SIRIUS SATELLITE RADIO INC
Form 10-Q
August 14, 2001

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

# FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For The Quarterly Period Ended June 30, 2001

Commission file number 0-24710

SIRIUS SATELLITE RADIO INC.

(Exact name of registrant as specified in its charter)

| Delaware | 52-1700207 |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

1221 Avenue of the Americas, 36th Floor
New York, New York 10020

(Address of principal executive offices)
(Zip code)

212-584-5100

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| Common Stock, $.001 par value | 54,061,944 shares |
|---|---|
| (Class) | (Outstanding as of August 8, 2001) |

SIRIUS SATELLITE RADIO INC. AND SUBSIDIARY
(A Development Stage Enterprise)
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS



SIRIUS SATELLITE RADIO INC. AND SUBSIDIARY
(A Development Stage Enterprise)
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(Unaudited)

| | For the Three Months Ended June 30, | | For the Six Mont Ended June 30, | |
|---|---|---|---|---|
| | 2001 | 2000 | 2001 | 2 |
| Revenue | $ - | $ - | $ - | $ |
| Operating expenses: | | | | |
| Engineering design and development | (14,206) | (17,163) | (31,765) | ( |
| General and administrative | (20,799) | (9,693) | (41,614) | ( |
| Non-cash stock compensation charge | (11,647) | (2,012) | (12,589) | |
| Special charges | - | - | - | |
| Total operating expenses | (46,652) | (28,868) | (85,968) | ( |
| Other income (expense): | | | | |
| Interest and investment income | 5,769 | 6,595 | 9,376 | |
| Interest expense | (21,185) | (12,519) | (39,565) | ( |
| | (15,416) | (5,924) | (30,189) | |
| Loss before income taxes | (62,068) | (34,792) | (116,157) | ( |
| Income taxes: | | | | |
| Federal | - | - | - | |
| State | - | - | - | |
| Net loss | (62,068) | (34,792) | (116,157) | ( |
| Preferred stock dividends | (10,223) | (9,486) | (20,388) | ( |
| Preferred stock deemed dividends | (170) | (698) | (339) | |
| Accretion of dividends in connection with the issuance of warrants on preferred stock | - | (6) | - | |
| Net loss applicable to common stockholders | $(72,461) | $(44,982) | $(136,884) | $( |
| Net loss per share applicable to common stockholders (basic and diluted) | $ (1.35) | $ (1.11) | $ (2.71) | $ |
| Weighted average common shares outstanding (basic and diluted) | 53,861 | 40,643 | 50,498 | |

The accompanying notes are an integral part of these consolidated financial statements.

SIRIUS SATELLITE RADIO INC. AND SUBSIDIARY
(A Development Stage Enterprise)
CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)

| | June 30, 2001 |
|---|---|
| ASSETS | (Unaudited) |
| Current assets: | |
| Cash and cash equivalents | $ 12, |
| Marketable securities, at market | 404, |
| Restricted investments, at amortized cost | 28, |
| Prepaid expenses and other | 13, |
| Total current assets | 458, |
| Property and equipment | 1,052, |
| Less: accumulated depreciation | (7, |
| | 1,044, |
| Other assets: | |
| FCC license | 83, |
| Debt issuance costs, net | 20, |
| Deposits and other | 3, |
| Total other assets | 106, |
| Total assets | $1,609, |
| LIABILITIES AND STOCKHOLDERS' EQUITY | |
| Current liabilities: | |
| Accounts payable and accrued expenses | $ 37, |
| Satellite construction payable | |
| Total current liabilities | 37, |
| Long-term notes payable and accrued interest | 631, |
| Deferred satellite payments and accrued interest | 63, |
| Deferred income taxes | 2, |
| Total liabilities | 735, |
| Commitments and contingencies: | |
| 10-1/2% Series C Convertible Preferred Stock, no par value: 2,025,000 shares authorized, no shares issued or outstanding at June 30, 2001 and December 31, 2000 | |
| 9.2% Series A Junior Cumulative Convertible Preferred Stock, $.001 par value: 4,300,000 shares authorized, 1,595,707 shares issued and outstanding at June 30, 2001 and December 31, 2000 (liquidation preference of $159,571), at net carrying value including accrued dividends | 169, |
| 9.2% Series B Junior Cumulative Convertible Preferred Stock, $.001 par | |

| | |
|---|---|
| value: 2,100,000 shares authorized, 715,703 shares issued and outstanding at June 30, 2001 and December 31, 2000 (liquidation preference of $71,570), at net carrying value including accrued dividends | 73, |
| 9.2% Series D Junior Cumulative Convertible Preferred Stock, $.001 par value: 10,700,000 shares authorized, 2,145,688 shares issued and outstanding at June 30, 2001 and December 31, 2000 (liquidation preference of $214,569), at net carrying value including accrued dividends | 220, |
| Stockholders' equity: | |
| Preferred stock, $.001 par value: 50,000,000 shares authorized, 8,000,000 shares designated as 5% Delayed Convertible Preferred Stock, none issued or outstanding | |
| Common stock, $.001 par value: 200,000,000 shares authorized, 53,982,252 and 42,107,957 shares issued and outstanding at June 30, 2001 and December 31, 2000, respectively | |
| Additional paid-in capital | 795, |
| Deficit accumulated during the development stage | (385, |
| Total stockholders' equity | 410, |
| Total liabilities and stockholders' equity | $1,609, |

The accompanying notes are an integral part of these consolidated financial state



SIRIUS SATELLITE RADIO INC. AND SUBSIDIARY
(A Development Stage Enterprise)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

| | For the Six Months Ended June 30, | |
|---|---|---|
| | 2001 | 2000 |
| Cash flows from development stage activities: | | |
| Net loss | $(116,157) | $ (59,603 |
| Adjustments to reconcile net loss to net cash provided by (used in) development stage activities: | | |
| Depreciation expense | 4,295 | 979 |
| Increase in gain on marketable securities | (2,682) | (968 |
| Loss on disposal of assets | - | 249 |
| Special charges | - | - |
| Accretion of note payable charged as interest expense | 45,237 | 38,498 |
| Non-cash stock compensation charge | 12,589 | 3,742 |
| Expense incurred in connection with conversion of debt | - | 12,655 |
| Increase (decrease) in cash and cash equivalents | | |

| | | |
|---|---|---|
| resulting from changes in assets and liabilities: | | |
| Prepaid expenses and other | (515) | (4,006 |
| Due to related party | - | - |
| Other assets | 9,043 | (11,332 |
| Accounts payable and accrued expenses | (27,524) | (15,619 |
| Deferred taxes | - | - |
| Net cash used in development stage activities | (75,714) | (35,405 |
| Cash flows from investing activities: | | |
| Sales (purchases) of marketable securities and restricted investments, net | (259,596) | 12,615 |
| Purchase of FCC license | - | - |
| Purchases of property and equipment | (41,746) | (214,975 |
| Acquisition of Sky-Highway Radio Corp. | - | - |
| Net cash used in investing activities | (301,342) | (202,360 |
| Cash flows from financing activities: | | |
| Proceeds from issuance of notes payable | 145,000 | 1,882 |
| Proceeds from issuance of common stock, net | 229,503 | 100,100 |
| Proceeds from issuance of preferred stock, net | - | 192,450 |
| Proceeds from exercise of stock options and warrants | 296 | 4,896 |
| Proceeds from issuance of promissory notes and units, net | - | - |
| Proceeds from issuance of promissory notes to related parties | - | - |
| Repayment of promissory notes | - | - |
| Repayment of notes payable | - | (115,957 |
| Loan from officer | - | - |
| Net cash provided by financing activities | 374,799 | 183,371 |
| Net increase (decrease) in cash and cash equivalents | (2,257) | (54,394 |
| Cash and cash equivalents at the beginning of period | 14,397 | 81,809 |
| Cash and cash equivalents at the end of period | $ 12,140 | $ 27,415 |

The accompanying notes are an integral part of these consolidated financial state



SIRIUS SATELLITE RADIO INC. AND SUBSIDIARY
(A Development Stage Enterprise)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands, unless otherwise stated)
(Unaudited)

1. Business Activites

Sirius Satellite Radio Inc., a Delaware corporation, is developing a service for broadcasting digital quality programming via satellites to vehicles, homes and portable radios throughout the continental United States. We will focus exclusively on providing a consumer service; consumer electronics manufacturers will manufacture the radios required to receive our broadcasts. In April 1997, we were the winning bidder in an auction by the Federal Communications Commission for one of two national satellite broadcast licenses with a winning bid of approximately $83,300. We paid the bid amount during 1997 and were awarded an FCC license on October 10, 1997. Our principal activities to date have included obtaining regulatory approval for our service, constructing and launching our three satellite constellation, constructing our national broadcast studio, acquiring content for our programming, constructing our terrestrial repeater network, arranging for the development of radios, strategic planning and market research, recruiting our management team and securing financing for capital expenditures and working capital.

2. Significant Accounting Policies

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles and with the instructions to Form 10-Q and Article 10 of Regulation S-X for interim financial reporting. Accordingly, our financial statements do not include all of the information and footnotes required by generally accepted accounting principles. In the opinion of management, all adjustments (consisting only of normal, recurring adjustments) considered necessary for fair presentation have been included. We have not yet recognized any revenues, accordingly, our financial statements are presented as those of a development stage enterprise, as prescribed by Statement of Financial Accounting Standards ("SFAS") No. 7, "Accounting and Reporting by Development Stage Enterprises." All intercompany transactions have been eliminated in consolidation. These financial statements should be read in connection with our consolidated financial statements and the notes thereto in our Annual Report on Form 10-K for the year ended December 31, 2000.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reported period. The estimates involve judgments with respect to, among other things, various future factors which are difficult to predict and are beyond our control. Actual amounts could differ from these estimates.



SIRIUS SATELLITE RADIO INC. AND SUBSIDIARY
(A Development Stage Enterprise)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands, unless otherwise stated)

(Unaudited)

Marketable Securities and Restricted Investments

Marketable securities are classified as trading securities and are stated at market value. Marketable securities consist of obligations of U.S. government agencies and commercial paper issued by major U.S. corporations with high credit ratings. We recognized unrealized holding gains on marketable securities of $2,682 and $968 for the six month periods ended June 30, 2001 and 2000, respectively, and $4,958 for the period May 17, 1990 (date of inception) to June 30, 2001.

Restricted investments consist of fixed income securities and are stated at amortized cost plus accrued interest income. Restricted investments are classified as held-to-maturity securities and unrealized holding gains and losses are not reflected in earnings. As of June 30, 2001 and December 31, 2000, we had an unrealized holding gain of $290 and an unrealized holding loss of $16, respectively, related to these securities. We are required to hold the securities included in restricted investments to pay interest on our 14-1/2% Senior Secured Notes due 2009 through May 15, 2002.

Property and Equipment

All costs incurred related to activities necessary to prepare our broadcast system for use are capitalized. To date, such costs consist of satellite construction and launch, broadcast studio equipment, terrestrial repeater network construction and capitalized interest.

Net Loss Per Share

Basic net loss per share is based on the weighted average number of outstanding shares of our common stock during each reporting period. Diluted net loss per share adjusts the weighted average for the potential dilution that could occur if common stock equivalents (convertible preferred stock, convertible debt, warrants and stock options) were exercised or converted into common stock. As of June 30, 2001 and 2000, approximately 19,026,000 and 21,347,000 common stock equivalents were outstanding, respectively, and were excluded from the calculation of diluted net loss per share, as they were anti-dilutive.

Recent Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board issued SFAS No. 141, "Business Combinations" (effective June 30, 2001) and SFAS No. 142, "Goodwill and Other Intangible Assets" (effective January 1, 2002). SFAS No. 141 prohibits pooling-of-interests accounting for acquisitions. SFAS No. 142 specifies that goodwill and certain intangible assets will no longer be amortized but instead will be subject to periodic impairment testing. We are in the process of evaluating the financial statement impact of the adoption of these statements.

Reclassifications

Certain amounts in the prior years' financial statements have been reclassified to conform to the current presentation.

SIRIUS SATELLITE RADIO INC. AND SUBSIDIARY
(A Development Stage Enterprise)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands, unless otherwise stated)
(Unaudited)

3. Deferred Satellite Payments

Under an amended and restated contract (the "Loral Satellite Contract") with Space Systems/Loral, Inc. ("Loral"), Loral agreed to defer certain amounts due under the Loral Satellite Contract. The amounts deferred, which approximate fair value, bear interest at 10% per year and were originally due in quarterly installments beginning in June 2002. However, the agreement governing these deferred amounts provides that this date, and subsequent payment dates, will be extended by the number of days that the achievement of certain milestones under the Loral Satellite Contract is delayed beyond the dates set forth in the Loral Satellite Contract. Our fourth, spare, satellite is expected to be delivered to ground storage in October 2001 and was originally expected to be delivered to ground storage in October 2000. As a result of Loral's delay in delivering this satellite, we do not expect to make any required payments with respect to these deferred amounts until June 2003, at the earliest. We do have the right to prepay any deferred payments together with accrued interest, without penalty. As collateral security for these deferred payments, we have granted Loral a security interest in our terrestrial repeater network.

4. Long-term Notes Payable

Long-term Notes Payable consists of the following:

| | June 30, 2001 | December 31, |
|---|---|---|
| 15% Senior Secured Discount Notes due 2007 | $236,899 | $21 |
| 14-1/2% Senior Secured Notes due 2009 | 174,847 | 17 |
| 8-3/4% Convertible Subordinated Notes due 2009 | 80,836 | 8 |
| Term Loan Facility (current stated interest of 9.97%) | 139,265 | |
| Long-term Notes Payable | $631,847 | $47 |

5. Commitments and Contingencies

Satellite Contract

We entered into the Loral Satellite Contract to build and launch the satellites necessary for our service. We are committed to make aggregate payments of approximately $745,890 under the Loral Satellite Contract. As of June 30, 2001, $683,390 of this obligation had been satisfied. Our future payments due to Loral, including deferred satellite payments, are as follows: $12,500 in 2001, $0 in 2002, $25,000 in 2003 and $25,000 in 2004. The amount and timing of these payments depends upon the completion of construction of our fourth, spare, satellite.



SIRIUS SATELLITE RADIO INC. AND SUBSIDIARY
(A Development Stage Enterprise)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands, unless otherwise stated)
(Unaudited)

Radio Commitments

Matsushita Communication Industrial Corporation of USA ("Panasonic") has constructed a dedicated facility in Peachtree City, Georgia, to manufacture radios capable of receiving our broadcasts. During the first year of production of our radios at this facility, we are obligated to purchase certain radios not purchased by other customers. Based on discussions with potential purchasers of these radios, including consumer electronics retailers and suppliers to the automotive industry, we do not expect to incur any costs under this agreement; however, if Panasonic were unable to sell any of the applicable radios, our costs could approximate $70,000.

Programming Agreements

We have entered into agreements with providers of non-music programming. We are obligated, in certain instances, to pay license fees, share advertising revenue from this programming or purchase advertising on properties owned or controlled by these programmers.

6. Engineering Design and Development

We have entered into agreements with Agere Systems, Inc. (the successor to the micro-electronics group of Lucent Technologies, Inc.) to develop and manufacture integrated circuits ("chip sets") which will be used in radios capable of receiving our broadcasts. In addition, we have entered into agreements with Alpine Electronics Inc., Audiovox Corporation, Clarion Co., Ltd., Delphi Delco Electronics Systems, Fujitsu Ten Limited, Harman International Industries, Incorporated, Kenwood Corporation, Mitsubishi Electric Automotive America, Inc., Panasonic, Pioneer Corporation, Recoton Corporation, Sanyo Electronic Co. Ltd., Sony Electronics Inc., Visteon Automotive Systems and other manufacturers to design, develop and produce radios capable of receiving our broadcasts and have agreed to pay certain costs associated with these radios. We record expenses under these agreements as work is performed. Total expenses related to these agreements were $22,183 and $24,990 for the six month periods ended June 30, 2001 and 2000, respectively, and $96,864 for the period May 17, 1990 (date of inception) to June 30, 2001.

7. Stock Option Plans

In April 2001, the Compensation Committee of our Board of Directors amended the exercise price of approximately 3,982,000 employee stock options. In accordance with Financial Accounting Standards Board Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation," repriced stock options are subject to variable accounting, which requires a compensation charge or benefit to be recorded each period based on the market value of our common stock until the repriced stock options are exercised, forfeited or expire. We recognized a non-cash compensation charge of $10,083 for the quarter ended June 30, 2001 in connection with the repriced stock options. We will record non-cash stock compensation charges or benefits based on the market value of our common stock at the end of future reporting periods.



SIRIUS SATELLITE RADIO INC. AND SUBSIDIARY
(A Development Stage Enterprise)

Management's Discussion and Analysis of
Financial Condition and Results of Operations
(Dollar amounts in thousands, unless otherwise stated)

Special Note Regarding Forward-Looking Statements

The following cautionary statements identify important factors that could cause our actual results to differ materially from those projected in forward-looking statements made in this Quarterly Report on Form 10-Q and in other reports and documents published by us from time to time. Any statements about our beliefs, plans, objectives, expectations, assumptions, future events or performance are not historical facts and may be forward-looking. These statements are often, but not always, made through the use of words or phrases such as "will likely result," "are expected to," "will continue," "is anticipated," "estimated," "intends," "plans," "projection" and "outlook." Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout our Annual Report on Form 10-K for the year ended December 31, 2000 (the "Form 10-K") and in other reports and documents published by us from time to time, particularly the risk factors described under "Business-Risk Factors" in Part I of the Form 10-K. Among the significant factors that could cause our actual results to differ materially from those expressed in the forward-looking statements are:

- the unavailability of radios capable of receiving our broadcasts and our dependence upon third parties to manufacture and distribute them;
- the potential risk of delay in implementing our business plan;
- the unproven market for our service; and
- our need for additional financing.

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 such forward-looking statements. In addition, any forward-looking statements speak only as of the date on which such statement 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 such 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 results to differ materially from those contained in any forward-looking statements.



Overview

Sirius Satellite Radio Inc. was organized in May 1990 and is in its development stage. Our principal activities to date have included:

- obtaining regulatory approval for our service;
- constructing and launching our three satellite constellation;
- constructing our national broadcast studio;
- acquiring content for our programming;
- constructing our terrestrial repeater network;
- arranging for the development of radios capable of receiving our broadcasts;
- strategic planning and market research;
- recruiting our management team; and
- securing financing for capital expenditures and working capital.

We will require additional funds for working capital, interest on borrowings, financing costs and operating expenses until some time after we commence commercial operations. We cannot assure you that we will ever commence commercial operations, attain any particular level of revenues or achieve profitability.

We expect to broadcast 50 channels of commercial-free music and up to 50 channels of news, sports and entertainment to consumers throughout the continental United States and expect our primary source of revenues to be subscription fees. Our subscription fee will be $12.95 per month, with a one-time activation fee per subscriber. We also expect our subscription to be included in the sale or lease of certain new vehicles. In addition, we expect to derive revenues from directly selling or bartering limited advertising on our non-music channels.

The operating expenses associated with our service will consist primarily of marketing and sales costs, costs to acquire programming, expenses of operating and maintaining our broadcasting system and general and administrative costs. Costs to acquire programming include payments to maintain an extensive music library, royalty payments for broadcasting music and payments to providers of content for our non-music channels. As of August 8, 2001, we had 204 employees. On December 31, 2001, we expect to have approximately 300 employees.

We received title to our satellites on July 31, 2000, September 29, 2000 and December 20, 2000, following the completion of in-orbit testing of each satellite. We expect our fourth, spare, satellite to be delivered to ground storage in October 2001.



Results of Operations

Three Months Ended June 30, 2001 Compared with Three Months Ended June 30, 2000

We had net losses of $62,068 and $34,792 for the three months ended June 30, 2001 and 2000, respectively. Our total operating expenses were $46,652 and $28,868 for the three months ended June 30, 2001 and 2000, respectively.

Engineering design and development costs were $14,206 and $17,163 for the three months ended June 30, 2001 and 2000, respectively. These engineering costs represented primarily payments to Agere Systems, Inc. (53% in the 2001 period and 41% in the 2000 period) and other radio development and manufacturing partners (11% in the 2001 period and 24% in the 2000 period). The decrease in costs in the 2001 period was due to lower payments in connection with our chip set development effort and the completion of most activity relating to the development of radios capable of receiving our broadcasts.

General and administrative expenses increased for the three months ended June 30, 2001 to $20,799 from $9,693 for the three months ended June 30, 2000. General and administrative expenses increased principally due to the growth of our workforce, operation of our terrestrial repeater network, depreciation of our broadcast studio equipment and the cost of in-orbit insurance for our three satellites during the entire 2001 period. The major components of general and administrative expenses in the 2001 period were salaries and employment related costs (24%), rent and occupancy costs (16%) and marketing costs (11%), while in the 2000 period the major components were salaries and employment related costs (38%), rent and occupancy costs (14%) and marketing costs (10%). The remaining portion of general and administrative expenses (49% in the 2001 period and 38% in the 2000 period) consisted of other costs such as legal and regulatory, insurance, consulting, travel, depreciation and supplies, with only insurance costs (14%) and depreciation (11%) exceeding 10% of the total in the 2001 period and no such amounts exceeding 10% of the total in the 2000 period.

Non-cash stock compensation charge increased for the three months ended June 30, 2001 to $11,647 from $2,012 for the three months ended June 30, 2000. The increase in charges in the 2001 period resulted primarily from the charge associated with the repricing of certain employee stock options in April 2001. We expect to record future non-cash stock compensation charges or benefits based on the market value of our common stock at the end of each reporting period.

The decrease in interest and investment income to $5,769 for the three months ended June 30, 2001, from $6,595 for the three months ended June 30, 2000, was the result of lower rates of return on our investments in U.S. government securities and commercial paper issued by major U.S. corporations during the 2001 period.

Interest expense was $21,185 for the three months ended June 30, 2001 and $12,519 for the three months ended June 30, 2000, net of capitalized interest of $4,711 and $20,181, respectively. Gross interest expense for the 2001 period decreased by $6,804 and capitalized interest decreased by $15,470, compared to the 2000 period. The decrease in gross interest from the prior period was due to the expense incurred during the 2000 period related to the induced conversion of our 8-3/4% Convertible Subordinated Notes due 2009; net of an increase in gross interest during the 2001 period in connection with our term loan facility. The decrease in the capitalization of interest during the 2001 period was primarily due to the lower level of construction in process associated with our satellites and launch vehicles.



Six Months Ended June 30, 2001 Compared with Six Months Ended June 30, 2000

We had net losses of $116,157 and $59,603 for the six months ended June 30, 2001 and 2000, respectively. Our total operating expenses were $85,968 and $55,644 for the six months ended June 30, 2001 and 2000, respectively.

Engineering design and development costs were $31,765 and $33,974 for the six months ended June 30, 2001 and 2000, respectively. These engineering costs represented primarily payments to Agere Systems, Inc. (45% in the 2001 period and 52% in the 2000 period) and other radio development and manufacturing partners (24% in the 2001 period and 26% in the 2000 period). The decrease in costs in the 2001 period was due to lower payments in connection with our chip set development effort and from the completion of most activity relating to the development of radios capable of receiving our broadcasts.

General and administrative expenses increased for the six months ended June 30, 2001 to $41,614 from $17,928 for the six months ended June 30, 2000. General and administrative expenses increased principally due to the growth of our workforce, operation of our terrestrial repeater network, depreciation of our broadcast studio equipment and the cost of in-orbit insurance for our three satellites during the entire 2001 period. The major components of general and administrative expenses in the 2001 period were salaries and employment related costs (23%), rent and occupancy costs (16%) and marketing costs (13%), while in the 2000 period the major components were salaries and employment related costs (37%), rent and occupancy costs (16%) and marketing costs (13%). The remaining portion of general and administrative expenses (48% in the 2001 period and 34% in the 2000 period) consisted of other costs such as legal and regulatory, insurance, consulting, travel, depreciation and supplies, with only insurance (14%) exceeding 10% of the total in the 2001 period and no such amount exceeding 10% of the total in the 2000 period.

Non-cash stock compensation charge increased for the six months ended June 30, 2001 to $12,589 from $3,742 for the six months ended June 30, 2000. The increase in charges in the 2001 period resulted primarily from the charge associated with the repricing of certain employee stock options in April 2001. We expect to record future non-cash stock compensation charges or benefits based on the market value of our common stock at the end of each reporting period.

The decrease in interest and investment income to $9,376 for the six months ended June 30, 2001, from $14,426 for the six months ended June 30, 2000, was the result of a lower average balance of cash, cash equivalents and marketable securities and lower rates of return on our investments in U.S. government securities and commercial paper issued by major U.S. corporations during the 2001 period.

Interest expense was $39,565 for the six months ended June 30, 2001 and $18,385 for the six months ended June 30, 2000, net of capitalized interest of $9,073 and $37,699, respectively. Gross interest expense for the 2001 period decreased by $7,446 and capitalized interest decreased by $28,626, compared to the 2000 period. The decrease in gross interest from the prior period was due to the expense incurred during the 2000 period related to the induced conversion of our 8-3/4% Convertible Subordinated Notes due 2009; net of an increase in gross interest during the 2001 period in connection with our term loan facility. The decrease in the capitalization of interest during the 2001 period was primarily due to the lower level of construction in process associated with our satellites and launch vehicles.



Liquidity and Capital Resources

At June 30, 2001, we had cash, cash equivalents, marketable securities and restricted investments totaling $444,782 and working capital of $420,877 compared with cash, cash equivalents, marketable securities and restricted investments totaling $185,060 and working capital of $143,981 at December 31, 2000.

Funding Requirements. We entered into a satellite contract (the "Loral Satellite Contract") with Space Systems/Loral, Inc. ("Loral") to build and launch the satellites necessary to transmit our service. The Loral Satellite Contract requires Loral to:

- construct, launch and deliver three satellites in-orbit and checked-out;
- construct a fourth satellite for use as a spare; and
- deliver $15,000 of long-lead time parts for a possible fifth satellite.

We are committed to make aggregate payments of approximately $745,890 under the Loral Satellite Contract. As of June 30, 2001, $683,390 of this obligation had been satisfied. Our future payments due to Loral are as follows: $12,500 in 2001, $0 in 2002, $25,000 in 2003 and $25,000 in 2004. The amount and timing of our future payments to Loral depends upon the completion of construction of our fourth satellite.

The amount and timing of our other cash requirements will depend upon numerous factors, including costs associated with the design and development of chip sets and radios, the rate of growth of our business after we commence service, costs of financing and the possibility of unanticipated costs.

Sources of Funding. To date, we have funded our capital needs through the issuance of debt and equity securities.

As of June 30, 2001, we had received a total of approximately $1,103,300 in equity capital as a result of the following transactions:

- the sale of shares of our common stock (net proceeds of approximately $22,000) prior to the issuance of our FCC license in October 1997;

- the sale of 5,400,000 shares of our 5% Delayed Convertible Preferred Stock (net proceeds of approximately $121,000) in April 1997 (in November 1997, we exchanged 1,846,799 shares of our 10-1/2% Series C Convertible Preferred Stock for all the outstanding shares of our 5% Delayed Convertible Preferred Stock) (all shares of our 10-1/2% Series C Convertible Preferred Stock have since been converted into shares of our common stock);

- the sale of 4,955,488 shares of our common stock (net proceeds of approximately $71,000) in 1997;

- the sale of 5,000,000 shares of our common stock to Prime 66 Partners, L.P. (net proceeds of approximately $98,000) in November 1998;

- the sale of 1,350,000 shares of our 9.2% Series A Junior Cumulative Convertible Preferred Stock to Apollo Investment Fund IV, L.P. and Apollo Overseas Partners IV, L.P. (collectively, the "Apollo Investors") (net proceeds of approximately $129,000) in December 1998;



- the sale of 650,000 shares of our 9.2% Series B Junior Cumulative Convertible Preferred Stock to the Apollo Investors (net proceeds of approximately $63,000) in November 1999;

- the sale of 3,450,000 shares of our common stock in an underwritten public offering (net proceeds of approximately $78,000) in September and October 1999;

- the sale of 2,000,000 shares of our 9.2% Series D Junior Cumulative Convertible Preferred Stock to affiliates of The Blackstone Group L.P. (net proceeds of approximately $192,000) in January 2000;

- the sale of 2,290,322 shares of our common stock to DaimlerChrysler Corporation (net proceeds of approximately $100,000) in February 2000; and

- the sale of 11,500,000 shares of our common stock in an underwritten public offering (net proceeds of approximately $229,300) in February 2001.

As of June 30, 2001, we had received a total of approximately $443,000 in net proceeds from the following public debt offerings:

- 12,910 units, each consisting of $20 aggregate principal amount at maturity of our 15% Senior Secured Discount Notes due 2007 and a warrant to purchase additional 15% Senior Secured Discount Notes due 2007 with an aggregate principal amount at maturity of $3 in an underwritten public offering (net proceeds of approximately $116,000) in November 1997. All of these warrants were exercised in 1997. The aggregate value at maturity of our 15% Senior Secured Discount Notes due 2007 is approximately $297,000. Our 15% Senior Secured Discount Notes due 2007 mature on December 1, 2007 and the first cash interest payment is due in June 2003.

- 200,000 units, each consisting of $1 aggregate principal amount of our 14-1/2% Senior Secured Notes due 2009 and three warrants, each to purchase 4.189 shares of our common stock (as of June 30, 2001) in an underwritten public offering (net proceeds of approximately $190,000) in May 1999. The warrants are exercisable through May 15, 2009 at an exercise price of $24.92 per share (as of June 30, 2001). We invested approximately $79,300 of the net proceeds from this offering in a portfolio of U.S. government securities, which we pledged as security for payment in full of interest due on the 14-1/2% Senior Secured Notes due 2009 through May 15, 2002.

- $125,000 aggregate principal amount of our 8-3/4% Convertible Subordinated Notes due 2009 in an underwritten public offering (net proceeds of approximately $119,000) in September 1999. In October 1999, we issued an additional $18,750 aggregate principal amount of our 8-3/4% Convertible Subordinated Notes due 2009 to the underwriters of that offering in connection with their over-allotment option (net proceeds of approximately $18,000).

The indentures governing our 14-1/2% Senior Secured Notes due 2009 and our 15% Senior Secured Discount Notes due 2007 contain limitations on our ability to issue additional debt. These notes are secured by a pledge of the stock of Satellite CD Radio, Inc., our subsidiary that holds our FCC license. As of June 30, 2001, we had acquired $62,914 principal amount of our 8-3/4% Convertible Subordinated Notes due 2009 in exchange for shares of our common stock.

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Loral has deferred a total of $50,000 of payments under the Loral Satellite Contract originally scheduled for payment in 1999. These deferred amounts bear interest at 10% per year and were originally scheduled to be paid in quarterly installments beginning in June 2002. However, the agreement governing these deferred amounts provides that this date, and subsequent payment dates, will be extended by the number of days that the achievement of any milestone under the Loral Satellite Contract is delayed beyond the dates set forth in the Loral Satellite Contract. Our fourth, spare, satellite was originally expected to be delivered to ground storage in October 2000 and now is expected to be delivered to ground storage in October 2001. As a result of this delay, we do not expect to make any required payments with respect to these deferred payments until June 2003, at the earliest. As security for these deferred payments, we have granted Loral a security interest in our terrestrial repeater network.

On June 1, 2000, we entered into a term loan agreement with Lehman Commercial Paper Inc. ("LCPI") and Lehman Brothers Inc. On March 7, 2001, after satisfaction of the conditions to borrowing, including a demonstration of our broadcast system, we borrowed $150,000 of term loans from LCPI under this agreement. These term loans bear interest at an annual rate equal to the eurodollar rate plus 4% or a base rate, typically the prime rate, plus 5%. These term loans are secured by a pledge of the stock of Satellite CD Radio, Inc., our subsidiary that holds our FCC license, and our rights under the Loral Satellite Contract relating to our fourth, spare, satellite.

The term loans mature in quarterly installments, commencing on March 31, 2003, in an amount equal to the percentage set forth below of the aggregate principal amount of the loans:

| Installment | Percentage |
|---|---|
| March 31, 2003 | 0.25% |
| June 30, 2003 | 0.25% |
| September 30, 2003 | 0.25% |
| December 31, 2003 | 0.25% |
| March 31, 2004 | 2.25% |
| June 30, 2004 | 2.25% |
| September 30, 2004 | 2.25% |
| December 31, 2004 | 2.25% |
| March 31, 2005 | 22.50% |
| June 30, 2005 | 22.50% |
| September 30, 2005 | 22.50% |
| December 31, 2005 | 22.50% |

We may prepay the term loans in whole at any time or in part from time to time. Prepayment prior to March 7, 2004 must be accompanied by a specified prepayment penalty. We must prepay the term loans:

- with the net proceeds of certain incurrences of indebtedness;
- with the proceeds of asset sales, subject to certain exceptions; and
- commencing with the fiscal year ending December 31, 2002, with excess cash.

The term loan facility contains customary covenants and events of default for a senior secured bank loan. These covenants restrict our ability to issue additional debt and engage in certain activities.

In connection with this term loan facility, we granted LCPI 2,100,000 warrants, each to purchase one share of our common stock, at an exercise price of $29.00 per share.

Shares of our 9.2% Series A Junior Cumulative Convertible Preferred Stock and 9.2% Series B Junior Cumulative Convertible Preferred Stock are convertible into shares of our common stock at a price of $30.00 per share. Dividends on our 9.2% Series A Junior Cumulative Convertible Preferred Stock and 9.2% Series B Junior Cumulative Convertible Preferred Stock are payable in kind or in cash annually, at our option. Holders of our 9.2% Series A Junior Cumulative Convertible Preferred Stock and 9.2% Series B Junior Cumulative Convertible Preferred Stock have the right to vote, on an as-converted basis, on matters on which the holders of our common stock have the right to vote. Shares of our 9.2% Series A Junior Cumulative Convertible Preferred Stock and 9.2% Series B Junior Cumulative Convertible Preferred Stock:

- are callable by us beginning November 15, 2001 at a price of 100% if the current market price, as defined in the certificates of designation of the 9.2% Series A Junior Cumulative Convertible Preferred Stock and 9.2% Series B Junior Cumulative Convertible Preferred Stock, of our common stock exceeds $60.00 per share for a period of 20 consecutive trading days;

- will be callable in all events beginning November 15, 2003 at a price of 100%; and

- must be redeemed by us on November 15, 2011.

Shares of our 9.2% Series D Junior Cumulative Convertible Preferred Stock are convertible into shares of our common stock at a price of $34.00 per share. Dividends on our 9.2% Series D Junior Cumulative Convertible Preferred Stock are payable in kind or in cash annually, at our option. Holders of our 9.2% Series D Junior Cumulative Convertible Preferred Stock have the right to vote, on an as-converted basis, on matters in which the holders of our common stock have the right to vote. Shares of our 9.2% Series D Junior Cumulative Convertible Preferred Stock:

- are callable by us beginning December 23, 2002 at a price of 100% if the current market price, as defined in the certificate of designation of the 9.2% Series D Junior Cumulative Convertible Preferred Stock, of our common stock exceeds $68.00 per share for a period of 20 consecutive trading days;

- will be callable in all events beginning December 23, 2004 at a price of 100%; and

- must be redeemed by us on November 15, 2011.

As of August 8, 2001, we had sufficient funds to operate our business through the third quarter of 2002. We will require additional funds to support our planned operations through the remainder of 2002 and thereafter until our revenues grow substantially. We plan to fund our additional capital needs through the issuance of debt and equity securities.

## Part II

## Other Information

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

See Exhibit Index attached hereto.

(b) Reports on Form 8-K:

None.



## SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SIRIUS SATELLITE RADIO INC.

By: /s/ Edward Weber, Jr.

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Edward Weber, Jr.
Vice President and Controller
(Principal Accounting Officer)

August 14, 2001



## Exhibit Index

| Exhibit | Description |
| --- | --- |
| 3.1.1 | Certificate of Amendment, dated June 16, 1997, to the Company's Certificate of Incorporation and the Company's Amended and Restated Certificate of Incorporation, dated January 31, 1994 (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999). |
| 3.1.2 | Certificate of Ownership and Merger merging Sirius Satellite Radio Inc. into CD Radio Inc. dated November 18, 1999 (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8 (File No. 333-31362)). |
| 3.2 | Amended and Restated By-Laws (incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-1 (File No. 33-74782) (the "S-1 Registration Statement")). |
| 3.3 | Certificate of Designations of 5% Delayed Convertible Preferred Stock (incorporated by reference to Exhibit 10.24 to the Company's Annual Report on Form 10-K/A for the year ended December 31, 1996 (the "1996 Form 10-K")). |
| 3.4 | Form of Certificate of Designations of Series B Preferred Stock (incorporated by reference to Exhibit A to Exhibit 1 to the Company's Registration Statement on Form 8-A filed on October 30, 1997 (the "Form 8-A")). |
| 3.5.1 | Form of Certificate of Designations, Preferences and Relative, Participating, Optional and Other Special Rights of 10 1/2% Series C Convertible Preferred Stock (the "Series C Certificate of Designations") (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-4 (File No. 333-34761)). |
| 3.5.2 | Certificate of Correction to Series C Certificate of Designations (incorporated by reference to Exhibit 3.5.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 (the "1997 Form 10-K")). |
| 3.5.3 | Certificate of Increase of 10 1/2% Series C Convertible Preferred Stock (incorporated by reference to Exhibit 3.5.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998). |
| 3.6 | Certificate of Designations, Preferences and Relative, Participating, Optional and Other Special Rights of the Company's 9.2% Series A Junior Cumulative Convertible Preferred Stock (incorporated by reference to Exhibit 3.6 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999). |
| 3.7 | Certificate of Designations, Preferences and Relative, Participating, Optional and Other Special Rights of the Company's 9.2% Series B Junior Cumulative Convertible Preferred Stock (incorporated by reference to Exhibit 3.7 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999). |

| Exhibit | Description |
|---|---|
| 3.8 | Certificate of Designations, Preferences and Relative, Participating, Optional and Other Special Rights of the Company's 9.2% Series D Junior Cumulative Convertible Preferred Stock (incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K filed on December 29, 1999). |
| 4.1 | Form of certificate for shares of Common Stock (incorporated by reference to Exhibit 4.3 to the S-1 Registration Statement). |
| 4.2 | Form of certificate for shares of 10 1/2% Series C Convertible Preferred Stock (incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-4 (File No. 333-34761)). |
| 4.3 | Form of certificate for shares of 9.2% Series A Junior Cumulative Convertible Preferred Stock (incorporated by reference to Exhibit 4.10.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998 (the "1998 Form 10-K")). |
| 4.4 | Form of certificate for shares of 9.2% Series B Junior Cumulative Convertible Preferred Stock (incorporated by reference to Exhibit 4.10.2 to the 1998 Form 10-K). |
| 4.5 | Form of certificate for shares of 9.2% Series D Junior Cumulative Convertible Preferred Stock (incorporated by reference to Exhibit 4.5 to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (the "1999 Form 10-K")). |
| 4.6.1 | Rights Agreement, dated as of October 22, 1997 (the "Rights Agreement"), between the Company and Continental Stock Transfer & Trust Company, as rights agent (incorporated by reference to Exhibit 1 to the Form 8-A). |
| 4.6.2 | Form of Right Certificate (incorporated by reference to Exhibit B to Exhibit 1 to the Form 8-A). |
| 4.6.3 | Amendment to the Rights Agreement dated as of October 13, 1998 (incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K dated October 13, 1998). |
| 4.6.4 | Amendment to the Rights Agreement dated as of November 13, 1998 (incorporated by reference to Exhibit 99.7 to the Company's Current Report on Form 8-K dated November 17, 1998). |
| 4.6.5 | Amended and Restated Amendment to the Rights Agreement dated as of December 22, 1998 (incorporated by reference to Exhibit 6 to the Amendment No. 1 to the Form 8-A filed on January 6, 1999). |
| 4.6.6 | Amendment to the Rights Agreement dated as of June 11, 1999 (incorporated by reference to Exhibit 4.1.8 to the Company's Registration Statement on Form S-4 (File No. 333-82303) filed on July 2, 1999 (the "1999 Units Registration Statement")). |

| Exhibit | Description |
| --- | --- |
| 4.6.7 | Amendment to the Rights Agreement dated as of September 29, 1999 (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on October 13, 1999). |
| 4.6.8 | Amendment to the Rights Agreement dated as of December 23, 1999 (incorporated by reference to Exhibit 99.4 to the Company's Current Report on Form 8-K filed on December 29, 1999). |
| 4.6.9 | Amendment to the Rights Agreement dated as of January 28, 2000 (incorporated by reference to Exhibit 4.6.9 to the 1999 Form 10-K). |
| 4.6.10 | Amendment to the Rights Agreement dated as of August 7, 2000 (incorporated by reference to Exhibit 4.6.10 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000). |
| 4.7 | Indenture, dated as of November 26, 1997, between the Company and IBJ Schroder Bank & Trust Company, as trustee, relating to the Company's 15% Senior Secured Discount Note due 2007 (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-3 (File No. 333-34769) (the "1997 Units Registration Statement")). |
| 4.8 | Form of 15% Senior Secured Discount Note due 2007 (incorporated by reference to Exhibit 4.2 to the 1997 Units Registration Statement). |
| 4.9 | Amended and Restated Warrant Agreement, dated as of December 27, 2000, between the Company and United States trust Company of New York, as warrant agent and escrow agent (incorporated by reference to Exhibit 4.27 to the Company's Registration Statement on Form S-3 (File No. 333-65602)). |
| 4.10 | Warrant Agreement, dated as of November 26, 1997, between the Company and IBJ Schroder Bank & Trust Company, as warrant agent (incorporated by reference to Exhibit 4.3 to the 1997 Units Registration Statement). |
| 4.11 | Form of Warrant (incorporated by reference to Exhibit 4.4 to the 1997 Units Registration Statement). |
| 4.12 | Form of Preferred Stock Warrant Agreement, dated as of April 9, 1997, between the Company and each warrantholder thereof (incorporated by reference to Exhibit 4.12 to the 1997 Form 10-K). |

4.13 Form of Common Stock Purchase Warrant granted by the Company to Everest Capital Master Fund, L.P. and to The Ravich Revocable Trust of 1989 (incorporated by reference to Exhibit 4.11 to the 1997 Form 10-K).

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| Exhibit | Description |
| --- | --- |
| 4.14 | Indenture, dated as of May 15, 1999, between the Company and United States Trust Company of New York, as trustee, relating to the Company's 14 1/2% Senior Secured Notes due 2009 (incorporated by reference to Exhibit 4.4.2 to the 1999 Units Registration Statement). |
| 4.15 | Form of 14 1/2% Senior Secured Note due 2009 (incorporated by reference to Exhibit 4.4.2 to the 1999 Units Registration Statement). |
| 4.16 | Indenture, dated as of September 29, 1999, between the Company and United States Trust Company of Texas, N.A., relating to the Company's 8 3/4% Convertible Subordinated Notes due 2009 (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on October 13, 1999). |
| 4.17 | First Supplemental Indenture, dated as of September 29, 1999, between the Company and United States Trust Company of Texas, N.A., relating to the Company's 8 3/4% Convertible Subordinated Notes due 2009 (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on October 1, 1999). |
| 4.18 | Form of 83/4% Convertible Subordinated Note due 2009 (incorporated by reference to Article VII of Exhibit 4.01 to the Company's Current Report on Form 8-K filed on October 11, 1999). |
| 4.19 | Warrant Agreement, dated as of May 15, 1999, between the Company and United States Trust Company of New York, as warrant agent (incorporated by reference to Exhibit 4.4.4 to the 1999 Units Registration Statement). |
| 4.20 | Amended and Restated Pledge Agreement, dated as of May 15, 1999, among the Company, as pledgor, IBJ Whitehall Bank & Trust Company, as trustee, United States Trust Company of New York, as trustee, and IBJ Whitehall Bank & Trust Company, as collateral agent (incorporated by reference to Exhibit 4.4.5 to the 1999 Units Registration Statement). |
| 4.21 | Collateral Pledge and Security Agreement, dated as of May 15, 1999, between the Company, as pledgor, and United States Trust Company of New York, as trustee (incorporated by reference to Exhibit 4.4.6 to the 1999 Units Registration Statement). |

4.22 Intercreditor Agreement, dated May 15, 1999, by and between IBJ Whitehall Bank & Trust Company, as trustee, and United States Trust Company of New York, as trustee (incorporated by reference to Exhibit 4.4.7 to the 1999 Units Registration Statement).



| Exhibit | Description |
|---|---|
| 4.23 | Term Loan Agreement, dated as of June 1, 2000, among the Company, Lehman Brothers Inc., as arranger, Lehman Commercial Paper Inc., as syndication and administrative agent (incorporated by reference to Exhibit 4.22 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000). |
| 4.24 | Term Loan Agreement, dated as of February 23, 2001, among the Company and Lehman Brothers Inc. (incorporated by reference to Exhibit 1.01 to Company's Current Report on Form 8-K filed on February 28, 2001). |
| 4.25 | Warrant Agreement, dated as of June 1, 2000, between the Company and United States Trust Company of New York, as warrant agent and escrow agent (incorporated by reference to Exhibit 4.23 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000). |
| 4.26 | Common Stock Purchase Warrant granted by the Company to Ford Motor Company, dated June 11, 1999 (incorporated by reference to Exhibit 4.4.2 to the 1999 Units Registration Statement). |
| 4.27 | Common Stock Purchase Warrant granted by the Company to DaimlerChrysler Corporation, dated January 28, 2000 (incorporated by reference to Exhibit 4.23 to the 1999 Form 10-K). |
| 9.1 | Voting Trust Agreement, dated as of August 26, 1997, by and among Darlene Friedland, as Grantor, David Margolese, as Trustee, and the Company (incorporated by reference to Exhibit (c) to the Company's Issuer Tender Offer Statement on Form 13E-4 filed on October 16, 1997). |
| 10.1.1 | Lease Agreement, dated as of March 31, 1998, between Rock-McGraw, Inc. and the Company (incorporated by reference to Exhibit 10.1.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998). |
| 10.1.2 | Supplemental Indenture, dated as of March 22, 2000, between Rock-McGraw, Inc. and the Company (incorporated by reference to Exhibit 10.1.2 to the |

Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2000).

'D'10.2 Amended and Restated Contract, dated as of June 30, 1998, between the Company and Space Systems/Loral, Inc. (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q/A for the quarter ended June 30, 1998).

*10.3 Employment Agreement, dated as of January 1, 1999, between the Company and David Margolese (incorporated by reference to Exhibit 10.6 to the 1998 Form 10-K).

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| Exhibit | Description |
|---|---|
| *10.4 | Employment Agreement, dated as of March 28, 2000, between the Company and Joseph S. Capobianco (incorporated by reference to Exhibit 10.5 to the 1999 Form 10-K). |
| *10.5 | Employment Agreement, dated as of March 28, 2000, between the Company and Patrick L. Donnelly (incorporated by reference to Exhibit 10.6 to the 1999 Form 10-K). |
| *10.6 | Employment Agreement, dated as of April 17, 2000, between the Company and Dr. Mircho Davidov (incorporated by reference to Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2000). |
| *10.7 | Employment Agreement, dated as of March 7, 2001, between the Company and John Scelfo (incorporated by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2001). |
| 10.8 | Registration Agreement, dated January 2, 1994, between the Company and M.A. Rothblatt and B.A. Rothblatt (incorporated by reference to Exhibit 10.20 to the S-1 Registration Statement). |
| *10.9 | 1994 Stock Option Plan (incorporated by reference to Exhibit 10.21 to the S-1 Registration Statement). |
| *10.10 | Amended and Restated 1994 Directors' Nonqualified Stock Option Plan (incorporated by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K for the year ended December 31, 1995). |

*10.11 CD Radio Inc. 401(k) Savings Plan (incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-8 (File No. 333-65473)).

*10.12 Sirius Satellite Radio 1999 Long-Term Stock Incentive Plan (incorporated by reference to Exhibit 4.4 of the Company's Registration Statement on Form S-8 (File No. 333-31362)).

10.13 Form of Option Agreement, dated as of December 29, 1997, between the Company and each Optionee (incorporated by reference to Exhibit 10.16.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998).

10.14 Letter, dated May 29, 1998, terminating Launch Services Agreement dated July 22, 1997 between the Company and Arianespace S.A.; Arianespace Customer Loan Agreements dated July 22, 1997 for Launches #1 and #2 between the Company and Arianespace Finance S.A.; and the Multiparty Agreements dated July 22, 1997 for Launches #1 and #2 among the Company, Arianespace S.A. and Arianespace Finance S.A. (incorporated by reference to Exhibit 10.21 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998).

10.15 Summary Term Sheet/Commitment, dated June 15, 1997, among the Company and Everest Capital International, Ltd., Everest Capital Fund, L.P. and The Ravich Revocable Trust of 1989 (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed on July 8, 1997).



| Exhibit | Description |
| --- | --- |
| 10.16.1 | Engagement Letter Agreement, dated June 14, 1997, between the Company and Libra Investments, Inc. (incorporated by reference to Exhibit 10.26.1 to the 1997 Form 10-K). |
| 10.16.2 | Engagement Letter Agreement, dated August 6, 1997, between the Company and Libra Investments, Inc. (incorporated by reference to Exhibit 10.26.2 to the 1997 Form 10-K). |
| 10.17 | Radio License Agreement, dated January 21, 1998, between the Company and Bloomberg Communications Inc. (incorporated by reference to Exhibit 10.28 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998). |

'D'10.18 Amended and Restated Agreement, dated as of February 1, 1999, between Lucent Technologies Inc. and the Company (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed on February 4, 1999).

10.19 Stock Purchase Agreement, dated as of October 8, 1998, between the Company and Prime 66 Partners, L.P. (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K dated October 8, 1998).

10.20.1 Stock Purchase Agreement, dated as of November 13, 1998 (the "Apollo Stock Purchase Agreement"), by and among the Company, Apollo Investment Fund IV, L.P. and Apollo Overseas Partners IV, L.P. (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K dated November 17, 1998).

10.20.2 Amendment No. 1, dated as of December 23, 1998, to the Apollo Stock Purchase Agreement (incorporated by reference to Exhibit 10.28.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999).

10.20.3 Second Amendment, dated as of December 23, 1999, to the Apollo Stock Purchase Agreement (incorporated by reference to Exhibit 99.3 to the Company's Current Report on Form 8-K filed on December 29, 1999).

10.21 Stock Purchase Agreement, dated as of December 23, 1999 (the "Blackstone Stock Purchase Agreement"), by and between the Company and Blackstone Capital Partners III Merchant Banking Fund L.P. (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed on December 29, 1999).

10.22 Stock Purchase Agreement, dated as of January 28, 2000, among the Company, Mercedes-Benz USA, Inc., Freightliner Corporation and DaimlerChrysler Corporation (incorporated by reference to Exhibit 10.24 to the 1999 Form 10-K).

10.23 Tag-Along Agreement, dated as of November 13, 1998, by and among Apollo Investment Fund IV, L.P., Apollo Overseas Partners IV, L.P., the Company and David Margolese (incorporated by reference to Exhibit 99.6 to the Company's Current Report on Form 8-K dated November 17, 1998).

'D'10.24 Agreement, dated as of June 11, 1999, between the Company and Ford Motor Company (incorporated by reference to Exhibit 10.33 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999).

| Exhibit | Description |
| --- | --- |
| 'D'10.25 | Joint Development Agreement, dated as of February 16, 2000, between the Company and XM Satellite Radio Inc. (incorporated by reference to Exhibit 10.28 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2000). |

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* This document has been identified as a management contract or compensatory plan or arrangement.

'D' Portions of these exhibits have been omitted pursuant to Applications for Confidential treatment filed by the Company with the Securities and Exchange Commission.



STATEMENT OF DIFFERENCES

The dagger symbol shall be expressed as................................. 'D'