause our actual results to differ materially from those expressed in the forward-looking statements are:

our need for substantial additional financing by early 2003, whether as a result of the restructuring or otherwise;

our dependence upon third parties to manufacture, distribute, market and sell Sirius radios and components for those radios;

the unproven market for our service;

our competitive position; XM Satellite Radio, the other satellite radio service provider in the United States, began offering its service before us, has substantially more subscribers than us and may have certain competitive advantages; and

the useful life of our satellites, which have experienced circuit failures on their solar arrays. The circuit failures our satellites have experienced to date are not expected to limit the power of our broadcast signal, reduce the expected useful life of our satellites or otherwise affect our operations.

These and other factors are discussed in 'Risk Factors' beginning on page 13 of this prospectus and solicitation statement and elsewhere in this prospectus and solicitation statement.

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

USE OF PROCEEDS

We will not receive any cash proceeds from the exchange offer. In consideration for issuing the common stock in the exchange offer, we will receive the notes and the cancellation and termination of the term loans. Apollo and Blackstone will also exchange our outstanding preferred stock for common stock. The debt securities and preferred stock surrendered in exchange for common stock will be retired and canceled and cannot be reissued. We will bear the expenses of the restructuring.

We will receive $200 million of cash proceeds from the new equity investment, described in 'The Recapitalization Plan -- The New Equity Investment,' which will be used to pay expenses of the restructuring (estimated to be approximately $18.2 million) and for general corporate purposes, including the marketing of our satellite radio service. Under the recapitalization plan, we will receive the $200 million from the new equity investment only if all of the conditions to the exchange offer are met, including the minimum tender condition. Furthermore, Apollo, Blackstone and Oppenheimer may elect to terminate their obligations to purchase common stock in the new equity investment under various circumstances, including in the event we determine to file the prepackaged plan with the bankruptcy court. In that event, we would abandon the prepackaged plan and your vote in favor of the prepackaged plan would be disregarded.

SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA

The selected consolidated historical financial data shown below as of and for the years ended December 31, 1997, 1998, 1999, 2000 and 2001 are derived from our respective audited consolidated financial statements. The selected consolidated historical financial data shown below as of and for the nine months ended September 30, 2001 and 2002 are derived from our unaudited consolidated financial statements. In the opinion of management, the unaudited selected consolidated financial statements include all adjustments, consisting of normal recurring adjustments that are necessary for a fair presentation of our consolidated financial position and results of operations for these periods. The selected consolidated historical financial data includes certain reclassifications to conform to our current presentation. The selected consolidated historical data should be read together with 'Management's Discussion and Analysis of Financial Condition and Results of Operations' and the consolidated financial statements and related notes from our annual report on Form 10-K for the year ended December 31, 2001 and our quarterly report on Form 10-Q for the quarter ended September 30, 2002, both incorporated by reference in this prospectus.

	FOR THE YEAR ENDED DECEMBER 31,					
	1997	1998	1999	2000	2001	
				(IN THOUSANDS, EXCEPT PER SHARE DATA)		
STATEMENT OF OPERATIONS DATA:						
Operating revenues(1)...........	$ --	$ --	$ --	$ --	$ --	$
Operating expenses(2)...........	(6,865)	(39,079)	(63,518)	(125,634)	(168,456)	
Operating loss..................	(6,865)	(39,079)	(63,518)	(125,634)	(168,456)	
Net loss(3).....................	(4,737)	(48,396)	(62,822)	(134,744)	(235,763)	
Preferred stock dividends.......	(2,338)	(19,380)	(30,321)	(39,811)	(41,476)	
Preferred stock deemed dividends(4)(5)................	(51,975)	(11,676)	(3,535)	(8,260)	(680)	
Accretion of dividends in connection with the issuance of warrants on preferred stock....	--	(6,501)	(303)	(900)	--	
Net loss applicable to common stockholders..................	(59,050)	(85,953)	(96,981)	(183,715)	(277,919)	
Net loss per share applicable to common stockholders............	$ (5.08)	$ (4.79)	$ (3.96)	$ (4.72)	$ (5.30)	$
Weighted average common shares outstanding (basic and diluted)......................	11,626	17,932	24,470	38,889	52,427	
BALANCE SHEET DATA (END OF PERIOD):						
Cash and cash equivalents.......	$ 900	$150,190	$ 81,809	$ 14,397	$ 4,726	$
Marketable securities(6)........	169,482	115,433	317,810	121,862	304,218	
Restricted investments(7).......	--	--	67,454	48,801	21,998	
Working capital.................	170,894	180,996	303,865	143,981	275,732	
Total assets....................	323,808	643,880	1,206,612	1,323,582	1,527,605	1
Short-term notes payable........	--	70,863	114,075	--	--	
Current portion of long-term debt..........................	--	--	--	--	15,000	
Deferred satellite payments and accrued interest...............	--	31,324	55,140	60,881	67,201	
Long-term debt..................	131,387	153,033	488,690	472,602	589,990	
10 1/2% Series C Preferred Stock..........................	176,025	156,755	149,285	--	--	
9.2% Series A Junior Cumulative Convertible Preferred Stock....	--	137,755	148,894	162,380	177,120	
9.2% Series B Junior Cumulative Convertible Preferred Stock....	--	--	64,238	70,507	77,338	
9.2% Series D Junior Cumulative Convertible Preferred Stock....	--	--	--	210,125	230,710	
Accumulated deficit.............	(23,273)	(71,669)	(134,491)	(269,235)	(504,998)	
Stockholders' equity............	15,980	77,953	134,179	290,483	322,649	

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(1) We were a development stage company until we entered commercial operations on February 14, 2002.

(2) Operating expenses include non-cash stock compensation expense of $ -- , $104, $1,206, $7,176, $14,044, $3,374 and a non-cash stock compensation benefit of $7,995 for the years ended

(footnotes continued on next page)

(footnotes continued from previous page)

December 31, 1997, 1998, 1999, 2000 and 2001, and for the nine months ended September 30, 2001 and 2002, respectively.

(3) Included in the 1998 net loss of $48,396 is $25,682 of special charges related primarily to the termination of launch and orbit related contracts required when we decided to enhance our satellite delivery system to include a third in-orbit satellite.

(4) The deemed dividend in 1997 relates to the discount feature associated with our former 5% Delayed Convertible Preferred Stock and the deemed dividend in 1998 relates primarily to the conversion feature associated with our 9.2% Series A Junior Cumulative Convertible Preferred Stock. We computed these deemed dividends in accordance with the SEC's position on accounting for preferred stock which is convertible at a discount to the market price.

(5) Preferred stock deemed dividends for the years ended December 31, 1999 and 2000 relate primarily to the conversions of our 10 1/2% Series C Convertible Preferred Stock for shares of our common stock.

(6) Marketable securities are stated at market and consist of fixed income securities with a maturity at the time of purchase of greater than three months.

(7) Restricted investments are stated at amortized cost and include securities held by the trustee of our senior secured notes to pay interest in full on those notes through May 15, 2002 and certificates of deposit pledged to secure or reimbursement obligations under letters of credit required by lessors and other cr