

SIRIUS XM RADIO INC.

FORM 8-K

(Current report filing)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported): February 17, 2009

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

Delaware

(State or other jurisdiction
of incorporation)

0-24710

(Commission File Number)

52-1700207

(IRS Employer
Identification No.)

1221 Avenue of the Americas, 36th Fl., New York, NY

(Address of Principal Executive Offices)

10020

(Zip Code)

Registrant's telephone number, including area code: (212) 584-5100

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01 Entry into a Material Definitive Agreement

We have entered into agreements pursuant to which Liberty Media Corporation and its affiliate, Liberty Radio, LLC, will invest an aggregate of \$530 million in the form of loans and will receive a significant equity interest in us. The investments are expected to be funded in two separate phases.

Phase One: \$280 Million Sirius Credit Agreement

On February 17, 2009, we entered into a Credit Agreement (the “Sirius Credit Agreement”) with Liberty Media Corporation, as administrative agent and collateral agent. The Sirius Credit Agreement provides for a \$250 million term loan and \$30 million of purchase money loans. Concurrently with entering into the Sirius Credit Agreement, we borrowed \$250 million under the term loan facility. The proceeds of the term loan will be used (i) to repay at maturity our outstanding 2½% Convertible Notes due February 17, 2009 and (ii) for general corporate purposes, including related transaction costs.

The loans under the Sirius Credit Agreement bear interest at a rate of 15% per annum. Commencing on March 31, 2010, the loans amortize in quarterly installments equal to: (i) 0.25% of the aggregate principal amount of the loans outstanding on January 1, 2010 and (ii) after December 31, 2011, 25% of the aggregate principal amount of the loans outstanding on January 1, 2012. The loan matures on December 20, 2012. We paid Liberty Media Corporation a structuring fee of \$30 million in connection with the Sirius Credit Agreement. In addition, we will pay a commitment fee of 2.0% per annum on the unused portion of the purchase money loan facility. If, prior to December 31, 2009, we elect to terminate the Investment Agreement (as defined below), the lenders under the Sirius Credit Agreement may require prompt repayment at 105% of face amount.

The loans under the Sirius Credit Agreement are guaranteed by Sirius Asset Management Company LLC and Satellite CD Radio, Inc., our wholly owned subsidiaries. The loans are secured by a lien on substantially all of our assets. The affirmative covenants, negative covenants and event of default provisions in the Sirius Credit Agreement are substantially similar to those in the Term Credit Agreement, dated as of June 20, 2007, among us, the lenders party thereto and Morgan Stanley Senior Funding, Inc., as administrative agent and collateral agent.

Phase Two: Investment Agreement

On February 17, 2009, we entered into an Investment Agreement (the “Investment Agreement”) with Liberty Radio, LLC (the “Purchaser”), an indirect wholly-owned subsidiary of Liberty Media Corporation. Pursuant to the Investment Agreement, we agreed to issue to the Purchaser 12,500,000 shares of convertible preferred stock with a liquidation preference of \$0.001 per share in partial consideration for the loan investments described herein.

Upon expiration of the applicable waiting period under the Hart-Scott-Rodino Act, the preferred stock will be convertible into 40% of our outstanding shares of common stock (after giving effect to such conversion). Issuance of the preferred stock is subject to the satisfaction of certain conditions, including the conditions to funding under the XM Credit Agreement described below.

Pursuant to the Investment Agreement, we have agreed to various covenants and agreements, including not to solicit or encourage alternative transactions or, subject to certain exceptions, to enter into

discussions concerning, provide confidential information in connection with, or approve or recommend, any alternative transaction until April 15, 2009. If, prior to April 15, 2009, we receive an alternative proposal that our Board of Directors concludes in good faith is a Superior Proposal (as defined below), our Board of Directors may terminate the Investment Agreement in order to transact the Superior Proposal. After April 15, 2009, we may terminate the Investment Agreement if our Board of Directors determines it is in our best interests to do so. In either of those events, we will pay the Purchaser a termination fee of \$7 million. "Superior Proposal" means a bona fide written alternative proposal that our Board of Directors in good faith determines, after consultation with its legal and financial advisors, would, if accepted, be reasonably capable of being consummated, taking into account legal, financial, regulatory, timing and similar aspects of the proposal and the person making the proposal, and would, if consummated, result in a transaction more favorable to our stockholders from a financial point of view than the transaction contemplated by the Investment Agreement.

The Purchaser has agreed not to acquire more than 49.9% of our outstanding common stock for three years. Certain of the standstill restrictions will cease to apply after two years.

Phase Two: The Preferred Stock

The preferred stock will be issued concurrently with the funding under the XM Credit Agreement described below. The rights, preferences and privileges of the preferred stock will be set forth in a Certificate of Designations to be filed with the Secretary of State of the State of Delaware. The preferred stock is convertible at any time, at the option of the holder, into shares of our common stock equal to 40% of our outstanding common stock (after giving effect to such conversion).

The holders of the preferred stock are entitled to appoint a proportionate number of our board of directors based on their ownership levels from time to time. The Certificate of Designations also provides that so long as the Purchaser beneficially owns at least half of its initial equity investment, we will need the consent of the Purchaser for certain actions, including:

- the grant or issuance of our equity securities;
- any merger or sale of all or substantially all of our assets;
- any acquisition or disposition of assets other than in the ordinary course of business above certain thresholds;
- the incurrence of debt in amounts greater than a stated threshold;
- engaging in a business different than the business currently conducted by us; and
- amending our certificate of incorporation or by-laws in a manner that materially adversely affects the holders of the preferred stock.

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

On February 17, 2009, XM Satellite Radio Inc. (“XM”) entered into a Credit Agreement (the “XM Credit Agreement”) with Liberty Media Corporation, as administrative agent and collateral agent. The XM Credit Agreement provides for a \$150 million term loan. The term loan facility will be available in two drawings. The term loans bear interest at a rate of 15% per annum, and mature on May 1, 2011. XM will pay a commitment fee of 2.0% per annum on the undrawn portion of the term loan facility.

The loans under the XM Credit Agreement are guaranteed by XM Radio Inc. and XM Equipment Leasing LLC. The term loan facility is secured by a lien on substantially all of XM’s assets. The affirmative covenants, negative covenants and event of default provisions in the XM Credit Agreement are substantially similar to those in the Credit Agreement, dated as of June 26, 2008, among XM, XM Satellite Radio Holdings Inc., the lenders named therein and UBS, as administrative agent.

The closing and funding of the XM Credit Agreement is subject to several conditions, including: (i) XM’s existing credit agreements being amended to extend the maturity of the loans to a date and on terms reasonably satisfactory to Liberty Media Corporation, (ii) Liberty Media Corporation purchasing assignments of loans outstanding under such existing credit facilities in an aggregate principal amount of up to \$100 million, (iii) delivery of a report from our auditors in respect of fiscal year 2008 without any “going concern” or like qualification (or receipt of a waiver from certain lenders), and (iv) issuance of the preferred stock under the Investment Agreement.

Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant

The information set forth above in Item 1.01 is hereby incorporated by reference into this Item 2.03.

Item 3.02 Unregistered Sales of Equity Securities

Pursuant to the Investment Agreement, we have agreed to issue 12,500,000 shares of the preferred stock in consideration for the investments described herein. The preferred stock was offered to the Purchaser in an offering exempt from the Securities Act registration requirements under Section 4(2) of the Securities Act of 1933. Upon election of the holders of such preferred stock, the shares of the preferred stock will be convertible into a number of shares of our common stock determined pursuant to the conversion rate set forth in the Certificate of Designations.

As of February 13, 2009, 3,793,193,708 shares of our common stock were outstanding.

Item 8.01 Other Events

On February 17, 2009, we issued a press release announcing, among other things, that we had entered into the Investment Agreement, the Sirius Credit Agreement and the XM Credit Agreement. The press release is attached hereto as Exhibit 99.1 and is hereby incorporated by reference into this Item 8.01.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

Exhibit No. **Exhibit Description**

Exhibit 99.1 Press Release issued by Sirius XM Radio and Liberty Media on February 17, 2009.

SIGNATURES

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

SIRIUS XM RADIO INC.

Date: February 17, 2009

By: /s/ Patrick L. Donnelly
Patrick L. Donnelly
Executive Vice President,
General Counsel and Secretary

SIRIUS XM Radio and Liberty Media Reach Agreement for Investment

***Liberty Makes Loan to SIRIUS XM to Repay
2½% Convertible Notes due February 17, 2009***

Agreement Provides for Additional Loan

***Liberty to Acquire SIRIUS XM Preferred Stock and Board Representation in
Connection with Investments***

NEW YORK, NY and ENGLEWOOD, CO. – February 17, 2009 – SIRIUS XM Radio Inc. (NASDAQ: SIRI) and Liberty Media Corporation (NASDAQ: LINTA, LINTB, LCAPA, LCAPB, LMDIA, LMDIB) today announced that they have entered into agreements pursuant to which Liberty will invest an aggregate of \$530 million in the form of loans to SIRIUS XM and its subsidiaries and receive an equity interest in SIRIUS XM.

Under the terms of the agreements, the investments will be funded in two separate phases.

- The first phase includes a \$280 million senior secured loan from Liberty to SIRIUS XM, \$250 million of which will be funded today. The proceeds of that loan will be used by SIRIUS XM to repay \$171.6 million of its maturing 2½% Convertible Notes due February 17, 2009, and the balance will be used for general corporate purposes, including working capital and transaction costs. The loan will bear interest at a rate of 15%, mature in December 2012, and be secured by the assets securing SIRIUS XM's existing term credit agreement.
- The second phase provides an additional loan of \$150 million to XM Satellite Radio, SIRIUS XM's wholly owned subsidiary. Liberty has also agreed to offer to purchase up to \$100 million of the loans outstanding under XM Satellite Radio's existing credit facilities from the lenders.

Upon completion of the second phase of the Liberty investments, SIRIUS XM will issue Liberty an aggregate of 12.5 million shares of preferred stock convertible into 40% of the common stock of SIRIUS XM. In addition, Liberty will receive seats on the SIRIUS XM Board of Directors proportionate to its equity ownership. It is expected that John Malone and Greg Maffei will join the SIRIUS XM Board of Directors. Liberty's obligation to consummate the second phase of its investment is subject to various closing conditions.

Mel Karmazin, Chief Executive Officer of SIRIUS XM Radio, said, "We are pleased to have come to this agreement with Liberty Media, particularly in light of today's challenging credit markets. Liberty's investment is an important validation of what SIRIUS XM has already achieved and a vote of confidence in what we will achieve. This

agreement enables Sirius XM to continue to develop the opportunities first outlined in the merger of Sirius and XM. By strengthening our capital structure and enhancing our financial flexibility, this investment allows us to continue providing the great content and innovative programming our subscribers know and love."

"We are excited to be investing in SIRIUS XM. We have been impressed with the company, its operations and management team," said Greg Maffei, president and CEO of Liberty. "SIRIUS XM's ability to grow subscribers and revenue in a difficult financial and auto market is indicative of how listeners view this as a "must have" service."

The agreements, and the transactions contemplated by the agreements, do not constitute a change in control for SIRIUS XM under its outstanding debt instruments and are not subject to the approval of the Federal Communications Commission. The receipt by Liberty of voting stock is subject to expiration of the applicable waiting period under the Hart-Scott-Rodino Act.

Important details of the agreements relating to this investment will be available on a Current Report on Form 8-K which SIRIUS XM expects to file with the Securities and Exchange Commission.

Liberty has advised that its investment will be attributed to the Liberty Capital group and is not expected to affect the timing of the previously announced split-off of a portion of Liberty Entertainment.

About SIRIUS XM Radio

SIRIUS XM Radio is America's satellite radio company delivering commercial-free music channels, premier sports, news, talk, entertainment, traffic and weather, to more than 18.9 million subscribers.

SIRIUS XM Radio has content relationships with an array of personalities and artists, including Howard Stern, Martha Stewart, Oprah Winfrey, Jimmy Buffett, Jamie Foxx, Barbara Walters, Opie & Anthony, Bubba the Love Sponge ®, The Grateful Dead, Willie Nelson, Bob Dylan, Tom Petty, and Bob Edwards. SIRIUS XM Radio is the leader in sports programming as the Official Satellite Radio Partner of the NFL, Major League Baseball®, NASCAR®, NBA, NHL®, and PGA TOUR®, and broadcasts major college sports.

SIRIUS XM Radio has arrangements with every major automaker. SIRIUS XM Radio products are available at shop.sirius.com and shop.xmradio.com, and at retail locations nationwide, including Best Buy, RadioShack, Target, Sam's Club, and Wal-Mart.

SIRIUS XM Radio also offers SIRIUS Backseat TV, the first ever live in-vehicle rear seat entertainment featuring Nickelodeon, Disney Channel and Cartoon Network; XM NavTraffic® service for GPS navigation systems delivers real-time traffic information, including accidents and road construction, for more than 80 North American markets.

About Liberty Media Corporation

Liberty Media Corporation owns interests in electronic retailing, media, communications and entertainment businesses. Those interests are attributed to three tracking stock groups: (1) the Liberty Interactive group, which includes Liberty's interests in QVC, Provide Commerce, Backcountry.com, BUYSEASONS, Bodybuilding.com, IAC/InterActiveCorp, and Expedia, (2) the Liberty Entertainment group, which includes Liberty's interests in The DIRECTV Group, Inc., Starz Entertainment, FUN Technologies, Inc., GSN, LLC, WildBlue Communications, Inc., and Liberty Sports Holdings LLC, and (3) the Liberty Capital group, which includes all businesses, assets and liabilities not attributed to the Interactive group or the Entertainment group including its subsidiaries Starz Media, LLC, Atlanta National League Baseball Club, Inc., and TruePosition, Inc., and minority equity investments in Time Warner Inc. and Sprint Nextel Corporation.

This communication contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include, but are not limited to, statements about the benefits of the business combination transaction involving SIRIUS and XM, including potential synergies and cost savings and the timing thereof, future financial and operating results, the combined company's plans, objectives, expectations and intentions with respect to future operations, products and services; and other statements identified by words such as "anticipate," "believe," "plan," "estimate," "expect," "intend," "will," "should," "may," or words of similar meaning. Such forward-looking statements are based upon the current beliefs and expectations of SIRIUS' and XM's management and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are difficult to predict and generally beyond the control of SIRIUS and XM. Actual results may differ materially from the results anticipated in these forward-looking statements.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statement: general business and economic conditions; the performance of financial markets and interest rates; the failure to realize synergies and cost-savings from the merger or delay in realization thereof; the businesses of SIRIUS and XM may not be combined successfully, or such combination may take longer, be more difficult, time-consuming or costly to accomplish than expected. Additional factors that could cause SIRIUS' and XM's results to differ materially from those described in the forward-looking statements can be found in SIRIUS' and XM's Annual Reports on Form 10-K for the year ended December 31, 2007 and their respective Quarterly Reports on Form 10-Q for the quarter ended September 30, 2008, which are filed with the Securities and Exchange Commission (the "SEC") and available at the SEC's Internet site (<http://www.sec.gov>). The information set forth herein speaks only as of the date hereof, and SIRIUS and XM disclaim any intention or obligation to update any forward looking statements as a result of developments occurring after the date of this communication.

Certain statements in this press release constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, including the statements regarding Liberty Media's expectations related to the Sirius XM investment and the pending split-off of a portion of the Liberty Entertainment group. These forward looking statements are based on management's current expectations and assumptions, which are inherently subject to uncertainties, risks and changes in circumstances that are difficult to predict. Actual results could differ materially from those expressed or implied by such forward-looking statements. These forward-looking statements speak only as of the date of this press release. Liberty Media expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein to reflect any change in Liberty Media's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Additional Information

Nothing in this release shall constitute a solicitation to buy or an offer to sell shares of the split-off company or any of the Liberty Media tracking stocks. The offer and sale of shares in the proposed split-off will only be made pursuant to an effective registration statement. Liberty Media stockholders and other investors are urged to read the registration statement to be filed with the SEC, including the proxy statement/prospectus to be contained therein, because it will contain important information about the transaction. A copy of the preliminary proxy statement/prospectus filed with the SEC is available, and the registration statement and definitive proxy statement/prospectus once filed will be available, free of charge at the SEC's website (<http://www.sec.gov>). Copies of the proxy statement/prospectus and the filings with the SEC that will be incorporated by reference in the proxy statement/prospectus can also be obtained, without charge, by directing a request to Liberty Media Corporation, 12300 Liberty Boulevard, Englewood, Colorado 80112, Attention: Investor Relations, Telephone: (720) 875-5408.

Participants in a Solicitation

The directors and executive officers of Liberty Media and other persons may be deemed to be participants in the solicitation of proxies in respect of proposals to approve the transaction. Information regarding Liberty Media's and the split-off company's directors and executive officers and other participants in the proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, will be available in the proxy materials filed with the SEC.

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