PROXY STATEMENT
AND
2012 ANNUAL REPORT

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Dear Fellow Stockholders,

I am pleased to be writing to you about our significant accomplishments in 2012 and our exciting outlook for 2013.

This past year proved to be a record year for our company, as we reached significant milestones both financially and operationally. We achieved our highest revenue to date, at $3.4 billion, and ended the year with nearly 24 million subscribers, giving us one of the largest subscription bases among all US media businesses and positioning SiriusXM as the largest radio company in the world, ranked by revenue. Our company achieved significant growth in its free cash flow, up 71% to $709 million, and began returning capital to our stockholders for the first time in its history, with a $327 million special dividend in December and our announced $2 billion share repurchase program. SiriusXM stockholders were rewarded with a 59% gain in 2012.

What continues to drive our success is our unique content. This is the foundation of our business and with our brand name, talent and commercial-free offerings, we will continue to set the programming standard across the audio entertainment industry. SiriusXM has become the home where newsmakers from all fields come to speak, break news and address a highly desirable national audience. Our music channels are independently recognized for discovering new talent and providing the platform to champion the next rising stars in rock, country and electronic dance music.

In sports, in addition to our satellite channels, SiriusXM now offers expansive online coverage. Our subscribers can tune in to hear any events from the NFL, MLB, NASCAR, the NBA, the NHL and soccer, in addition to our bevy of on-air sports commentaries and highlights. In April 2012, we announced a multi-year deal to become the Official Internet Radio provider of MLB.com, allowing our subscribers access to all MLB games. With over 40 channels exclusively dedicated to sports, we can appeal to any market across the country, and ensure that every fan can tune in to hear his or her team online or on the radio.

Our original music and entertainment special programs — Artist Confidential and SiriusXM Town Hall series — continue to draw some of the biggest names from music, entertainment, politics, and pop culture, and are examples of content that is unavailable to our competitors online or on terrestrial radio. From our studios in New York in 2012, we delivered interviews and performances from Taylor Swift, Alicia Keys, Willie Nelson, Aerosmith, Usher and One Direction. Our Town Hall series does not limit itself to just music – it also invites notable artists, actors and leaders to discuss their craft and careers. In 2012, we conducted interviews and discussions with remarkable newsmakers and some of the greats in the entertainment world, including Quentin Tarantino, James Gandolfini, Billy Crystal, NFL Commissioner Roger Goodell, Cardinal Dolan, Jane Fonda, Oliver Stone, John Travolta, Alec Baldwin and Betty White, to name only a few. In 2012, we expanded several of our content segments, including comedy, and we will continue to push the envelope in 2013.

We launched satellite radio over a decade ago by selling radios through consumer electronics retailers, such as Best Buy and Radio Shack. Next, we worked to leverage our close relationships with automakers to incorporate our radios in the bulk of new cars sold today. These relationships have given us an unequaled position in the vehicle dashboard. Last year automakers factory-installed more than 10 million of our radios in new cars, a penetration rate of about two thirds. Cumulatively, automakers have installed in excess of 50 million of our radios in cars, a number that should climb to over 150 million in ten years.

Today we are also working to market SiriusXM to new owners of the growing base of previously-owned vehicles with factory-installed satellite radios. Previously owned vehicles can be found in approximately 75% of U.S. households and represent approximately 75% of car sales. This channel should provide a substantial and growing source of subscribers for years to come.

In addition to our core satellite radio business, we continue to focus on expanding our streaming and infotainment offerings, bringing an even better, more tailored listening experience to our subscribers. We are delivering an expanded and exclusive streaming programming lineup, including 20 Latin music and talk channels online, as well as continuously updating our mobile apps for Android and Apple devices, and adding new listening features for subscribers on our streaming platform. Our streaming efforts will be a growth opportunity for SiriusXM, as we have the ability to provide unique, original content across multiple platforms, while strengthening our in-vehicle technologies. Having both a satellite connection and a streaming connection into vehicles will prove to be a durable advantage for us versus streaming-only competitors in the connected car. In particular, we are excited about our MySXM product, which allows subscribers to create personalized commercial-free channels for online and mobile listening. Subscribers do not need to recreate music libraries to use this product. Instead, MySXM allows users to create personalized versions of their already curated commercial free favorite channels.

Our connection to the car is not only through our SiriusXM entertainment service. We are the largest provider of traffic and weather services, with more than 2.4 million vehicles on the road today. Our commitment to deliver premium telematics services — such as 24/7 emergency support for accidents, stolen vehicle tracking and roadside assistance — for drivers of Nissan vehicles is another example of leveraging our trusted relationships with automakers to grow new sources of revenue in the years to come.

We continue to support our product through the strength of our scalable business model, which generated our best results ever. Our unique and powerful business model, based on recurring subscription revenue with low marginal costs, is unmatched by any of our competitors in the audio entertainment space. We produce significant operating leverage by monetizing our listeners better than any other audio service on terrestrial or internet radio, generating incremental margins and tightly controlling fixed costs, resulting in record financial results in 2012, which exceeded expectations:

- Total subscribers grew to a new all-time high of 23.9 million;
- Revenue for the year exceeded our guidance, totaling $3.4 billion;
- Adjusted EBITDA reached a record of $920 million, representing an increase of 26% over 2011; and
- Free cash flow increased 71% to $709 million, from $416 million in 2011.

We added 2 million new subscribers in 2012 and were able to keep our churn to a steady, low level of 1.9%. Our goal is to keep our subscribers happy by providing the content and offerings they want to hear. We base our business decisions on the potential effect to the subscriber experience, and we believe that by satisfying our subscribers, we can reward our stockholders.

Our strong financial performance allowed us to secure a $1.25 billion revolving credit facility, to announce a plan to repurchase up to $2 billion of our common stock, and to declare a special cash dividend of $0.05 per share to all of our stockholders, which we paid in December. As of December 31, 2012, we were very conservatively leveraged at 2.6 times adjusted EBITDA and we retain plenty of capital to continue our long-term investments in our business, programming and R&D for new initiatives. We are also well-positioned to pursue strategic opportunities that may arise. Our long term growth prospects and strong focus on free cash flow growth will allow us to continue returning capital to stockholders.

Looking to 2013, we expect to build upon our strengths and continue to grow by focusing on several important goals:

- **Adding subscribers and growing revenue**: We believe that SiriusXM has room to grow by attracting new subscribers and identifying new outlets for revenue growth. We will continue delivering products, programing, and services that satisfy a demanding and growing subscriber base, but we will also look to expand our brand and penetrate further in the auto market. We ended 2012 with SiriusXM units installed in approximately 50 million operating vehicles across the US. While this is a large population, it only represents about 20% of all registered vehicles on the road, signifying a significant opportunity for growth. As auto sales increase, our growth receives a meaningful tailwind, but we do not want to limit our focus to new cars. We've launched subscriber programs for customers at large used car retailers, such as CarMax, AutoNation and Penske, and now have reached over 8,000 dealer locations. With this program, we expect to target the growing numbers of satellite-radio enabled vehicles that will change hands as a source of new subscribers.

- **Improving upon our customer service and overall customer satisfaction:** Retaining subscribers is a top priority and we strive to keep all our subscribers satisfied. To do that, we have made significant investments in customer care, building on a highly committed and experienced team of leadership dedicated to supporting our customers. We continue to expand the customer self-service options that allow subscribers to perform more transactions on-line, and we are increasing our "chat" capability, which has been well received by our customers. We've integrated our subscriber management systems, which now enables Sirius radios and XM radios to exist on a single consolidated account. This year we expect to launch our mobile service app to allow transactions and account management from the palm of our customers' hand. We are very focused on improving our service experience and making it easier to be a SiriusXM subscriber.
- **Refreshing and expanding our programming lineup**: Programming will continue being the foundation of SiriusXM's business. In addition to our exclusive and world-class line-up, we look for new and unique brands and personalities to collaborate with and work to develop home-grown talent and channels. Our Town Hall and Artist Confidential series are examples of content that is unavailable to our competitors online and on terrestrial radio. Our recent announcements of a Comedy Central Radio comedy channel, an Entertainment Weekly Radio channel, and the addition of talent such as Michael Smerconish, the nationally syndicated terrestrial talk radio star, are examples of our initiatives to bring the best audio entertainment to our subscribers. By producing innovative content, we believe we can continue to build on our record subscription levels.
- **Developing new technology and growing SiriusXM's online capabilities**: We plan to develop and deliver a system with greater capabilities and connectivity. For example, our initiative with Nissan will provide a comprehensive suite of services that will allow for crash notification, stolen vehicle tracking, roadside assistance, and other safety and convenience measures. We view telematics as a next step for SiriusXM's in-vehicle systems and a great opportunity to strengthen our relationships with automakers.

In addition, we are expanding our online offerings with the enhancement of SiriusXM Internet Radio. We believe that coordinating features across our satellite and streaming platforms will allow us to provide subscribers with an unparalleled experience.

In January, Liberty Media brought its ownership of SiriusXM common stock to more than 50% and we added three new directors to our board. While this resulted in a "change-of-control" at the corporate level, what is not changing is the consistent focus of everyone here at SiriusXM, from on-air talent to senior management. We remain focused on delivering the best service possible that helps build our subscriber base and drives free cash flow growth to enhance value for all of our stockholders.

All of this year's achievements, and those to come in 2013, are not possible without our outstanding team of dedicated SiriusXM employees. We have an exceptional collection of individuals who execute all of our goals and initiatives and who are dedicated to our product and services. I extend my deepest appreciation and thanks to our employees for their continued hard work.

Lastly, I would like to thank Mel Karmazin for his years of service and all of his contributions to this company. With Mel at the helm, SiriusXM grew to become the best, and by revenue the largest, radio provider in the world. His vision and leadership helped bring us to where we are now, and we appreciate all his efforts over the course of his time here.

Thank you for your investment in SiriusXM. Please know we are hard at work improving our product, better serving our customers, fostering a culture of innovation, and growing our terrific company.

Sincerely,

James E Meyer

JIM MEYER
Chief Executive Officer
SiriusXM

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NOTICE OF 2013 ANNUAL MEETING OF STOCKHOLDERS

Time and Date:	9:00 a.m., New York City time, on Tuesday, May 21, 2013
Place:	The Auditorium The AXA Equitable Center 787 Seventh Avenue New York, New York 10019
Items of Business:	1. To elect the thirteen director nominees listed herein; 2. To ratify the appointment of KPMG LLP as our independent registered public accountants for 2013; 3. To vote on a stockholder proposal submitted by The Central Laborers' Pension Fund to amend our Corporate Governance Guidelines to adopt and disclose a written and detailed succession planning policy; and 4. To transact any other business properly coming before the annual meeting and any adjournments or postponements thereof.
Who may Vote:	Stockholders of record at the close of business on April 1, 2013.
Important Notice Regarding the Date of Availability of Proxy Materials for the Stockholder Meeting to be Held on Tuesday, May 21, 2013:	We are pleased to be using the Securities and Exchange Commission's rules that allow companies to furnish proxy materials to their stockholders over the Internet. In accordance with these rules, we sent stockholders of record at the close of business on or about April 11, 2013, a Notice of Internet Availability of Proxy Materials (Notice). The Notice contains instructions on how to access our Proxy Statement and Annual Report for the year ended December 31, 2012 over the Internet and how to vote.

Whether or not you expect to attend in person, we urge you to vote your shares over the Internet, by phone, or by signing, dating, and returning a proxy card at your earliest convenience.

Voting over the Internet or by telephone is fast and convenient, and your vote is immediately confirmed and tabulated. By using the Internet or telephone, you help us reduce postage, printing and proxy tabulation costs.

By Order of the Board of Directors,

PATRICK L. DONNELLY
Executive Vice President, General Counsel and Secretary

New York, New York
April 11, 2013

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

PROXY STATEMENT

This proxy statement contains information related to the annual meeting of stockholders of Sirius XM Radio Inc. to be held on Tuesday, May 21, 2013, beginning at 9:00 a.m., New York City time, in The Auditorium at The AXA Equitable Center, 787 Seventh Avenue, New York, New York 10019, and at any adjournments or postponements thereof. This proxy statement is being distributed or made available, as the case may be, to stockholders on or about April 11, 2013.

ABOUT THE MEETING

What is the purpose of the annual meeting?

At our annual meeting, stockholders will act upon the following matters outlined in the Notice of 2013 Annual Meeting of Stockholders, including:

- Item 1 — the election of thirteen director nominees to our board (Joan L. Amble, Mark D. Carleton, David J.A. Flowers, Eddy W. Hartenstein, James P. Holden, Gregory B. Maffei, Evan D. Malone, James E. Meyer, James F. Mooney, Robin S. Pringle, Carl E. Vogel, Vanessa A. Wittman and David Zaslav);
- Item 2 — the ratification of the appointment of KPMG LLP as our independent registered public accountants for 2013;
- Item 3 — a stockholder proposal submitted by The Central Laborers' Pension Fund to amend our Corporate Governance Guidelines to adopt and disclose a written and detailed succession planning policy; and
- such other business that may properly be conducted at the annual meeting or any adjournments or postponements thereof.

At the annual meeting, management will also report on our performance and respond to appropriate questions from stockholders. On the Record Date, 6,430,553,280 shares of our common stock were outstanding.

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

Each holder of our common stock is entitled to one vote per share of common stock on all matters to be acted upon at the annual meeting.

What vote is required to approve each item?

Assuming the presence of a quorum, the directors will be elected by the holders of a plurality of the voting power of our common stock present in person or represented by proxy and entitled to vote. This means that the thirteen director nominees who receive the most votes cast by the holders of shares of our common stock will be elected. You may vote "For" or "Withhold" with respect to each nominee. Votes that are withheld will be excluded entirely from the vote with respect to the nominee from which they are withheld. Votes that are withheld and broker non-votes will not have any effect on the outcome of the election of the directors because directors are elected by plurality voting but they will be counted for the purpose of determining whether a quorum is present at the annual meeting.

The affirmative vote of the holders of a majority of the voting power of our common stock, present in person or represented by proxy, and entitled to vote on the matter is required for Item 2 (the ratification of the appointment of KPMG LLP as our independent registered public accountants for 2013) and Item 3 (the stockholder proposal). You may vote "For," "Against" or "Abstain" with respect to Items 2 and 3. For Items 2 and 3, an "Abstain" vote will have the same effect as a vote against the proposal. For Item 3, broker non-votes will have no effect in determining whether the proposal is approved because they are not deemed "present in person or represented by proxy and entitled to vote on the matter." Items 2 and 3 are not binding on our board of directors or the Company.

When will voting results be available?

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

Who can attend the annual meeting?

Subject to space availability, all stockholders as of the Record Date, or their duly appointed proxies, may attend the meeting. Since seating is limited, admission to the meeting will be on a first-come, first-served basis. Only persons who have proof of their stock ownership as of the record date will be allowed to enter the meeting. Proof of ownership will be any statement from their bank or broker or the admission card that was sent with the Notice. Registration and seating will begin at 8:30 a.m., New York City time.

What constitutes a quorum?

The presence, in person or by proxy, of the holders of a majority of the aggregate voting power of the issued and outstanding shares of our common stock entitled to vote at the annual meeting is necessary to constitute a quorum to transact business at the annual meeting. If a quorum is not present or represented at the annual meeting, the stockholders entitled to vote thereat, present in person or represented by proxy, may adjourn the annual meeting from time to time without notice or other announcement until a quorum is present or represented. Abstentions and broker non-votes are counted as present for purposes of determining a quorum.

What is a broker non-vote?

A broker non-vote occurs if you hold shares in "street name" and do not provide voting instructions to your broker on a proposal and your broker does not have the discretionary authority to vote on such proposal. A broker is entitled to vote shares held for a beneficial holder on routine matters, such as Item 2 (the ratification of the appointment of KPMG as our independent registered public accountants for 2013), without instructions from the beneficial holder of those shares. On the other hand, absent instructions from the beneficial holders of such shares, a broker will not be entitled to vote shares held for a beneficial holder on certain non-routine items, such as Item 1 (the election of directors) or Item 3 (the stockholder proposal). **It is therefore important that you provide instructions to your broker if your shares are held by a broker so that your vote with respect to Item 1 (the election of the thirteen director nominees listed herein) and Item 3 (the stockholder proposal) are counted.**

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

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

If you are a beneficial owner (that is, you hold your shares through your broker, bank or other nominee) and you do not provide voting instructions to your broker, bank or other nominee with respect to Item 1 (the election of directors) or Item 3 (the stockholder proposal), your shares will be considered "broker non-votes" and will not be counted in determining the outcome of the vote. "Broker non-votes" will be counted for purposes of determining whether a quorum is present to hold the annual meeting.

How do I vote?

Stockholders of record can vote as follows:

- *By Internet:* Stockholders may vote over the Internet at *www.envisionreports.com/siri* by following the instructions included on your Notice. You will need the 11-digit Control Number included on the Notice to obtain your records and to create an electronic voting instruction form.
- *By Telephone:* Stockholders may vote by telephone 1-800-652-VOTE (8683) by following the instructions included with your Notice card. You will need the 11-digit Control Number included on the Notice card in order to vote by telephone.
- *At the Meeting:* If you attend the annual meeting, you may vote in person by ballot, even if you have previously returned a proxy card or otherwise voted.

If your shares are held in "street name," you may also submit voting instructions to your bank, broker or other nominee. In most instances, you will be able to do this over the Internet, by telephone or by mail. Please refer to information from your bank, broker or other nominee on how to submit voting instructions. The deadline for voting by telephone or electronically is 11:59 p.m., New York City time, on Monday, May 20, 2013. "Street name" stockholders who wish to vote in person at the meeting will need to obtain a proxy form from the institution that holds their shares.

What is householding?

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

We will promptly deliver, upon oral or written request, a separate copy of this proxy statement and annual report to any stockholder residing at an address to which only one copy was mailed. Requests for additional copies for this year's or future years' proxy materials should be directed to: Sirius XM Radio Inc., Attention: Corporate Secretary, 1221 Avenue of the Americas, 36th Floor, New York, New York 10020. Requests can also be made by telephone by calling (212) 584-5100.

Stockholders of record residing at the same address and currently receiving multiple copies of this proxy statement may contact our Corporate Secretary (in writing or by phone at the contact information indicated above) to request that only a single copy of our proxy statement be mailed in the future.

Can I change my vote or revoke my proxy?

Yes. If you are a stockholder of record, you may change your vote or revoke your proxy at any time before your shares are voted at the annual meeting by:

- Notifying our Corporate Secretary in writing at Sirius XM Radio Inc., 1221 Avenue of the Americas, 36th Floor, New York, New York 10020 that you are revoking your proxy;
- Executing and delivering a later dated proxy card or submitting a later dated vote by telephone or the Internet; or
- Attending the annual meeting, revoking your proxy and voting in person.

If you hold your shares in street name, you may submit new voting instructions by contacting your bank, broker or other nominee. You may also change your vote or revoke your proxy in person at the annual meeting if you obtain a signed proxy from the record holder (broker, bank or other nominee) giving you the right to vote the shares.

Who will count the votes?

A representative of Computershare will tabulate the votes and act as inspector of elections.

What is a proxy?

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

Whom am I designating as my proxy?

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

How will my proxy vote my shares?

Your proxy will vote your shares according to your instructions. If you complete your proxy card but do not indicate how you would like your shares voted, your proxy will vote in accordance with the recommendation of our board of directors.

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

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

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

Under the SEC's rules and regulations, any stockholder desiring to submit a proposal to be included in our 2014 proxy statement must submit such proposal to us in writing at our principal executive offices located at: 1221 Avenue of the Americas, 36th Floor, New York, New York 10020, to the attention of the Corporate Secretary, no later than the close of business on December 13, 2013.

Our By-laws provide for advance notice provisions. The By-laws require the timely notice of certain information to be provided by any stockholder who proposes director nominations or any other business for consideration at a stockholders' meeting. Failure to deliver a proposal in accordance with the procedures discussed above and in the By-laws may result in the proposal not being deemed timely received. To be timely, notice of a director nomination or any other business for consideration at a stockholders' meeting must be received by our Corporate Secretary at our principal executive offices not less than 70 days nor more than 90 days prior to the first anniversary of the preceding year's annual meeting. Therefore, to be presented at our 2014 Annual Meeting of Stockholders, such a proposal must be received by the Corporate Secretary on or after February 20, 2014 but no later than March 12, 2014. In the event that the date of the 2014 Annual Meeting is advanced by more than 20 days, or delayed by more than 70 days, from the anniversary date of the 2013 Annual Meeting of Stockholders, notice must be delivered no earlier than the 90th day prior to the 2014 Annual Meeting and not later than the close of business on the later of the 70th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of the 2014 Annual Meeting of Stockholders is first made. In addition, the date for timely notice specified in this paragraph shall be the earlier of the date calculated above or the date specified in paragraph (c)(1) of Rule 14a-4 of the Exchange Act.

ITEM 1 — ELECTION OF DIRECTORS

Thirteen director nominees are standing for election at the annual meeting. The Nominating and Corporate Governance Committee of our board of directors has nominated the director nominees listed below after consideration of such individual's qualifications, contributions to the company and other reasons discussed in this proxy statement.

On January 18, 2013, Leon D. Black, Lawrence F. Gilberti, and Jack Shaw resigned as members of our board of directors. The decisions of Messrs. Black, Gilberti and Shaw to resign were not the result of any disagreement with us on any matter relating to our operations, policies or practices. To fill the vacancies resulting from these resignations and the previous resignation of Mel Karmazin, our former Chief Executive Officer and a director, our board of directors unanimously appointed Mark D. Carleton, Robin S. Pringle, Charles Y. Tanabe and our Chief Executive Officer, James E. Meyer, to our board of directors.

John C. Malone and Charles Y. Tanabe have informed the Nominating and Corporate Governance Committee that they do not wish to stand for reelection at the annual meeting. To fill these expected vacancies, the Nominating and Corporate Governance Committee has nominated Evan D. Malone and David Zaslav for election to our board of directors at the annual meeting. Biographical information regarding Dr. Malone and Mr. Zaslav is contained on page 9 and 12, respectively, of this proxy statement. Dr. Malone and Mr. Zaslav have indicated their willingness to serve as a director if elected.

The Nominating and Corporate Governance Committee believes that a well-functioning board includes a diverse group of individuals that bring a variety of complementary skills and experiences. Although our board of directors does not have a formal policy with regard to the consideration of diversity in identifying director candidates, diversity is one of the factors that the Nominating and Corporate Governance Committee may, pursuant to its charter, take into account in identifying director candidates. The Nominating and Corporate Governance Committee generally considers each nominee in the broad context of the overall composition of our board of directors with a view toward constituting a board that, as a group, possesses the appropriate mix of skills and experience to oversee our business. The experience, qualifications, attributes, or skills that led the Nominating and Corporate Governance Committee to conclude that our nominees should serve on the board of directors are generally described in the biographical information below.

Set forth below are the nominees to be elected to serve until the 2014 annual meeting of stockholders or until their respective successors have been duly elected and qualified.

To be elected as a director, each nominee must receive a plurality of the votes cast by the holders of our common stock.

Should any nominee become unable or unwilling to accept election, the proxy holders may vote the proxies for the election, in his or her stead, of any other person our board of directors may nominate or designate. Each nominee has expressed his or her intention to serve as a director if elected.

Biographical information about this year's nominees:

Name	Age	Position, Principal Occupation, Business Experience and Directorships
Joan L. Amble	59	Ms. Amble has been a director since July 2008. From December 2006 until the closing of our merger with XM Satellite Radio Holdings Inc. ("XM") in July 2008, Ms. Amble served as a director of XM. From May 2011 to December 2011, Ms. Amble was the Executive Vice President, Finance for the American Express Company and also served as its Executive Vice President and Corporate Comptroller from December 2003 until May 2011. Prior to joining American Express, Ms. Amble served as Chief Operating Officer and Chief Financial Officer of GE Capital Markets, a service business within GE Capital Services, Inc., overseeing securitizations, debt placement and syndication, as well as structured equity transactions. From 1994 to March 2003, Ms. Amble served as Vice President and Controller for GE Capital. Ms. Amble serves as a member of the board of directors of Booz Allen Hamilton Holding Corporation and Brown-Forman Corporation. Ms. Amble also served as a director at Broadcom Corporation during the last five years. *Key Attributes, Experience and Skills:* Ms. Amble has extensive experience in financial reporting, including experience with the rules and regulations of the SEC, based, in part, on her experience at Ernst & Young, The Financial Accounting Standards Board, the General Electric Company and American Express. Ms. Amble also has significant experience in the areas of: financial controls; Sarbanes-Oxley Act compliance; operations; risk management; six sigma quality; and consumer-oriented subscription businesses.

Name	Age	Position, Principal Occupation, Business Experience and Directorships
Mark D. Carleton	52	Mr. Carleton has served as a director since January 2013. He has served as a Senior Vice President of Liberty Media Corporation (formerly known as Liberty Spinco, Inc.) since January 2013. Mr. Carleton served as a Senior Vice President of Liberty Media Corporation (now known as Starz) from May 2007 to January 2013. He has also served as a Senior Vice President of Liberty Interactive Corporation since December 2003. Prior to December 2003, Mr. Carleton was a partner at KPMG LLP, where he had overall responsibility for the communications sector. He also served on KPMG LLP's Board of Directors. Mr. Carleton serves as a director of Live Nation Entertainment, Inc., Barnes & Noble, Inc., Air Methods Corporation, Atlanta Braves, Inc., Ideiasnet and Mobile Streams Plc. He previously served as a director of Ticketmaster Entertainment, Inc. and The DIRECTV Group, Inc. *Key Attributes, Experience and Skills:* Mr. Carleton brings to the board, among his other skills and qualifications, financial and accounting expertise acquired while serving as a partner at KPMG LLP. He has extensive experience in the media, telecommunications and entertainment industries, experience that is very valuable in assessing and evaluating opportunities and our plans from both a short- and long-term perspective. In addition, Mr. Carleton's service on other public company boards has provided him with a number of skills, including experience in the areas of leadership development and succession planning, risk assessment, and stockholder and government relations.

Name	Age	Position, Principal Occupation, Business Experience and Directorships
David J.A. Flowers	58	Mr. Flowers has been a director since April 2009. Mr. Flowers has served as Senior Vice President and Managing Director, Alternative Investments, of Liberty Media Corporation (formerly known as Liberty Spinco, Inc.) since January 2013. He served as a Senior Vice President of Liberty Media Corporation (now known as Starz) from May 2007 to January 2013 and as Managing Director, Alternative Investments, from November 2011 to January 2013. He has served as a Senior Vice President of Liberty Interactive Corporation since October 2000 and as Managing Director, Alternative Investments, since November 2011. Mr. Flowers served as the Treasurer of Liberty Interactive Corporation from April 1997 to October 2011, and as a Vice President from June 1995 to October 2000. Previously, Mr. Flowers worked in various treasury positions at Toronto Dominion Bank and ended his career there as a Managing Director of Media Telecom. Mr. Flowers has served as a director of Interval Leisure Group, Inc. since August 2008. *Key Attributes, Experience and Skills:* Mr. Flowers brings to the board significant financial, investment and public company experience as a senior finance executive of large public companies. His extensive experience leading finance and business development initiatives in the technology, media and telecommunications areas is a significant asset to the board.

Name	Age	Position, Principal Occupation, Business Experience and Directorships
Eddy W. Hartenstein . . .	62	Mr. Hartenstein has been a director since July 2008, has served as our lead independent director since April 2013 and served as the chairman of our board from November 2009 to April 2013. From May 2005 until the closing of the merger with XM in July 2008, Mr. Hartenstein served as a director of XM. Mr. Hartenstein has been Publisher and Chief Executive Officer of the Los Angeles Times, which is owned by the Tribune Company, since August 2008. In addition, Mr. Hartenstein served as Co-President of the Tribune Company from October 2010 to May 2011 and as President and Chief Executive Officer from May 2011 until January 2013. In December 2008, the Tribune Company filed for Chapter 11 bankruptcy protection and, under his leadership, emerged in December 2012. From December 2005 through May 2008, Mr. Hartenstein served as Chairman, President and Chief Executive Officer of HD Partners Acquisition Corporation, a special purpose acquisition company, formed to acquire operating businesses in the media, entertainment or telecommunications industries, which dissolved and distributed assets to its investors in May 2008. Mr. Hartenstein was Vice Chairman and a member of the board of directors of The DIRECTV Group, Inc. (formerly Hughes Electronics Corporation), a television service provider, from December 2003 until his retirement in December 2004. He served as Chairman and Chief Executive Officer of DIRECTV, Inc. from late 2001 through 2004 and as President of DIRECTV, Inc. from its inception in 1990 to 2001. Previously, Mr. Hartenstein served in various capacities for Hughes Communications, Inc., a provider of satellite-based communications, Equatorial Communications Services Company, a provider of telephony and data distribution services, and NASA's Jet Propulsion Laboratory, the lead U.S. center for robotic exploration of the solar system. Mr. Hartenstein serves as a member of the board of directors of SanDisk Corporation and The City of Hope. Mr. Hartenstein also serves on the board of directors and as chairman of the compensation committee of Broadcom Corporation. Mr. Hartenstein also served as a director at Thomson Multimedia during the last five years. *Key Attributes, Experience and Skills:* As the former Chief Executive Officer of DIRECTV, Inc., Mr. Hartenstein has extensive experience in building, managing, marketing and operating a satellite service. He brings direct and highly relevant expertise to the board in such areas as: the construction and procurement of satellites, managing a large consumer subscriber base, consumer marketing, and the design and implementation of systems necessary to support a growing and dynamic consumer-oriented business.

Name	Age	Position, Principal Occupation, Business Experience and Directorships
James P. Holden	61	Mr. Holden has been a director since August 2001. From October 1999 until November 2000, Mr. Holden was the President and Chief Executive Officer of DaimlerChrysler Corporation, one of the world's largest automakers. Prior to being appointed President in 1999, Mr. Holden held numerous senior positions within Chrysler Corporation during his 19-year career at that company. Mr. Holden is a director of Speedway MotorSports, Inc. and the Lead Director of Snap-On Incorporated. Mr. Holden has also served as a director at Motors Liquidation Corporation and Meridian Automotive during the last five years. *Key Attributes, Experience and Skills:* Mr. Holden has spent his career in the automotive business, a key market for our services. Mr. Holden's perspective on, and knowledge of, the workings, business and product planning processes, and knowledge of individuals in the automotive industry are significant assets to the board.

Name	Age	Position, Principal Occupation, Business Experience and Directorships
Gregory B. Maffei	52	Mr. Maffei has been a director since March 2009 and has served as the chairman of our board since April 2013. He has served as a director and the President and Chief Executive Officer of Liberty Media Corporation (formerly known as Liberty Spinco, Inc.) since August 2012. Mr. Maffei served as a director and the President and Chief Executive Officer of Liberty Media Corporation (now known as Starz) from May 2007 to January 2013. Mr. Maffei has served as the President and Chief Executive Officer of Liberty Interactive Corporation since February 2006 and as a director since November 2005. He also served as its CEO-Elect from November 2005 through February 2006. Prior thereto, Mr. Maffei served as President and Chief Financial Officer of Oracle Corporation during 2005 and as Chairman of 360networks Corporation from 2002 to 2011 (and as its Chief Executive Officer from 2000 to 2005 and as President from 2002 to 2005). Previously, Mr. Maffei was the Chief Financial Officer of Microsoft Corporation from 1997 to 2000. Mr. Maffei has served as (i) the Chairman of the Board of Starz since January 2013, (ii) the Chairman of the Board of TripAdvisor, Inc. since February 2013, (iii) the Chairman of the Board of Live Nation Entertainment, Inc. since March 2013 and a director since February 2011, (iv) a director of Electronic Arts, Inc. since June 2003, (v) a director of Zillow, Inc. since May 2005, and (vi) a director of Barnes & Noble, Inc. since September 2011. He served as a director of DIRECTV, Inc. from November 2009 to June 2010, and as a director of its predecessor, DIRECTV Group, Inc., from February 2008 to November 2009. Mr. Maffei also served as a director of Expedia, Inc. from 1999 to 2003 (and as its Chairman of the Board from 1999 to 2002), and as a director of Starbucks Corporation from 1999 to 2006. *Key Attributes, Experience and Skills:* Mr. Maffei brings to the board significant financial and operational experience based on his senior policy making positions at Liberty Media, Oracle, 360 networks and Microsoft. He also provides the board with executive leadership perspective on the operations and management of large public companies, including companies in the technology, media and telecommunications space. The board also benefits from his extensive public company board experience.

Name	Age	Position, Principal Occupation, Business Experience and Directorships
Evan D. Malone	42	Dr. Malone has served as President of NextFab Studio, LLC, a high-tech workshop offering technical training, consulting, and product design and prototyping services, since June 2009 and has been an engineering consultant for more than the past five years. Since January 2008, Dr. Malone has served as the owner and manager of a real estate property and management company, 1525 South Street LLC. During 2008, Dr. Malone also served as a post-doctoral research assistant at Cornell University and an engineering consultant with Rich Food Products, a food processing company. Dr. Malone has served as co-owner and director of Drive Passion PC Services, CC, an Internet café, telecommunications and document services company, in South Africa since 2007 and served as an applied physics technician for Fermi National Accelerator Laboratory, part of the national laboratory system of the Office of Science, U.S. Department of Energy, from 1999 until 2001. He also is a founding member of Jet Wine Bar, LLC, a start-up company in Philadelphia, which began operations in 2010. Dr. Malone has served as a director of Liberty Media Corporation (formerly known as Liberty Spinco, Inc.) since January 2013. He previously served as a director of Liberty Media Corporation (now known as Starz) from September 2011 until January 2013. Dr. Malone has served as a director of Liberty Interactive Corporation since August 2008. *Key Attributes, Experience and Skills:* Dr. Malone brings an applied science and engineering perspective to the board. Dr. Malone's perspectives will assist the board in developing business strategies and adapting to technological changes facing the audio entertainment industry. In addition, his entrepreneurial experience will assist the board in evaluating strategic opportunities in existing, new and emerging technologies.

Name	Age	Position, Principal Occupation, Business Experience and Directorships
James E. Meyer	58	Mr. Meyer has served as our Chief Executive Officer since December 2012 and has been a director since January 2013. Previously, Mr. Meyer was our President, Operations and Sales. Prior to joining us in May 2004, Mr. Meyer was President of Aegis Ventures, a general management consulting company. Before Aegis, he held a number of senior management positions in consumer electronics over a 25 year period, including as the Senior Executive Vice President of Digital Media Solutions for Thomson, a worldwide leader in consumer electronics. Prior to joining Thomson, Mr. Meyer held several senior management positions at General Electric and RCA. Mr. Meyer serves on the board of ROVI Corporation. *Key Attributes, Experience and Skills:* As our Chief Executive Officer, Mr. Meyer is responsible for setting and executing our goals and strategies. Mr. Meyer provides the board not only with a knowledge of our daily workings, but also with the essential experience, insight and expertise that can be provided only by a person who is intimately involved in running our business. His ability as director to add his views to the board's deliberations is of significant benefit to the other members of the board of directors.

Name	Age	Position, Principal Occupation, Business Experience and Directorships
James F. Mooney	58	Mr. Mooney has been a director since July 2003. Mr. Mooney is a director and chairman of the board of directors of Virgin Media Inc., a U.K. entertainment and communications business, and has served in that role since March 2003. From December 2004 to December 2007, Mr. Mooney was the chairman of the board of directors of RCN Corporation, a provider of bundled telephone, cable and high speed internet services. From April 2001 to September 2002, Mr. Mooney was the Executive Vice President and Chief Operating Officer of Nextel Communications Inc., a provider of wireless communications services. From January 2000 to January 2001, Mr. Mooney was the Chief Executive Officer and Chief Operating Officer of Tradeout Inc., an asset management firm owned jointly by General Electric Capital, Ebay Inc. and Benchmark Capital. From March 1999 to January 2000, Mr. Mooney was the Chief Financial Officer/ Chief Operating Officer at Baan Company, a business management software provider. From 1980 until 1999, Mr. Mooney held a number of positions with IBM Corporation, including Chief Financial Officer of the Americas. Mr. Mooney is a member of the board of directors of Sidera Networks, LLC, a provider of high capacity communications services to carrier and enterprise customers. *Key Attributes, Experience and Skills:* Mr. Mooney has had a varied career in industries ranging from computer products to telecommunications. His diverse experience is useful in our business and budget planning process, in analyzing subscriber growth and its trends and subscriber churn, assessing marketing opportunities, evaluating personnel and compensation, assessing financing alternatives, and assessing and evaluating our long-term business plans.

Name	Age	Position, Principal Occupation, Business Experience and Directorships
Robin S. Pringle	34	Ms. Pringle has been a director since January 2013. Ms. Pringle has served as a Vice President, Corporate Development, of Liberty Media Corporation (formerly known as Liberty Spinco, Inc.) and Liberty Interactive Corporation since January 2013. She served as a Director, Corporate Development of Liberty Media Corporation (now known as Starz) from September 2011 to December 2012, and as a Vice President, Corporate Development, in January 2013. Ms. Pringle served as a Director, Corporate Development of Liberty Interactive Corporation from January 2010 to December 2012, and as a Manager, Corporate Development from July 2008 to December 2010. Previously, she worked in the Strategic Planning and Business Development group at Del Monte Foods and in investment banking at Thomas Weisel Partners. *Key Attributes, Experience and Skills:* Ms. Pringle brings corporate development and financial experience to the board based on her positions with Liberty Media Corporation and Liberty Interactive Corporation.

Name	Age	Position, Principal Occupation, Business Experience and Directorships
Carl E. Vogel	55	Mr. Vogel has been a director since April 2011. Mr. Vogel is a member of the board of directors of Dish Network Corporation, a satellite television provider, and a senior advisor to its Chairman. He served as President of Dish Network Corporation from September 2006 until February 2008 and served as its Vice Chairman from June 2005 until March 2009. From October 2007 until March 2009, Mr. Vogel served as the Vice Chairman of the board of directors of, and as a Senior Advisor to, EchoStar Communications Corporation. From 2001 until 2005, Mr. Vogel served as the President and Chief Executive Officer of Charter Communications Inc., a cable television and broadband services provider. Prior to joining Charter, Mr. Vogel worked as an executive officer in various capacities for companies affiliated with Liberty Media. Mr. Vogel is a member of the boards of directors and audit committees of Shaw Communications, Inc., a diversified communications company providing broadband cable and direct-to-home satellite services in Canada, Universal Electronics, Inc., a provider of wireless control technology for connected homes, and is a member of the board of directors, audit committee, corporate governance and nominating committee and executive committee of Ascent Media Corporation. Mr. Vogel served on the board of directors of NextWave Wireless Inc., a wireless technology company that developed, produced and marketed mobile multimedia and consumer electronics solutions, during the past five years. *Key Attributes, Experience and Skills:* Mr. Vogel brings executive level leadership experience in the communications industry as a result of his high level executive roles at Dish Network Corporation, Charter Communications Inc. and Liberty Media. Mr. Vogel also has extensive experience in reviewing financial statements as a result of his background as a certified public accountant and his role as a chief executive and senior finance executive of public companies.

Name	Age	Position, Principal Occupation, Business Experience and Directorships
Vanessa A. Wittman . . .	45	Ms. Wittman has been a director since April 2011. Since May 2012, Ms. Wittman has been the Senior Vice President and Chief Financial Officer of Motorola Mobility, a subsidiary of Google. From September 2008 to March 2012, she served as Executive Vice President and Chief Financial Officer of Marsh & McLennan Companies, Inc., a professional services company providing advice and solutions in the areas of risk, strategy, and human capital. Prior to joining Marsh & McLennan, Ms. Wittman was Chief Financial Officer and Executive Vice President of Adelphia Communications Corp., a cable television company, from 2003 to 2007. Prior to Adelphia, Ms. Wittman served as Chief Financial Officer of 360networks, a wholesale provider of telecommunications services. She also has held positions with Microsoft, Metricom Inc. and Morgan Stanley & Co. Incorporated. Ms. Wittman served as a director of kgb, an independent provider of directory assistance and enhanced information services, and Infospace, an internet search services company. *Key Attributes, Experience and Skills:* Ms. Wittman has been the Chief Financial Officer of various public companies since 1997 and has held senior positions in multi-national companies throughout her career. She also has been a director at several companies, including serving as audit committee chair for a public company.

Name	Age	Position, Principal Occupation, Business Experience and Directorships
David Zaslav	53	Mr. Zaslav has been the President, Chief Executive Officer and a common stock director of Discovery Communications, Inc., one of the largest nonfiction media companies in the world, since September 2008. Mr. Zaslav has served as President and Chief Executive Officer of Discovery Communications, Inc. since January 2007. Mr. Zaslav served as President, Cable & Domestic Television and New Media Distribution of NBC Universal, Inc., a media and entertainment company, from May 2006 to December 2006. Mr. Zaslav served as Executive Vice President of NBC and President of NBC Cable, a division of NBC, from October 1999 to May 2006. Mr. Zaslav was a member of the board of TiVo Inc. through 2010. *Key Attributes, Experience and Skills:* Mr. Zaslav, as the Chief Executive Officer of Discovery Communications and through his prior work in television, has developed a deep understanding of the media and entertainment industry. This experience, together with his general management expertise, uniquely positions him as a valued presence on our board of directors to assist us in evaluating programming and marketing opportunities and further understand our diverse and growing subscriber base, including trends in the audio entertainment industry.

The board of directors unanimously recommends a vote "FOR" the election of each of the nominees named above.

What are the responsibilities of the board of directors?

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

How are nominees for the board of directors selected?

Our Nominating and Corporate Governance Committee reviews possible candidates to be directors and is responsible for overseeing matters of corporate governance, including the evaluation of performance and practices of the board of directors, the board's committees, management succession plans and executive resources. The Nominating and Corporate Governance Committee considers suggestions from many sources, including stockholders, for possible directors. Such suggestions, together with appropriate biographical and other information required pursuant to our By-laws, should be submitted to our Corporate Secretary, Sirius XM Radio Inc., 1221 Avenue of the Americas, 36th Floor, New York, New York 10020. Candidates who are suggested by our stockholders are evaluated by the Nominating and Corporate Governance Committee in the same manner as are other possible candidates to be directors. During 2012, our board of directors did not retain any third parties to assist in the process of identifying and evaluating potential nominees to be directors.

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

What is the board's leadership structure?

Gregory B. Maffei is the Chairman of our board of directors. The chairman of our board organizes the work of the board and ensures that the board has access to sufficient information to enable the board to carry out its functions, including monitoring our performance and the performance of management. The Chairman, among other things, presides over meetings of the board of directors, establishes the agenda for each meeting of the board in consultation with our Chief Executive Officer, oversees the distribution of information to directors, and performs other duties or assignments as agreed with either the board of directors or our Chief Executive Officer. The board of directors has determined that it is currently in our best interests to separate the Chairman of the board position and the Chief Executive Officer position because it allows the Chief Executive Officer to focus on our day-to-day business, including risk management, while allowing the Chairman of the board to lead the board and assist the board in its fundamental role of providing advice to, and oversight of, management. Further, the board recognizes that the Chief Executive Officer position requires a significant dedication of time, effort, and energy in the current business environment. Our *Corporate Governance Guidelines* (the "*Guidelines*") do not establish this approach as a policy, but as a matter that is considered from time-to-time.

Does the board have a lead independent director?

Liberty Media beneficially owns, directly and indirectly, over 50% of our outstanding common stock. In light of that control relationship, the board of directors believes it is appropriate, and a matter of good corporate governance, to designate a director to serve as the lead independent director. The board has designated Eddy W. Hartenstein, the former Chairman of our board of directors, to serve as the lead independent director. The lead independent director will coordinate the activities of the other independent directors, and will perform such other duties and responsibilities as the board of directors may determine.

Are all of the directors required to be independent?

Liberty Media beneficially owns, directly and indirectly, over 50% of our outstanding common stock. As a result, we are exempt from certain corporate governance requirements of the NASDAQ Rules including, among other items, the requirement that our board of directors be comprised of a majority of independent directors and that we have independent director oversight over executive officer compensation and director nominations. We may, in the future, rely on these exemptions available to a controlled company. The controlled company exemption does not extend to the audit committee independence requirements. Accordingly, our audit committee will continue to be comprised solely of directors meeting the independence standards under the applicable NASDAQ listing standards, Section 10A(m)(3) of the of the Exchange Act and our *Guidelines*. References to Liberty Media in this proxy statement include Liberty Media Corporation and its predecessors, unless the context otherwise requires.

How does the board determine which directors are considered independent?

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

The Nominating and Corporate Governance Committee undertook a review of director independence in March 2013. As part of this review, the committee reviewed with our Corporate Secretary written questionnaires submitted by directors. These questionnaires disclose transactions and relationships between each director or members of his immediate family, on one hand, and Sirius XM, other directors, members of our senior management and our affiliates, on the other hand.

As a result of this review, the Nominating and Corporate Governance Committee determined that all of our directors and nominees are independent under the standards set forth in our *Guidelines* and applicable NASDAQ listing standards, with the exception of James E. Meyer, our Chief Executive Officer, Mark D. Carleton, Gregory B. Maffei, Robin S. Pringle and David J.A. Flowers, each of whom is an employee of Liberty Media, and Evan D. Malone, whose father is the Chairman of Liberty Media. With respect to Joan L. Amble, the board evaluated ordinary course transactions during the last three fiscal years between us and the American Express Company, for which she served as an executive officer until December 2011, and found that the amount paid by us to American Express was less than 5% of American Express' consolidated gross revenues during each of its last three fiscal years. Similarly, with respect to Vanessa A. Wittman, the board evaluated an ordinary course transaction that occurred during 2010 and 2011 between us and an indirect wholly-owned subsidiary of Marsh & McLennan Companies, Inc. ("MMC"). Ms. Wittman served as an executive officer of MMC until March 2012. The board found that the amount we paid to this subsidiary of MMC was less than one tenth of one percent of MMC's reported consolidated revenues in each of these years.

The board has also determined that all of the members of the Audit Committee are financially literate and meet the independence requirements mandated by the applicable NASDAQ listing standards, Section 10A(m)(3) of the of the Exchange Act and our *Guidelines.* The board has determined that a majority of the members of the Compensation Committee meet the independence standards under the applicable NASDAQ listing standards and our *Guidelines* and qualify as "non-employee directors" for purposes of Rule 16b-3 of the Exchange Act and as "outside directors" for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended. The board has determined that a majority of the members of the Nominating and Corporate Governance Committee meet the independence requirements mandated by the NASDAQ listing standards applicable to serving on the Nominating and Corporate Governance Committee and our *Guidelines.*

Our independent directors meet regularly in executive sessions.

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

Our board of directors has three standing committees: the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee.

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

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

Committee	Functions
Audit Members: Joan L. Amble* Eddy W. Hartenstein James P. Holden James F. Mooney Vanessa A. Wittman	• Selects our independent registered public accounting firm • Reviews reports of our independent registered public accounting firm • Reviews and approves the scope and cost of all services, including all non-audit services, provided by the firm selected to conduct the audit • Monitors the effectiveness of the audit process • Reviews adequacy of financial and operating controls • Monitors our corporate compliance program • Monitors our policies and procedures for enterprise risks
Compensation Members: David J.A. Flowers James P. Holden Carl E. Vogel*	• Reviews our executive compensation policies and strategies • Oversees and evaluates our overall compensation structure and programs

Committee	Functions
Nominating and Corporate Governance Members: Gregory B. Maffei James F. Mooney* Carl E. Vogel	• Develops and implements policies and practices relating to corporate governance • Reviews and monitors implementation of our policies and procedures related to the selection of director candidates • Assists in developing criteria for open positions as directors on the board of directors • Reviews background information on potential candidates for directors and makes recommendations to the board of directors • Makes recommendations to the board of directors with respect to committee assignments

* Chair

How often did the board and its committees meet during 2012?

During 2012, there were six meetings of our board of directors, seven Audit Committee meetings, four Compensation Committee meetings and two Nominating and Corporate Governance Committee meetings. Each director nominee attended 75% or more of the total number of meetings of the board and meetings held by committees on which he or she served.

Directors are also encouraged to attend the annual meeting of stockholders. Ms. Amble and Messrs. Gilberti, Hartenstein, and Shaw attended our 2012 annual meeting of stockholders.

How can stockholders communicate with the board of directors?

Stockholders may communicate directly with our board of directors, or specified individual directors, according to the procedures described on our website at *http://investor.siriusxm.com* under "Corporate Governance — Contact our Board".

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

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

Director Compensation Table for 2012

The following table provides compensation information for the year ended December 31, 2012 for each of our non-employee directors. Directors who are employees do not receive compensation for their services as directors.

Name(1)	Fee Earned or Paid in Cash ($)	Stock Awards(2)(3) ($)	Option Awards(4) ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value of Non-Qualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Joan L. Amble	80,000	—	70,000	—	—	—	150,000
Leon D. Black	—	—	—	—	—	—	—
David J.A. Flowers	50,000	—	70,000	—	—	—	120,000
Lawrence F. Gilberti	70,000	—	70,000	—	—	—	140,000
Eddy W. Hartenstein	100,000	—	70,000	—	—	—	170,000
James P. Holden	50,000	—	70,000	—	—	—	120,000
Gregory B. Maffei	50,000	—	70,000	—	—	—	120,000
John C. Malone	50,000	—	70,000	—	—	—	120,000
James F. Mooney	60,000	—	70,000	—	—	—	130,000
Jack Shaw	50,000	—	70,000	—	—	—	120,000
Carl E. Vogel	50,000	—	70,000	—	—	—	120,000
Vanessa A. Wittman	50,000	—	70,000	—	—	—	120,000

(1) On January 18, 2013, Leon D. Black, Lawrence F. Gilberti, and Jack Shaw resigned as members of our board of directors and our board of directors appointed Mark D. Carleton, James E. Meyer, Robin S. Pringle and Charles Y. Tanabe to our board of directors.

(2) Non-employee directors were not awarded restricted stock units in 2012. At December 31, 2012, the aggregate number of unvested restricted stock units outstanding for each director was as follows: Ms. Amble — 0; Mr. Black — 48,289; Mr. Flowers — 0; Mr. Gilberti — 143,235; Mr. Hartenstein — 0; Mr. Holden — 143,235; Mr. Maffei — 0; Mr. Malone — 0; Mr. Mooney — 93,748; Mr. Shaw — 0; Mr. Vogel — 0; and Ms. Wittman — 0. The directors acquired the restricted stock units as part of our former director compensation program. The restricted stock units held by Messrs. Black and Gilberti vested in January 2013 upon their resignation as members of our board of directors. The restricted stock units held by Messrs. Holden and Mooney are scheduled to vest on the first anniversary of the date on which they cease to be a director.

(3) In connection with the special cash dividend paid in December 2012, we granted incremental restricted stock units to prevent the economic dilution of the holders of our restricted stock units as follows: Mr. Black — 864; Mr. Gilberti — 2,563; Mr. Holden — 2,563; and Mr. Mooney — 1,678. These incremental restricted stock units are included in the total unvested restricted stock units outstanding as of December 31, 2012 in footnote 2.

(4) The aggregate grant date fair values of stock option awards were computed in accordance with FASB ASC Topic 718 (excluding estimated forfeitures). The assumptions used in the valuation are discussed in Note 14 to our audited consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2012. In 2012, non-employee directors, excluding Mr. Black, were each awarded 76,795 options at an exercise price of $1.91 per share with a grant date fair value of $70,000. In connection with the special cash dividend paid in December 2012, the exercise price of our outstanding stock options were adjusted by decreasing the exercise price by $0.05 per share. The option exercise price reflects the price after the adjustment for the dividend. At December 31, 2012, the aggregate number of option awards outstanding for each non-employee director was as follows: Ms. Amble — 1,449,162; Mr. Black — 1,379,780; Mr. Flowers — 506,925; Mr. Gilberti — 977,898; Mr. Hartenstein — 1,495,162; Mr. Holden —

318,660; Mr. Maffei — 506,925; Mr. Malone — 506,925; Mr. Mooney — 1,456,575; Mr. Shaw — 702,329; Mr. Vogel — 136,700; and Ms. Wittman — 136,700.

As Chairman of the board of directors in 2012, Mr. Hartenstein received an annual cash retainer of $100,000. The other members of our board of directors each receive an annual cash retainer of $50,000. Each director who serves as chair of a committee of the board of directors receives an additional annual cash retainer as follows: the audit committee chairwoman receives $30,000; the compensation committee chairman receives $20,000; and the nominating and corporate governance chairman receives $10,000.

In addition, each member receives $70,000 in the form of options to purchase our common stock which are granted annually on the next business day following that year's annual meeting of stockholders. All options to purchase our common stock awarded to our non-employee directors vest over a four-year period, with 25% vesting on each anniversary of the date of grant. No options vest in a given year if, in the prior calendar year, the director failed to attend at least 75% of the meetings of the board.

Any director who fails to attend at least 75% of the meetings of the board of directors in any given year forfeits 25% of his or her compensation that is payable in cash. During 2012, all of our directors, other than Mr. Black, attended over 75% of the meetings of our board of directors.

We also pay reasonable travel and accommodation expenses of directors in connection with their participation in meetings of the board of directors.

STOCK OWNERSHIP

Who are the principal owners of our stock?

The following table sets forth information regarding beneficial ownership of our common stock as of February 28, 2013 by each person known by us to be the beneficial owner of more than 5% of our outstanding common stock. In general, "beneficial ownership" includes those shares a person has or shares the power to vote or transfer, and options to acquire our common stock that are exercisable currently or become exercisable within 60 days. Unless otherwise indicated, we believe that the beneficial owner of the common stock listed below, based on information furnished by this owner, has sole investment and voting power with respect to these shares.

	Shares Beneficially Owned as of February 28, 2013	
Name and Address of Beneficial Owner of Common Stock	**Number**	**Percent**
Liberty Media Corporation(1) 12300 Liberty Boulevard Englewood, CO 80112	3,298,774,821	50.9%

(1) Based upon a Schedule 13D filed on January 22, 2013 by Liberty Media Corporation. The ownership percentage is based upon the information contained in a Schedule 13D filed on January 22, 2013 by Liberty Media Corporation and the number of shares outstanding as of February 28, 2013.

How much stock do our directors and executive officers own?

The following table shows the number of shares of common stock beneficially owned by each of our directors, each of our named executive officers and all of our directors and executive officers as a group as of February 28, 2013.

Name of Beneficial Owner	Number of Shares of Common Stock Beneficially Owned(1)	Percent of Class
Joan L. Amble	1,209,378	*
Mark D. Carleton(2)	—	*
David J.A. Flowers(2)	267,141	*
Eddy W. Hartenstein	1,255,378	*
James P. Holden	78,876	*
Gregory B. Maffei(2)	267,141	*
John C. Malone(2)	267,141	*
James F. Mooney(3)	1,225,891	*
Robin S. Pringle(2)	—	*
Charles Y. Tanabe	—	*
Carl E. Vogel	14,977	*
Vanessa A. Wittman	14,977	*
James E. Meyer	3,720,491	*
Scott A. Greenstein	3,364,033	*
Dara F. Altman	52,450	*
Patrick L. Donnelly	5,133,525	*
David J. Frear(4)	7,077,946	*
All Executive Officers and Directors as a Group (17 persons)	23,949,345	*

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

(1) These amounts include shares of common stock, restricted shares of common stock and restricted stock units that the individuals hold. Also included are the following numbers of shares of common stock acquired under and held in our 401(k) savings plan as of February 28, 2013: Mr. Meyer — 5,355 shares; Mr. Greenstein — 72,033 shares; Ms. Altman — 52,450; Mr. Donnelly — 16,651 shares; and Mr. Frear — 85,046 shares.

(2) Ms. Pringle and Messrs. Carleton, Flowers, Maffei and Malone are employees of Liberty Media, which beneficially owns 3,298,774,821 shares (or 50.9%) of our common stock, and they disclaim beneficial ownership of the shares owned by Liberty Media and its affiliates.

(3) Includes 9,100 shares held as custodian for Mr. Mooney's child.

(4) Includes 1,900 shares held by Mr. Frear's spouse.

Section 16(a) Beneficial Ownership Reporting Compliance

Based solely upon a review of reports filed pursuant to Section 16(a) of the Exchange Act and written representations furnished to us during our most recent fiscal year, we know of no director, executive officer or beneficial owner of more than ten percent of our common stock who failed to file on a timely basis reports of beneficial ownership of our common stock as required by Section 16(a) of the Exchange Act, as amended, other than a late filing of a Form 3 by Mr. Stephen Cook, our Executive Vice President, Sales and Automotive, as a result of his failure to disclose certain shares of common stock held by him upon his appointment as an executive officer and a late filing of a Form 5 by Carl Vogel, a director, as a result of his failure to disclose a gift of certain shares of common stock held by him.

GOVERNANCE OF THE COMPANY

How does the board of directors oversee our risk management process?

The board executes its oversight responsibility for risk management directly and through its committees, as follows:

- The Audit Committee has primary responsibility for monitoring our internal audit, corporate, financial and risk management processes and overseeing our system of internal controls and financial reporting. The Audit Committee discusses specific risk areas throughout the year, including those that may arise from time to time and the measures taken by management to monitor and limit risks.
- The Audit Committee receives regular reports throughout the year on matters related to risk management. At each regularly scheduled meeting, the Audit Committee receives reports from our (i) external auditor on the status of audit activities and findings and (ii) executive in charge of internal audit (who reports directly to the Audit Committee) on the status of the internal audit plan, audit results and any corrective action taken in response to internal audit findings.
- We have a Compliance Officer who is in charge of our compliance with FCC related laws and regulations and training and monitoring compliance with those laws and regulations. Our Executive Vice President, General Counsel and Secretary reports to the Audit Committee throughout the year on calls to our compliance hotline and any changes or developments in compliance matters. Each quarter, our Chief Financial Officer reports to the board of directors on our performance and discusses how actual performance compares to our business plan and budget. Our executive officers report regularly to the board about the risks and exposures related to our business.
- The other committees of the board of directors oversee risks associated with their respective areas of responsibility. For example, the Compensation Committee assesses risks associated with our compensation policies and programs for executives.
- The committees report to the board of directors at every regular board meeting on the topics discussed and actions taken at the most recent committee meeting. Our board of directors discusses the risks and exposures, if any, involved in the matters or recommendations of the committees, as necessary.
- Our board of directors also considers specific risk topics throughout the year, including risks associated with our business plan, operational efficiency, government regulation, physical facilities, information technology infrastructure and capital structure, among many others. The board is informed about and regularly discusses our risk profile, including legal, regulatory and operational risks to our business.

What are our policies and procedures for related party transactions?

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

Our related person transaction policy requires:

- that any transaction in which a related person has a material direct or indirect interest and which exceeds $120,000 (such transaction referred to as a “related person” transaction) and any material amendment or modification to a related person transaction, be reviewed and approved or ratified by a committee of the board composed solely of independent directors who are disinterested or by the disinterested members of the board; and
- that any employment relationship or transaction involving an executive officer and the Company must be approved by the Compensation Committee of the board or recommended by the Compensation Committee to the board for its approval.

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

- disclose to the committee or disinterested directors, as applicable, the material terms of the related person transaction, including the approximate dollar value of the amount involved in the transaction, and all the material facts as to the related person's direct or indirect interest in, or relationship to, the related person transaction;
- advise the committee or disinterested directors, as applicable, as to whether the related person transaction complies with the terms of our agreements governing our material outstanding indebtedness that limit or restrict our ability to enter into a related person transaction;
- advise the committee or disinterested directors, as applicable, as to whether the related person transaction will be required to be disclosed in our SEC filings. To the extent required to be disclosed, management must ensure that the related person transaction is disclosed in accordance with SEC rules; and
- advise the committee or disinterested directors, as applicable, as to whether the related person transaction constitutes a "personal loan" for purposes of Section 402 of the Sarbanes-Oxley Act of 2002.

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

In 2012, there were no related party transactions that are required to be disclosed pursuant to the SEC rules and regulations.

What is the relationship between Sirius XM and Liberty Media Corporation?

In February and March 2009, we entered into several transactions to borrow up to $530 million from Liberty Media Corporation and its affiliates. All of these loans were repaid in cash in 2009.

As part of the transactions with Liberty Media, in February 2009, we entered into an investment agreement (the "Investment Agreement") with Liberty Radio, LLC, an indirect wholly-owned subsidiary of Liberty Media. Pursuant to the Investment Agreement, we issued to Liberty Radio, LLC 12,500,000 shares of convertible preferred stock with a liquidation preference of $0.001 per share in partial consideration for the loan investments. The preferred stock was convertible into approximately 40% of our outstanding shares of common stock (after giving effect to such conversion).

In September 2012, Liberty Radio, LLC converted 6,249,900 shares of its preferred stock into 1,293,467,684 shares of our common stock. In January 2013, the Federal Communications Commission granted Liberty Media approval to acquire de jure control of us and Liberty Radio, LLC converted its remaining preferred stock into 1,293,509,076 shares of our common stock. As a result of these conversions of preferred stock and additional purchases of our common stock, Liberty Media beneficially owned, directly and indirectly, over 50% of our outstanding common stock as of February 28, 2013.

Five current Liberty Media executives are members of our board of directors, and Liberty Media has designated three additional members of our board of directors.

As a result, Liberty Media has the ability to control our affairs, policies and operations, such as the appointment of management, future issuances of our common stock or other securities, the payment of dividends, if any, on our common stock, the incurrence of debt by us, amendments to our certificate of incorporation and bylaws and the entering into of extraordinary transactions, and their interests may not in all cases be aligned with the interests of other stockholders. In addition, Liberty Media can determine the outcome of all matters requiring stockholder approval and has the ability to cause or prevent a change of control of our Company or a change in the composition of our board of directors and could preclude any unsolicited acquisition of our Company. The concentration of ownership could deprive stockholders of an opportunity to receive a premium for their common stock as part of a sale of our Company and might ultimately affect the market price of our common stock.

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

Our board of directors adopted the *Guidelines* which set forth a flexible framework within which the board, assisted by its committees, directs our affairs. The *Guidelines* cover, among other things, the composition and functions of our board of directors, director independence, management succession and review, committee assignments and selection of new members of our board of directors.

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

Our *Guidelines* and the *Code of Ethics* are available on our website at *http://investor.siriusxm.com* under "Corporate Governance" and in print to any stockholder who provides a written request for either document to our Corporate Secretary. If we amend or waive any provision of the *Code of Ethics* with respect to our directors, chief executive officer, principal financial officer or principal accounting officer, we will post the amendment or waiver at this location on our website.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Introduction

This Compensation Discussion and Analysis, or "CD&A," describes and analyzes our executive compensation program for our current Chief Executive Officer, our previous Chief Executive Officer, our Chief Financial Officer and our three other most highly compensated executive officers named in our Summary Compensation Table. We refer to these six officers throughout the CD&A and the accompanying tables as our "named executive officers."

On December 18, 2012, Mel Karmazin relinquished his role as our Chief Executive Officer and Jim Meyer, our President, Operations and Sales, was appointed as his replacement on an interim basis. Mr. Karmazin served as our Chief Executive Officer for almost all of 2012. References to our Chief Executive Officer throughout this CD&A refer to Mr. Karmazin, unless otherwise noted.

Executive Summary

The Compensation Committee is responsible for developing and maintaining a compensation program for our named executive officers. The Compensation Committee has strived to design this compensation program with great care, focusing first and foremost on the incentives that the program promotes. The Compensation Committee believes that our ability to recruit and retain top executive talent is essential to our long-term success. Accordingly, the Compensation Committee believes it has successfully balanced the sometimes competing obligations to make decisions which meet the needs of our company against a one size fits all approach.

Our executive compensation program consists primarily of three elements: base salary; performance-based annual bonus and long-term equity compensation. We believe that these three elements, when taken together, provide an optimum mix of fixed compensation and short- and long-term incentives, and therefore serve as the most effective means of attracting, retaining and motivating executives with the skills and experience necessary to achieve our business goals and enhance stockholder value, while also avoiding unnecessary or excessive risk-taking.

At our annual meeting in May 2011, we held an advisory “say on pay” vote on the compensation of our named executive officers. Our stockholders overwhelmingly approved the compensation of our named executive officers, with over 98% of the voting power casting votes in favor of our say-on-pay resolution. In making compensation decisions for 2012, the Compensation Committee considered the strong support our stockholders expressed for our pay for performance compensation philosophy and therefore did not make changes to the core elements of our compensation programs. We intend to include an advisory “say on pay” vote on the compensation of our named executive officers every three years. Accordingly, the next such vote will be held at our 2014 annual meeting of stockholders.

Fiscal Year 2012 Performance Summary

We had an extremely successful year in 2012. In the face of intense competition for our products, our financial results, as reflected by a 59% increase in our year-over-year stock price, exceeded our projections. The following highlights our financial and operating results for 2012:

- achieving adjusted EBITDA growth of 26% to over $920 million in 2012;
- increasing our revenues by 13%;
- increasing our free cash flow by 71% to $709 million;
- beginning a return of capital to our stockholders through a special cash dividend in December 2012 of $0.05 per share of common stock and preferred stock; and
- announcing a $2 billion stock buyback program.

In addition, 2012 was marked by key subscriber and content-based achievements and other measures that contributed to our continued growth and success, including:

- adding approximately 2 million net new subscribers, resulting in a total of nearly 23.9 million subscribers, an increase of over 9% as compared to 2011;
- executing an agreement with Nissan North America to become the exclusive provider of telematics services for Nissan branded vehicles;
- launching SiriusXM On Demand, which provides online subscribers the ability to choose from among a catalog of more than 300 shows and over 3,000 hours of content to listen to whenever they want;
- expanding our relationships with automakers and large independent resellers, including AutoNation, America’s largest automotive retailer, to provide subscriptions to purchasers and lessees of pre-owned vehicles; and
- launching the SiriusXM Internet Radio App on Google TV, which for the first time allows for SiriusXM 2.0 to be available on any connected television.

In this CD&A, we use certain financial performance measures that are not calculated and presented in accordance with generally accepted accounting principles in the United States of America (“Non-GAAP”). These Non-GAAP financial measures include adjusted EBITDA and free cash flow. We also use in this CD&A subscriber churn, a performance metric which management uses in measuring our business. We use these Non-GAAP financial measures and other performance metrics to manage our business, set operational goals and, in certain cases, as a basis for determining compensation for our employees. Please refer to the glossary contained in our Annual Report for the year ended December 31, 2012 which accompanies this proxy statement for a discussion of such Non-GAAP financial measures and reconciliations to the most directly comparable GAAP measure and a discussion of these other performance metrics.

Overall Program Objectives and Processes

Program Objectives

We strive to attract, motivate and retain highly qualified executives with the skills and experience necessary to achieve our key business goals and enhance stockholder value by providing total compensation that is largely performance-based and competitive with the various markets and industries in which we compete for talent. We strive to provide incentives to align the interests of our executives with those of our stockholders and deliver levels of compensation that we believe are commensurate with performance.

We achieve these objectives through three primary compensation elements:

- a base salary;
- a performance-based discretionary annual bonus that constitutes the short-term incentive element of our program; and
- equity-based awards that constitute the long-term incentive element of our program.

The Compensation Committee believes that a program comprised principally of the above-described three elements is consistent with programs adopted by companies with which we compete for executive talent. The program is structured to meet the requirements of the competitive environment in which we operate, while ensuring that named executive officers are compensated in a manner that advances both the short- and long-term interests of our stockholders and avoids unnecessary or excessive risk-taking.

The Compensation Committee believes that delivering compensation in the form of, or based on the value of, our common stock promotes alignment between executive performance and stockholder interests. Accordingly, the value of equity-based compensation represents a large portion of our executives' total compensation, including through grants of equity-based awards. A high proportion of the compensation for our named executives officers also involves pay that is "at risk" — namely, the discretionary annual bonus and equity-based awards. The Compensation Committee uses "at risk" compensation to motivate the named executive officers to achieve goals and objectives that support our business plan and align our executives' interests with those of our stockholders.

Processes and Compensation Decisions

The Compensation Committee regularly reviews our compensation practices to assess whether our existing compensation structure properly increases stockholder value. In 2011, the Compensation Committee engaged Exequity LLP, an independent compensation consulting firm, to assist it in designing a bonus program that would qualify for the performance-based exception contained in Section 162(m) of the Internal Revenue Code. After consultation with Exequity, this bonus program was again adopted by the Compensation Committee in 2012. Exequity did not provide advice to the Compensation Committee on other compensation-related decisions for 2012. Instead, the members of the Compensation Committee relied on their significant experience, general industry knowledge and informed judgment in making compensation decisions as to our named executive officers' base salaries and annual bonuses.

The Compensation Committee does not attempt to set compensation levels for each named executive officer within a particular range related to levels provided by peers. The Compensation Committee relies on the general business and industry knowledge and experience of its members and occasionally uses informal market comparisons as one of many factors in making compensation decisions. Other factors considered when making individual executive compensation decisions include individual contribution and performance, reporting structure, historical compensation, internal pay equity, complexity and importance of roles and responsibilities, expected future contributions, leadership and growth potential, and our performance. The Compensation Committee also believes that it is in our stockholders' interests, and consistent with industry practice, to enter into employment agreements with our named executive officers in order to provide stability for our senior executives.

In determining compensation element levels, including the annual grants of equity-based awards, if any, for each named executive officer (other than the Chief Executive Officer), the Compensation Committee also consults with and considers the recommendations and input of our Chief Executive Officer.

Total Compensation for Named Executive Officers

The Compensation Committee's goal is to award compensation that incentivizes our named executive officers to enhance value for our stockholders and is not considered excessive when all elements of potential compensation are considered. In making decisions with respect to any single element of a named executive officer's compensation, the Compensation Committee considers the officer's level of responsibility, experience and contributions, and the total compensation that may be awarded to the officer, including salary, annual bonus, long-term incentives, perquisites and other benefits. In addition, the Compensation Committee considers the other benefits to which the officer is entitled under his or her employment agreement, including compensation payable upon termination of employment. (The named executive officers are employed pursuant to agreements described under "Potential Payments upon Termination or Change-in-Control — Employment Agreements" below.)

Executive Compensation Elements

Our practices with respect to the key compensation elements identified above, as well as other elements of compensation, are described below, followed by a discussion of the specific factors considered in determining the levels of these compensation elements for the named executive officers for 2012.

Base Salary

Base salaries for the named executive officers are determined consistent with the terms of their employment agreements. The minimum amount of base salaries set forth in the employment agreements and any increases over these amounts are determined by the Compensation Committee based on a variety of factors, including:

- the nature and responsibility of the position and, to the extent available and deemed relevant, salary trends for persons in similar positions at comparable companies;
- the expertise, demonstrated leadership and management ability, and past performance of the individual executive;
- the executive's salary history and his or her total compensation, including other cash bonus and stock-based awards;
- the competitiveness of the market for the executive's services; and
- the recommendations of our Chief Executive Officer (except as to his own compensation).

In setting base salaries, the Compensation Committee also considers the amount of base salary as a percentage of total compensation with the goal that a substantial percentage of each executive officer's total compensation should be performance-based.

Annual Bonus

The Compensation Committee may award annual bonuses in cash, restricted stock, restricted stock units, stock options or a combination thereof. The Compensation Committee believes that bonuses should take into consideration all factors relevant to the Company's and an executive's performance, including numerous financial and operational metrics, without being limited by a purely formulaic approach. None of our named executive officers is entitled to a guaranteed or minimum bonus.

Consistent with prior years, the bonuses approved by the Compensation Committee for 2012 were intended to achieve two principal objectives:

- to link compensation with performance that enhances stockholder value, as measured at the Company and individual levels; and
- to reward our named executive officers based on individual performance and contributions to the Company.

In developing the compensation packages for the named executive officers, the Compensation Committee considered the deductibility of executive compensation under Section 162(m) of the Internal Revenue Code ("Section 162(m)"). Section 162(m) generally disallows a tax deduction for annual compensation in excess of $1 million paid to the Chief Executive Officer or any of the next three most highly compensated executive officers (other than our Chief Financial Officer) unless the compensation qualifies as "performance-based compensation" within the meaning of Section 162(m).

In 2012, the Compensation Committee again adopted, under our 2009 Long-Term Stock Incentive Plan, a bonus program designed to qualify as "performance-based compensation" within the meaning of Section 162(m) (the "NEO Bonus Plan"). Pursuant to the NEO Bonus Plan, a bonus pool was established for our Chief Executive Officer and the four most highly compensated executive officers, other than our Chief Financial Officer, consisting of 2.75% of our EBITDA, calculated in accordance with generally accepted accounting principles. The maximum bonus that a named executive officer could receive under the NEO Bonus Plan was limited by the percentages of the bonus pool set forth below (which percentages were not changed during the performance year); and could not exceed the cash equivalent of 120 million shares (based on our closing share price as of the last trading day of 2012). In addition, no amounts could be paid under the NEO Bonus Plan unless a threshold amount of EBITDA was achieved for 2012, and the Compensation Committee retained the ability to exercise its negative discretion to award bonuses in amounts less than the maximum percentages listed below:

Former Chief Executive Officer	40%
Chief Executive Officer (former President, Operations and Sales)	20%
President and Chief Content Officer	20%
General Counsel	15%
Chief Administrative Officer	5%

After the end of the year, the Compensation Committee evaluated our actual performance against a set of guidelines, including a variety of key operating metrics included in our budget and business plan for 2012. As part of such evaluation, the Compensation Committee considered several metrics, including our increase in subscribers, revenue, adjusted EBITDA and free cash flow; our results in controlling subscriber churn and operating expenses; the introduction of new products and services during the year; and additional accomplishments and other factors the Compensation Committee deemed relevant. In addition, Mr. Karmazin and Mr. Meyer made recommendations to the Compensation Committee for individual bonus amounts for our named executive officers (other than themselves), taking into account the responsibilities and contributions of each individual during the year, our performance and (except in the case of our Chief Financial Officer) the percentage limits contained in the NEO Bonus Plan. These amounts were reviewed and discussed with the Compensation Committee and, following consideration by the Compensation Committee, the Compensation Committee approved the amounts while exercising negative discretion regarding the permitted percentage limits set forth in the NEO Bonus Plan. For our former Chief Executive Officer, Mr. Karmazin, the Compensation Committee reviewed his performance for the year, determined that he should receive a bonus and established the bonus amount, while exercising negative discretion regarding the permitted percentage limits contained in the NEO Bonus Plan. Our board of directors also ratified Mr. Karmazin's bonus for 2012. The Compensation Committee determined that the bonuses to our named executive officers would be paid solely in cash. The bonus awards to our named executive officers are described below under "Fiscal Year 2012 Pay Implications — Payment of Performance-Based Discretionary Annual Bonuses for 2012" and are reflected in the Summary Compensation Table.

Long-term Incentive Compensation

The Compensation Committee grants long-term incentive awards to directly align compensation for our named executive officers over a multi-year period with the interests of our stockholders by motivating and rewarding actions that enhance long-term stockholder value. The Compensation Committee determines the level of long-term incentive compensation in conjunction with total compensation provided to named executive officers and the objectives of the above-described compensation program. Long-term incentive awards have historically represented a significant portion of our named executive officers' compensation, thus ensuring that our executives have a continuing stake in our success, aligning their interests with that of our stockholders and supporting the goal of retention through vesting requirements and forfeiture provisions.

In recent years, long-term compensation was granted solely in the form of stock options. Stock options have an exercise price equal to the market price on the date of grant, and therefore provide value to the executives if the executives create value for our stockholders. In addition, stock options generally vest over a period of four years and are generally subject to the executive's continued employment, which incentivizes the executives to sustain increases in stockholder value over extended periods of time. The specific number of options granted is determined by the Compensation Committee with the assistance of our Chief Executive Officer (other than in the case of any stock options award to himself) and by using their informed judgment, taking into account the executive's role and responsibilities within the Company and the overall performance of the Company and our common stock, and is not based on any specific quantitative or qualitative factors. As part of the process, the Compensation Committee also considered the value and structure of the awards as a retention tool. No long-term compensation was awarded to any named executive officer in 2012.

For future long-term incentive awards, the Compensation Committee may consider, in light of current market factors and the status of our business and financial prospects, granting awards that consist of a mix of stock options, restricted performance share units and restricted shares.

Retirement and Other Employee Benefits

We maintain broad-based benefits for all employees, including health and dental insurance, life and disability insurance and a 401(k) plan, including a matching component for that plan. Our named executive officers are eligible to participate in all of our employee benefit plans on the same basis as other employees. We do not sponsor or maintain any other retirement or deferred compensation plans for any of our employees in addition to our Sirius XM 401(k) plan.

Perquisites and Other Benefits for Named Executive Officers

The Compensation Committee supports providing other benefits to named executive officers that, except as to Mr. Meyer under the terms of his employment agreement, are substantially the same as those offered to our other full time employees and are provided to similarly situated executives at companies with which we compete for executive talent.

Due to Mr. Meyer's principal residence being in Indianapolis, Indiana, we reimburse Mr. Meyer for the reasonable costs of an apartment in the New York metropolitan area and other incidental living expenses, up to a maximum of $5,000 per month for rent. We also reimburse Mr. Meyer for the reasonable costs of coach class air-fare from his homes to our offices in New York City. We pay Mr. Meyer an additional amount to hold him harmless as a result of any federal, state or New York City income taxes imputed in respect of the expenses for which he receives reimbursement. The costs of these benefits for Mr. Meyer constitute less than 10% of his total compensation.

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

The employment agreements with our named executive officers provide for severance payments upon an involuntary termination of employment, including involuntary terminations following a change-in-control. These arrangements vary from executive to executive due to individual negotiations based on each executive's history and individual circumstances.

We believe that these severance and change-in-control arrangements mitigate some of the risk that exists for executives working in our highly competitive industry. These arrangements are intended to attract and retain qualified executives who could have other job alternatives that may appear to them, in the absence of these arrangements, to be less risky, and such arrangements allow the executives to focus exclusively on the Company's interests.

We believe that severance payments in connection with a change-in-control transaction are necessary to enable key executives to evaluate objectively the benefits to our stockholders of a proposed transaction, notwithstanding its potential effects on their own job security.

Fiscal Year 2012 Pay Implications

2012 Base Salary Decisions

We have entered into employment agreements with each of Messrs. Meyer, Greenstein and Donnelly that include increases in their base salaries during the term of their respective agreements. Messrs. Meyer, Greenstein and Donnelly waived the increase in their base salaries that each would have been contractually entitled to in 2012 under their respective employment agreements. We did not solicit those waivers; rather Messrs. Meyer, Greenstein and Donnelly approached us regarding the contractually required increases in their base salaries after weighing factors important to each of them.

In December 2012, we entered into an amendment to our existing employment agreement with Mr. Meyer, pursuant to which he was appointed as our new Chief Executive Officer. In connection with his appointment, Mr. Meyer's base salary was reinstated from $1,100,000 to $1,300,000, the amount that Mr. Meyer was scheduled to receive under the terms of his existing employment agreement and that he had previously waived.

In February 2013, Mr. Greenstein's base salary was reinstated from $1,000,000 to $1,250,000, and Mr. Donnelly's base salary was reinstated from $575,000 to $725,000, as required by the terms of their respective employment agreements.

There were no base salary increases in 2012 for Messrs. Karmazin or Frear, or Ms. Altman.

Payment of Performance-Based Discretionary Annual Bonuses for 2012

Following the end of 2012, the Compensation Committee met to determine whether to exercise its discretion to pay bonuses to our named executive officers with respect to 2012 and whether to approve a general cash bonus pool for our other employees. The Compensation Committee carefully reviewed our performance against key metrics in our budget and business plan for 2012, including the generation of EBITDA, as required by the NEO Bonus Plan, our efforts to increase subscribers, revenue, adjusted EBITDA and free cash flow and to control subscriber churn and operating expenses, as well as our performance in launching new products and services.

Following its review of our 2012 performance, which the Compensation Committee determined in almost all respects to be superior, the Compensation Committee:

- approved a cash bonus pool to be divided among our employees, other than the named executive officers;

- reviewed the NEO Bonus Plan pool and exercised its negative discretion and approved the individual bonus amounts granted to each of the named executive officers under the NEO Bonus Plan (other than for Mr. Karmazin, whose bonus was also reviewed and ratified by our board of directors); and
- reviewed and approved the bonus amount granted to our Chief Financial Officer whose bonus, pursuant to Section 162(m), is not included in the NEO Bonus Plan.

The actual amount of the bonus paid to each named executive officer was based on a combination of factors, including our 2012 corporate performance, his or her individual contributions and performance in his or her functional areas of responsibility and, with respect to all named executive officers other than himself, upon recommendations made by Mr. Karmazin, our former Chief Executive Officer. The amount of Mr. Karmazin's bonus, who served as our Chief Executive Officer for almost all of 2012, was ratified by our board of directors following a discussion and consideration by the Compensation Committee. Various specific factors taken into consideration in determining the bonus amounts for the named executive officers are set forth below. The annual bonuses for Messrs. Karmazin and Meyer are discussed below under the heading "Related Policies and Considerations — Compensation of our Chief Executive Officer."

Mr. Greenstein was awarded a bonus for his contributions during the year, including his role in the continued enhancement of our programming, such as the expansion of our channel lineup to include new music, sports and comedy channels; the expansion of the programming content on SiriusXM Latino, a suite of Latin channels featuring programming from leading providers of Spanish-language music, sports, news, talk and entertainment; launching SiriusXM On Demand, which provides subscribers who are listening online with the ability to choose from among a catalog of more than 300 shows and over 3,000 hours of content to listen to whenever they want; securing and creating additional compelling and exclusive content; reducing the costs of certain programming; streamlining and introducing efficiencies into our programming operations; the sale of advertisements on our non-music channels; understanding and analyzing customer satisfaction levels as they relate to our programming and content offerings; and the continuing integration of our legacy operations.

Ms. Altman was awarded a bonus for her contributions during the year, including her regular on-going contributions as our Chief Administrative Officer and her role in managing our human resources function, including our employee development, diversity and inclusion initiatives, managing our facilities and security operations; supervising the evaluation, management and consolidation of our real estate holdings; overseeing our DC-based operations; and the continuing integration of our legacy operations.

Mr. Donnelly was awarded a bonus for his contributions during the year, including his regular on-going contributions as our General Counsel, such as the management of complex legal and regulatory issues; his role in managing our litigation matters and our legal expenses in face of the increasing complexity of our business; assisting in the negotiation and execution of various agreements with programming providers and other essential third parties; and the continuing integration of our legacy operations.

Mr. Frear was awarded a bonus for his contributions during the year, including his regular on-going contributions as our Chief Financial Officer and his role in managing our fixed and variable costs; overseeing our investor relations efforts; securing a $1.25 billion revolving credit facility with a syndicate of financial institutions; managing our relationships with debt rating agencies and successfully improving our debt rating; reducing our leverage ratio; retiring our 13% Senior Notes prior to their maturity in 2013 and our 9.75% Senior Notes prior to their maturity in 2015; overseeing our investments in Sirius XM Canada; management of and contributions towards the determination of our royalties for sound recordings before the Copyright Royalty Board; managing the construction of our satellites; and his efforts in the continued integration of our legacy operations, particularly in the area of information technology.

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

Long-Term Equity Grants — 2012 Stock Option Grants

There were no long-term equity grants to any of our named executive officers in 2012.

Fiscal Year 2013 Considerations

The Compensation Committee expects to review our executive compensation program in 2013 with a view to ensuring that it continues to provide the correct incentives and is properly sized given the scope and complexity of our business and the competition we face. The Compensation Committee may employ the same process, or may adopt a modified or wholly different process, in making future bonus decisions, provided that with respect to 2013, the Compensation Committee has again adopted a bonus program which is intended to comply with Section 162(m) for our Chief Executive Officer and the next five most highly compensated executive officers (other than our Chief Financial Officer) under our 2009 Long-Term Stock Incentive Plan that is designed to promote the achievement of our key financial goals for 2013. This bonus program provides for a bonus pool which is based on a percentage of EBITDA. No bonus amount is payable under such program if we do not achieve a specified level of EBITDA.

The Compensation Committee expects that our executive compensation program will continue to respond to changes in economic conditions and our business with flexibility, as needed, to advance our objectives of motivating, attracting and retaining highly qualified executives with the skills and experience necessary to achieve our key business objectives and increase stockholder value.

Related Policies and Considerations

Compensation of our Chief Executive Officer

Several years ago we entered into an employment agreement with Mel Karmazin to serve as our Chief Executive Officer. On December 18, 2012, Mr. Karmazin relinquished his role as our Chief Executive Officer. The material terms of Mr. Karmazin's employment agreement are described below under "Potential Payments Upon Termination or Change-in-Control — Employment Agreements — Mel Karmazin."

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

In February 2013, Mr. Karmazin was awarded a cash bonus of $9,500,000 in recognition of his performance and our corporate performance in 2012, including:

- increasing our net subscribers additions by approximately 2 million, resulting in a total of nearly 23.9 million subscribers, an increase of over 9% as compared to 2011;
- achieving adjusted EBITDA growth of 26% to over $920 million in 2012;
- increasing our 2012 revenue by 13% over 2011 levels;
- increasing free cash flow by 71% to $709 million;
- retiring our 13% Senior Notes prior to their maturity in 2013 and our 9.75% Senior Notes prior to their maturity in 2015;

- securing a $1.25 billion revolving credit facility;
- introducing SiriusXM On Demand to enhance our subscribers' ability to listen to programs whenever they want;
- continuing to expand our ability to identify and acquire subscribers in certified pre-owned and used vehicles and managing our investment in infrastructure in this area;
- adding compelling content to our services while reducing programming expenses;
- expanding the programming content on Sirius XM Latino, the most comprehensive radio channel offering in the United States for Spanish-speaking listeners;
- continuing to improve our customer care experience, including further enhancements to our Internet-based self-care functionality and Internet-based chat services;
- creating a corporate culture that fosters quality, creativity, diversity and innovation to differentiate our content and services; and
- maintaining Sirius XM as one of the largest subscription-based media companies in the United States.

On December 18, 2012, Mr. Meyer was appointed our Chief Executive Officer, replacing Mr. Karmazin. In connection with his appointment as Chief Executive Officer, we entered into an amendment to our existing employment agreement with Mr. Meyer. This amendment extended the term of his employment agreement to October 31, 2013; increased his base salary from $1,100,000 to $1,300,000, the amount that Mr. Meyer was scheduled to receive under the terms of his existing employment agreement and that he had previously waived; and changed the date that he may elect to retire from May 2013 to October 2013. Our agreement with Mr. Meyer, as amended, provides that if his employment terminates after another person is appointed as our Chief Executive Officer, then Mr. Meyer will be entitled to an additional bonus to reflect his contributions in an amount determined by the Compensation Committee.

Mr. Meyer was awarded a bonus for his contributions during 2012, including his role in:

- our addition of over 2 million net subscribers in 2012;
- analyzing, evaluating and managing our subscriber churn and new vehicle conversion rate;
- reducing subscriber acquisition costs;
- overseeing the development of our transmission and radio technology;
- securing an agreement with Nissan North America to be the exclusive provider of telematics services for Nissan branded vehicles;
- introducing SiriusXM On Demand to enhance our subscribers' ability to listen to programs whenever they want;
- launching the SiriusXM Internet Radio App on Google TV, which for the first time allows for SiriusXM 2.0 to be available on any connected television;
- building our business in pre-owned vehicles, including establishing agreements with automakers for certified pre-owned programs and with large independent resellers, including AutoNation; and
- the continuing integration of our legacy operations.

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

As described above under "Fiscal Year 2013 Considerations," in 2013 the Compensation Committee again adopted a bonus plan which is intended to comply with Section 162(m) for our Chief Executive Officer and the next five most highly compensated executive officers, other than our Chief Financial Officer. The Committee anticipates that this plan will result in tax deductibility for any compensation we pay to such executive officers that exceeds $1 million in 2013. However, the Compensation Committee may from time to time approve compensation that is not deductible under Section 162(m) if it determines that it is in our best interest to do so.

Compensation Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management. Based on such review and discussion, we recommended to the board of directors that the Compensation Discussion and Analysis be included in this proxy statement and incorporated by reference into our annual report on Form 10-K for the year ended December 31, 2012.

Compensation Committee

CARL E. VOGEL, *Chairman*
JAMES P. HOLDEN

Summary Compensation Table

The following table provides information concerning total compensation earned or paid to our Chief Executive Officer, our former Chief Executive Officer, our Chief Financial Officer and our three other most highly compensated executive officers who served in such capacities as of December 31, 2012 for services rendered to us during each of the past three fiscal years. These six officers are referred to herein as the "named executive officers".

Name and Principal Position (1)	Year	Salary $	Bonus $	Stock Awards $	Option Awards(2) $	All Other Compensation(3) $	Total $
James E. Meyer	2012	1,107,692	2,000,000	—	—	205,295	3,312,987
Chief Executive Officer	2011	1,100,000	1,750,000	—	—	236,221	3,086,221
	2010	1,100,000	1,500,000	—	—	159,888	2,759,888
Mel Karmazin	2012	1,500,000	9,500,000	—	—	7,500	11,007,500
Former Chief Executive Officer	2011	1,500,000	9,200,000	—	—	7,350	10,707,350
	2010	1,500,000	8,400,000	—	—	7,350	9,907,350
Scott A. Greenstein	2012	1,000,000	1,375,000	—	—	7,500	2,382,500
President and Chief	2011	1,000,000	1,250,000	—	—	7,350	2,257,350
Content Officer	2010	925,000	1,150,000	—	—	7,350	2,082,350
Dara F. Altman	2012	500,000	850,000	—	—	7,500	1,357,500
Executive Vice President and	2011	465,666	775,000	—	7,470,308	7,350	8,718,324
Chief Administrative Officer	2010	446,332	700,000	—	750,046	7,350	1,903,728
Patrick L. Donnelly	2012	575,000	1,150,000	—	—	7,500	1,732,500
Executive Vice President,	2011	575,000	1,050,000	—	—	7,350	1,632,350
General Counsel and Secretary	2010	573,301	900,000	—	6,000,000	7,350	7,480,651
David J. Frear	2012	850,000	1,200,000	—	—	7,500	2,057,500
Executive Vice President	2011	795,833	1,100,000	—	18,895,552	7,350	20,798,735
and Chief Financial Officer	2010	750,000	1,000,000	—	1,600,022	7,350	3,357,372

(1) James E. Meyer was appointed our Chief Executive Officer in December 2012. From May 2004 to December 2012, Mr. Meyer was our President, Operations and Sales. Mel Karmazin was our Chief Executive Officer from November 2004 to December 2012.

(2) The aggregate grant date fair value of stock option awards was computed in accordance with Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") Topic 718 (excluding estimated forfeitures). The assumptions used in the valuation are discussed in Note 14 to our audited consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2012.

(3) For each named executive officer, the amount in the "All Other Compensation" column for 2012 reflects $7,500 of matching contributions by us under our 401(k) savings plan. "All Other Compensation" for Mr. Meyer also includes amounts reimbursed for temporary living and travel expenses, all of which are reimbursed based upon receipts. In 2012, Mr. Meyer was paid $55,000 for rent, $48,551 for travel, and $4,692 for utilities. Travel-related expenses include airfare, taxi/car services, and other incidental travel-related costs. In addition, in 2012 "All Other Compensation" for Mr. Meyer includes $89,552 for reimbursement of taxes associated with these expenditures in accordance with his employment agreement.

Grants of Plan-Based Awards in 2012

There were no grants of plan-based awards made during fiscal year 2012 to the named executive officers.

Outstanding Equity Awards at Fiscal Year-End 2012

The following table provides information with respect to the status at December 31, 2012 of all unexercised options awarded to each of the named executive officers.

	Option Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)(1)	Option Expiration Date
James E. Meyer(2)	1,350,000	—	5.49	2/2/2016
	512,000	—	3.65	2/1/2017
	707,000	—	2.82	1/23/2018
	—	830,500	0.6235	8/31/2019
	—	6,296,246	0.5252	10/14/2019
Mel Karmazin	—	—	—	—
Scott A. Greenstein(3)	1,000,000	—	3.09	5/5/2014
	1,250,000	—	6.5520	8/8/2015
	435,000	—	3.65	2/1/2017
	607,000	—	2.82	1/23/2018
	—	6,942,034	0.38	7/27/2019
Dara F. Altman(4)	—	415,250	0.6235	8/31/2019
	—	526,150	0.99	8/9/2020
	—	5,625,000	1.64	8/23/2021
Patrick L. Donnelly(5)	120,000	—	5.66	2/1/2016
	256,000	—	3.65	2/1/2017
	1,450,000	—	2.67	5/17/2017
	—	553,750	0.6235	8/31/2019
	—	6,581,747	0.6169	1/14/2020
David J. Frear(6)	700,000	—	6.56	8/10/2015
	307,000	—	3.65	2/1/2017
	483,000	—	2.82	1/23/2018
	1,500,000	—	3.05	2/12/2018
	—	553,750	0.6235	8/31/2019
	—	1,122,400	0.99	8/9/2020
	4,000,000	12,000,000	2.13	7/21/2021

(1) A special cash dividend of $0.05 per share was declared on our outstanding common stock and preferred stock, on an as-converted basis, to stockholders of record as of the close of business on December 18, 2012. The dividend was paid in cash on December 28, 2012. The Compensation Committee of our board of directors, which administers our stock incentive plans, adjusted the exercise price of stock options by decreasing the exercise price by $0.05 per share. The stock options outstanding as of December 18, 2012 were adjusted on December 28, 2012. The option exercise price reflects the price after the adjustment for the dividend.

(2) Outstanding equity awards for Mr. Meyer vest as follows: options granted at an exercise price of $5.49 vested in four equal annual installments from the date of grant on February 2, 2006; options granted at an exercise price of $3.65 vested in four equal annual installments from the date of grant on February 1, 2007; options granted at an exercise price of $2.82 vested in four equal annual installments from the date of grant on January 23, 2008; options granted at an exercise price of $0.6235 vest in four equal annual installments from the date of grant on August 31, 2009; and options granted at an exercise price of $0.5252 vest in four equal annual installments from the date of grant on October 14, 2009.

(3) Outstanding equity awards for Mr. Greenstein vest as follows: options granted at an exercise price of $3.09 vested immediately on the date of grant on May 5, 2004; options granted at an exercise price of $6.5520 vested in three equal annual installments from the date of grant on August 8, 2005; options granted at an exercise price of $3.65 vested in four equal annual installments from the date of grant on February 1, 2007; options granted at an exercise price of $2.82 vested in four equal annual installments from the date of grant on January 23, 2008; and options granted at an exercise price of $0.38 vest in four equal annual installments commencing on July 26, 2010.

(4) Outstanding equity awards for Ms. Altman vest as follows: options granted at an exercise price of $0.6235 vest in four equal annual installments from the date of grant on August 31, 2009; options granted at an exercise price of $0.99 vest in four equal annual installments from the date of grant on August 9, 2010; and options granted at an exercise price of $1.64 vest in four equal annual installments from the date of grant on August 23, 2011.

(5) Outstanding equity awards for Mr. Donnelly vest as follows: options granted at an exercise price of $5.66 vested in four equal annual installments from the date of grant on February 1, 2006; options granted at an exercise price of $3.65 vested in four equal annual installments from the date of grant on February 1, 2007; options granted at an exercise price of $2.67 vested in three equal annual installments from the date of grant on May 17, 2007; options granted at an exercise price of $0.6235 vest in four equal annual installments from the date of grant on August 31, 2009; and options granted at an exercise price of $0.6169 vest in four equal annual installments from the date of grant on January 14, 2010.

(6) Outstanding equity awards for Mr. Frear vest as follows: options granted at an exercise price of $6.56 vested in three equal annual installments from the date of grant on August 10, 2005; options granted at an exercise price of $3.65 vested in four equal annual installments from the date of grant on February 1, 2007; options granted at an exercise price of $2.82 vested in four equal annual installments from the date of grant on January 23, 2008; options granted at an exercise price of $3.05 vested in three equal annual installments from the date of grant on February 12, 2008; options granted at an exercise price of $0.6235 vest in four equal annual installments from the date of grant on August 31, 2009; options granted at an exercise price of $0.99 vest in four equal annual installments from the date of grant on August 9, 2010; and options granted at an exercise price of $2.13 vest in four equal annual installments from the date of grant on July 21, 2011.

Option Exercises and Stock Vested in 2012

The following table provides information with respect to option exercises and restricted stock and restricted stock units that vested during 2012.

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)(1)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
James E. Meyer	16,446,904	31,125,224	—	—
Mel Karmazin	120,000,000	244,348,176	—	—
Scott A. Greenstein	13,884,068	28,650,916	—	—
Dara F. Altman	3,646,900	4,233,515	—	—
Patrick L. Donnelly	8,259,664	12,222,689	—	—
David J. Frear	3,933,650	5,392,626	—	—

(1) Value realized on exercise is based on the gain equal to the difference between the closing price on the NASDAQ Global Select Market of the stock acquired upon exercise on the exercise date less the exercise price, multiplied by the number of options exercised.

Non-Qualified Deferred Compensation and Pension Benefits

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

Potential Payments or Benefits Upon Termination or Change-in-Control

Employment Agreements

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

James E. Meyer

In October 2009, we entered into an employment agreement with James E. Meyer. The employment agreement provided for an initial base salary of $950,000 with specified increases to $1,100,000 in January 2010, $1,200,000 in May 2011, and $1,300,000 in June 2012. In 2010, Mr. Meyer waived the increases in his base salary that were scheduled to take effect in May 2011 and June 2012 under his employment agreement.

We have entered into several amendments of the employment agreement with Mr. Meyer. In February 2011, we entered into an amendment that changed the date that Mr. Meyer may elect to retire from April 2011 to May 2012, delayed a previously scheduled increase in Mr. Meyer's base salary from May 1, 2012 to June 1, 2012 and eliminated our obligation to offer Mr. Meyer a one-year consulting agreement upon expiration of his employment agreement or upon his retirement. In March 2012, we entered into another amendment to the employment agreement with Mr. Meyer that changed the date that he may elect to retire from May 2012 to May 2013.

On December 18, 2012, Mr. Meyer was appointed our Chief Executive Officer. In connection with his appointment as Chief Executive Officer, we entered into an amendment to our existing employment agreement with Mr. Meyer. This amendment extended the term of his employment agreement to October 31, 2013; increased his base salary from $1,100,000 to $1,300,000, the amount that Mr. Meyer was scheduled to receive under the terms of his existing employment agreement and that he had previously waived; and changed the date that he may elect to retire from May 2013 to October 2013. Our agreement with Mr. Meyer, as amended, provides that if his employment terminates after another person is appointed as our Chief Executive Officer, then Mr. Meyer will be entitled to an additional bonus to reflect his contributions in an amount determined by the Compensation Committee.

If Mr. Meyer's employment is terminated without cause or he terminates his employment for good reason, subject to his execution of a release of claims and his compliance with certain restrictive covenants, we are obligated to continue his health benefits for 18 months and his life insurance benefits for one year and pay him a lump sum payment within 60 days, equal to Mr. Meyer's annual base salary plus the greater of (x) a bonus equal to 60% of his then annual base salary or (y) the prior year's bonus actually paid to him (the "Designated Amount"). In the event Mr. Meyer elects to retire in October 2013, subject to his execution of a release of claims and his compliance with certain restrictive covenants and generally in lieu of any other payments under his employment agreement, we are obligated to continue his health benefits for two years and pay him a lump sum within 60 days equal to two times the Designated Amount.

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

Mel Karmazin

In November 2004, we entered into an employment agreement with Mel Karmazin to serve as our Chief Executive Officer. On December 18, 2012, Mr. Karmazin resigned as our Chief Executive Officer for good reason under the employment agreement.

The unvested portion of the options granted to Mr. Karmazin, that was scheduled to vest on December 31, 2012, vested on December 18, 2012 as a result of his resignation for good reason. The value of these options as of the vesting date (calculated as the difference between the closing price on the NASDAQ Global Select Market of the stock underlying these options less the exercise price, multiplied by the number of options) was $75,900,000. All of the options granted to Mr. Karmazin were exercised by him prior to the end of 2012. The value realized on the exercise of these option that vested on December 18, 2012 was $74,382,000.

Mr. Karmazin was paid his base salary through January 2013 and a bonus for his 2012 work in February 2013. He did not receive any severance payment from us as a result of his termination for good reason.

Scott A. Greenstein

In July 2009, we entered into a new employment agreement with Scott A. Greenstein to continue to serve as our President and Chief Content Officer through July 27, 2013. The employment agreement provides for an initial annual base salary of $850,000 and specified increases to no less than $925,000 in January 2010, $1,000,000 in January 2011, $1,100,000 in January 2012, and $1,250,000 in January 2013. Mr. Greenstein waived the increase in his base salary that was scheduled to take effect in January 2012 under his employment agreement. Mr. Greenstein is also entitled to participate in any bonus plans generally offered to our executive officers.

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

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

Dara F. Altman

In August 2011, we entered into a new employment agreement with Dara F. Altman to continue to serve as our Executive Vice President and Chief Administrative Officer through August 22, 2015. This employment agreement provides for an annual base salary of $500,000, subject to approved increases.

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

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

Patrick L. Donnelly

In January 2010, we entered into a new employment agreement with Patrick L. Donnelly to continue to serve as our Executive Vice President, General Counsel and Secretary, through January 13, 2014. The employment agreement provides for an annual base salary in 2010 of $575,000, subject to specified increases to no less than $625,000 in January 2011, $675,000 in January 2012, and $725,000 in January 2013. Mr. Donnelly waived the increases in his base salary that were scheduled to take effect in January 2011 and 2012 under his employment agreement.

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

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

David J. Frear

In July 2011, we entered into a new employment agreement with David J. Frear to continue to serve as our Executive Vice President and Chief Financial Officer through July 20, 2015. The employment agreement provides for an annual base salary of $850,000, subject to approved increases.

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

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

2003 Long-Term Stock Incentive Plan

Messrs. Meyer, Greenstein, Donnelly and Frear also have outstanding options as of December 31, 2012 that were granted under the 2003 Long-Term Stock Incentive Plan. Under the 2003 Long-Term Stock Incentive Plan, the outstanding equity awards granted to these named executive officers are subject to potential accelerated vesting upon a change of control. In addition, Mr. Frear's award agreements relating to options and restricted stock units granted to him in February 2008 under the 2003 plan provide that such equity awards are subject to potential accelerated vesting upon his death and disability. All of the outstanding options granted under the 2003 plan were vested as of December 31, 2012, and, therefore, are not included in the table of potential payments and benefits below.

2009 Long-Term Stock Incentive Plan

All of our named executive officers have outstanding equity awards as of December 31, 2012 that were granted under the 2009 Long-Term Stock Incentive Plan. Under the terms of the 2009 plan, the outstanding equity awards granted to the named executive officers are subject to potential accelerated vesting upon termination without cause by the company or termination by the executive for good reason during a two year period following a change of control, to the extent outstanding awards granted under the plan are either assumed, converted or replaced by the resulting entity in the event of a change of control.

Potential Payments and Benefits

The following table describes the potential payments and benefits under the named executive officers' agreements and our stock incentive plans to which they would have been entitled if a termination of employment or change-in-control had occurred as of December 30, 2012:

Name	Triggering Event	Lump Sum Severance Payment ($)	Accelerated Equity Vesting(1) ($)	Continuation of Insurance Benefits(2) ($)	Excise Tax Gross-Up ($)	Total ($)
James E. Meyer	Termination due to death or disability	—	14,889,363	—	—	14,889,363
	Termination without cause or for good reason	3,050,000	14,889,363	33,734	—	17,973,097
	Scheduled retirement(3)	6,100,000	—	56,500	—	6,156,500
	Termination without cause or for good reason following change-in-control	3,050,000	16,771,691	33,734	—	19,855,425
Scott A. Greenstein	Termination due to death or disability	—	17,424,505	—	—	17,424,505
	Termination without cause or for good reason	2,250,000	17,424,505	22,630	—	19,697,135
	Termination without cause or for good reason following change-in-control	2,250,000	17,424,505	22,630	—	19,697,135
Dara F. Altman	Termination due to death or disability	—	7,031,250	—	—	7,031,250
	Termination without cause or for good reason	1,275,000	7,031,250	22,630	—	8,328,880
	Termination without cause or for good reason following change-in-control	1,275,000	8,972,099	22,630	—	10,269,729
Patrick L. Donnelly	Termination due to death or disability	—	14,960,969	—	—	14,960,969
	Termination without cause or for good reason	1,625,000	14,960,969	22,630	—	16,608,599
	Termination without cause or for good reason following change-in-control	1,625,000	16,216,043	22,630	—	17,863,673
David J. Frear	Termination without cause or for good reason	—	9,120,000	—	—	9,120,000
	Termination without cause or for good reason	1,950,000	9,120,000	22,630	—	11,092,630
	Termination without cause or for good reason following change-in-control	1,950,000	12,507,634	22,630	—	14,480,264

(1) Amounts were calculated based on the closing price on the NASDAQ Global Select Market of our common stock on December 31, 2012 of $2.89. The accelerated vesting of options is valued at (a) the difference between the closing price and the exercise price of the options multiplied by (b) the number of shares of common stock underlying the options.

(2) Assumes that medical and dental benefits would be continued under COBRA for up to 18 months at current rates; thereafter assumes rate of two times current employer costs, unless otherwise indicated in the employment agreement. Assumes that life insurance would be continued at rate of two times current employer cost.

(3) Refers to scheduled retirement in October 2013 pursuant to the terms of Mr. Meyer's employment agreement.

ITEM 2 — RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

The Audit Committee has selected KPMG LLP ("KPMG") as our independent registered public accountants for 2013. As such, KPMG will audit and report on our financial statements for the year ending December 31, 2013 and on the effectiveness of internal control over financial reporting as of December 31, 2013. KPMG has served as our independent registered public accountants since September 2008. The Audit Committee and the board are requesting, as a matter of policy, that stockholders ratify the selection of KPMG. The Audit Committee and the board are not required to take any action as a result of the outcome of the vote on this proposal.

Representatives of KPMG are expected to be present at the annual meeting. They will have an opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

The board of directors unanimously recommends a vote "FOR" the ratification of KPMG LLP as our independent registered public accountants for 2013.

Principal Accountant Fees and Services

The following table sets forth the fees billed to us by KPMG as of and for the years ended December 31, 2012 and 2011:

	For the Years Ended December 31, 2012	For the Years Ended December 31, 2011
Audit fees(1)	$1,857,649	$1,715,660
Audit-related fees(2)	78,000	277,006
Tax fees(3)	48,018	113,365
All other fees(4)	—	28,121
	$1,983,667	$2,134,152

(1) Audit fees billed by KPMG related to the audits of our annual consolidated financial statements and internal control over financial reporting; the review of our interim consolidated financial statements; review of documents filed with the SEC; and reimbursement for direct out-of-pocket expenses.

(2) Audit-related fees billed by KPMG related to audits of employee benefit plans, licensing and contractual compliance services, and financial due diligence services.

(3) Tax fees billed by KPMG for services relating to federal, state and local tax consulting.

(4) All other fees billed by KPMG related to seminars purchased by us.

Pre-Approval Policy for Services of Independent Auditor

It is the Audit Committee's responsibility to review and consider, and ultimately pre-approve, all audit and permitted non-audit services to be performed by our independent registered public accounting firm. In accordance with its charter, the Audit Committee's pre-approval policies with respect to audit and permitted non-audit services to be provided by our independent registered public accounting firm are as follows:

- The independent registered public accounting firm is not permitted to perform consulting, legal, book-keeping, valuation, internal audit, management functions, or other prohibited services, under any circumstances;
- The engagement of our independent registered public accounting firm, including related fees, with respect to the annual audits and quarterly reviews of our consolidated financial statements is specifically approved by the Audit Committee on an annual basis;
- The Audit Committee reviews and pre-approves a detailed list of other audit and audit-related services annually or more frequently, if required. Such services generally include services performed under the

audit and attestation standards established by regulatory authorities or standard setting bodies and include services related to SEC filings, employee benefit plan audits and subsidiary audits;

- The Audit Committee reviews and pre-approves a detailed list of permitted non-audit services annually or more frequently, if required; and
- The Audit Committee pre-approves each proposed engagement to provide services not previously included in the approved list of audit and non-audit services and for fees in excess of amounts previously pre-approved.

The Audit Committee has delegated to the chair of the Audit Committee the authority to approve permitted services by the independent registered public accounting firm so long as he or she reports decisions to the Audit Committee at its next meeting.

All of the services covered under the captions "Audit Fees", "Audit-Related Fees" and "Tax Fees" were pre-approved by the Audit Committee.

Who is the Audit Committee's financial expert?

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

REPORT OF THE AUDIT COMMITTEE

As described more fully in its charter, the purpose of the Audit Committee is to assist our board of directors in its general oversight of our financial reporting, internal control and audit functions. Management is responsible for the preparation, presentation and integrity of our consolidated financial statements; accounting and financial reporting principles; and internal controls and procedures designed to ensure compliance with accounting standards, applicable laws and regulations. KPMG LLP, our independent registered public accounting firm, is responsible for performing an independent audit of our consolidated financial statements and the effectiveness of internal control over financial reporting in accordance with auditing standards of the Public Company Accounting Oversight Board (United States).

In the performance of its oversight function, the Audit Committee reviewed and discussed our audited financial statements with management and with our independent registered public accounting firm. The Audit Committee also discussed with the independent registered public accounting firm the matters required to be discussed by the statement on Auditing Standards No. 61, as amended (AICPA, *Professional Standards*, Vol. 1. AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 32007. In addition, the Audit Committee received the written disclosures and the letter from the independent registered public accounting firm required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm's communications with the Audit Committee concerning independence, and discussed with the independent registered public accounting firm their independence.

Based upon the review and discussions described in the preceding paragraph, the Audit Committee recommended to the board of directors that our audited financial statements be included in our Annual Report on Form 10-K for the year ended December 31, 2012 filed with the SEC.

Audit Committee

JOAN L. AMBLE, CHAIRWOMAN
EDDY W. HARTENSTEIN
JAMES P. HOLDEN
JAMES F. MOONEY
VANESSA A. WITTMAN

ITEM 3 — STOCKHOLDER PROPOSAL REGARDING SUCCESSION PLANNING

The Central Laborers' Pension Fund, P.O. Box 1267, Jacksonville, Illinois 62651-1267, which is the owner of approximately 28,300 shares of our common stock, has given notice that it intends to present the following resolution for action at the annual meeting:

Resolved: That the shareholders of Sirius XM Radio, Inc. ("Company") hereby request that the Board of Directors initiate the appropriate process to amend the Company's Corporate Governance Guidelines ("Guidelines") to adopt and disclose a written and detailed succession planning policy, including the following specific features:

- The Board of Directors will review the plan annually;
- The Board will develop criteria for the CEO position which will reflect the Company's business strategy and will use a formal assessment process to evaluate candidates;
- The Board will identify and develop internal candidates;
- The Board will begin non-emergency CEO succession planning at least 3 years before an expected transition and will maintain an emergency succession plan that is reviewed annually;
- The Board will annually produce a report on its succession plan to shareholders.

Supporting Statement:

CEO succession is one of the primary responsibilities of the board of directors. A recent study published by the NACO quoted a director of a large technology firm: "A board's biggest responsibility is succession planning. It's the one area where the board is completely accountable, and the choice has significant consequences, good and bad, for the corporation's future." *(The Role of the Board in CEO Succession: A Best Practices Study, 2006).* The study also cited research by Challenger, Gray & Christmas that "CEO departures doubled in 2005, with 1228 departures recorded from the beginning of 2005 through November, up 102 percent from the same period in 2004."

In its 2007 study *What Makes the Most Admired Companies Great: Board Governance and Effective Human Capital Management,* Hay Group found that 85% of the Most Admired Company boards have a well-defined CEO succession plan to prepare for replacement of the CEO on a long-term basis and that 91% have a well-defined plan to cover the emergency loss of the CEO that is discussed at least annually by the board.

The NACO report identified several best practices and innovations in CEO succession planning. The report found that boards of companies with successful CEO transitions are more likely to have well-developed succession plans that are put in place well before a transition, are focused on developing internal candidates and include clear candidate criteria and a formal assessment process. Our proposal is intended to have the board adopt a written policy containing several specific best practices in order to ensure a smooth transition in the event of the CEO's departure. We urge shareholders to vote **FOR** our proposal.

Board Recommendation

Our board of directors and the Nominating and Corporate Governance Committee have considered this proposal and concluded that it is unnecessary and not in the best interests of our stockholders.

The board certainly agrees that one of its most important duties is to ensure that our company is prepared for the planned or unplanned departure of our Chief Executive Officer and any other member of our executive management team. This proposal is unnecessary, however, because our board members engage in discussions about CEO and other executive management succession on an ongoing basis, and our current succession planning process includes most of the features contemplated by the proposal. Finally, the board believes it would be highly inadvisable to publicly report on its succession plan, as requested by the proposal.

Our board of directors, along with the Nominating and Corporate Governance Committee, is responsible for overseeing our CEO and senior management succession plan and policies. The board recognizes the importance of CEO succession planning and has adopted a Nominating and Corporate Governance Committee Charter and Corporate Governance Guidelines, both publicly available on our website, that address succession planning.

We believe requiring the board to annually produce a report on our succession plan could adversely affect our stockholders. For an annual report to be meaningful, it would have to include confidential and sensitive information about potential candidates and their development, such as assessment of their skills and the possible timeframes for promotions, retirements and other departures. Such detailed information could harm our competitive position. Any such information that we elect or are required to disclose should be disclosed at the time we deem it advisable or required. If we omitted the competitively sensitive information that would be required by the report contemplated by the proposal, the report would consist only of general statements containing little substance. In addition, such disclosure could cause internal discord and could result in the loss of executive-level talent.

The board has been, and will continue to be, fully engaged in thoughtful and timely succession planning. We believe, however, that the amount of disclosure contemplated by this proposal would not be in the best interests of our stockholders, and that the other elements of the proposal have been substantially implemented.

Our board of directors unanimously recommends a vote "AGAINST" this proposal.

OTHER MATTERS

Our board of directors does not intend to present, or have any reason to believe others will present, any other items of business. If other matters are properly brought before the annual meeting, the persons named in the accompanying proxy will vote the shares represented by it in accordance with the recommendation of our board of directors.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON MAY 21, 2013

This proxy statement and our annual report for the year ended December 31, 2012 are available for you to view online at *http://www.envisionreports.com/siri*.

By Order of the Board of Directors,

Patrick L. Donnelly

Patrick L. Donnelly
Executive Vice President,
General Counsel and Secretary

New York, New York
April 11, 2013

We make available, free of charge on our website, all of our filings that are made electronically with the SEC, including Forms 10-K, 10-Q and 8-K. To access these filings, go to our website, www.siriusxm.com, and click on "Reports & Filings" and then on "SEC Filings" under the "Investor Relations" heading. Copies of our Annual Report on Form 10-K for the year ended December 31, 2012, including financial statements and schedules thereto, are also available without charge to stockholders upon written request addressed to:

Investor Relations
Sirius XM Radio Inc.
1221 Avenue of the Americas
36th Floor
New York, New York 10020

2012 ANNUAL REPORT

Special Note About Forward-Looking Statements

We have made various statements in this Annual Report that may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may also be made in our other reports filed with or furnished to the SEC, in our press releases and in other documents. In addition, from time to time, we, through our management, may make oral forward-looking statements. Forward-looking statements are subject to risks and uncertainties, including those identified above, which could cause actual results to differ materially from such statements. The words "will likely result," "are expected to," "will continue," "is anticipated," "estimated," "believe," "intend," "plan," "may," "should," "could," "would," "likely," "projection," "outlook" and similar expressions are intended to identify forward-looking statements. We caution you that the risk factors described above are not exclusive. There may also be other risks that we are unable to predict at this time that may cause actual results to differ materially from those in forward-looking statements. 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. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made. We undertake no obligation to update publicly or revise any forward-looking statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(All dollar amounts referenced in this Section are in thousands, unless otherwise stated)

Executive Summary

We broadcast our music, sports, entertainment, comedy, talk, news, traffic and weather channels, as well as infotainment services in the United States on a subscription fee basis through our two proprietary satellite radio systems. Subscribers can also receive our music and other channels, plus new features such as SiriusXM On Demand, over the Internet, including through applications for mobile devices.

We have agreements with every major automaker ("OEMs") to offer satellite radios as factory- or dealer-installed equipment in their vehicles from which we acquire the majority of our subscribers. We also acquire subscribers through the sale or lease of previously owned vehicles with factory-installed satellite radios. Additionally, we distribute our satellite radios through retail locations nationwide and through our website. Satellite radio services are also offered to customers of certain daily rental car companies.

As of December 31, 2012, we had 23,900,336 subscribers of which 19,570,274 were self-pay subscribers and 4,330,062 were paid promotional subscribers. Our subscriber totals include subscribers under our regular pricing plans; discounted pricing plans; subscribers that have prepaid, including payments either made or due from automakers for subscriptions included in the sale or lease price of a vehicle; certain radios activated for daily rental fleet programs; subscribers to our Internet services who do not also have satellite radio subscriptions; and certain subscribers to our weather, traffic, data and Backseat TV services.

Our primary source of revenue is subscription fees, with most of our customers subscribing on an annual, semi-annual, quarterly or monthly basis. We offer discounts for prepaid and long-term subscription plans, as well as discounts for multiple subscriptions on each platform. We also derive revenue from other subscription-related fees, the sale of advertising on select non-music channels, the direct sale of satellite radios, components and accessories, and other ancillary services, such as our Internet radio, Backseat TV, data, traffic, and weather services.

In certain cases, automakers include a subscription to our radio services in the sale or lease price of new and previously owned vehicles. The length of these prepaid subscriptions varies, but is typically three to twelve months. In many cases, we receive subscription payments from automakers in advance of the activation of our service. We also reimburse various automakers for certain costs associated with satellite radios installed in their vehicles.

As of January 17, 2013, Liberty Media Corporation beneficially owned, directly and indirectly, over 50% of the outstanding shares of our common stock. Liberty Media owns interests in a broad range of media, communications and entertainment businesses, including its subsidiaries Atlanta National League Baseball Club, Inc. and TruePosition, Inc., its interests in Live Nation Entertainment, Barnes & Noble, and minority equity investments in Time Warner Inc. and Viacom.

We also have an equity interest in Sirius XM Canada which offers satellite radio services in Canada. Subscribers to the Sirius XM Canada service are not included in our subscriber count.

Results of Operations

Set forth below are our results of operations for the year ended December 31, 2012 compared with the year ended December 31, 2011 and the year ended December 31, 2011 compared with the year ended December 31, 2010.

	For the Years Ended December 31,			2012 vs 2011 Change		2011 vs 2010 Change	
	2012	2011	2010	Amount	%	Amount	%
Revenue:							
Subscriber revenue	$2,962,665	$2,595,414	$2,414,174	$ 367,251	14%	$181,240	8%
Advertising revenue, net of agency fees	82,320	73,672	64,517	8,648	12%	9,155	14%
Equipment revenue	73,456	71,051	71,355	2,405	3 %	(304)	—
Other revenue	283,599	274,387	266,946	9,212	3 %	7,441	3%
Total revenue	3,402,040	3,014,524	2,816,992	387,516	13%	197,532	7%
Operating expenses:							
Cost of services:							
Revenue share and royalties	551,012	471,149	435,410	79,863	17%	35,739	8%
Programming and content	278,997	281,234	305,914	(2,237)	(1)%	(24,680)	(8)%
Customer service and billing	294,980	259,719	241,680	35,261	14%	18,039	7%
Satellite and transmission	72,615	75,902	80,947	(3,287)	(4)%	(5,045)	(6)%
Cost of equipment	31,766	33,095	35,281	(1,329)	(4)%	(2,186)	(6)%
Subscriber acquisition costs	474,697	434,482	413,041	40,215	9 %	21,441	5%
Sales and marketing	248,905	222,773	215,454	26,132	12%	7,319	3%
Engineering, design and development	48,843	53,435	45,390	(4,592)	(9)%	8,045	18%
General and administrative	261,905	238,738	240,970	23,167	10%	(2,232)	(1)%
Depreciation and amortization	266,295	267,880	273,691	(1,585)	(1)%	(5,811)	(2)%
Restructuring, impairments and related costs	—	—	63,800	—	nm	(63,800)	nm
Total operating expenses	2,530,015	2,338,407	2,351,578	191,608	8%	(13,171)	(1)%
Income from operations	872,025	676,117	465,414	195,908	29%	210,703	45%
Other income (expense):							
Interest expense, net of amounts capitalized	(265,321)	(304,938)	(295,643)	39,617	13%	(9,295)	(3)%
Loss on extinguishment of debt and credit facilities, net	(132,726)	(7,206)	(120,120)	(125,520)	nm	112,914	94%
Interest and investment income (loss)	716	73,970	(5,375)	(73,254)	(99)%	79,345	nm
Other (loss) income	(226)	3,252	3,399	(3,478)	(107)%	(147)	(4)%
Total other expense	(397,557)	(234,922)	(417,739)	(162,635)	(69)%	182,817	44%
Income before income taxes	474,468	441,195	47,675	33,273	8%	393,520	825%
Income tax benefit (expense)	2,998,234	(14,234)	(4,620)	3,012,468	nm	(9,614)	(208)%
Net income	$3,472,702	$ 426,961	$ 43,055	$3,045,741	713%	$383,906	892%

nm — not meaningful

Total Revenue

Subscriber Revenue includes subscription, activation and other fees.

- *2012 vs. 2011:* For the years ended December 31, 2012 and 2011, subscriber revenue was $2,962,665 and $2,595,414, respectively, an increase of 14%, or $367,251. The increase was primarily attributable to a 9% increase in daily weighted average number of subscribers, the increase in certain of our subscription rates beginning in January 2012, and an increase in subscriptions to premium services, including Premier packages, data services and Internet streaming. The increase was partially offset by subscription discounts offered through customer acquisition and retention programs.
- *2011 vs. 2010:* For the years ended December 31, 2011 and 2010, subscriber revenue was $2,595,414 and $2,414,174, respectively, an increase of 8%, or $181,240. The increase was primarily attributable to an increase of 8% in daily weighted average number of subscribers and an increase in subscriptions to premium services, including Premier packages, data services and Internet subscriptions, partially offset by the impact of subscription discounts offered through customer acquisition and retention programs.

We expect subscriber revenues to grow based on the growth of our subscriber base, promotions, plan mix, subscription prices and identification of additional revenue streams from subscribers.

Advertising Revenue includes the sale of advertising on certain non-music channels, net of agency fees. Agency fees are based on a contractual percentage of the gross advertising revenue.

- *2012 vs. 2011:* For the years ended December 31, 2012 and 2011, advertising revenue was $82,320 and $73,672, respectively, an increase of 12%, or $8,648. The increase was primarily due to a greater number of advertising spots sold and broadcast, as well as increases in rates charged per spot.
- *2011 vs. 2010:* For the years ended December 31, 2011 and 2010, advertising revenue was $73,672 and $64,517, respectively, an increase of 14%, or $9,155. The increase was primarily due to a greater number of advertising spots sold and broadcast, as well as increases in rates charged per spot.

We expect our advertising revenue to grow as advertisers are attracted to our platform by the increase in our subscriber base.

Equipment Revenue includes revenue and royalties from the sale of satellite radios, components and accessories.

- *2012 vs. 2011:* For the years ended December 31, 2012 and 2011, equipment revenue was $73,456 and $71,051, respectively, an increase of 3%, or $2,405. The increase was driven by royalties from higher OEM production, offset by lower direct to consumer sales.
- *2011 vs. 2010:* For the years ended December 31, 2011 and 2010, equipment revenue was $71,051 and $71,355, respectively, a decrease of $304. The decrease was driven by a reduction in aftermarket hardware subsidies earned, partially offset by increased royalties from higher OEM production.

We expect equipment revenue to fluctuate based on OEM production for which we receive royalty payments for our technology and, to a lesser extent, on the volume and mix of equipment sales in our aftermarket and direct to consumer business.

Other Revenue includes amounts earned from subscribers for the U.S. Music Royalty Fee, revenue from our Canadian affiliate and ancillary revenues.

- *2012 vs. 2011:* For the years ended December 31, 2012 and 2011, other revenue was $283,599 and $274,387, respectively, an increase of 3%, or $9,212. The increase was driven by revenues from the U.S. Music Royalty Fee as the number of subscribers increased, and higher royalty revenue from Sirius XM Canada.
- *2011 vs. 2010:* For the years ended December 31, 2011 and 2010, other revenue was $274,387 and $266,946, respectively, an increase of 3%, or $7,441. The increase was primarily due to higher royalty

revenue from Sirius XM Canada. While the number of subscribers subject to the U.S. Music Royalty Fee increased, that increase was offset by a reduction in December 2010 in the rate charged on primary subscriptions.

Other revenue is dependent upon the U.S. Music Royalty Fee and the royalty from our Canadian affiliate. We expect other revenue to increase as our subscriber base drives higher U.S. Music Royalty Fees and as the performance of our Canadian affiliate improves.

Operating Expenses

Revenue Share and Royalties include distribution and content provider revenue share, advertising revenue share, and broadcast and web streaming royalties. Advertising revenue share is recognized in revenue share and royalties in the period in which the advertising is broadcast.

- *2012 vs. 2011:* For the years ended December 31, 2012 and 2011, revenue share and royalties were \$551,012 and \$471,149, respectively, an increase of 17%, or \$79,863, and increased as a percentage of total revenue. The increase was primarily attributable to greater revenues subject to royalty and/or revenue sharing arrangements and a 7% increase in the statutory royalty rate for the performance of sound recordings, partially offset by an increase in the benefit to earnings from the amortization of deferred credits on executory contracts initially recognized in purchase price accounting associated with the Merger.
- *2011 vs. 2010:* For the years ended December 31, 2011 and 2010, revenue share and royalties were \$471,149 and \$435,410, respectively, an increase of 8%, or \$35,739. For the year ended December 31, 2011, revenue share and royalties remained flat as a percentage of total revenue. The increase in revenue share and royalties was primarily attributable to a 14% increase in our revenues subject to royalty and/or revenue sharing arrangements and a 7% increase in the statutory royalty rate for the performance of sound recordings, partially offset by a \$18,974 increase in the benefit to earnings from the amortization of deferred credits on executory contracts initially recognized in purchase price accounting associated with the Merger.

We expect our revenue share and royalty costs to increase as our revenues grow. Under the terms of the Copyright Royalty Board's decision, we paid royalties of 8.0% and 7.5% of gross revenues, subject to certain exclusions, for the years ended December 31, 2012, and 2011, respectively, and will pay 9.0% in 2013. The deferred credits on executory contracts initially recognized in purchase price accounting associated with the Merger are expected to provide increasing benefits to revenue share and royalties through the expiration of the acquired executory contracts in 2013.

Programming and Content includes costs to acquire, create, promote and produce content. We have entered into various agreements with third parties for music and non-music programming that require us to pay license fees, purchase advertising on media properties owned or controlled by the licensor, which is allocated to sales and marketing, and pay other guaranteed amounts.

- *2012 vs. 2011:* For the years ended December 31, 2012 and 2011, programming and content expenses were \$278,997 and \$281,234, respectively, a decrease of 1%, or \$2,237, and decreased as a percentage of total revenue. The decrease was primarily due to savings in content agreements, partially offset by increases in personnel costs and reductions in the benefit to earnings from purchase price accounting adjustments associated with the Merger attributable to the amortization of the deferred credit on acquired programming executory contracts.
- *2011 vs. 2010:* For the years ended December 31, 2011 and 2010, programming and content expenses were \$281,234 and \$305,914, respectively, a decrease of 8%, or \$24,680, and decreased as a percentage of total revenue. The decrease was primarily due to savings in content agreements and production costs,

partially offset by increases in personnel costs and an $8,394 reduction in the benefit to earnings from purchase price accounting adjustments associated with the Merger attributable to the amortization of the deferred credit on acquired programming executory contracts.

Excluding the impact from purchase accounting adjustments, based on our current programming offerings, we expect our programming and content expenses to decrease as agreements expire and are renewed or replaced on more cost effective terms. The impact of purchase price accounting adjustments associated with the Merger attributable to the amortization of the deferred credit on acquired programming executory contracts will continue to decline, in absolute amount and as a percentage of reported programming and content costs, through 2015. Substantially all of the deferred credits on executory contracts will be amortized by the end of 2013.

Customer Service and Billing includes costs associated with the operation and management of third party customer service centers, and our subscriber management systems as well as billing and collection costs, transaction fees and bad debt expense.

- *2012 vs. 2011:* For the years ended December 31, 2012 and 2011, customer service and billing expenses were $294,980 and $259,719, respectively, an increase of 14%, or $35,261, but remained flat as a percentage of total revenue. The increase was primarily due to longer average handle time per call and higher subscriber volume driving increased subscriber contacts and higher technology costs.
- *2011 vs. 2010:* For the years ended December 31, 2011 and 2010, customer service and billing expenses were $259,719 and $241,680, respectively, an increase of 7%, or $18,039, but remained flat as a percentage of total revenue. The increase was primarily attributable to an 8% increase in daily weighted average number of subscribers which drove higher call volume, billing and collection costs, transaction fees, as well as increased handle time per call and personnel costs. This increase was partially offset by lower agent rates, fewer contacts per subscriber and lower general operating costs.

We expect our customer service and billing expenses to increase as our subscriber base grows.

Satellite and Transmission consists of costs associated with the operation and maintenance of our satellites; satellite telemetry, tracking and control systems; terrestrial repeater networks; satellite uplink facilities; broadcast studios; and delivery of our Internet streaming service.

- *2012 vs. 2011:* For the years ended December 31, 2012 and 2011, satellite and transmission expenses were $72,615 and $75,902, respectively, a decrease of 4%, or $3,287, and decreased as a percentage of total revenue. The decrease was primarily due to a reduction of satellite in-orbit insurance expense as we elected not to renew insurance policies on certain older satellites.
- *2011 vs. 2010:* For the years ended December 31, 2011 and 2010, satellite and transmission expenses were $75,902 and $80,947, respectively, a decrease of 6%, or $5,045, and decreased as a percentage of total revenue. The decrease was due to savings in repeater expenses from network optimization along with favorable lease renewals, a reduction of satellite in-orbit insurance expense, and a transition to more cost-effective approaches to satellite and broadcast operations.

We expect overall satellite and transmission expenses to increase as we enhance our Internet-based service and add functionality, launch our FM-6 satellite and incur in-orbit insurance costs, and extend our terrestrial repeater network.

Cost of Equipment includes costs from the sale of satellite radios, components and accessories and provisions for inventory allowance attributable to products purchased for resale in our direct to consumer distribution channels.

- *2012 vs. 2011:* For the years ended December 31, 2012 and 2011, cost of equipment was $31,766 and $33,095, respectively, a decrease of 4%, or $1,329, and decreased as a percentage of equipment revenue. The decrease was primarily due to lower direct to consumer sales, partially offset by higher inventory reserves.

- *2011 vs. 2010:* For the years ended December 31, 2011 and 2010, cost of equipment was $33,095 and $35,281, respectively, a decrease of 6%, or $2,186, and decreased as a percentage of equipment revenue. The decrease was primarily due to lower volume of direct to consumer sales.

We expect cost of equipment to vary with changes in sales, supply chain management and inventory valuations.

Subscriber Acquisition Costs include hardware subsidies paid to radio manufacturers, distributors and automakers, including subsidies paid to automakers who include a satellite radio and subscription to our service in the sale or lease price of a new vehicle; subsidies paid for chip sets and certain other components used in manufacturing radios; device royalties for certain radios and chip sets; commissions paid to automakers as incentives to purchase, install and activate satellite radios; product warranty obligations; freight; and provisions for inventory allowances attributable to inventory consumed in our OEM and retail distribution channels. The majority of subscriber acquisition costs are incurred and expensed in advance of, or concurrent with, acquiring a subscriber. Subscriber acquisition costs do not include advertising, marketing, loyalty payments to distributors and dealers of satellite radios or revenue share payments to automakers and retailers of satellite radios.

- *2012 vs. 2011:* For the years ended December 31, 2012 and 2011, subscriber acquisition costs were $474,697 and $434,482, respectively, an increase of 9%, or $40,215, and decreased as a percentage of total revenue. The increase was primarily a result of higher subsidies related to increased OEM installations occurring in advance of acquiring the subscriber, partially offset by improved OEM subsidy rates per vehicle and increases in the benefit to earnings from the amortization of the deferred credit for acquired executory contracts recognized in purchase price accounting associated with the Merger.
- *2011 vs. 2010:* For the years ended December 31, 2011 and 2010, subscriber acquisition costs were $434,482 and $413,041, respectively, an increase of 5%, or $21,441, and decreased as a percentage of total revenue. The increase was primarily a result of the 12% increase in gross subscriber additions and higher subsidies related to increased OEM installations occurring in advance of acquiring the subscriber, partially offset by improved OEM subsidy rates per vehicle and a $6,052 increase in the benefit to earnings from the amortization of the deferred credit for acquired executory contracts recognized in purchase price accounting associated with the Merger.

We expect total subscriber acquisition costs to fluctuate with increases or decreases in OEM installations and changes in our gross subscriber additions. Changes in contractual OEM subsidy rates and the cost of subsidized radio components will also impact total subscriber acquisition costs. The impact of purchase price accounting adjustments associated with the Merger attributable to the amortization of the deferred credit for acquired executory contracts will vary, in absolute amount and as a percentage of reported subscriber acquisition costs, through the expiration of the acquired contracts in 2013. We intend to continue to offer subsidies, commissions and other incentives to acquire subscribers.

Sales and Marketing includes costs for advertising, media and production, including promotional events and sponsorships; cooperative marketing; customer acquisition and retention, and personnel. Cooperative marketing costs include fixed and variable payments to reimburse retailers and automakers for the cost of advertising and other product awareness activities performed on our behalf. Customer acquisition and retention costs include expenses related to direct mail, outbound telemarketing and email.

- *2012 vs. 2011:* For the years ended December 31, 2012 and 2011, sales and marketing expenses were $248,905 and $222,773, respectively, an increase of 12%, or $26,132, and remained flat as a percentage of total revenue. The increase was primarily due to additional subscriber communications and retention programs associated with a greater number of subscribers and promotional trials, and higher OEM cooperative marketing.
- *2011 vs. 2010:* For the years ended December 31, 2011 and 2010, sales and marketing expenses were $222,773 and $215,454, respectively, an increase of 3%, or $7,319, and decreased as a percentage of total

revenue. The increase was primarily due to increased subscriber communications and retention programs associated with a greater number of subscribers and promotional trials, partially offset by reductions in consumer advertising and event marketing.

We anticipate that sales and marketing expenses will increase as we launch seasonal advertising and promotional initiatives to attract new subscribers, and launch and expand programs to retain our existing subscribers and win-back former subscribers. The impact of purchase price accounting adjustments associated with the Merger attributable to the amortization of the deferred credit on acquired sales and marketing contracts will continue to decline, in absolute amount and as a percentage of reported sales and marketing costs, through 2013.

Engineering, Design and Development includes costs to develop chip sets and new products and services, research and development for broadcast information systems and costs associated with the incorporation of our radios into vehicles manufactured by automakers.

- *2012 vs. 2011:* For the years ended December 31, 2012 and 2011, engineering, design and development expenses were $48,843 and $53,435, respectively, a decrease of 9%, or $4,592, and decreased as a percentage of total revenue. The decrease was driven primarily by a reversal of certain non-recurring engineering charges, partially offset by higher product development costs, costs related to the development of enhanced subscriber features and functionality for our service and higher personnel costs.
- *2011 vs. 2010:* For the years ended December 31, 2011 and 2010, engineering, design and development expenses were $53,435 and $45,390, respectively, an increase of 18%, or $8,045, and remained flat as a percentage of total revenue. The increase was primarily due to higher product development costs and costs related to enhanced subscriber features and functionality, partially offset by lower share-based payment expenses.

We expect engineering, design and development expenses to increase in future periods as we develop our next generation chip sets and products.

General and Administrative includes executive management, rent and occupancy, finance, legal, human resources, information technology, and insurance costs.

- *2012 vs. 2011:* For the years ended December 31, 2012 and 2011, general and administrative expenses were $261,905 and $238,738, respectively, an increase of 10%, or $23,167, but remained flat as a percentage of total revenue. The increase was primarily due to higher personnel costs, including share-based payment expenses, office rent expenses and professional fees, partially offset by lower litigation settlement charges.
- *2011 vs. 2010:* For the years ended December 31, 2011 and 2010, general and administrative expenses were $238,738 and $240,970, respectively, a decrease of 1%, or $2,232, and decreased as a percentage of total revenue. The decrease was primarily due to lower share-based payment expense, as well as lower general operating expenses, including rent, insurance and information technology costs.

We expect our general and administrative expenses to increase in future periods as a result of, among other things, enhanced information technology and personnel costs to support the growth of our business.

Depreciation and Amortization represents the systematic recognition in earnings of the acquisition cost of assets used in operations, including our satellite constellations, property, equipment and intangible assets, over their estimated service lives.

- *2012 vs. 2011:* For the years ended December 31, 2012 and 2011, depreciation and amortization expense was $266,295 and $267,880, respectively, a decrease of 1%, or $1,585, and decreased as a percentage of total revenue. The decrease was driven by reductions in the amortization of subscriber relationships and depreciation recognized on assets placed in-service as certain assets reached the end of their estimated service lives.

- *2011 vs. 2010:* For the years ended December 31, 2011 and 2010, depreciation and amortization expense was $267,880 and $273,691, respectively, a decrease of 2%, or $5,811, and decreased as a percentage of total revenue. The decrease was primarily due to a reduction in the amortization of subscriber relationships, partially offset by depreciation recognized on additional assets placed in service.

We expect depreciation expense to increase in future periods as we launch our FM-6 satellite, which will be partially offset by reduced amortization associated with the stepped-up basis in assets acquired in the Merger (including intangible assets, satellites, property and equipment) through the end of their estimated service lives, principally through 2017.

Restructuring, Impairments and Related Costs represents charges related to the reorganization of our staff and restructuring of contracts, as well as charges related to the impairment of assets when those costs are deemed to provide no future benefit.

- *2012 vs. 2011:* In 2012 and 2011, we did not record any restructuring, impairments and related costs.
- *2011 vs. 2010:* For the year ended December 31, 2010, restructuring, impairments and related costs were $63,800 primarily due to the impairment of our FM-4 satellite as a result of the launch of our XM-5 satellite in 2010 and contract terminations.

Other Income (Expense)

Interest Expense, Net of Amounts Capitalized, includes interest on outstanding debt, reduced by interest capitalized in connection with the construction of our satellites and related launch vehicles.

- *2012 vs. 2011:* For the years ended December 31, 2012 and 2011, interest expense was $265,321 and $304,938, respectively, a decrease of 13%, or $39,617. The decrease was primarily due to a lower average outstanding debt balance and a mix of outstanding debt with lower interest rates.
- *2011 vs. 2010:* For the years ended December 31, 2011 and 2010, interest expense was $304,938 and $295,643, respectively, an increase of 3%, or $9,295. The increase was primarily due to lower capitalized interest related to the construction of our satellites and related launch vehicles, partially offset by outstanding debt with lower interest rates.

We expect interest expense to decrease in future periods due to debt retirements at maturity, redemptions and repurchases in 2012. The decrease will be partially offset by a decrease in capitalized interest following the launch of our FM-6 satellite.

Loss on Extinguishment of Debt and Credit Facilities, Net, includes losses incurred as a result of the conversion and retirement of certain debt.

- *2012 vs. 2011:* For the year ended December 31, 2012, loss on extinguishment of debt and credit facilities, net, was $132,726. The loss was recorded on the repayment of our 13% Senior Notes due 2013 and our 9.75% Senior Secured Notes due 2015. During the year ended December 31, 2011, a $7,206 loss was recorded on the repayment of our 11.25% Senior Secured Notes due 2013 and our 3.25% Convertible Notes due 2011.
- *2011 vs. 2010:* For the year ended December 31, 2011, loss on extinguishment of debt and credit facilities, net, was $7,206. During the year ended December 31, 2010, a $120,120 loss was recorded on the repayment of our Senior Secured Term Loan due 2012 and 9.625% Senior Notes due 2013 and XM's 10% Senior PIK Secured Notes due 2011 and 9.75% Senior Notes due 2014, as well as the partial repayment of XM's 11.25% Senior Secured Notes due 2013 and our 3.25% Convertible Notes due 2011.

Interest and Investment Income (Loss) includes realized gains and losses, dividends, interest income, our share of Sirius Canada's and XM Canada's pre-Merger net losses, and our share of the income (loss) of Sirius XM Canada.

- *2012 vs. 2011:* For the year ended December 31, 2012, interest and investment income was $716 compared to $73,970 in 2011. The interest and investment income for 2012 was primarily due to interest on our investments and our share of Sirius XM Canada's net income, partially offset by the amortization expense related to our equity method intangible assets. The interest and investment income for 2011 was primarily due to income from our interests in Sirius XM Canada due to the realized net gain from the Canada Merger in the second quarter of 2011.
- *2011 vs. 2010:* For the years ended December 31, 2011 and 2010, interest and investment income (loss) was $73,970 and $(5,375), respectively, an increase of $79,345. The increase was attributable to a net gain realized as a result of the Canada Merger. This transaction resulted in the recognition of a $75,768 gain recorded in interest and investment income. The gain was partially offset by our share of net losses at our Canadian affiliate.

Income Taxes

Income Tax Benefit (Expense) includes the reversal of substantially all of our deferred income tax valuation allowance, the change in our deferred tax liability related to the difference in accounting for our FCC licenses, which are amortized over 15 years for tax purposes but not amortized for book purposes in accordance with GAAP, foreign withholding taxes on royalty income, and the effect of changes in certain state laws related to the utilization of net operating losses ("NOLs").

- *2012 vs. 2011:* For the year ended December 31, 2012, income tax benefit was $2,998,234 compared to income tax expense of $(14,234) for 2011. For the year ended December 31, 2012, we released $3,195,651 of valuation allowance due to the cumulative positive evidence that it is more likely than not that our deferred tax assets will be realized.
- *2011 vs. 2010:* For the years ended December 31, 2011 and 2010, income tax expense was $14,234 and $4,620, respectively, an increase of 208%, or $9,614, primarily due to an increase in the applicable state effective tax rates, foreign withholding taxes on royalty income and the state tax impact of the suspension of NOL use in California and Illinois.

As of December 31, 2012, the deferred tax asset valuation allowance of $9,835 relates to deferred tax assets that are not likely to be realized due to certain state NOL limitations.

Subscriber Data

The following table contains subscriber data for the years ended December 31, 2012, 2011 and 2010, respectively:

	Unaudited		
	For the Years Ended December 31,		
	2012	2011	2010
Beginning subscribers	21,892,824	20,190,964	18,772,758
Gross subscriber additions	9,617,771	8,696,020	7,768,827
Deactivated subscribers	(7,610,259)	(6,994,160)	(6,350,621)
Net additions	2,007,512	1,701,860	1,418,206
Ending subscribers	23,900,336	21,892,824	20,190,964
Self-pay	19,570,274	17,908,742	16,686,799
Paid promotional	4,330,062	3,984,082	3,504,165
Ending subscribers	23,900,336	21,892,824	20,190,964
Self-pay	1,661,532	1,221,943	982,867
Paid promotional	345,980	479,917	435,339
Net additions	2,007,512	1,701,860	1,418,206
Daily weighted average number of subscribers	22,794,170	20,903,908	19,385,055
Average self-pay monthly churn	1.9%	1.9%	1.9%
New vehicle consumer conversion rate	45%	45%	46%

Note: See pages 20 through 26 for glossary.

Subscribers. At December 31, 2012, we had 23,900,336 subscribers, an increase of 2,007,512 subscribers, or 9%, from the 21,892,824 subscribers as of December 31, 2011.

- *2012 vs. 2011:* For the years ended December 31, 2012 and 2011, net additions were 2,007,512 and 1,701,860, respectively, an increase of 18%, or 305,652. The improvement was due to the increase in gross subscriber additions, primarily resulting from higher new vehicle shipments and light vehicle sales, as well as an increase in the number of conversions from unpaid promotional trials and returning subscriber activations, including consumers in previously owned vehicles. This increase in gross additions was partially offset by an increase in deactivations. The increase in deactivations was primarily due to paid promotional trial deactivations stemming from the growth of paid trials and increased self-pay deactivations from our larger subscriber base.
- *2011 vs. 2010*: For the years ended December 31, 2011 and 2010, net additions were 1,701,860 and 1,418,206, respectively, an increase in net additions of 20%, or 283,654. The improvement was due to the 12% increase in gross subscriber additions, primarily resulting from an increase in U.S. light vehicle sales, new vehicle penetration, and returning subscriber activations including previously owned car acquisitions. This increase in gross additions was partially offset by the 10% increase in deactivations, which was primarily due to an increase in paid promotional trial volume along with growth in our subscriber base.

Average Self-pay Monthly Churn for the year is derived from the average of the quarterly average self-pay monthly churn during the year. Average self-pay monthly churn for a quarter is derived by dividing the monthly average of self-pay deactivations for a quarter by the average self-pay subscriber balance for a quarter. (See accompanying glossary on pages 20 through 26 for more details.)

- *2012 vs. 2011:* For the years ended December 31, 2012 and 2011, our average self-pay monthly churn rate was 1.9%.

- *2011 vs. 2010:* For the years ended December 31, 2011 and 2010, our average self-pay monthly churn rate was 1.9%.

New Vehicle Consumer Conversion Rate is the percentage of owners and lessees of new vehicles that receive our service and convert to become self-paying subscribers after an initial promotional period. The metric excludes rental and fleet vehicles. (See accompanying glossary on pages 20 through 26 for more details).

- *2012 vs. 2011:* For the years ended December 31, 2012 and 2011, the new vehicle consumer conversion rate was 45%.
- *2011 vs. 2010:* For the years ended December 31, 2011 and 2010, the new vehicle consumer conversion rate was 45% and 46%, respectively. The decrease was primarily due to the changing mix of sales among OEMs and operational issues impacting the timing of the receipt of customer information and prompt marketing communications with buyers and lessees of vehicles.

Adjusted Results of Operations

In this section, we present certain financial performance measures that are not calculated and presented in accordance with generally accepted accounting principles in the United States of America ("Non-GAAP"). These Non-GAAP financial measures include: average monthly revenue per subscriber, or ARPU; customer service and billing expenses, per average subscriber; subscriber acquisition cost, or SAC, per gross subscriber addition; free cash flow; and adjusted EBITDA. These measures exclude the impact of certain purchase price accounting adjustments. We use these Non-GAAP financial measures to manage our business, to set operational goals and as a basis for determining performance-based compensation for our employees.

The purchase price accounting adjustments include the elimination of the earnings benefit of deferred revenue associated with our investment in Sirius XM Canada, the recognition of subscriber revenues not recognized in purchase price accounting and the elimination of the earnings benefit of deferred credits on executory contracts, which are primarily attributable to third party arrangements with an OEM and certain programming providers.

Our adjusted EBITDA also reallocates share-based payment expense from functional operating expense line items to a separate line within operating expenses. We believe the exclusion of share-based payment expense from functional operating expenses is useful given the significant variation in expense that can result from changes in the fair value as determined by the Black-Scholes-Merton model, which varies based on assumptions used for the expected life, expected stock price volatility and risk-free interest rates, the effect of which is unrelated to the operational conditions that give rise to variations in the components of our operating costs.

Free cash flow is a metric that our management and board of directors use to evaluate the cash generated by our operations, net of capital expenditures and other investment activity. In a capital intensive business, with significant historical and current investments in satellites, we look at our operating cash flow, net of these investing cash outflows, to determine cash available for future subscriber acquisition and capital expenditures, to repurchase or retire debt, to acquire other companies and to evaluate our ability to return capital to stockholders. We believe free cash flow is an indicator of the long-term financial stability of our business. Free cash flow, which is reconciled to "Net cash provided by operating activities", is a non-GAAP financial measure. This measure can be calculated by deducting amounts under the captions "Additions to property and equipment" and deducting or adding Restricted and other investment activity from "Net cash provided by operating activities" from the consolidated statements of cash flows. Free cash flow should be used in conjunction with other GAAP financial performance measures and may not be comparable to free cash flow measures presented by other companies. Free cash flow should be viewed as a supplemental measure rather than an alternative measure of cash flows from operating activities, as determined in accordance with GAAP. Free cash flow is limited and does not represent remaining cash flows available for discretionary expenditures due to the fact that the measure does not deduct the payments required for debt maturities. We believe free cash flow provides useful supplemental information to investors regarding our current and projected cash flow, along with other GAAP measures (such as cash flows from operating and investing activities), to determine our financial condition, and to compare our operating performance to other communications, entertainment and media companies.

We believe these Non-GAAP financial measures provide useful information to investors regarding our financial condition and results of operations. We believe investors find these Non-GAAP financial performance measures useful in evaluating our core trends because it provides a direct view of our underlying contractual costs. We believe investors use our current and projected adjusted EBITDA to estimate our current or prospective enterprise value and to make investment decisions. By providing these Non-GAAP financial measures, together with the reconciliations to the most directly comparable GAAP measure, we believe we are enhancing investors' understanding of our business and our results of operations.

These Non-GAAP financial measures should be viewed in addition to, and not as an alternative for or superior to, our reported results prepared in accordance with GAAP. Please refer to the glossary (pages 20 through 26) for a further discussion of such Non-GAAP financial measures and reconciliations to the most directly comparable GAAP measure.

The following table contains our key operating metrics based on our adjusted results of operations for the years ended December 31, 2012, 2011 and 2010, respectively:

	Unaudited Adjusted		
	For the Years Ended December 31,		
	2012	2011	2010
(in thousands, except for per subscriber amounts)			
ARPU	$ 12.00	$ 11.58	$ 11.73
SAC, per gross subscriber addition	$ 54	$ 55	$ 59
Customer service and billing expenses, per average subscriber	$ 1.07	$ 1.03	$ 1.03
Free cash flow	$709,446	$415,742	$210,481
Adjusted EBITDA	$920,343	$731,018	$626,288

Note: See pages 20 through 26 for glossary.

ARPU is derived from total earned subscriber revenue, net advertising revenue and other subscription-related revenue, net of purchase price accounting adjustments, divided by the number of months in the period, divided by the daily weighted average number of subscribers for the period. (See accompanying glossary on pages 20 through 26 for more details.)

- *2012 vs. 2011*: For the years ended December 31, 2012 and 2011, ARPU was $12.00 and $11.58, respectively. The increase was driven primarily by the increase in certain of our subscription rates beginning in January 2012, and an increase in subscriptions to premium services, partially offset by subscription discounts offered through customer acquisition and retention programs and a decrease in the contribution from the U.S. Music Royalty Fee.
- *2011 vs. 2010*: For the years ended December 31, 2011 and 2010, ARPU was $11.58 and $11.73, respectively. The decrease was driven primarily by an increase in subscription discounts offered through customer acquisition and retention programs and a decrease in the contribution from the U.S. Music Royalty Fee, partially offset by an increase in subscriptions to our premium services, including Premier packages, data services and Internet subscriptions.

SAC, Per Gross Subscriber Addition, is derived from subscriber acquisition costs and margins from the sale of radios, components and accessories, excluding share-based payment expense and purchase price accounting adjustments, divided by the number of gross subscriber additions for the period. (See accompanying glossary on pages 20 through 26 for more details.)

- *2012 vs. 2011*: For the years ended December 31, 2012 and 2011, SAC, per gross subscriber addition, was $54 and $55, respectively. The decrease was primarily due to improved OEM subsidy rates per vehicle, partially offset by higher subsidies related to increased OEM installations occurring in advance of acquiring the subscriber.

- *2011 vs. 2010*: For the years ended December 31, 2011 and 2010, SAC, per gross subscriber addition, was $55 and $59, respectively. The decrease was primarily due to lower per radio subsidy rates for certain OEMs and growth in subscriber reactivations and royalties from radio manufacturers.

Customer Service and Billing Expenses, Per Average Subscriber, is derived from total customer service and billing expenses, excluding share-based payment expense and purchase price accounting adjustments, divided by the number of months in the period, divided by the daily weighted average number of subscribers for the period. (See accompanying glossary on pages 20 through 26 for more details.)

- *2012 vs. 2011*: For the years ended December 31, 2012 and 2011, customer service and billing expenses, per average subscriber, were $1.07 and $1.03, respectively. The increase was primarily due to longer average handle time per call and higher technology costs.

- *2011 vs. 2010*: For the years ended December 31, 2011 and 2010, customer service and billing expenses, per average subscriber, were $1.03.

Free Cash Flow includes the net cash provided by operations, additions to property and equipment, and other investing activity. (See accompanying glossary on pages 20 through 26 for more details.)

- *2012 vs. 2011*: For the years ended December 31, 2012 and 2011, free cash flow was $709,446 and $415,742, respectively, an increase of $293,704. The increase was primarily driven by higher net cash provided by operating activities resulting from improved operating performance and higher collections from subscribers and distributors, as well as a decrease in capital expenditures resulting from lower satellite and related launch vehicle construction costs.

- *2011 vs. 2010*: For the years ended December 31, 2011 and 2010, free cash flow was $415,742 and $210,481, respectively, an increase of $205,261. The increase was primarily driven by higher net cash provided by operating activities resulting from improved operating performance, cash received from the Canada Merger, higher collections from subscribers and distributors, and the repayment in the first quarter of 2010 of liabilities deferred in 2009, as well as a decrease in capital expenditures for the year ended December 31, 2011 resulting from decreased satellite construction and launch expenditures due to the launch in 2010 of our XM-5 satellite, an increase in restricted and other investment activities driven by the return of capital resulting from the Canada Merger; partially offset by proceeds from the sale of investment securities in the year ended December 31, 2010.

Adjusted EBITDA. EBITDA is defined as net income before interest and investment income (loss); interest expense, net of amounts capitalized; income tax benefit (expense) and depreciation and amortization. Adjusted EBITDA removes the impact of other income and expense, losses on extinguishment of debt as well as certain other charges, such as goodwill impairment; restructuring, impairments and related costs; certain purchase price accounting adjustments and share-based payment expense. (See the accompanying glossary on pages 20 through 26 for more details):

- *2012 vs. 2011*: For the years ended December 31, 2012 and 2011, adjusted EBITDA was $920,343 and $731,018, respectively, an increase of 26%, or $189,325. The increase was primarily due to increases in adjusted revenues, partially offset by increases in expenses included in adjusted EBITDA. The increase in adjusted revenues was primarily due to the increase in our subscriber base and the increase in certain of our subscription rates. The increase in expenses was primarily driven by higher revenue share and royalties expenses associated with growth in revenues, higher subscriber acquisition costs related to increased gross subscriber additions and subsidies related to increased OEM installations, customer service and billing costs related to longer average handle times and higher subscriber volume, and higher sales and marketing costs related to subscriber communications and cooperative marketing, partially offset by lower programming and content costs.

- *2011 vs. 2010*: For the years ended December 31, 2011 and 2010, adjusted EBITDA was $731,018 and $626,288, respectively, an increase of 17%, or $104,730. The increase was primarily due to an increase in adjusted revenues, partially offset by an increase in expenses included in adjusted EBITDA. The increase in adjusted revenues was primarily due to the increase in our subscriber base. The increase in expenses was primarily driven by higher revenue share and royalties expenses associated with growth in revenues, increased customer service and billing expenses associated with subscriber growth and higher subscriber acquisition costs related to the 12% increase in gross additions, partially offset by lower programming and content costs.

Liquidity and Capital Resources

Cash Flows for the Year Ended December 31, 2012 Compared with the Year Ended December 31, 2011 and Year Ended December 31, 2011 Compared with the Year Ended December 31, 2010

As of December 31, 2012, 2011 and 2010, we had $520,945, $773,990 and $586,691, respectively, of cash and cash equivalents. The following table presents a summary of our cash flow activity for the periods set forth below:

	For the Years Ended December 31,				
	2012	2011	2010	2012 vs. 2011	2011 vs. 2010
Net cash provided by operating activities	$ 806,765	$ 543,630	$ 512,895	$ 263,135	$ 30,735
Net cash used in investing activities	(97,319)	(127,888)	(302,414)	30,569	174,526
Net cash used in financing activities	(962,491)	(228,443)	(7,279)	(734,048)	(221,164)
Net (decrease) increase in cash and cash equivalents	(253,045)	187,299	203,202	(440,344)	(15,903)
Cash and cash equivalents at beginning of period	773,990	586,691	383,489	187,299	203,202
Cash and cash equivalents at end of period	$ 520,945	$ 773,990	$ 586,691	$(253,045)	$ 187,299

Cash Flows Provided by Operating Activities

Cash provided by operating activities increased by $263,135 to $806,765 for the year ended December 31, 2012 from $543,630 for the year ended December 31, 2011. Cash provided by operating activities increased by $30,735 to $543,630 for the year ended December 31, 2011 from cash provided by operating activities of $512,895 for the year ended December 31, 2010. The primary driver of our operating cash flow growth has been improvements in profitability.

- Our net income was $3,472,702, $426,961 and $43,055 for the years ended December 31, 2012, 2011 and 2010, respectively. Excluding the $3,001,818 non-cash deferred tax valuation allowance reversal in 2012, our increase in net income was primarily driven by an increase in our subscriber revenues of $367,251, or 14%, and $181,240, or 8%, for the years ended December 31, 2012 and 2011, respectively, attributable to the increase in daily weighted average subscribers, an increase in certain of our subscription rates beginning in January 2012, and an increase in subscriptions to premium services, including Premier packages, data services and streaming. Our growth in revenue was partially offset by an increase in our operating expenses of $191,608, or 8%, for the year ended December 31, 2012. Operating expenses for the year ended December 31, 2011 were flat compared December 31, 2010. The increase in operating expenses for the year ended December 31, 2012 was primarily driven by higher revenue share and royalties expenses associated with growth in revenues, higher subscriber acquisition costs related to an 11% increase in gross subscriber additions and subsidies related to increased OEM installations, customer service and billing costs related to longer average handle times and higher subscriber volume, and higher sales and marketing costs related to subscriber communications and cooperative marketing.

- Net non-cash adjustments to net income were $(2,758,067), $66,975 and $357,743 for the years ended December 31, 2012, 2011 and 2010, respectively. Significant components of non-cash expenses, and their impact on cash flows from operating activities, include the following:

	For the Years Ended December 31,		
	2012	2011	2010
Depreciation and amortization	$ 266,295	$ 267,880	$ 273,691
Restructuring, impairments and related costs	$ —	$ —	$ 66,731
Loss on extinguishment of debt and credit facilities, net	$ 132,726	$ 7,206	$ 120,120
Gain on merger of unconsolidated entities	$ —	$ (75,768)	$ —
Share-based payment expense	$ 63,822	$ 53,190	$ 60,437
Deferred income taxes	$(3,001,818)	$ 8,264	$ 2,308
Other non-cash purchase price adjustments	$ (289,050)	$(275,338)	$(250,727)

Depreciation and amortization expense is expected to increase in future periods as we recognize depreciation expense upon the launch of our FM-6 satellite.

Included in restructuring, impairments and related costs for the year ended December 31, 2010 are contract termination costs of $7,361 and a loss on the full impairment of our FM-4 satellite of $56,100.

Loss on extinguishment of debt and credit facilities, net, includes losses incurred as a result of retirement of certain debt instruments. Future charges related to the retirement of debt are dependent upon many factors, including our ability to refinance or retire specific debt instruments.

Gain on merger of unconsolidated entities represents the gain on the Canada Merger which closed in June 2011.

Share-based payment expense is expected to increase in future periods as we grant equity awards to our employees and directors. Compensation expense for share-based awards is recorded in the financial statements based on the fair value of the underlying equity awards.

Deferred income taxes includes a benefit related to a reversal of substantially all of our deferred income tax valuation allowance as the cumulative positive evidence outweighed the historical negative evidence regarding the likelihood that our deferred tax asset will be realized.

Other non-cash purchase price adjustments include liabilities recorded as a result of the Merger related to executory contracts with an OEM and certain programming providers, as well as amortization resulting from changes in the value of deferred revenue as a result of the Merger.

Changes in operating assets and liabilities increased operating cash flows for the years ended December 31, 2012, 2011 and 2010 by $92,130, $49,694 and $112,097, respectively. As we continue to grow our subscriber and revenue base, we expect that deferred revenue and amounts due from customers and distributors will continue to increase. Amounts payable to vendors are also expected to increase as our business grows. The timing of payments to vendors and related parties are based in part on contractual commitments.

Cash Flows Used in Investing Activities

Cash used for investing activities consists primarily of capital expenditures for property and equipment. We will continue to incur significant costs to improve our terrestrial repeater network and broadcast and administrative infrastructure. In addition, we will continue to incur capital expenditures associated with our FM-6 satellite. After the launch of our FM-6 satellite, we anticipate no significant satellite capital expenditures for several years until it becomes necessary to replace satellites in our fleet.

- The decrease in cash used for investing activities was primarily due to lower satellite and related launch vehicle construction costs associated with our FM-6 satellite which is expected to launch in mid-2013 and following the launch of our XM-5 satellite in 2010.

Cash Flows Used in Financing Activities

Cash flows used in financing activities consists of the issuance and repayment of long-term debt and related party debt, cash proceeds from exercise of stock options and the issuance of a special cash dividend. Proceeds from long-term debt, related party debt and equity issuances have been used to fund our operations, construct and launch new satellites and invest in other infrastructure improvements.

- Cash flows used in financing activities in 2012 were primarily due to the repayment of the remaining balance of our 13% Senior Notes due 2013 and our 9.75% Senior Secured Notes due 2015, partially offset by the issuance of our 5.25% Senior Notes due 2022 and the exercise of stock options. The cash flows used in financing activities in 2011 were the result of the repayment of the remaining balance of our 11.25% Senior Secured Notes due 2013 and 3.25% Convertible Notes due 2011. In 2010, we repaid our Senior Secured Term Loan due 2012, 9.625% Senior Notes due 2013, XM's 10% Senior PIK Secured Notes due 2011 and 9.75% Senior Notes due 2014. We also partially repaid XM's 11.25% Senior Secured Notes due 2013 and our 3.25% Convertible Notes due 2011 and paid a special cash dividend of approximately $327,000 during the fourth quarter of 2012 described below under "Special Dividend". We issued the following new debt in 2010: our 8.75% Senior Notes due 2015 and 7.625% Senior Notes due 2018.

Financings and Capital Requirements

We have historically financed our operations through the sale of debt and equity securities.

Future Liquidity and Capital Resource Requirements

We have entered into various agreements to design, construct and launch our satellites in the normal course of business. As disclosed in Note 15 to our consolidated financial statements in this Annual Report, as of December 31, 2012, we expect to incur satellite and transmission related expenditures of approximately $67,170 and $27,620 in 2013 and 2014, respectively, and an additional $42,043 thereafter, the majority of which is attributable to the construction and expected launch of our FM-6 satellite and related launch vehicle in 2013.

Based upon our current business plans, we believe that we have sufficient cash, cash equivalents and marketable securities to cover our estimated short-term and long-term funding needs. In 2012, we entered into a five year Senior Secured Revolving Credit Facility ("Credit Facility") which will be used for working capital and other general corporate purposes, including financing acquisitions, share repurchases and dividends. We expect to fund operating expenses, capital expenditures, working capital requirements, interest payments, taxes and scheduled maturities of our debt with existing cash, cash flow from operations and our Credit Facility, which we believe will be sufficient to meet our cash requirements.

Our ability to meet our debt and other obligations depends on our future operating performance and on economic, financial, competitive and other factors. We continually review our operations for opportunities to adjust the timing of expenditures to ensure that sufficient resources are maintained.

We regularly evaluate our business plans and strategy. These evaluations often result in changes to our business plans and strategy, some of which may be material and significantly change our cash requirements. These changes in our business plans or strategy may include: the acquisition of unique or compelling programming; the introduction of new features or services; significant new or enhanced distribution arrangements; investments in infrastructure, such as satellites, equipment or radio spectrum; and acquisitions, including acquisitions that are not directly related to our satellite radio business.

Special Dividend

On December 28, 2012, we paid a special cash dividend of $0.05 per share of common stock. This was the first cash dividend ever paid to our stockholders. Our Series B-1 Preferred Stock held by Liberty Radio, LLC, a wholly-owned subsidiary of Liberty Media Corporation, participated in this cash dividend on an as-converted basis in accordance with its terms. The total amount of this special dividend was approximately $327,000.

The dividend reflects the board's desire to return value to stockholders and its confidence in the long-term growth prospects of our business. We currently do not intend to declare recurring dividends on our common stock. Our board of directors has not made any determination whether similar special cash dividends will be paid in the future.

Our ability to pay dividends on our common stock is currently limited by covenants under our debt agreements. We retain sufficient capital capacity to continue making long-term investments in our programming, research and development initiatives and overall operations as well as pursue strategic opportunities which may arise. See Note 12 to our consolidated financial statements included in this Annual Report.

Stock Repurchase Program

In December 2012, we announced that our board of directors approved a $2,000,000 common stock repurchase program, which we will begin utilizing in 2013. Shares of common stock may be purchased from time to time on the open market or in privately negotiated transactions.

7% Exchangeable Senior Subordinated Notes due 2014

As a result of Liberty Media Corporation's beneficial ownership, a Fundamental Change occurred on January 17, 2013 under the indenture governing the Exchangeable Notes. In accordance with the indenture, on February 1, 2013, we made an offer to each holder of Exchangeable Notes to: (i) have the Company repurchase his or her Exchangeable Notes at a purchase price in cash equal to $1,000 per $1,000 principal amount of the Notes (plus accrued and unpaid interest to, but excluding March 1, 2013); or (ii) exchange his or her Exchangeable Notes for our common stock, at an exchange rate of 581.3112 shares per $1,000 principal amount of Notes, on or prior to March 1, 2013. This exchange rate is a benefit to the holders compared to an exchange rate of 543.1372 shares of common stock in effect prior to occurrence of such Fundamental Change. A holder of the Exchangeable Notes may also elect to retain his or her Notes pursuant to their terms through maturity on December 1, 2014, or otherwise transfer or exchange them in the ordinary course. We believe that we have sufficient resources to fund any required repurchases of the Exchangeable Notes.

Debt Covenants

The indentures and the credit agreement governing our debt include restrictive covenants. As of December 31, 2012, we were in compliance with the indentures and credit agreement governing our debt. For a discussion of our "Debt Covenants", refer to Note 12 to our consolidated financial statements in this Annual Report.

Off-Balance Sheet Arrangements

We do not have any significant off-balance sheet arrangements other than those disclosed in Note 15 to our consolidated financial statements in this Annual Report that are reasonably likely to have a material effect on our financial condition, results of operations, liquidity, capital expenditures or capital resources.

Contractual Cash Commitments

For a discussion of our "Contractual Cash Commitments," refer to Note 15 to our consolidated financial statements in this Annual Report.

Related Party Transactions

For a discussion of "Related Party Transactions," refer to Notes 10 and 18 to our consolidated financial statements in this Annual Report.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with U.S. GAAP, which require 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 revenues and expenses during the periods. Accounting estimates require the use of significant management assumptions and judgments as to future events, and the effect of those events cannot be predicted with certainty. The accounting estimates will change as new events occur, more experience is acquired and more information is obtained. We evaluate and update our assumptions and estimates on an ongoing basis and use outside experts to assist in that evaluation when we deem necessary. We have disclosed all significant accounting policies in Note 2 to our consolidated financial statements of this Annual Report.

Goodwill. Goodwill represents the excess of the purchase price over the estimated fair value of net tangible and identifiable intangible assets acquired in business combinations. Our annual impairment assessment of our single reporting unit is performed as of the fourth quarter of each year. Assessments are performed at other times if events or circumstances indicate it is more likely than not that the asset is impaired. Step one of the impairment assessment compares the fair value of the entity to its carrying value and if the fair value exceeds its carrying value, goodwill is not impaired. If the carrying value exceeds the fair value, the implied fair value of goodwill is compared to the carrying value of goodwill; an impairment loss will be recorded for the amount the carrying value exceeds the implied fair value. At the date of our annual assessment for 2012, the fair value of our single reporting unit substantially exceeded its carrying value and therefore was not at risk of failing step one of ASC 350-20, *Goodwill*. Subsequent to our annual evaluation of the carrying value of goodwill, there were no events or circumstances that triggered the need for an interim evaluation for impairment. As a result, there were no impairment charges to our goodwill during the years ended December 31, 2012 and 2011.

Long-Lived and Indefinite-Lived Assets. We carry our long-lived assets at cost less accumulated amortization and depreciation. We review our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset is not recoverable. At the time an impairment in the value of a long-lived asset is identified, the impairment is measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

Our annual impairment assessment of indefinite-lived assets, our FCC licenses and trademark, is performed as of the fourth quarter of each year and an assessment is made at other times if events or changes in circumstances indicate that it is more likely than not that the asset is impaired. ASU 2012-02, *Testing Indefinite-Lived Intangible Assets for Impairment,* establishes an option to first perform a qualitative assessment to determine whether it is more likely than not that an asset is impaired. If the qualitative assessment supports that it is more likely than not that the fair value of the asset exceeds its carrying value, a company would not be required to perform a quantitative impairment test. If the qualitative assessment does not support the fair value of the asset, then a quantitative assessment is performed. During the fourth quarter of 2012, a qualitative impairment analysis was performed and we determined that the fair value of our FCC licenses and trademark substantially exceeded the carrying value and therefore was not at risk of impairment. Our qualitative assessment includes the consideration of our long term financial projections, current and historical weighted average cost of capital and liquidity factors, legal and regulatory issues and industry and market pressures. Subsequent to our annual evaluation of the carrying value of our long-lived assets, there were no events or circumstances that triggered the need for an impairment evaluation.

During the year ended December 31, 2011, we used independent appraisals to assist in determining the fair value of our FCC licenses and trademark. The income approach, which is commonly called the "Jefferson Pilot Method" or the "Greenfield Method", was used to estimate the fair value of our FCC licenses and the "Relief from Royalty" method valuation approach was utilized to value our trademark.

There were no changes in the carrying value of our indefinite life intangible assets during the years ended December 31, 2012 and 2011.

Useful Life of Broadcast/Transmission System. Our satellite system includes the costs of our satellite construction, launch vehicles, launch insurance, capitalized interest, spare satellite, terrestrial repeater network and satellite uplink facilities. We monitor our satellites for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset is not recoverable.

We currently expect our first two in-orbit Sirius satellites launched in 2000 to operate effectively through 2013, our FM-3 satellite, which was also launched in 2000, to operate effectively through 2015, and our FM-5 satellite, launched in 2009, to operate effectively through 2024. In December 2010, we recorded an other than temporary charge for our FM-4 satellite, the ground spare held in storage since 2002. We operate five in-orbit XM satellites, three of which function as in-orbit spares. Two of the three in-orbit spare satellites were launched in 2001 and the other in 2010 while the other two satellites were launched in 2005 and 2006. We estimate that our XM-3, XM-4 and XM-5 satellites will meet their 15 year predicted depreciable lives, and that the depreciable lives of XM-1 and XM-2 will end in 2013.

Certain of our in-orbit satellites have experienced circuit failures on their solar arrays. We continue to monitor the operating condition of our in-orbit satellites. If events or circumstances indicate that the depreciable lives of our in-orbit satellites have changed, we will modify the depreciable life accordingly. If we were to revise our estimates, our depreciation expense would change. For example, a 10% decrease in the expected depreciable lives of satellites and spacecraft control facilities during 2012 would have resulted in approximately $20,616 of additional depreciation expense.

Income Taxes. Deferred income taxes are recognized for the tax consequences related to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for tax purposes, based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. In determining the period in which related tax benefits are realized for book purposes, excess share-based compensation deductions included in net operating losses are realized after regular net operating losses are exhausted; excess tax compensation benefits are recorded off balance-sheet as a memo entry until the period the excess tax benefit is realized through a reduction of taxes payable. A valuation allowance is recognized when, based on the weight of all available evidence, it is considered more likely than not that all, or some portion, of the deferred tax assets will not be realized. Income tax expense is the sum of current income tax plus the change in deferred tax assets and liabilities.

As of December 31, 2012, we have a valuation allowance of $9,835 which relates to deferred tax assets that are not likely due to certain state net operating loss limitations.

Recent Accounting Pronouncements

Information regarding accounting pronouncements is included in Note 2 to the consolidated financial statements.

Glossary

Adjusted EBITDA – EBITDA is defined as net income before interest and investment income (loss); interest expense, net of amounts capitalized; income tax expense and depreciation and amortization. We adjust EBITDA to remove the impact of other income and expense, loss on extinguishment of debt as well as certain other charges discussed below. This measure is one of the primary Non-GAAP financial measures on which we (i) evaluate the performance of our businesses, (ii) base our internal budgets and (iii) compensate management. Adjusted EBITDA is a Non-GAAP financial performance measure that excludes (if applicable): (i) certain adjustments as a result of the purchase price accounting for the Merger, (ii) goodwill impairment, (iii) restructuring, impairments, and related costs, (iv) depreciation and amortization and (v) share-based payment expense. The purchase price accounting adjustments include: (i) the elimination of deferred revenue associated with the investment in XM Canada, (ii) recognition of deferred subscriber revenues not recognized in purchase price accounting, and (iii) elimination of the benefit of deferred credits on executory contracts, which are primarily attributable to third party arrangements with an OEM and programming providers. We believe adjusted EBITDA is a useful measure of the underlying trend of our operating performance, which provides useful information about our business apart from the costs associated with our physical plant, capital structure and purchase price accounting. We believe investors find this Non-GAAP financial measure useful when analyzing our results and comparing our operating performance to the performance of other communications, entertainment and media companies. We believe investors use current and projected adjusted EBITDA to estimate our current and prospective enterprise value and to make investment decisions. Because we fund and build-out our satellite radio system through the periodic raising and expenditure of large amounts of capital, our results of operations reflect significant charges for depreciation expense. The exclusion of depreciation and amortization expense is useful given significant variation in depreciation and amortization expense that can result from the potential variations in estimated useful lives, all of which can vary widely across different industries or among companies within the same industry. We believe the exclusion of restructuring, impairments and related costs is useful given the nature of these expenses. We also believe the exclusion of share-based payment expense is useful given the significant variation in expense that can result from changes in the fair value as determined using the Black-Scholes-Merton model which varies based on assumptions used for the expected life, expected stock price volatility and risk-free interest rates.

Adjusted EBITDA has certain limitations in that it does not take into account the impact to our statements of comprehensive income of certain expenses, including share-based payment expense and certain purchase price accounting for the Merger. We endeavor to compensate for the limitations of the Non-GAAP measure presented by also providing the comparable GAAP measure with equal or greater prominence and descriptions of the reconciling items, including quantifying such items, to derive the Non-GAAP measure. Investors that wish to compare and evaluate our operating results after giving effect for these costs, should refer to net income as disclosed in our consolidated statements of comprehensive income. Since adjusted EBITDA is a Non-GAAP financial performance measure, our calculation of adjusted EBITDA may be susceptible to varying calculations; may not be comparable to other similarly titled measures of other companies; and should not be considered in isolation, as a substitute for, or superior to measures of financial performance prepared in accordance with GAAP. The reconciliation of net income to the adjusted EBITDA is calculated as follows (in thousands):

	Unaudited		
	For the Years Ended December 31,		
	2012	2011	2010
Net income (GAAP):	$ 3,472,702	$ 426,961	$ 43,055
Add back items excluded from Adjusted EBITDA:			
Purchase price accounting adjustments:			
Revenues (see pages 22-24)	7,479	10,910	21,906
Operating expenses (see pages 22-24)	(289,278)	(277,258)	(261,832)
Share-based payment expense, net of purchase price accounting adjustments	63,822	53,369	63,309
Depreciation and amortization (GAAP)	266,295	267,880	273,691
Restructuring, impairments and related costs (GAAP)	—	—	63,800
Interest expense, net of amounts capitalized (GAAP)	265,321	304,938	295,643
Loss on extinguishment of debt and credit facilities, net (GAAP)	132,726	7,206	120,120
Interest and investment (income) loss (GAAP)	(716)	(73,970)	5,375
Other loss (income) (GAAP)	226	(3,252)	(3,399)
Income tax (benefit) expense (GAAP)	(2,998,234)	14,234	4,620
Adjusted EBITDA	$ 920,343	$ 731,018	$ 626,288

Adjusted Revenues and Operating Expenses – We define this Non-GAAP financial measure as our actual revenues and operating expenses adjusted to exclude the impact of certain purchase price accounting adjustments and share-based payment expense. We use this Non-GAAP financial measure to manage our business, to set operational goals and as a basis for determining performance-based compensation for our employees. The following tables reconcile our actual revenues and operating expenses to our adjusted revenues and operating expenses for the years ended December 31, 2012, 2011 and 2010:

	Unaudited For the Year Ended December 31, 2012			
(in thousands)	**As Reported**	**Purchase Price Accounting Adjustments**	**Allocation of Share-based Payment Expense**	**Adjusted**
Revenue:				
Subscriber revenue	$2,962,665	$ 228	$ —	$2,962,893
Advertising revenue, net of agency fees	82,320	—	—	82,320
Equipment revenue	73,456	—	—	73,456
Other revenue	283,599	7,251	—	290,850
Total revenue	$3,402,040	$ 7,479	$ —	$3,409,519
Operating expenses				
Cost of services:				
Revenue share and royalties	$ 551,012	$146,601	$ —	$ 697,613
Programming and content	278,997	37,346	(6,120)	310,223
Customer service and billing	294,980	—	(1,847)	293,133
Satellite and transmission	72,615	—	(3,329)	69,286
Cost of equipment	31,766	—	—	31,766
Subscriber acquisition costs	474,697	90,503	—	565,200
Sales and marketing	248,905	14,828	(10,310)	253,423
Engineering, design and development	48,843	—	(6,238)	42,605
General and administrative	261,905	—	(35,978)	225,927
Depreciation and amortization (a)	266,295	—	—	266,295
Share-based payment expense	—	—	63,822	63,822
Total operating expenses	$2,530,015	$289,278	$ —	$2,819,293

(a) Purchase price accounting adjustments included above exclude the incremental depreciation and amortization associated with the $785,000 stepped up basis in property, equipment and intangible assets as a result of the Merger. The increased depreciation and amortization for the year ended December 31, 2012 was $53,000.

(in thousands)	Unaudited For the Year Ended December 31, 2011 As Reported	Purchase Price Accounting Adjustments	Allocation of Share-based Payment Expense	Adjusted
Revenue:				
Subscriber revenue	$2,595,414	$ 3,659	$ —	$2,599,073
Advertising revenue, net of agency fees	73,672	—	—	73,672
Equipment revenue	71,051	—	—	71,051
Other revenue	274,387	7,251	—	281,638
Total revenue	$3,014,524	$ 10,910	$ —	$3,025,434
Operating expenses				
Cost of services:				
Revenue share and royalties	$ 471,149	$126,941	$ —	$ 598,090
Programming and content	281,234	49,172	(6,212)	324,194
Customer service and billing	259,719	18	(1,502)	258,235
Satellite and transmission	75,902	313	(2,678)	73,537
Cost of equipment	33,095	—	—	33,095
Subscriber acquisition costs	434,482	85,491	—	519,973
Sales and marketing	222,773	15,233	(8,193)	229,813
Engineering, design and development	53,435	31	(4,851)	48,615
General and administrative	238,738	59	(29,933)	208,864
Depreciation and amortization (a)	267,880	—	—	267,880
Share-based payment expense (b)	—	—	53,369	53,369
Total operating expenses	$2,338,407	$277,258	$ —	$2,615,665

(a) Purchase price accounting adjustments included above exclude the incremental depreciation and amortization associated with the $785,000 stepped up basis in property, equipment and intangible assets as a result of the Merger. The increased depreciation and amortization for the year ended December 31, 2011 was $59,000.

(b) Amounts related to share-based payment expense included in operating expenses were as follows:

Programming and content	$ 6,185	$ 27	$—	$ 6,212
Customer service and billing	1,484	18	—	1,502
Satellite and transmission	2,659	19	—	2,678
Sales and marketing	8,166	27	—	8,193
Engineering, design and development	4,820	31	—	4,851
General and administrative	29,874	59	—	29,933
Total share-based payment expense	$53,188	$181	$—	$53,369

(in thousands)	Unaudited For the Year Ended December 31, 2010 As Reported	Purchase Price Accounting Adjustments	Allocation of Share-based Payment Expense	Adjusted
Revenue:				
Subscriber revenue	$2,414,174	$ 14,655	$ —	$2,428,829
Advertising revenue, net of agency fees	64,517	—	—	64,517
Equipment revenue	71,355	—	—	71,355
Other revenue	266,946	7,251	—	274,197
Total revenue	$2,816,992	$ 21,906	$ —	$2,838,898
Operating expenses				
Cost of services:				
Revenue share and royalties	$ 435,410	$107,967	$ —	$ 543,377
Programming and content	305,914	57,566	(10,267)	353,213
Customer service and billing	241,680	281	(2,207)	239,754
Satellite and transmission	80,947	1,170	(3,397)	78,720
Cost of equipment	35,281	—	—	35,281
Subscriber acquisition costs	413,041	79,439	—	492,480
Sales and marketing	215,454	13,983	(9,423)	220,014
Engineering, design and development	45,390	520	(5,868)	40,042
General and administrative	240,970	906	(32,147)	209,729
Depreciation and amortization (a)	273,691	—	—	273,691
Restructuring, impairments and related costs	63,800	—	—	63,800
Share-based payment expense (b)	—	—	63,309	63,309
Total operating expenses	$2,351,578	$261,832	$ —	$2,613,410

(a) Purchase price accounting adjustments included above exclude the incremental depreciation and amortization associated with the $785,000 stepped up basis in property, equipment and intangible assets as a result of the Merger. The increased depreciation and amortization for the year ended December 31, 2010 was $68,000.

(b) Amounts related to share-based payment expense included in operating expenses were as follows:

Programming and content	$ 9,817	$ 450	$—	$10,267
Customer service and billing	1,926	281	—	2,207
Satellite and transmission	3,109	288	—	3,397
Sales and marketing	8,996	427	—	9,423
Engineering, design and development	5,348	520	—	5,868
General and administrative	31,241	906	—	32,147
Total share-based payment expense	$60,437	$2,872	$—	$63,309

ARPU — is derived from total earned subscriber revenue, net advertising revenue and other subscription-related revenue, net of purchase price accounting adjustments, divided by the number of months in the period, divided by the daily weighted average number of subscribers for the period. Other subscription-related revenue includes the U.S. Music Royalty Fee. Purchase price accounting adjustments include the recognition of deferred subscriber revenues not recognized in purchase price accounting associated with the Merger. ARPU is calculated as follows (in thousands, except for subscriber and per subscriber amounts):

	Unaudited		
	For the Years Ended December 31,		
	2012	2011	2010
Subscriber revenue (GAAP)	$ 2,962,665	$ 2,595,414	$ 2,414,174
Add: net advertising revenue (GAAP)	82,320	73,672	64,517
Add: other subscription-related revenue (GAAP)	237,868	231,902	234,148
Add: purchase price accounting adjustments	228	3,659	14,655
	$ 3,283,081	$ 2,904,647	$ 2,727,494
Daily weighted average number of subscribers	22,794,170	20,903,908	19,385,055
ARPU	$ 12.00	$ 11.58	$ 11.73

Average self-pay monthly churn — is defined as the monthly average of self-pay deactivations for the period divided by the average number of self-pay subscribers for the period.

Customer service and billing expenses, per average subscriber — is derived from total customer service and billing expenses, excluding share-based payment expense and purchase price accounting adjustments associated with the Merger, divided by the number of months in the period, divided by the daily weighted average number of subscribers for the period. We believe the exclusion of share-based payment expense in our calculation of customer service and billing expenses, per average subscriber, is useful given the significant variation in expense that can result from changes in the fair market value of our common stock, the effect of which is unrelated to the operational conditions that give rise to variations in the components of our customer service and billing expenses. Purchase price accounting adjustments associated with the Merger include the elimination of the benefit associated with incremental share-based payment arrangements recognized at the Merger date. Customer service and billing expenses, per average subscriber, is calculated as follows (in thousands, except for subscriber and per subscriber amounts):

	Unaudited		
	For the Years Ended December 31,		
	2012	2011	2010
Customer service and billing expenses (GAAP)	$ 294,980	$ 259,719	$ 241,680
Less: share-based payment expense, net of purchase price accounting adjustments	(1,847)	(1,502)	(2,207)
Add: purchase price accounting adjustments	—	18	281
	$ 293,133	$ 258,235	$ 239,754
Daily weighted average number of subscribers	22,794,170	20,903,908	19,385,055
Customer service and billing expenses, per average subscriber	$ 1.07	$ 1.03	$ 1.03

Free cash flow — is derived from cash flow provided by operating activities, capital expenditures and restricted and other investment activity. Free cash flow is calculated as follows (in thousands):

	Unaudited		
	For the Years Ended December 31,		
	2012	2011	2010
Cash Flow information			
Net cash provided by operating activities	$ 806,765	$ 543,630	$ 512,895
Net cash used in investing activities	$ (97,319)	$(127,888)	$(302,414)
Net cash used in financing activities	$(962,491)	$(228,443)	$ (7,279)
Free Cash Flow			
Net cash provided by operating activities	$ 806,765	$ 543,630	$ 512,895
Additions to property and equipment	(97,293)	(137,429)	(311,868)
Restricted and other investment activity	(26)	9,541	9,454
Free cash flow	$ 709,446	$ 415,742	$ 210,481

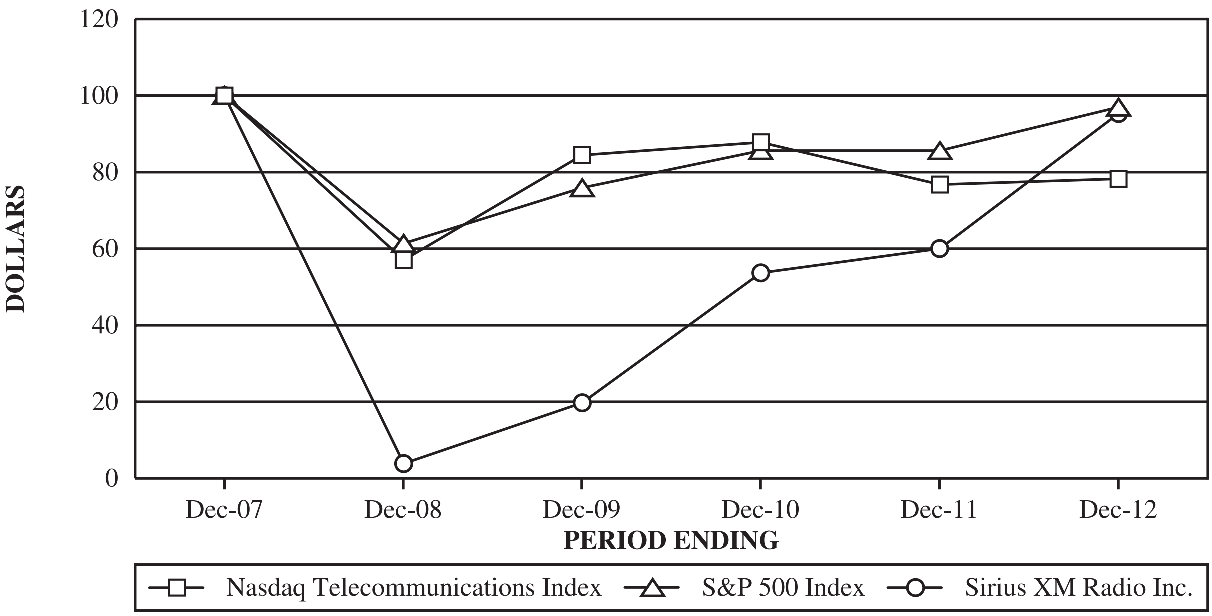
New vehicle consumer conversion rate — is defined as the percentage of owners and lessees of new vehicles that receive our service and convert to become self-paying subscribers after the initial promotion period. At the time satellite radio enabled vehicles are sold or leased, the owners or lessees generally receive trial subscriptions ranging from three to twelve months. Promotional periods generally include the period of trial service plus 30 days to handle the receipt and processing of payments. We measure conversion rate three months after the period in which the trial service ends. The metric excludes rental and fleet vehicles.

Subscriber acquisition cost, per gross subscriber addition — or SAC, per gross subscriber addition, is derived from subscriber acquisition costs and margins from the sale of radios and accessories, excluding share-based payment expense and purchase price accounting adjustments, divided by the number of gross subscriber additions for the period. Purchase price accounting adjustments associated with the Merger include the elimination of the benefit of amortization of deferred credits on executory contracts recognized at the Merger date attributable to an OEM. SAC, per gross subscriber addition, is calculated as follows (in thousands, except for subscriber and per subscriber amounts):

	Unaudited		
	For the Years Ended December 31,		
	2012	2011	2010
Subscriber acquisition costs (GAAP)	$ 474,697	$ 434,482	$ 413,041
Less: margin from direct sales of radios and accessories (GAAP)	(41,690)	(37,956)	(36,074)
Add: purchase price accounting adjustments	90,503	85,491	79,439
	$ 523,510	$ 482,017	$ 456,406
Gross subscriber additions	9,617,771	8,696,020	7,768,827
SAC, per gross subscriber addition	$ 54	$ 55	$ 59

COMPARISON OF CUMULATIVE TOTAL RETURNS

Set forth below is a graph comparing the cumulative performance of our common stock with the Standard & Poor's Composite-500 Stock Index, or the S&P 500, and the NASDAQ Telecommunications Index from December 31, 2007 to December 31, 2012. The graph assumes that $100 was invested on December 31, 2007 in each of our common stock, the S&P 500 and the NASDAQ Telecommunications Index. Dividends were declared in 2012 only.



Stockholder Return Performance Table

	NASDAQ Telecommunications Index	S&P 500 Index	Sirius XM Radio Inc.
December 31, 2007	$100.00	$100.00	$100.00
December 31, 2008	$ 57.02	$ 61.51	$ 3.96
December 31, 2009	$ 84.52	$ 75.94	$ 19.80
December 31, 2010	$ 87.84	$ 85.65	$ 53.80
December 31, 2011	$ 76.75	$ 85.65	$ 60.07
December 31, 2012	$ 78.29	$ 97.13	$ 95.38

Equity Compensation Plan Information

(shares in thousands) Plan Category	Column (a) Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	Column (b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Column (c) Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (excluding Securities Reflected in Column (a))
Equity compensation plans approved by security holders	292,967	$1.96	143,243
Equity compensation plans not approved by security holders	—	—	—
Total	292,967	$1.96	143,243

SELECTED FINANCIAL DATA

Our selected financial data set forth below with respect to the consolidated statements of comprehensive income for the years ended December 31, 2012, 2011 and 2010, and with respect to the consolidated balance sheets at December 31, 2012 and 2011, are derived from our audited consolidated financial statements included in this Annual Report. Our selected financial data set forth below with respect to the consolidated statements of comprehensive income for the years ended December 31, 2009 and 2008, and with respect to the consolidated balance sheets at December 31, 2010, 2009 and 2008 are derived from our audited consolidated financial statements, which are not included in this Annual Report. This selected financial data should be read in conjunction with the Consolidated Financial Statements and related notes thereto included in this Annual Report and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this Annual Report.

	As of and for the Years Ended December 31,				
	2012	2011	2010	2009 (1)	2008 (1) (2)
(in thousands, except per share data)					
Statements of Comprehensive Income Data:					
Total revenue	$3,402,040	$3,014,524	$2,816,992	$2,472,638	$ 1,663,992
Net income (loss)	$3,472,702	$ 426,961	$ 43,055	$ (538,226)	$(5,316,910)
Net income (loss) per share — basic (3)	$ 0.55	$ 0.07	$ 0.01	$ (0.15)	$ (2.45)
Net income (loss) per share — diluted	$ 0.51	$ 0.07	$ 0.01	$ (0.15)	$ (2.45)
Weighted average common shares outstanding — basic	4,209,073	3,744,606	3,693,259	3,585,864	2,169,489
Weighted average common shares outstanding — diluted	6,873,786	6,500,822	6,391,071	3,585,864	2,169,489
Cash dividends per share (4)	$ 0.05	$ —	$ —	$ —	$ —
Balance Sheet Data:					
Cash and cash equivalents	$ 520,945	$ 773,990	$ 586,691	$ 383,489	$ 380,446
Restricted investments	$ 3,999	$ 3,973	$ 3,396	$ 3,400	$ 141,250
Total assets	$9,054,843	$7,495,996	$7,383,086	$7,322,206	$ 7,527,075
Long-term debt, net of current portion	$2,430,986	$3,012,351	$3,021,763	$3,063,281	$ 2,820,781
Stockholders' equity	$4,039,565	$ 704,145	$ 207,636	$ 95,522	$ 75,875

(1) The 2009 and 2008 results and balances reflect the adoption of ASU 2009-15, *Accounting for Own-Share Lending Arrangements in Contemplation of Convertible Debt Issuance or Other Financing*.

(2) The 2008 results and balances reflect the results and balances of XM Satellite Radio Holdings Inc. from the date of the Merger and a $4,766,190 goodwill impairment charge.

(3) The net income (loss) per share-basic calculations were corrected for an immaterial error for the years ended December 31, 2011 and 2010. See Notes 3 and 17 to our consolidated financial statements included in this Annual Report.

(4) A special cash dividend was paid during 2012.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISKS

We do not hold or issue any free-standing derivatives. We hold investments in marketable securities consisting of money market funds, and certificates of deposit and investments in debt and equity securities of other entities. We classify our investments in marketable securities as available-for-sale. These securities are consistent with the investment objectives contained within our investment policy. The basic objectives of our investment policy are the preservation of capital, maintaining sufficient liquidity to meet operating requirements and maximizing yield.

Our debt includes fixed rate instruments and the fair market value of our debt is sensitive to changes in interest rates. Under our current policies, we do not use interest rate derivative instruments to manage our exposure to interest rate fluctuations.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Sirius XM Radio Inc. and subsidiaries:

We have audited the accompanying consolidated balance sheets of Sirius XM Radio Inc. and subsidiaries as of December 31, 2012 and 2011, and the related consolidated statements of comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2012. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule listed in Item 15(2). These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sirius XM Radio Inc. and subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Sirius XM Radio Inc. and subsidiaries' internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 6, 2013 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

New York, New York
February 6, 2013

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Sirius XM Radio Inc. and subsidiaries:

We have audited Sirius XM Radio Inc. and subsidiaries' internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Sirius XM Radio Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report on Internal Control over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Sirius XM Radio Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Sirius XM Radio Inc. and subsidiaries as of December 31, 2012 and 2011, and the related consolidated statements of comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2012, and our report dated February 6, 2013 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

New York, New York
February 6, 2013

SIRIUS XM RADIO INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands, except per share data)	For the Years Ended December 31, 2012	2011	2010
Revenue:			
Subscriber revenue	$2,962,665	$2,595,414	$2,414,174
Advertising revenue, net of agency fees	82,320	73,672	64,517
Equipment revenue	73,456	71,051	71,355
Other revenue	283,599	274,387	266,946
Total revenue	3,402,040	3,014,524	2,816,992
Operating expenses:			
Cost of services:			
Revenue share and royalties	551,012	471,149	435,410
Programming and content	278,997	281,234	305,914
Customer service and billing	294,980	259,719	241,680
Satellite and transmission	72,615	75,902	80,947
Cost of equipment	31,766	33,095	35,281
Subscriber acquisition costs	474,697	434,482	413,041
Sales and marketing	248,905	222,773	215,454
Engineering, design and development	48,843	53,435	45,390
General and administrative	261,905	238,738	240,970
Depreciation and amortization	266,295	267,880	273,691
Restructuring, impairments and related costs	—	—	63,800
Total operating expenses	2,530,015	2,338,407	2,351,578
Income from operations	872,025	676,117	465,414
Other income (expense):			
Interest expense, net of amounts capitalized	(265,321)	(304,938)	(295,643)
Loss on extinguishment of debt and credit facilities, net	(132,726)	(7,206)	(120,120)
Interest and investment income (loss)	716	73,970	(5,375)
Other (loss) income	(226)	3,252	3,399
Total other expense	(397,557)	(234,922)	(417,739)
Income before income taxes	474,468	441,195	47,675
Income tax benefit (expense)	2,998,234	(14,234)	(4,620)
Net income	$3,472,702	$ 426,961	$ 43,055
Unrealized gain on available-for-sale securities	—	—	469
Realized loss on XM Canada investment foreign currency adjustment	—	6,072	—
Foreign currency translation adjustment, net of tax	49	(140)	251
Total comprehensive income	$3,472,751	$ 432,893	$ 43,775
Net income per common share:			
Basic	$ 0.55	$ 0.07	$ 0.01
Diluted	$ 0.51	$ 0.07	$ 0.01
Weighted average common shares outstanding:			
Basic	4,209,073	3,744,606	3,693,259
Diluted	6,873,786	6,500,822	6,391,071

See accompanying notes to the consolidated financial statements.

SIRIUS XM RADIO INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	As of December 31,	
	2012	2011
(in thousands, except share and per share data)		
ASSETS		
Current assets:		
Cash and cash equivalents	$ 520,945	$ 773,990
Accounts receivable, net	106,142	101,705
Receivables from distributors	104,425	84,817
Inventory, net	25,337	36,711
Prepaid expenses	122,157	125,967
Related party current assets	13,167	14,702
Deferred tax asset	923,972	132,727
Other current assets	12,037	6,335
Total current assets	1,828,182	1,276,954
Property and equipment, net	1,571,922	1,673,919
Long-term restricted investments	3,999	3,973
Deferred financing fees, net	38,677	42,046
Intangible assets, net	2,519,610	2,573,638
Goodwill	1,815,365	1,834,856
Related party long-term assets	44,954	54,953
Long-term deferred tax asset	1,219,256	—
Other long-term assets	12,878	35,657
Total assets	$ 9,054,843	$ 7,495,996
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 587,652	$ 543,193
Accrued interest	33,954	70,405
Current portion of deferred revenue	1,474,138	1,333,965
Current portion of deferred credit on executory contracts	207,854	284,108
Current maturities of long-term debt	4,234	1,623
Related party current liabilities	6,756	14,302
Total current liabilities	2,314,588	2,247,596
Deferred revenue	159,501	198,135
Deferred credit on executory contracts	5,175	218,199
Long-term debt	2,222,080	2,683,563
Long-term related party debt	208,906	328,788
Deferred tax liability	69	1,011,084
Related party long-term liabilities	18,966	21,741
Other long-term liabilities	85,993	82,745
Total liabilities	5,015,278	6,791,851
Commitments and contingencies (Note 15)		
Stockholders' equity:		
Preferred stock, par value $0.001; 50,000,000 authorized at December 31, 2012 and 2011:		
Series A convertible preferred stock; no shares issued and outstanding at December 31, 2012 and 2011	—	—
Convertible perpetual preferred stock, series B-1 (liquidation preference of $0.001 per share at December 31, 2012 and 2011); 6,250,100 and 12,500,000 shares issued and outstanding at December 31, 2012 and 2011, respectively	6	13
Common stock, par value $0.001; 9,000,000,000 shares authorized at December 31, 2012 and 2011; 5,262,440,085 and 3,753,201,929 shares issued and outstanding at December 31, 2012 and 2011, respectively	5,263	3,753
Accumulated other comprehensive income, net of tax	120	71
Additional paid-in capital	10,345,566	10,484,400
Accumulated deficit	(6,311,390)	(9,784,092)
Total stockholders' equity	4,039,565	704,145
Total liabilities and stockholders' equity	$ 9,054,843	$ 7,495,996

See accompanying notes to the consolidated financial statements.

SIRIUS XM RADIO INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

	Series A Convertible Preferred Stock		Convertible Perpetual Preferred Stock, Series B-1		Common Stock		Accumulated Other Comprehensive Income	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
(in thousands, except share data)	Shares	Amount	Shares	Amount	Shares	Amount				
Balance at January 1, 2010	24,808,959	$ 25	12,500,000	$ 13	3,882,659,087	$3,882	$(6,581)	$10,352,291	$(10,254,108)	$ 95,522
Comprehensive income, net of tax	—	$ —	—	$ —	—	$ —	$ 720	$ —	$ 43,055	$ 43,775
Issuance of common stock to employees and employee benefit plans, net of forfeitures	—	$ —	—	$ —	6,175,089	$ 6	$ —	$ 5,265	$ —	$ 5,271
Share-based payment expense	—	$ —	—	$ —	—	$ —	$ —	$ 52,229	$ —	$ 52,229
Exercise of options and vesting of restricted stock units	—	$ —	—	$ —	19,551,977	$ 20	$ —	$ 10,819	$ —	$ 10,839
Conversion of preferred stock to common stock	(24,808,959)	$(25)	—	$ —	24,808,959	$ 25	$ —	$ —	$ —	$ —
Balance at December 31, 2010	—	$ —	12,500,000	$ 13	3,933,195,112	$3,933	$(5,861)	$10,420,604	$(10,211,053)	$ 207,636
Comprehensive income, net of tax	—	$ —	—	$ —	—	$ —	$ 5,932	$ —	$ 426,961	$ 432,893
Issuance of common stock to employees and employee benefit plans, net of forfeitures	—	$ —	—	$ —	1,882,801	$ 2	$ —	$ 3,480	$ —	$ 3,482
Share-based payment expense	—	$ —	—	$ —	—	$ —	$ —	$ 48,581	$ —	$ 48,581
Exercise of options and vesting of restricted stock units	—	$ —	—	$ —	13,401,048	$ 13	$ —	$ 11,540	$ —	$ 11,553
Issuance of common stock upon exercise of warrants	—	$ —	—	$ —	7,122,951	$ 7	$ —	$ (7)	$ —	$ —
Return of shares under share borrow agreements	—	$ —	—	$ —	(202,399,983)	$ (202)	$ —	$ 202	$ —	$ —
Balance at December 31, 2011	—	$ —	12,500,000	$ 13	3,753,201,929	$3,753	$ 71	$10,484,400	$ (9,784,092)	$ 704,145
Comprehensive income, net of tax	—	$ —	—	$ —	—	$ —	$ 49	$ —	$ 3,472,702	$3,472,751
Issuance of common stock to employees and employee benefit plans, net of forfeitures	—	$ —	—	$ —	1,571,175	$ 2	$ —	$ 3,521	$ —	$ 3,523
Share-based payment expense	—	$ —	—	$ —	—	$ —	$ —	$ 60,299	$ —	$ 60,299
Exercise of stock options	—	$ —	—	$ —	214,199,297	$ 214	$ —	$ 125,695	$ —	$ 125,909
Cash dividends paid on common stock ($0.05)	—	$ —	—	$ —	—	$ —	$ —	$ (262,387)	$ —	$ (262,387)
Cash dividends paid on preferred stock on as-converted basis	—	$ —	—	$ —	—	$ —	$ —	$ (64,675)	$ —	$ (64,675)
Conversion of preferred stock to common stock	—	$ —	(6,249,900)	$ (7)	1,293,467,684	$1,294	$ —	$ (1,287)	$ —	$ —
Balance at December 31, 2012	—	$ —	6,250,100	$ 6	5,262,440,085	$5,263	$ 120	$10,345,566	$ (6,311,390)	$4,039,565

See accompanying notes to the consolidated financial statements.

SIRIUS XM RADIO INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	For the Years Ended December 31, 2012	2011	2010
Cash flows from operating activities:			
Net income	$ 3,472,702	$ 426,961	$ 43,055
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	266,295	267,880	273,691
Non-cash interest expense, net of amortization of premium	35,924	39,515	42,841
Provision for doubtful accounts	34,548	33,164	32,379
Restructuring, impairments and related costs	—	—	66,731
Amortization of deferred income related to equity method investment	(2,776)	(2,776)	(2,776)
Loss on extinguishment of debt and credit facilities, net	132,726	7,206	120,120
Gain on merger of unconsolidated entities	—	(75,768)	—
Loss on unconsolidated entity investments, net	420	6,520	11,722
Dividend received from unconsolidated entity investment	1,185	—	—
Loss on disposal of assets	657	269	1,017
Share-based payment expense	63,822	53,190	60,437
Deferred income taxes	(3,001,818)	8,264	2,308
Other non-cash purchase price adjustments	(289,050)	(275,338)	(250,727)
Distribution from investment in unconsolidated entity	—	4,849	—
Changes in operating assets and liabilities:			
Accounts receivable	(38,985)	(13,211)	(39,236)
Receivables from distributors	(19,608)	(17,241)	(11,023)
Inventory	11,374	(14,793)	(5,725)
Related party assets	9,523	30,036	(9,803)
Prepaid expenses and other current assets	647	8,525	75,374
Other long-term assets	22,779	36,490	17,671
Accounts payable and accrued expenses	46,043	(32,010)	5,420
Accrued interest	(36,451)	(2,048)	(884)
Deferred revenue	101,311	55,336	133,444
Related party liabilities	(7,545)	(1,542)	(53,413)
Other long-term liabilities	3,042	152	272
Net cash provided by operating activities	806,765	543,630	512,895
Cash flows from investing activities:			
Additions to property and equipment	(97,293)	(137,429)	(311,868)
Purchase of restricted investments	(26)	(826)	—
Sale of restricted and other investments	—	—	9,454
Release of restricted investments	—	250	—
Return of capital from investment in unconsolidated entity	—	10,117	—
Net cash used in investing activities	(97,319)	(127,888)	(302,414)
Cash flows from financing activities:			
Proceeds from exercise of stock options	123,369	11,553	10,839
Payment of premiums on redemption of debt	(100,615)	(5,020)	(84,326)
Repayment of long-term borrowings	(915,824)	(234,976)	(1,262,396)
Repayment of related party long-term borrowings	(126,000)	—	(142,221)
Long-term borrowings, net of costs	383,641	—	1,274,707
Related party long-term borrowings	—	—	196,118
Dividends paid	(327,062)	—	—
Net cash used in financing activities	(962,491)	(228,443)	(7,279)
Net (decrease) increase in cash and cash equivalents	(253,045)	187,299	203,202
Cash and cash equivalents at beginning of period	773,990	586,691	383,489
Cash and cash equivalents at end of period	$ 520,945	$ 773,990	$ 586,691

See accompanying notes to the consolidated financial statements.

SIRIUS XM RADIO INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS — (Continued)

(in thousands)	For the Years Ended December 31, 2012	2011	2010
Supplemental Disclosure of Cash and Non-Cash Flow Information			
Cash paid during the period for:			
Interest, net of amounts capitalized	$262,039	$258,676	$241,160
Income taxes paid	$ 4,935	$ —	$ —
Non-cash investing and financing activities:			
Conversion of Series B preferred stock to common stock	$ 1,294	$ —	$ —
Capital lease obligations incurred to acquire assets	$ 12,781	$ —	$ —
Common stock issuance upon exercise of warrants	$ —	$ 7	$ —
Goodwill reduced for exercise of certain stock options	$ 19,491	$ —	$ —
In-orbit satellite performance incentive	$ —	$ —	$ 21,450
Sale-leaseback of equipment	$ —	$ —	$ 5,305
Conversion of Series A preferred stock to common stock	$ —	$ —	$ 25

See accompanying notes to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands, unless otherwise stated)

(1) Business & Basis of Presentation

Business

We broadcast our music, sports, entertainment, comedy, talk, news, traffic and weather channels, as well as infotainment services in the United States on a subscription fee basis through our two proprietary satellite radio systems. Subscribers can also receive music and other channels, plus new features such as SiriusXM On Demand, over the Internet, including through applications for mobile devices. We have agreements with every major automaker ("OEMs") to offer satellite radios as factory- or dealer-installed equipment in their vehicles from which we acquire the majority of our subscribers. We also acquire subscribers through the sale or lease of previously owned vehicles with factory-installed satellite radios. Additionally, we distribute our satellite radios through retail locations nationwide and through our website. Satellite radio services are also offered to customers of certain daily rental car companies.

Our primary source of revenue is subscription fees, with most of our customers subscribing on an annual, semi-annual, quarterly or monthly basis. We offer discounts for prepaid and long-term subscription plans, as well as discounts for multiple subscriptions. We also derive revenue from other subscription-related fees, the sale of advertising on select non-music channels, the direct sale of satellite radios, components and accessories, and other ancillary services, such as our Internet radio, Backseat TV, data, traffic, and weather services.

In certain cases, automakers include a subscription to our radio services in the sale or lease price of new and previously owned vehicles. The length of these prepaid subscriptions varies, but is typically three to twelve months. In many cases, we receive subscription payments from automakers in advance of the activation of our service. We also reimburse various automakers for certain costs associated with satellite radios installed in their vehicles.

Basis of Presentation

Our financial statements include the consolidated accounts for Sirius XM Radio Inc. and subsidiaries and have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP").

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and footnotes. Estimates, by their nature, are based on judgment and available information. Actual results could differ materially from those estimates. Significant estimates inherent in the preparation of the accompanying consolidated financial statements include asset impairment, depreciable lives of our satellites, share-based payment expense, and valuation allowances against deferred tax assets.

(2) Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, money market funds, in-transit credit card receipts and highly liquid investments purchased with an original maturity of three months or less.

Equity Method Investments

We hold an equity method investment in Sirius XM Canada. Investments in which we have the ability to exercise significant influence but not control are accounted for pursuant to the equity method of accounting. We recognize our proportionate share of earnings or losses of our affiliates as they occur as a component of Other income (expense) in our consolidated statements of comprehensive income.

The difference between our investment and our share of the fair value of the underlying net assets of our affiliates is first allocated to either finite-lived intangibles or indefinite-lived intangibles and the balance is attributed to goodwill. We follow ASC 350, *Intangibles — Goodwill and Other*, which requires that equity method finite-lived intangibles be amortized over their estimated useful life while indefinite-lived intangibles and goodwill are not amortized. The amortization of equity method finite-lived intangible assets is recorded in Interest and investment income (loss) in our consolidated statements of comprehensive income. We periodically evaluate our equity method investments to determine if there has been an other than temporary decline below carrying value. Equity method finite-lived intangibles, indefinite-lived intangibles and goodwill are included in the carrying amount of the investment.

Property and Equipment

Property and equipment, including satellites, are stated at cost, less accumulated depreciation. Equipment under capital leases is stated at the present value of minimum lease payments. Depreciation are calculated using the straight-line method over the following estimated useful life of the asset:

Satellite system	2 - 15 years
Terrestrial repeater network	5 - 15 years
Broadcast studio equipment	3 - 15 years
Capitalized software and hardware	3 - 7 years
Satellite telemetry, tracking and control facilities	3 - 15 years
Furniture, fixtures, equipment and other	2 - 7 years
Building	20 or 30 years
Leasehold improvements	Lesser of useful life or remaining lease term

We review long-lived assets, such as property and equipment, and purchased intangibles subject to amortization for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds the estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount exceeds the fair value of the asset. We did not record any impairments in 2012, 2011 or 2010.

Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price over the estimated fair value of net tangible and identifiable intangible assets acquired in business combinations. Our annual impairment assessment of our single reporting unit is performed during the fourth quarter of each year, and an assessment is performed at other times if an event occurs or circumstances change that would more likely than not reduce the fair value of the asset below its carrying value. Step one of the impairment assessment compares the fair value to its carrying value and if the fair value exceeds its carrying value, goodwill is not impaired. If the carrying value exceeds the fair value, the implied fair value of goodwill is compared to the carrying value of goodwill. If the implied fair value exceeds the carrying value then goodwill is not impaired; otherwise, an impairment loss will be recorded by the amount the carrying value exceeds the implied fair value. We did not record any impairments in 2012, 2011 or 2010.

The impairment test for other intangible assets not subject to amortization consists of a comparison of the fair value of the intangible asset with its carrying value. This test is performed during the fourth quarter of each year, and an assessment is performed at other times if events or circumstances indicate it is more likely than not that the asset is impaired. Our indefinite life intangibles include our FCC licenses and trademark. If the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.

ASU 2012-02, *Testing Indefinite-Lived Intangible Assets for Impairment,* established an option to first perform a qualitative assessment to determine whether it is more likely than not that an asset is impaired. If the qualitative assessment supports that it is more likely than not that the fair value of the asset exceeds its carrying value, a quantitative impairment test is not required. If the qualitative assessment does not support the fair value of the asset, then a quantitative assessment is performed. We completed a qualitative assessment during the fourth quarter of 2012 and determined that there was no impairment in 2012. We used independent appraisals to determine the fair value of our FCC licenses and trademark using the Income and the Relief from Royalty approaches, respectively, in 2011 and 2010 and no impairments were recorded.

Other intangible assets with finite lives consists primarily of customer relationships acquired in business combinations, licensing agreements, and certain information technology related costs. These assets are amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment under the provisions of ASC 360-10-35, *Property, Plant and Equipment/Overall/Subsequent Measurement*. We review intangible assets subject to amortization for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. If the sum of the expected cash flows, undiscounted and without interest, is less than the carrying amount of the asset, an impairment loss is recognized as the amount by which the carrying amount of the asset exceeds its fair value. We did not record any impairments relating to our intangible assets with finite lives in 2012, 2011 or 2010.

Revenue Recognition

We derive revenue primarily from subscribers, advertising and direct sales of merchandise.

Revenue from subscribers consists of subscription fees, daily rental fleet revenue and non-refundable activation and other fees. Revenue is recognized as it is realized or realizable and earned. We recognize subscription fees as our services are provided. At the time of sale, vehicle owners purchasing or leasing a vehicle with a subscription to our service typically receive between a three and twelve month prepaid subscription. Prepaid subscription fees received from certain automakers are recorded as deferred revenue and amortized to revenue ratably over the service period which commences upon retail sale and activation.

We recognize revenue from the sale of advertising as the advertising is broadcast. Agency fees are calculated based on a stated percentage applied to gross billing revenue for our advertising inventory and are reported as a reduction of advertising revenue. We pay certain third parties a percentage of advertising revenue. Advertising revenue is recorded gross of such revenue share payments as we are the primary obligor in the transaction. Advertising revenue share payments are recorded to Revenue share and royalties during the period in which the advertising is broadcast.

Equipment revenue and royalties from the sale of satellite radios, components and accessories are recognized upon shipment, net of discounts and rebates. Shipping and handling costs billed to customers are recorded as revenue. Shipping and handling costs associated with shipping goods to customers are reported as a component of Cost of equipment.

ASC 605, *Revenue Recognition,* provides guidance on how and when to recognize revenues for arrangements that may involve the delivery or performance of multiple products, services and/or rights to use assets. Revenue arrangements with multiple deliverables are required to be divided into separate units of accounting if the deliverables in the arrangement meet certain criteria. Consideration must be allocated at the inception of the arrangement to all deliverables based on their relative selling price, which has been determined using vendor specific objective evidence of selling price of self-pay customers.

Revenue Share

We share a portion of our subscription revenues earned from subscribers with certain automakers. The terms of the revenue share agreements vary with each automaker, but are typically based upon the earned audio revenue as reported or gross billed audio revenue. Revenue share is recorded as an expense in our consolidated statements of comprehensive income and not as a reduction to revenue.

Programming Costs

Programming costs which are for a specified number of events are amortized on an event-by-event basis; programming costs which are for a specified season or period are amortized over the season or period on a straight-line basis. We allocate a portion of certain programming costs which are related to sponsorship and marketing activities to Sales and marketing expense on a straight-line basis over the term of the agreement.

Advertising Costs

Media is expensed when aired and advertising production costs are expensed as incurred. Market development funds consist of fixed and variable payments to reimburse retailers for the cost of advertising and other product awareness activities. Fixed market development funds are expensed over the periods specified in the applicable agreement; variable costs are expensed when the media is aired and production costs are expensed as incurred. During the years ended December 31, 2012, 2011 and 2010, we recorded advertising costs of $139,830, $116,694 and $110,050, respectively. These costs are reflected in Sales and marketing expense in our consolidated statements of comprehensive income.

Subscriber Acquisition Costs

Subscriber acquisition costs consist of costs incurred to acquire new subscribers and include hardware subsidies paid to radio manufacturers, distributors and automakers, including subsidies paid to automakers who include a satellite radio and a prepaid subscription to our service in the sale or lease price of a new vehicle; subsidies paid for chip sets and certain other components used in manufacturing radios; device royalties for certain radios; commissions paid to automakers as incentives to purchase, install and activate radios; product warranty obligations; freight; and provisions for inventory allowance. Subscriber acquisition costs do not include advertising, loyalty payments to distributors and dealers of radios and revenue share payments to automakers and retailers of radios.

Subsidies paid to radio manufacturers and automakers are expensed upon installation, shipment, receipt of product or activation and are included in Subscriber acquisition costs because we are responsible for providing the service to the customers. Commissions paid to retailers and automakers are expensed upon either the sale or activation of radios. Chip sets that are shipped to radio manufacturers and held on consignment are recorded as inventory and expensed as Subscriber acquisition costs when placed into production by radio manufacturers. Costs for chip sets not held on consignment are expensed as Subscriber acquisition costs when the automaker confirms receipt.

We record product warranty obligations in accordance with ASC 460, *Guarantees*, which requires a guarantor to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken by issuing the guarantee. We warrant that certain products sold through our retail and direct to consumer distribution channels will perform in all material respects in accordance with specifications in effect at the time of the purchase of the products by the customer. The product warranty period on our products is 90 days from the purchase date for repair or replacement of components and/or products that contain defects of material or workmanship. We record a liability for costs that we expect to incur under our warranty obligations when the product is shipped from the manufacturer. Factors affecting the warranty liability include the number of units sold, historical experience, and anticipated rates of claims and costs per claim. We periodically assess the adequacy of our warranty liability based on changes in these factors.

Research & Development Costs

Research and development costs are expensed as incurred and primarily include the cost of new product development, chip set design, software development and engineering. During the years ended December 31, 2012, 2011 and 2010, we recorded research and development costs of $42,605, $48,574 and $40,043, respectively. These costs are reported as a component of Engineering, design and development expense in our consolidated statements of comprehensive income.

Share-Based Compensation

We account for equity instruments granted to employees in accordance with ASC 718, *Compensation — Stock Compensation*. ASC 718 requires all share-based compensation payments be recognized in the financial statements based on fair value. ASC 718 requires forfeitures to be estimated at the time of grant and revised in subsequent periods if actual forfeitures differ from initial estimates. We use the Black-Scholes-Merton option-pricing model to value stock option awards and have elected to treat awards with graded vesting as a single award. Share-based compensation expense is recognized ratably over the requisite service period, which is generally the vesting period, net of forfeitures. We measure restricted stock awards using the fair market value of the restricted shares of common stock on the day the award is granted.

Fair value as determined using the Black-Scholes-Merton model varies based on assumptions used for the expected life, expected stock price volatility and risk-free interest rates. In 2012 and 2011, we estimated the fair value of awards granted using the hybrid approach for volatility, which weights observable historical volatility and implied volatility of qualifying actively traded options on our common stock. In 2010, due to the lack of qualifying actively traded options on our common stock, we utilized a 100% weighting to observable historical volatility. The expected life assumption represents the weighted-average period stock-based awards are expected to remain outstanding. These expected life assumptions are established through a review of historical exercise behavior of stock-based award grants with similar vesting periods. Where historical patterns do not exist, contractual terms are used. The risk-free interest rate represents the daily treasury yield curve rate at the grant date based on the closing market bid yields on actively traded U.S. treasury securities in the over-the-counter market for the expected term. Our assumptions may change in future periods.

Stock-based awards granted to employees, non-employees and members of our board of directors include warrants, stock options, restricted stock and restricted stock units.

Income Taxes

Deferred income taxes are recognized for the tax consequences related to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for tax purposes at each year-end, based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. In determining the period in which related tax benefits are realized for book purposes, excess share-based compensation deductions included in net operating losses are realized after regular net operating losses are exhausted; excess tax compensation benefits are recorded off balance-sheet as a memo entry until the period the excess tax benefit is realized through a reduction of taxes payable. A valuation allowance is recognized when, based on the weight of all available evidence, it is considered more likely than not that all, or some portion, of the deferred tax assets will not be realized. Income tax expense is the sum of current income tax plus the change in deferred tax assets and liabilities.

As of December 31, 2012, we maintained a valuation allowance of $9,835 relating to deferred tax assets that are not likely to be realized due to certain state net operating loss limitations. In 2011, we maintained a full valuation allowance of $3,360,740 against our deferred tax assets due to our prior history of pre-tax losses and uncertainty about the timing of and ability to generate taxable income in the future and our assessment that the realization of the deferred tax assets did meet the more likely than not criterion under ASC 740, *Income Taxes.*

ASC 740 requires a company to first determine whether it is more-likely-than-not that a tax position will be sustained based on its technical merits as of the reporting date, assuming that taxing authorities will examine the position and have full knowledge of all relevant information. A tax position that meets this more-likely-than-not threshold is then measured and recognized at the largest amount of benefit that is greater than fifty percent likely to be realized upon effective settlement with a taxing authority. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. We record interest and penalties related to uncertain tax positions in Income tax (benefit) expense in our consolidated statements of comprehensive income.

We report revenues net of any tax assessed by a governmental authority that is both imposed on, and concurrent with, a specific revenue-producing transaction between a seller and a customer in our consolidated statements of comprehensive income.

Fair Value of Financial Instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged in an orderly transaction between market participants. As of December 31, 2012 and 2011, the carrying amounts of cash and cash equivalents, accounts and other receivables, and accounts payable approximated fair value due to the short-term nature of these instruments.

ASC 820, *Fair Value Measurements and Disclosures,* establishes a fair value hierarchy for input into valuation techniques as follows: i) Level 1 input — unadjusted quoted prices in active markets for identical instrument; ii) Level 2 input — observable market data for the same or similar instrument but not Level 1; and iii) Level 3 input — unobservable inputs developed using management's assumptions about the inputs used for pricing the asset or liability. We use Level 3 inputs to fair value the 8% convertible unsecured subordinated debentures issued by Sirius XM Canada.

Investments are periodically reviewed for impairment and a write down is recorded whenever declines in fair value below carrying value are determined to be other than temporary. In making this determination, we consider, among other factors, the severity and duration of the decline as well as the likelihood of a recovery within a reasonable timeframe.

The fair value for publicly traded instruments is determined using quoted market prices while the fair value for non-publicly traded instruments is based upon estimates from a market maker and brokerage firm. As of December 31, 2012 and 2011, the carrying value of our debt was $2,435,220 and $3,013,974, respectively; and the fair value approximated $3,055,076 and $3,506,546, respectively.

Accumulated Other Comprehensive Income

Accumulated other comprehensive income of $120 at December 31, 2012 was primarily comprised of foreign currency translation adjustments related to our interest in Sirius XM Canada. During the years ended December 31, 2012, 2011 and 2010, we recorded a foreign currency translation adjustment of $49, $(140) and $251, respectively, which is recorded net of taxes of $48, $11 and $63, respectively. In addition, during the year ended December 31, 2011, we recorded a loss on our XM Canada investment foreign currency translation adjustment of $6,072. During the year ended December 31, 2010, we recorded an unrealized gain on available-for-sale securities of $469.

Recent Accounting Pronouncements

In May 2011, the FASB issued ASU 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards (Topic 820) — Fair Value Measurement*, to provide a consistent definition of fair value and ensure that the fair value measurement and disclosure requirements are similar between U.S. GAAP and International Financial Reporting Standards. ASU 2011-04 changes certain fair value measurement principles and enhances the disclosure requirements particularly for Level 3 fair value measurements. This standard is effective for interim and annual periods beginning after December 15, 2011 and is applied on a prospective basis. We adopted ASU 2011-04 as of January 1, 2012 and the impact was not material to our consolidated financial statements.

In June 2011, the FASB issued ASU 2011-05, *Comprehensive Income (Topic 220), Presentation of Comprehensive Income*, to require an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in single continuous statement of comprehensive income or in two separate but consecutive statements. ASU 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of equity. The standard does not change the items which must be reported in other comprehensive income, how such items are measured or when they must be reclassified to net income. This standard is effective for interim and annual periods beginning after December 15, 2011 and is to be applied retrospectively. The FASB has deferred the requirement to present reclassification adjustments for each component of accumulated other comprehensive income in both net income and other comprehensive income. Companies are required to either present amounts reclassified out of other comprehensive income on the face of the financial statements or disclose those amounts in the notes to the financial statements. During the deferral period, there is no requirement to separately present or disclose the reclassification adjustments into net income. The effective date of this deferral was consistent with the effective date of ASU 2011-05. We adopted ASU 2011-05 as of January 1, 2012 and disclosed comprehensive income in our consolidated statements of comprehensive income. ASU 2011-05 affects financial statement presentation and has no impact on our results of consolidated financial statements.

In July 2012, the FASB issued ASU 2012-02, *Testing Indefinite-Lived Intangible Assets for Impairment*. The guidance gives companies the option to first perform a qualitative assessment to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired. If the qualitative assessment supports that it is more likely than not the fair value of the asset exceeds its carrying amount, the company would not be required to perform a quantitative impairment test. If the qualitative assessment does not support the fair value of the asset, then a quantitative assessment is performed. ASU 2012-02 is effective for public entities for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. We early adopted ASU 2012-02 and performed a qualitative assessment to determine whether our indefinite-lived intangible assets were impaired as of the fourth quarter of 2012.

(3) Earnings per Share

We utilize the two-class method of calculating basic net income per common share, as our Series B Preferred Stock are considered participating securities. Basic net income per common share is calculated by dividing income available to common stockholders by the weighted average common shares outstanding during each reporting period. Diluted net income per common share adjusts the weighted average common shares outstanding for the potential dilution that could occur if common stock equivalents (convertible debt and preferred stock, warrants, stock options, restricted stock and restricted stock units) were exercised or converted into common stock, calculated using the treasury stock method. Common stock equivalents of approximately 147,125,000, 419,752,000 and 689,922,000 for the years ended December 31, 2012, 2011 and 2010, respectively, were excluded from the calculation of diluted net income per common share as the effect would have been anti-dilutive.

	For the Years Ended December 31,		
(in thousands, except per share data)	2012	2011	2010
Numerator:			
Net income	$ 3,472,702	$ 426,961	$ 43,055
Less:			
Allocation of undistributed income to Series B Preferred Stock	(1,084,895)	(174,449)	(17,735)
Dividends paid to preferred stockholders	(64,675)	—	—
Net income available to common stockholders for basic net income per common share	2,323,132	252,512	25,320
Add back:			
Allocation of undistributed income to Series B Preferred Stock	1,084,895	174,449	17,735
Dividends paid to preferred stockholders	64,675	—	—
Effect of interest on assumed conversions of convertible debt	38,500	—	—
Net income available to common stockholders for diluted net income per common share	$ 3,511,202	$ 426,961	$ 43,055
Denominator:			
Weighted average common shares outstanding for basic net income per common share	4,209,073	3,744,606	3,693,259
Weighted average impact of assumed Series B Preferred Stock conversion	2,215,900	2,586,977	2,586,977
Weighted average impact of assumed convertible debt	298,725	—	—
Weighted average impact of other dilutive equity instruments	150,088	169,239	110,835
Weighted average shares for diluted net income per common share	6,873,786	6,500,822	6,391,071
Net income per common share:			
Basic	$ 0.55	$ 0.07	$ 0.01
Diluted	$ 0.51	$ 0.07	$ 0.01

We identified and corrected an immaterial error affecting the historical presentation of basic earnings per share. The adjustment reflects the Series B Preferred Stock held by an affiliate of Liberty Media as participating securities as the holder of such preferred stock may participate in dividends and distributions ratably with the holders of our common stock on an as-converted basis. Net income per common share-basic for the year ended December 31, 2011 was previously reported as $0.11 and has been adjusted to be $0.07. There was no impact on the previously reported net income per common share-basic for the year ended December 31, 2010 and there was no impact on the previously reported diluted earnings per share for any period presented. The effects of the error were not material to any previously reported quarterly or annual period. The related corrections are reflected in the applicable prior periods.

In September 2012, Liberty Media converted 6,249,900 shares of the Series B Preferred Stock into 1,293,467,684 shares of common stock. For a discussion of subsequent events refer to Note 18.

(4) Accounts Receivable, net

Accounts receivable, net, are stated at amounts due from customers net of an allowance for doubtful accounts. Our allowance for doubtful accounts is based upon our assessment of various factors. We consider historical experience, the age of the receivable balances, current economic conditions and other factors that may affect the counterparty's ability to pay. Bad debt is included in Customer service and billing expense in our consolidated statements of comprehensive income.

Accounts receivable, net, consists of the following:

	December 31, 2012	December 31, 2011
Gross accounts receivable	$117,853	$111,637
Allowance for doubtful accounts	(11,711)	(9,932)
Total accounts receivable, net	$106,142	$101,705

Receivables from distributors include billed and unbilled amounts due from OEMs for radio services included in the sale or lease price of vehicles, as well as billed amounts due from retailers. Receivables from distributors consist of the following:

	December 31, 2012	December 31, 2011
Billed	$ 53,057	$44,618
Unbilled	51,368	40,199
Total	$104,425	$84,817

(5) Inventory, net

Inventory consists of finished goods, refurbished goods, chip sets and other raw material components used in manufacturing radios. Inventory is stated at the lower of cost, determined on a first-in, first-out basis, or market. We record an estimated allowance for inventory that is considered slow moving, obsolete or whose carrying value is in excess of net realizable value. The provision related to products purchased for resale in our direct to consumer distribution channel and components held for resale by us is reported as a component of Cost of equipment in our consolidated statements of comprehensive income. The provision related to inventory consumed in our OEM and retail distribution channel is reported as a component of Subscriber acquisition costs in our consolidated statements of comprehensive income.

Inventory, net, consists of the following:

	December 31, 2012	December 31, 2011
Raw materials	$ 17,717	$ 24,134
Finished goods	23,779	28,007
Allowance for obsolescence	(16,159)	(15,430)
Total inventory, net	$ 25,337	$ 36,711

(6) Goodwill

Goodwill represents the excess of the purchase price over the estimated fair value of net tangible and identifiable intangible assets acquired in business combinations. Our annual impairment assessment is performed as of the fourth quarter of each year, and an assessment is performed at other times if an event occurs or circumstances change that would more likely than not reduce the fair value of the asset below its carrying value. At the date of our annual assessment for 2012 and 2011, the fair value of our single reporting unit substantially exceeded its carrying value and therefore was not at risk of failing step one of ASC 350-20, *Goodwill*.

As of December 31, 2012, there were no indicators of impairment and no impairment loss was recorded for goodwill during the years ended December 31, 2012, 2011 and 2010. The cumulative balance of goodwill impairment that has been recorded since the Merger is $4,766,190, which was recognized during the year ended December 31, 2008.

During the year ended December 31, 2012, with the release of our deferred income tax valuation allowance, we reduced goodwill by $19,491 related to the subsequent exercise of certain stock options and vesting of certain restricted stock units that were recorded at fair value in connection with the Merger. There were no changes in the carrying value of our goodwill during the year ended December 31, 2011.

(7) Intangible Assets

Intangible assets consist of the following:

		December 31, 2012			December 31, 2011		
	Weighted Average Useful Lives	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Indefinite life intangible assets:							
FCC licenses	Indefinite	$2,083,654	$ —	$2,083,654	$2,083,654	$ —	$2,083,654
Trademark	Indefinite	250,000	—	250,000	250,000	—	250,000
Definite life intangible assets:							
Subscriber relationships	9 years	380,000	(233,317)	146,683	380,000	(191,201)	188,799
Licensing agreements	9.1 years	78,489	(44,161)	34,328	78,897	(34,145)	44,752
Proprietary software	6 years	16,552	(12,777)	3,775	16,552	(11,507)	5,045
Developed technology	10 years	2,000	(883)	1,117	2,000	(683)	1,317
Leasehold interests	7.4 years	132	(79)	53	132	(61)	71
Total intangible assets		$2,810,827	$(291,217)	$2,519,610	$2,811,235	$(237,597)	$2,573,638

Indefinite Life Intangible Assets

We have identified our FCC licenses and the XM trademark as indefinite life intangible assets after considering the expected use of the assets, the regulatory and economic environment within which they are used and the effects of obsolescence on their use.

We hold FCC licenses to operate our satellite digital audio radio service and provide ancillary services. The following table outlines the years in which each of our licenses expires:

FCC satellite licenses	Expiration year
SIRIUS FM-1	2017
SIRIUS FM-2	2017
SIRIUS FM-3	2017
SIRIUS FM-5	2017
SIRIUS FM-6 (1)	
XM-1	2014
XM-2	2014
XM-3	2013
XM-4	2014
XM-5	2018

(1) We hold an FCC license for our FM-6 satellite, which will expire eight years from when this satellite is launched and placed into operation.

Prior to expiration, we are required to apply for a renewal of our FCC licenses. The renewal and extension of our licenses is reasonably certain at minimal cost, which is expensed as incurred. Each of the FCC licenses authorizes us to use the broadcast spectrum, which is a renewable, reusable resource that does not deplete or exhaust over time.

In connection with the Merger, $250,000 of the purchase price was allocated to the XM trademark. As of December 31, 2012, there were no legal, regulatory or contractual limitations associated with the XM trademark.

Our annual impairment assessment of our indefinite intangible assets is performed as of the fourth quarter of each year. An assessment is performed at other times if an event occurs or circumstances change that would more likely than not reduce the fair value of the asset below its carrying value. At the date of our annual assessment for 2012, our qualitative impairment assessment of fair value of our indefinite intangible assets indicated that such assets substantially exceeded their carrying value and therefore was not at risk of impairment. In 2011, we utilized independent appraisals to assist in determining the fair value of our indefinite intangible assets.

As of December 31, 2012, there were no indicators of impairment and no impairment loss was recorded for indefinite intangible assets during the years ended December 31, 2012, 2011 and 2010.

Definite Life Intangible Assets

Subscriber relationships are amortized on an accelerated basis over 9 years, which reflects the estimated pattern in which the economic benefits will be consumed. Other definite life intangible assets include certain licensing agreements, which are amortized over a weighted average useful life of 9.1 years on a straight-line basis.

Amortization expense for all definite life intangible assets was $53,620, $59,050 and $66,324 for the years ended December 31, 2012, 2011 and 2010, respectively. Expected amortization expense for each of the fiscal years 2013 through 2017 and for periods thereafter is as follows:

Year ending December 31,	Amount
2013	$ 47,330
2014	38,852
2015	37,526
2016	31,932
2017	18,968
Thereafter	11,348
Total definite life intangible assets, net	$185,956

(8) Interest Costs

We capitalized a portion of the interest on funds borrowed as part of the cost of constructing our satellites and related launch vehicle. We are currently capitalizing the interest associated with our FM-6 satellite and will continue to do so until its launch. During the year ended December 31, 2010, we also capitalized costs related to our XM-5 satellite and related launch vehicle. We also incur interest costs on all of our debt instruments and on our satellite incentive agreements. The following is a summary of our interest costs:

	For the Years Ended December 31,		
	2012	2011	2010
Interest costs charged to expense	$ 265,321	$304,938	$295,643
Interest costs capitalized	31,982	33,522	63,880
Total interest costs incurred	$ 297,303	$338,460	$359,523

Included in interest costs incurred is non-cash interest expense, consisting of amortization related to original issue discounts, premiums and deferred financing fees of $35,924, $39,515 and $42,841 for the years ended December 31, 2012, 2011 and 2010, respectively.

(9) Property and Equipment

Property and equipment, net, consists of the following:

	December 31, 2012	December 31, 2011
Satellite system	$ 1,943,537	$ 1,943,537
Terrestrial repeater network	112,482	112,440
Leasehold improvements	44,938	43,455
Broadcast studio equipment	55,823	53,903
Capitalized software and hardware	232,753	193,301
Satellite telemetry, tracking and control facilities	62,734	60,539
Furniture, fixtures, equipment and other	76,028	60,283
Land	38,411	38,411
Building	57,816	57,185
Construction in progress	417,124	372,508
Total property and equipment	3,041,646	2,935,562
Accumulated depreciation and amortization	(1,469,724)	(1,261,643)
Property and equipment, net	$ 1,571,922	$ 1,673,919

Construction in progress consists of the following:

	December 31, 2012	December 31, 2011
Satellite system	$376,825	$343,932
Terrestrial repeater network	17,224	19,194
Other	23,075	9,382
Construction in progress	$417,124	$372,508

Depreciation expense on property and equipment was $212,675, $208,830 and $207,367 for the years ended December 31, 2012, 2011 and 2010, respectively. We retired property and equipment of $5,251 and $12,158 during the years ended December 31, 2012 and 2011.

Satellites

We currently own a fleet of nine orbiting satellites. The chart below provides certain information on these satellites:

Satellite Designation	Year Delivered	Estimated End of Depreciable Life
FM-1	2000	2013
FM-2	2000	2013
FM-3	2000	2015
FM-5	2009	2024
XM-1	2001	2013
XM-2	2001	2013
XM-3	2005	2020
XM-4	2006	2021
XM-5	2010	2025

We own four orbiting satellites for use in the Sirius system. We own five orbiting satellites for use in the XM system. Four of these satellites were manufactured by Boeing Satellite Systems International and five were manufactured by Space Systems/Loral.

During the years ended December 31, 2012 and 2011, we capitalized expenditures, including interest, of $32,893 and $81,189, respectively, related to the construction of our FM-6 satellite and related launch vehicle.

(10) Related Party Transactions

We had the following related party balances at December 31, 2012 and 2011:

	Related party current assets		Related party long-term assets		Related party current liabilities		Related party long-term liabilities		Related party long-term debt	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Liberty Media	$ —	$ —	$ 757	$ 1,212	$3,980	$ 9,722	$ —	$ —	$208,906	$328,788
Sirius XM Canada	13,167	14,702	44,197	53,741	2,776	4,580	18,966	21,741	—	—
Total	$13,167	$14,702	$44,954	$54,953	$6,756	$14,302	$18,966	$21,741	$208,906	$328,788

Liberty Media

In February 2009, we entered into an Investment Agreement (the "Investment Agreement") with an affiliate of Liberty Media Corporation, Liberty Radio, LLC (collectively, "Liberty Media"). Pursuant to the Investment Agreement, in March 2009 we issued to Liberty Radio, LLC 12,500,000 shares of our Convertible Perpetual Preferred Stock, Series B-1 (the "Series B Preferred Stock"), with a liquidation preference of $0.001 per share in partial consideration for certain loans. Liberty Media has representatives on our board of directors. In September 2012, Liberty Media converted 6,249,900 shares of the Series B Preferred Stock into 1,293,467,684 shares of our common stock. For a discussion of subsequent events refer to Note 18.

Liberty Media has advised us that as of December 31, 2012 and 2011, respectively, it also owned the following:

	December 31, 2012	December 31, 2011
8.75% Senior Notes due 2015	$150,000	$150,000
9.75% Senior Secured Notes due 2015	—	50,000
13% Senior Notes due 2013	—	76,000
7% Exchangeable Senior Subordinated Notes due 2014	11,000	11,000
7.625% Senior Notes due 2018	50,000	50,000
Total principal debt	211,000	337,000
Less: discounts	2,094	8,212
Total carrying value of debt	$208,906	$328,788

During the year ended December 31, 2012, we redeemed $50,000 of our 9.75% Senior Secured Notes due 2015 and $76,000 of our 13% Senior Notes due 2013 held by Liberty Media as part of the redemption of these Notes in their entirety.

As of December 31, 2012 and 2011, we recorded $3,980 and $9,722, respectively, related to accrued interest with Liberty Media to Related party current liabilities. We recognized Interest expense associated with debt held by Liberty Media of $30,931, $35,681 and $40,169 for the years ended December 31, 2012, 2011 and 2010, respectively.

Sirius XM Canada

In June 2011, Canadian Satellite Radio Holdings Inc. ("CSR"), the parent company of XM Canada, and Sirius Canada completed a transaction to combine their operations ("the Canada Merger"). The combined company operates as Sirius XM Canada. We own approximately 46,700,000 Class A shares on a converted basis of CSR, representing a 37.9% equity interest and a 25.0% voting interest.

We had the following related party current asset balances attributable to Sirius XM Canada at December 31, 2012 and 2011:

	For the Years Ended December 31,	
	2012	2011
Deferred programming costs and accrued interest	$ 4,350	$ 2,500
Dividends receivable	6,176	—
Chip set and other services reimbursement	2,641	7,404
Non-interest bearing note, principal	—	4,798
Total	$13,167	$14,702

In November 2012, Sirius XM Canada declared a special cash dividend of Cdn $0.0825 per Class A shares of stock and Cdn $0.0275 per Class B shares of stock for shareholders of record on November 28, 2012 in addition to a quarterly cash dividend of the same amount for shareholders of record on the same date. We received $1,185 in December 2012 which was recorded as a reduction of our investment balance in Sirius XM Canada. As of December 31, 2012, we recorded a receivable for the remaining balance of the dividend which was due to us.

We provide Sirius XM Canada with chip sets and other services and we are reimbursed for these costs.

We had the following related party long-term asset balances attributable to Sirius XM Canada at December 31, 2012 and 2011:

	For the Years Ended December 31,	
	2012	2011
Non-interest bearing note, principal	$ 404	$ 410
Carrying value of host contract of debenture	3,877	3,490
Carrying value of embedded derivative of debenture	9	—
Investment balance*	37,983	45,061
Deferred programming costs and accrued interest	1,924	4,780
Total	$44,197	$53,741

* The investment balance includes equity method goodwill and intangible assets of $27,615 and $28,589 for the years ended December 31, 2012 and 2011, respectively.

As a result of the Canada Merger, we hold a non-interest bearing note issued by CSR. We also hold an investment in Cdn $4,000 face value of 8% convertible unsecured subordinated debentures issued by CSR, for which the embedded conversion feature is bifurcated from the host contract. The host contract is accounted for at fair value as an available-for-sale security with changes in fair value recorded to Accumulated other comprehensive income, net of tax. The embedded conversion feature is accounted for at fair value as a derivative with changes in fair value recorded in earnings as Interest and investment income (loss).

Our interest in Sirius XM Canada is accounted for under the equity method. The excess of the cost of our ownership interest in the equity of Sirius XM Canada over our share of the net assets is recognized as goodwill and intangible assets and is included in the carrying amount of our investment. Equity method goodwill is not amortized. We periodically evaluate this investment to determine if there has been an other than temporary decline below carrying value. Equity method intangible assets are amortized over their respective useful lives, which is recorded in Interest and investment income (loss).

We had the following related party liability balances attributable to Sirius XM Canada at December 31, 2012 and 2011:

	For the Years Ended December 31,	
	2012	2011
Carrying value of deferred revenue for NHL games	$21,742	$24,517
Amounts due to Sirius XM Canada	—	1,804
Total current and long-term liabilities	$21,742	$26,321

In 2005, XM entered into agreements to provide XM Canada, now Sirius XM Canada after the Canada Merger, with the right to offer XM satellite radio service in Canada. The agreements have an initial ten year term and Sirius XM Canada has the unilateral option to extend the agreements for an additional five year term. We receive a 15% royalty for all subscriber fees earned by XM Canada each month for its basic service and an activation fee for each gross activation of an XM Canada subscriber on XM's system. Sirius XM Canada is obligated to pay us a total of $70,300 for the rights to broadcast and market National Hockey League ("NHL") games for a ten year term. We recognize these payments on a gross basis as a principal obligor pursuant to the provisions of ASC 605, *Revenue Recognition*. The estimated fair value of deferred revenue from XM Canada as of the Merger date was approximately $34,000, which is amortized on a straight-line basis through 2020, the end of the expected term of the agreements.

We recorded the following revenue from Sirius XM Canada as Other revenue in our consolidated statements of comprehensive income:

	For the Years Ended December 31,	
	2012	**2011 ***
Royalty income	$31,368	$13,735
Amortization of Sirius XM Canada deferred income	2,776	1,388
Licensing fee revenue	4,500	3,000
Advertising reimbursements	833	417
Total revenue from Sirius XM Canada	$39,477	$18,540

* Sirius XM Canada commenced operations in June 2011.

Our share of net earnings or losses of Sirius XM Canada are recorded to Interest and investment income (loss) in our consolidated statements of comprehensive income on a one month lag. Our share of Sirius XM Canada's net income was $554 and $1,081 for the years ended December 31, 2012 and 2011, respectively. We recorded amortization expense related to the equity method intangible assets of $974 and $1,556 for the years ended December 31, 2012 and 2011, respectively.

Sirius Canada

We had an equity interest of 49% in Sirius Canada until June 21, 2011 when the Canada Merger closed.

In 2005, we entered into a license and services agreement with Sirius Canada. Pursuant to such agreement, we are reimbursed for certain costs incurred to provide Sirius Canada service, including certain costs incurred for the production and distribution of radios, as well as information technology support costs. In consideration for the rights granted pursuant to this license and services agreement, we had the right to receive a royalty equal to a percentage of Sirius Canada's gross revenues based on subscriber levels (ranging between 5% and 15%) and the number of Canadian-specific channels made available to Sirius Canada.

We recorded the following revenue from Sirius Canada. Royalty income is included in Other revenue and dividend income is included in Interest and investment income (loss) in our consolidated statements of comprehensive income:

	For the Years Ended December 31,	
	2011 *	2010
Royalty income	$ 9,945	$10,684
Dividend income	460	926
Total revenue from Sirius Canada	$10,405	$11,610

* Sirius Canada combined with XM Canada in June 2011.

Receivables from royalty and dividend income were utilized to absorb a portion of our share of net losses generated by Sirius Canada. Total costs reimbursed by Sirius Canada were $5,253 and $12,185 for the years ended December 31, 2011 and 2010, respectively.

Our share of net earnings or losses of Sirius Canada was recorded to Interest and investment income (loss) in our consolidated statements of comprehensive income on a one month lag. Our share of Sirius Canada's net loss was $9,717 and $10,257 for the years ended December 31, 2011 and 2010, respectively. The payments received from Sirius Canada in excess of carrying value were $6,748 and $10,281 for the years ended December 31, 2011 and 2010, respectively.

XM Canada

We had an equity interest of 21.5% in XM Canada until June 21, 2011 when the Canada Merger closed.

The Cdn $45,000 standby credit facility we extended to XM Canada was paid and terminated as a result of the Canada Merger. We received $38,815 in cash upon payment of this facility. As a result of the repayment of the credit facility and completion of the Canada Merger, we released a $15,649 valuation allowance related to the absorption of our share of the net loss from our investment in XM Canada as of June 21, 2011.

We recorded the following revenue from XM Canada as Other revenue in our consolidated statements of comprehensive income:

	For the Years Ended December 31,	
	2011 *	2010
Amortization of XM Canada deferred income	$ 1,388	$ 2,776
Subscriber and activation fee royalties	5,483	10,313
Licensing fee revenue	3,000	4,500
Advertising reimbursements	833	1,083
Total revenue from XM Canada	$10,704	$18,672

* XM Canada combined with Sirius Canada in June 2011.

Our share of net earnings or losses of XM Canada was recorded to Interest and investment income (loss) in our consolidated statements of comprehensive income on a one month lag. Our share of XM Canada's net loss was $6,045 and $12,147 for the years ended December 31, 2011 and 2010, respectively.

General Motors and American Honda

We have a long-term distribution agreement with General Motors Company ("GM"). GM had a representative on our board of directors and was considered a related party through May 27, 2010. During the term of the agreement, GM has agreed to distribute our service. We subsidize a portion of the cost of satellite radios and make incentive payments to GM when the owners of GM vehicles with factory- or dealer- installed satellite radios become self-paying subscribers. We also share with GM a percentage of the subscriber revenue attributable to GM vehicles with factory- or dealer- installed satellite radios. GM provides certain call-center related services directly to subscribers who are also GM customers for which we reimburse GM.

We make bandwidth available to OnStar LLC for audio and data transmissions to owners of enabled GM vehicles, regardless of whether the owner is a subscriber. OnStar's use of our bandwidth must be in compliance with applicable laws, must not compete or adversely interfere with our business, and must meet our quality standards. We also granted to OnStar a certain amount of time to use our studios on an annual basis and agreed to provide certain audio content for distribution on OnStar's services.

We have a long-term distribution agreement with American Honda. American Honda had a representative on our board of directors and was considered a related party through May 27, 2010. We have an agreement to make a certain amount of our bandwidth available to American Honda. American Honda's use of our bandwidth must be in compliance with applicable laws, must not compete or adversely interfere with our business, and must meet our quality standards. This agreement remains in effect so long as American Honda holds a certain amount of investment in us. We make incentive payments to American Honda for each purchaser or a Honda or Acura vehicle that becomes a self-paying subscriber and we share with American Honda a portion of the subscriber revenue attributable to Honda and Acura vehicles with installed satellite radios.

We recorded the following total related party revenue from GM and American Honda, primarily consisting of subscriber revenue, in connection with the agreements above:

	For the Year Ended December 31,
	2010 *
GM	$12,759
American Honda	4,990
Total	$17,749

* GM and American Honda were considered related parties through May 2010.

We have incurred the following related party expenses with GM and American Honda:

	For the Year Ended December 31,	
	2010 *	
	GM	American Honda
Sales and marketing	$13,374	$ —
Revenue share and royalties	15,823	3,167
Subscriber acquisition costs	17,514	1,969
Customer service and billing	125	—
Interest expense, net of amounts capitalized	1,421	—
Total	$48,257	$5,136

* GM and American Honda were considered related parties through May 2010.

(11) Investments

Long Term Restricted Investments

Restricted investments relate to reimbursement obligations under letters of credit issued for the benefit of lessors of our office space. As of December 31, 2012 and 2011, our Long-term restricted investments were $3,999 and $3,973, respectively. During the year ended December 31, 2011, $250 of obligations relating to these letters of credit were terminated and a new letter of credit agreement was entered into for $826 for additional space.

Auction Rate Certificates

Auction rate certificates are long-term securities structured to reset their coupon rates by means of an auction. We accounted for our investment in auction rate certificates as available-for-sale securities. In January 2010, our investment in the auction rate certificates was called by the issuer at par plus accrued interest, or $9,456, resulting in a gain of $425 in the year ended December 31, 2010.

(12) Debt

Our debt consists of the following:

	Conversion Price (per share)	December 31, 2012	December 31, 2011
8.75% Senior Notes due 2015	N/A	$ 800,000	$ 800,000
Less: discount		(7,056)	(9,753)
9.75% Senior Secured Notes due 2015	N/A	—	257,000
Less: discount		—	(8,356)
13% Senior Notes due 2013	N/A	—	778,500
Less: discount		—	(39,504)
7% Exchangeable Senior Subordinated Notes due 2014	$1.841	550,000	550,000
Less: discount		(4,112)	(5,956)
7.625% Senior Notes due 2018	N/A	700,000	700,000
Less: discount		(9,647)	(10,898)
5.25% Senior Notes due 2022	N/A	400,000	—
Less: discount		(5,826)	—
Other debt:			
Capital leases	N/A	11,861	2,941
Total debt		2,435,220	3,013,974
Less: total current maturities non-related party		4,234	1,623
Total long-term		2,430,986	3,012,351
Less: related party		208,906	328,788
Total long-term, excluding related party		$2,222,080	$2,683,563

8.75% Senior Notes due 2015

In March 2010, we issued $800,000 aggregate principal amount of 8.75% Senior Notes due 2015 (the “8.75% Notes”). Interest is payable semi-annually in arrears on April 1 and October 1 of each year at a rate of

8.75% per annum. The 8.75% Notes mature on April 1, 2015. The 8.75% Notes were issued for $786,000, resulting in an aggregate original issuance discount of $14,000. Substantially all of our domestic wholly-owned subsidiaries guarantee our obligations under the 8.75% Notes on a senior unsecured basis.

7% Exchangeable Senior Subordinated Notes due 2014

In August 2008, we issued $550,000 aggregate principal amount of 7% Exchangeable Senior Subordinated Notes due 2014 (the "Exchangeable Notes"). The Exchangeable Notes are senior subordinated obligations and rank junior in right of payment to our existing and future senior debt and equally in right of payment with our existing and future senior subordinated debt. Substantially all of our domestic wholly-owned subsidiaries have guaranteed the Exchangeable Notes on a senior subordinated basis.

Interest is payable semi-annually in arrears on June 1 and December 1 of each year at a rate of 7% per annum. The Exchangeable Notes mature on December 1, 2014. The Exchangeable Notes are exchangeable at any time at the option of the holder into shares of our common stock at an initial exchange rate of 533.3333 shares of common stock per $1,000 principal amount of Exchangeable Notes, which is equivalent to an approximate exchange price of $1.875 per share of common stock. If a holder of the Exchangeable Notes elects to exchange the notes in connection with a corporate transaction that constitutes a fundamental change, the exchange rate will be increased by an additional number of shares of common stock determined by the Indenture. Due to the special cash dividend in December 2012, the conversion rate increased to 543.1372 shares per common stock per $1,000 principal amount. For a discussion of subsequent events refer to Note 18.

During the year ended December 31, 2012, the common stock reserved for exchange in connection with the Exchangeable Notes were considered to be dilutive in our calculation of diluted net income per share.

7.625% Senior Notes due 2018

In October 2010, we issued $700,000 aggregate principal amount of 7.625% Senior Notes due 2018 (the "7.625% Notes"). Interest is payable semi-annually in arrears on May 1 and November 1 of each year at a rate of 7.625% per annum. The 7.625% Notes mature on November 1, 2018. Substantially all of our domestic wholly-owned subsidiaries guarantee our obligations under the 7.625% Notes.

5.25% Senior Notes due 2022

In August 2012, we issued $400,000 aggregate principal amount of 5.25% Senior Notes due 2022 (the "5.25% Notes"). Interest is payable semi-annually in arrears on February 15 and August 15 of each year at a rate of 5.25% per annum. The 5.25% Notes mature on August 15, 2022. Substantially all of our domestic wholly-owned subsidiaries guarantee our obligations under the 5.25% Notes.

Senior Secured Revolving Credit Facility

In December 2012, we entered into a five-year Senior Secured Revolving Credit Facility (the "Credit Facility") with a syndicate of financial institutions for $1,250,000. The Credit Facility is secured by substantially all our assets and the assets of our subsidiaries. The proceeds of loans under the Credit Facility will be used for working capital and other general corporate purposes, including financing acquisitions, share repurchases and dividends. Interest on borrowings is payable on a quarterly basis and accrues at a rate based on LIBOR plus an applicable rate. We are also required to pay a variable fee on the average daily unused portion of the Credit Facility which is currently 0.30% per annum and is payable on a quarterly basis. The Credit Facility contains customary covenants, including a maintenance covenant.

As of December 31, 2012, we have not drawn on the Credit Facility.

Retired Debt

9.75% Senior Secured Notes due 2015

In August 2009, we issued $257,000 aggregate principal amount of 9.75% Senior Secured Notes due September 1, 2015 (the "9.75% Notes"). The 9.75% Notes were issued for $244,292, resulting in an aggregate original issuance discount of $12,708. Substantially all of our domestic wholly-owned subsidiaries guaranteed our obligations under the 9.75% Notes. The 9.75% Notes and related guarantees were secured by first-priority liens on substantially all of our assets and the assets of the guarantors.

During the year ended December 31, 2012, we purchased $257,000 in aggregate principal amount of the 9.75% Notes for an aggregate purchase price, including interest, of $281,698. We recognized an aggregate loss on the extinguishment of the 9.75% Notes of $22,184 during the year ended December 31, 2012, consisting primarily of unamortized discount, deferred financing fees and repayment premium, to Loss on extinguishment of debt and credit facilities, net.

13% Senior Notes due 2013

In July 2008, we issued $778,500 aggregate principal amount of 13% Senior Notes due 2013 (the "13% Notes"). The 13% Notes would have matured on August 1, 2013. Substantially all of our domestic wholly-owned subsidiaries guaranteed our obligations under the 13% Notes.

During the year ended December 31, 2012, we purchased $778,500, in aggregate principal amount of the 13% Notes for an aggregate purchase price, including interest, of $879,133. We recognized an aggregate loss on the extinguishment of the 13% Notes of $110,542 during the year ended December 31, 2012, consisting primarily of unamortized discount, deferred financing fees and repayment premium, to Loss on extinguishment of debt and credit facilities, net.

3.25% Convertible Notes due 2011

In 2011, we purchased $168,113 of our then outstanding 3.25% Convertible Notes due 2011 (the "3.25% Notes") at prices between 100.75% and 101% of the principal amount plus accrued interest. We recognized a loss on extinguishment of debt for the 3.25% Notes of $2,291 for the year ended December 31, 2011, which consisted primarily of cash premiums paid, unamortized discount and deferred financing fees. The remainder of the 3.25% Notes was paid upon maturity in the fourth quarter of 2011.

11.25% Senior Secured Notes due 2013

In October 2010, we purchased $489,065 in aggregate principal amount of our 11.25% Senior Secured Notes due 2013 (the "11.25% Notes"). The aggregate purchase price for the 11.25% Notes was $567,927. We recorded an aggregate loss on extinguishment of the 11.25% Notes of $85,216, consisting primarily of unamortized discount, deferred financing fees and repayment premium to Loss on extinguishment of debt and credit facilities, net, in our 2010 consolidated statements of comprehensive income. The remainder of the 11.25% Notes of $36,685 was purchased in January 2011 for an aggregate purchase price of $40,376. A loss from extinguishment of debt of $4,915 associated with this purchase was recorded during the year ended December 31, 2011.

Covenants and Restrictions

Our debt generally requires compliance with certain covenants that restrict our ability to, among other things, (i) incur additional indebtedness unless our consolidated leverage would be no greater than 5.0 times consolidated operating cash flow after the incurrence of the indebtedness, (ii) incur liens, (iii) pay dividends or make certain other restricted payments, investments or acquisitions, (iv) enter into certain transactions with affiliates, (v) merge or consolidate with another person, (vi) sell, assign, lease or otherwise dispose of all or substantially all of our assets, and (vii) make voluntary prepayments of certain debt, in each case subject to exceptions. We also must comply with a maintenance covenant that we not exceed a total leverage ratio, calculated as total consolidated debt to consolidated operating cash flow, of 5.0 to 1.0.

Under our debt agreements, the following generally constitute an event of default: (i) a default in the payment of interest; (ii) a default in the payment of principal; (iii) failure to comply with covenants; (iv) failure to pay other indebtedness after final maturity or acceleration of other indebtedness exceeding a specified amount; (v) certain events of bankruptcy; (vi) a judgment for payment of money exceeding a specified aggregate amount; and (vii) voidance of subsidiary guarantees, subject to grace periods where applicable. If an event of default occurs and is continuing, our debt could become immediately due and payable.

At December 31, 2012 and 2011, we were in compliance with our debt covenants.

(13) Stockholders' Equity

Common Stock, par value $0.001 per share

We were authorized to issue up to 9,000,000,000 shares of common stock as of December 31, 2012 and 2011. There were 5,262,440,085 and 3,753,201,929 shares of common stock issued and outstanding as of December 31, 2012 and 2011, respectively.

As of December 31, 2012, approximately 1,885,629,000 shares of common stock were reserved for issuance in connection with outstanding convertible debt, preferred stock, warrants, incentive stock awards and common stock to be granted to third parties upon satisfaction of performance targets.

Special Dividend Declared, $0.05 per share

On December 5, 2012, we declared a special cash dividend of $0.05 per share on our outstanding common stock and preferred stock, on an as-converted basis, to stockholders of record as of the close of business on December 18, 2012. The dividend was paid in cash on December 28, 2012 in the amount of $327,062.

Stock Repurchase Program

In December 2012, we announced that our board of directors approved a $2,000,000 common stock repurchase program. Shares of common stock may be purchased from time to time on the open market or in privately negotiated transactions. As of December 31, 2012, we have not repurchased any shares.

Share Lending Arrangements

To facilitate the offering of the Exchangeable Notes, we entered into share lending agreements with Morgan Stanley Capital Services Inc. ("MS") and UBS AG London Branch ("UBS") in July 2008, under which we loaned MS and UBS an aggregate of 262,400,000 shares of our common stock in exchange for a fee of $0.001 per share. During the third quarter of 2009, MS returned to us 60,000,000 shares of our common stock borrowed. In October 2011, MS and UBS returned the remaining 202,400,000 shares loaned. The returned shares were retired upon receipt and removed from outstanding common stock. The share lending agreements have been terminated. Under GAAP, the borrowed shares were not considered outstanding for the purpose of computing and reporting our net income per common share.

We recorded interest expense related to the amortization of the costs associated with the share lending arrangement and other issuance costs for our Exchangeable Notes of $12,402, $11,189 and $10,095 for the years ended December 31, 2012, 2011 and 2010, respectively. As of December 31, 2012, the unamortized balance of the debt issuance costs was $27,652, with $27,099 recorded in Deferred financing fees, net, and $553 recorded in Long-term related party assets. As of December 31, 2011, the unamortized balance of the debt issuance costs was $40,054, with $39,253 recorded in Deferred financing fees, net, and $801 recorded in Long-term related party assets. These costs will continue to be amortized until the debt is terminated.

Other

In January 2004, Sirius Satellite Radio Inc. signed a seven-year agreement with a sports programming provider which expired in February 2011. Upon execution of this agreement, Sirius delivered 15,173,070 shares of common stock valued at $40,967 to that programming provider. These shares of common stock were subject to transfer restrictions which lapsed over time. We recognized share-based payment expense associated with these shares of $1,568 and $5,852 in the years ended December 31, 2011 and 2010, respectively. As of December 31, 2011, the value of the common stock was fully expensed.

Preferred Stock, par value $0.001 per share

We were authorized to issue up to 50,000,000 shares of undesignated preferred stock as of December 31, 2012 and 2011. There were no shares of Series A Convertible Preferred Stock ("Series A Preferred Stock") issued and outstanding as of December 31, 2012 and 2011.

There were 6,250,100 and 12,500,000 shares of Series B Preferred Stock issued and outstanding as of December 31, 2012 and 2011, respectively. In September 2012, Liberty Media converted 6,249,900 shares of the Series B Preferred Stock into 1,293,467,684 shares of common stock. The Series B Preferred Stock is convertible into shares of our common stock at the rate of 206.9581409 shares of common stock for each share of Series B Preferred Stock, representing approximately 20% of our outstanding shares of common stock (after giving effect to such conversion). As the holder of the Series B Preferred Stock, Liberty Radio LLC is entitled to a number of votes equal to the number of shares of our common stock into which such shares of Series B Preferred Stock are convertible. Liberty Radio LLC will also receive dividends and distributions ratably with our common stock, on an as-converted basis. With respect to dividend rights, the Series B Preferred Stock ranks evenly with our common stock and each other class or series of our equity securities not expressly provided as ranking senior to the Series B Preferred Stock. With respect to liquidation rights, the Series B Preferred Stock ranks evenly with each other class or series of our equity securities not expressly provided as ranking senior to the Series B Preferred Stock, and ranks senior to our common stock. For a discussion of subsequent events refer to Note 18.

Warrants

We have issued warrants to purchase shares of common stock in connection with distribution, programming and satellite purchase agreements. As of December 31, 2012 and 2011, approximately 18,455,000 and 22,506,000 warrants to acquire an equal number of shares of common stock were outstanding and fully vested. Warrants were excluded from the calculation of diluted net income per common share as the effect would have been anti-dilutive for the year ended December 31, 2012. The warrants expire at various times through 2015. At December 31, 2012 and 2011, the weighted average exercise price of outstanding warrants was $2.55 and $2.63 per share, respectively. We did not incur warrant related expenses during the years ended December 31, 2012, 2011 or 2010.

(warrants in thousands)	Average Exercise Price	Expiration Date	Number of Warrants Outstanding December 31, 2012	2011
NFL	$2.50	March 2015	16,667	16,718
Ford	$3.00	October 2012	—	4,000
Other distributors and programming providers	$3.00	June 2014	1,788	1,788
Total			18,455	22,506

In February 2011, Daimler AG exercised 16,500,000 warrants to purchase shares of common stock on a net settlement basis, resulting in the issuance of 7,122,951 shares of our common stock. In October 2012, the 4,000,000 Ford warrants expired.

Rights Plan

In April 2009, our board of directors adopted a rights plan. The terms of the rights and the rights plan are set forth in a Rights Agreement dated as of April 29, 2009 (the "Rights Plan"). The Rights Plan was intended to act as a deterrent to any person or group acquiring 4.9% or more of our outstanding common stock (assuming for purposes of this calculation that all of our outstanding convertible preferred stock was converted into common stock) without the approval of our board of directors. The Rights Plan expired on August 1, 2011.

(14) Benefit Plans

We recognized share-based payment expense of $63,822, $51,622 and $54,585 for the years ended December 31, 2012, 2011 and 2010, respectively.

2009 Long-Term Stock Incentive Plan

In May 2009, our stockholders approved the Sirius XM Radio Inc. 2009 Long-Term Stock Incentive Plan (the "2009 Plan"). Employees, consultants and members of our board of directors are eligible to receive awards under the 2009 Plan. The 2009 Plan provides for the grant of stock options, restricted stock, restricted stock units and other stock-based awards that the compensation committee of our board of directors may deem appropriate. Vesting and other terms of stock-based awards are set forth in the agreements with the individuals receiving the awards. Stock-based awards granted under the 2009 Plan are generally subject to a vesting requirement. Stock-based awards generally expire ten years from the date of grant. Each restricted stock unit entitles the holder to receive one share of common stock upon vesting. As of December 31, 2012, approximately 143,243,000 shares of common stock were available for future grants under the 2009 Plan.

Other Plans

We maintain four other share-based benefit plans — the XM 2007 Stock Incentive Plan, the Amended and Restated Sirius Satellite Radio 2003 Long-Term Stock Incentive Plan, the XM 1998 Shares Award Plan and the XM Talent Option Plan. No further awards may be made under these plans.

The following table summarizes the weighted-average assumptions used to compute the fair value of options granted to employees and members of our board of directors:

	For the Years Ended December 31, 2012	2011	2010
Risk-free interest rate	0.8%	1.1%	1.7%
Expected life of options — years	5.06	5.27	5.28
Expected stock price volatility	49%	68%	85%
Expected dividend yield	0%	0%	0%

We do not intend to pay regular dividends on our common stock. Accordingly, the dividend yield percentage used in the Black-Scholes-Merton option value is set to zero for all periods.

There were no options granted to third parties, other than non-employee members of our board of directors, during the years ended December 31, 2012, 2011 and 2010.

The following table summarizes stock option activity under our share-based payment plans for the years ended December 31, 2012, 2011 and 2010 (options in thousands):

	Options	Weighted-Average Exercise Price (1)	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding as of January 1, 2010	364,792	$1.44		
Granted	71,179	$0.97		
Exercised	(19,360)	$0.56		
Forfeited, cancelled or expired	(14,741)	$3.58		
Outstanding as of December 31, 2010	401,870	$1.32		
Granted	77,450	$1.80		
Exercised	(13,300)	$0.87		
Forfeited, cancelled or expired	(26,440)	$4.15		
Outstanding as of December 31, 2011	439,580	$1.25		
Granted	58,626	$2.53		
Exercised	(214,199)	$0.59		
Forfeited, cancelled or expired	(9,495)	$3.09		
Outstanding as of December 31, 2012	274,512	$1.92	7.29	$320,751
Exercisable as of December 31, 2012	93,822	$2.53	5.19	$ 89,517

(1) The weighted-average exercise price for options outstanding and exercisable as of December 31, 2012 in the table above have been adjusted to reflect the reduction to the exercise price related to the December 28, 2012 special cash dividend.

The weighted average grant date fair value of options granted during the years ended December 31, 2012, 2011 and 2010 was $1.09, $1.04 and $0.67, respectively. The total intrinsic value of stock options exercised during the years ended December 31, 2012, 2011 and 2010 was $399,794, $13,408 and $13,261, respectively.

On December 5, 2012, we declared a special cash dividend of $0.05 per share on our outstanding common stock and preferred stock, on an as-converted basis, to stockholders of record as of the close of business on December 18, 2012. The dividend was paid in cash on December 28, 2012. The compensation committee of our board of directors, which administers our stock incentive plans, adjusted the exercise price of stock options issued under the plans by decreasing the exercise price by $0.05 per share. The stock options outstanding as of December 18, 2012 were adjusted on December 28, 2012. This adjustment did not result in any additional incremental share-based payment expense being recognized.

We recognized share-based payment expense associated with stock options of $60,299, $48,038 and $44,833 for the years ended December 31, 2012, 2011 and 2010, respectively.

The following table summarizes the nonvested restricted stock and restricted stock unit activity under our share-based payment plans for the years ended December 31, 2012, 2011 and 2010 (shares in thousands):

	Shares	Grant Date Fair Value
Nonvested as of January 1, 2010	6,919	$2.65
Granted	—	$ —
Vested restricted stock awards	(4,039)	$2.85
Vested restricted stock units	(192)	$2.92
Forfeited	(291)	$2.72
Nonvested as of December 31, 2010	2,397	$2.57
Granted	—	$ —
Vested restricted stock awards	(1,854)	$3.30
Vested restricted stock units	(101)	$3.08
Forfeited	(21)	$3.05
Nonvested as of December 31, 2011	421	$1.46
Granted	8	$ —
Vested restricted stock awards	—	$ —
Vested restricted stock units	—	$ —
Forfeited	—	$ —
Nonvested as of December 31, 2012	429	$1.46

The total intrinsic value of restricted stock and restricted stock units that vested during the years ended December 31, 2012, 2011 and 2010 was $0, $3,178 and $3,927, respectively.

We recognized share-based payment expense associated with restricted stock units and shares of restricted stock of $0, $543 and $7,397 for the years ended December 31, 2012, 2011 and 2010, respectively.

No restricted stock units were granted during 2011 or 2010. In connection with the special cash dividend paid in December 2012, we granted 8,000 incremental restricted stock units to prevent the economic dilution of the holders of our restricted stock units. This grant did not result in any additional incremental share-based payment expense being recognized.

Total unrecognized compensation costs related to unvested share-based payment awards for stock options and restricted stock units and shares granted to employees and members of our board of directors at December 31, 2012 and December 31, 2011, net of estimated forfeitures, was $129,010 and $129,983, respectively. The total unrecognized compensation costs at December 31, 2012 are expected to be recognized over a weighted-average period of three years.

401(k) Savings Plan

We sponsor the Sirius XM Radio 401(k) Savings Plan (the "Sirius XM Plan") for eligible employees.

The Sirius XM Plan allows eligible employees to voluntarily contribute from 1% to 50% of their pre-tax eligible earnings, subject to certain defined limits. We match 50% of an employee's voluntary contributions, up to 6% of an employee's pre-tax salary. For the years ended December 31, 2012, 2011 and 2010, these matching contributions were made in the form of shares of our common stock. Employer matching contributions under the Sirius XM Plan vest at a rate of 33.33% for each year of employment and are fully vested after three years of employment for all current and future contributions. Share-based payment expense resulting from the matching contribution to the Sirius XM Plan was $3,523, $3,041 and $2,356 for the years ended December 31, 2012, 2011 and 2010, respectively.

We may also elect to contribute to the profit sharing portion of the Sirius XM Plan based upon the total eligible compensation of eligible participants. These additional contributions are determined by the compensation committee of our board of directors. We did not contribute to the profit sharing portion of the Sirius XM Plan in 2012, 2011 or 2010.

(15) Commitments and Contingencies

The following table summarizes our expected contractual cash commitments as of December 31, 2012:

	2013	2014	2015	2016	2017	Thereafter	Total
Long-term debt obligations	$ 4,234	$ 553,406	$ 803,355	$ 866	$ —	$1,100,000	$2,461,861
Cash interest payments	186,552	186,918	113,285	78,193	78,865	158,375	802,188
Satellite and transmission	67,170	27,620	13,874	4,351	3,484	20,334	136,833
Programming and content	219,450	187,964	173,959	23,613	11,125	—	616,111
Marketing and distribution	20,825	12,650	6,385	3,878	568	381	44,687
Satellite incentive payments	9,211	12,377	11,478	12,311	13,259	69,066	127,702
Operating lease obligations	38,434	32,190	34,805	24,727	18,568	206,426	355,150
Other	59,848	21,534	3,572	1,071	278	23	86,326
Total (1)	$605,724	$1,034,659	$1,160,713	$149,010	$126,147	$1,554,605	$4,630,858

(1) The table does not include our reserve for uncertain tax positions, which at December 31, 2012 totaled $1,432, as the specific timing of any cash payments cannot be projected with reasonable certainty.

Long-term debt obligations. Long-term debt obligations include principal payments on outstanding debt and capital lease obligations.

Cash interest payments. Cash interest payments include interest due on outstanding debt and capital lease payments through maturity.

Satellite and transmission. We have entered into agreements with third parties to operate and maintain the off-site satellite telemetry, tracking and control facilities and certain components of our terrestrial repeater networks. We have also entered into various agreements to design and construct a satellite and related launch vehicle for use in our systems.

Programming and content. We have entered into various programming agreements. Under the terms of these agreements, our obligations include fixed payments, advertising commitments and revenue sharing arrangements.

Marketing and distribution. We have entered into various marketing, sponsorship and distribution agreements to promote our brand and are obligated to make payments to sponsors, retailers, automakers and radio manufacturers under these agreements. Certain programming and content agreements also require us to purchase advertising on properties owned or controlled by the licensors. We also reimburse automakers for certain engineering and development costs associated with the incorporation of satellite radios into vehicles they manufacture. In addition, in the event certain new products are not shipped by a distributor to its customers within 90 days of the distributor's receipt of goods, we have agreed to purchase and take title to the product.

Satellite incentive payments. Boeing Satellite Systems International, Inc., the manufacturer of four of XM's in-orbit satellites, may be entitled to future in-orbit performance payments with respect to two of XM's satellites. As of December 31, 2012, we have accrued $27,832 related to contingent in-orbit performance payments for our XM-3 and XM-4 satellites based on expected operating performance over their fifteen-year design life. Boeing may also be entitled to an additional $10,000 if our XM-4 satellite continues to operate above baseline specifications during the five years beyond the satellite's fifteen-year design life.

Space Systems/Loral, a manufacturer of our in-orbit satellites, may be entitled to future in-orbit performance payments. As of December 31, 2012, we have accrued $8,663 and $21,450 related to contingent performance payments for our FM-5 and XM-5 satellites, respectively, based on their expected operating performance over their fifteen-year design life.

Operating lease obligations. We have entered into cancelable and non-cancelable operating leases for office space, equipment and terrestrial repeaters. These leases provide for minimum lease payments, additional operating expense charges, leasehold improvements and rent escalations that have initial terms ranging from one to fifteen years, and certain leases that have options to renew. The effect of the rent holidays and rent concessions are recognized on a straight-line basis over the lease term, including reasonably assured renewal periods. Total rent recognized in connection with leases for the years ended December 31, 2012, 2011 and 2010 was $37,474, $34,143 and $36,652, respectively.

Other. We have entered into various agreements with third parties for general operating purposes. In addition to the minimum contractual cash commitments described above, we have entered into agreements with other variable cost arrangements. These future costs are dependent upon many factors, including subscriber growth, and are difficult to anticipate; however, these costs may be substantial. We may enter into additional programming, distribution, marketing and other agreements that contain similar variable cost provisions.

We do not have any other significant off-balance sheet financing arrangements that are reasonably likely to have a material effect on our financial condition, results of operations, liquidity, capital expenditures or capital resources.

Legal Proceedings

In the ordinary course of business, we are a defendant or party to various claims and lawsuits, including those discussed below. These claims are at various stages of arbitration or adjudication.

State Consumer Investigations. A Multistate Working Group of 31 State Attorneys General, led by the Attorney General of the State of Ohio, is investigating certain of our consumer practices. The investigation focuses on practices relating to the cancellation of subscriptions; automatic renewal of subscriptions; charging, billing, collecting, and refunding or crediting of payments from consumers; and soliciting customers.

A separate investigation into our consumer practices is being conducted by the Attorneys General of the State of Florida and the State of New York. We are cooperating with these investigations and believe our consumer practices comply with all applicable federal and state laws and regulations.

One Twelve, Inc. and Don Buchwald v. Sirius XM Radio Inc. In March 2011, One Twelve, Inc., Howard Stern's production company, and Don Buchwald, Stern's agent, commenced an action against us in the Supreme Court of the State of New York, County of New York. The action alleged that, upon the Merger, we failed to honor our obligations under the performance-based compensation provisions of our prior agreement dated October 2004 with One Twelve and Buchwald, as agent; One Twelve and Buchwald each assert a claim of breach of contract. In April 2012, the Court granted our motion for summary judgment and dismissed with prejudice the suit. The Court found the agreement unambiguous. One Twelve and Buchwald have appealed this decision.

Other Matters. In the ordinary course of business, we are a defendant in various other lawsuits and arbitration proceedings, including derivative actions; actions filed by subscribers, both on behalf of themselves and on a class action basis; former employees; parties to contracts or leases; and owners of patents, trademarks, copyrights or other intellectual property. None of these other actions are, in our opinion, likely to have a material adverse effect on our business, financial condition or results of operations.

(16) Income Taxes

Our income tax expense consisted of the following:

	For the Years Ended December 31,		
	2012	2011	2010
Current taxes:			
Federal	$ —	$ —	$ —
State	1,319	3,229	942
Foreign	2,265	2,741	1,370
Total current taxes	3,584	5,970	2,312
Deferred taxes:			
Federal	(2,729,823)	3,991	4,163
State	(271,995)	4,273	(1,855)
Total deferred taxes	(3,001,818)	8,264	2,308
Total income tax (benefit) expense	$(2,998,234)	$14,234	$ 4,620

The following table indicates the significant elements contributing to the difference between the federal tax (benefit) expense at the statutory rate and at our effective rate:

	For the Years Ended December 31, 2012	2011	2010
Federal tax expense, at statutory rate	$ 166,064	$ 154,418	$ 16,678
State income tax expense, net of federal benefit	16,606	15,751	1,620
State income rate changes	2,251	3,851	(2,252)
Non-deductible expenses	477	457	4,130
Change in valuation allowance	(3,195,651)	(166,452)	(21,749)
Other, net	12,019	6,209	6,193
Income tax (benefit) expense	$(2,998,234)	$ 14,234	$ 4,620

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are represented below:

	For the Years Ended December 31, 2012	2011
Deferred tax assets:		
Net operating loss carryforwards	$ 2,493,239	$ 3,025,621
GM payments and liabilities	80,742	194,976
Deferred revenue	511,700	410,812
Severance accrual	46	21
Accrued bonus	23,798	17,296
Expensed costs capitalized for tax	26,569	35,227
Loan financing costs	428	1,575
Investments	39,915	40,880
Stock based compensation	64,636	89,862
Other	34,705	42,924
Total deferred tax assets	3,275,778	3,859,194
Deferred tax liabilities:		
Depreciation of property and equipment	(185,007)	(405,892)
FCC license	(772,550)	(781,742)
Other intangible assets	(165,227)	(188,988)
Other	—	(189)
Total deferred tax liabilities	(1,122,784)	(1,376,811)
Net deferred tax assets before valuation allowance	2,152,994	2,482,383
Valuation allowance	(9,835)	(3,360,740)
Total net deferred tax asset (liability)	$ 2,143,159	$ (878,357)

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences can be carried forward under tax law. Management's evaluation of the realizability of deferred tax assets considers both positive and negative evidence, including historical financial performance, scheduled reversal of deferred tax assets and liabilities, projected taxable income and tax planning strategies in making this assessment. The weight given to the potential effects of positive and negative evidence is based on the extent to which it can be objectively verified.

For the year ended December 31, 2012, our deferred tax asset valuation allowance decreased by $3,350,905 in response to cumulative positive evidence in 2012 which outweighed the historical negative evidence from our emergence from cumulative losses in recent years and updated assessments regarding that it was more likely than not that our deferred tax assets will be realized. Realization of the net deferred tax assets is dependent on our generation of sufficient future taxable income to obtain benefit from the reversal of temporary differences, primarily related to gross net operating loss carryforwards of approximately $6,571,519. In addition to the gross book net operating loss carryforwards, we have $599,153 of excess share-based compensation deductions that will not be realized until we utilize $6,571,519 of net operating losses, resulting in an approximate gross operating loss carryforward on our tax return of $7,170,672 or $2,493,239 tax effected. As of December 31, 2012, the deferred tax asset valuation allowance of $9,835 relates to deferred tax assets that are not likely to be realized due to certain state net operating loss limitations. These net operating loss carryforwards expire on various dates beginning in 2017 and ending in 2028.

There is no current U.S. federal income tax provision, as all federal taxable income was offset by utilizing U.S. federal net operating loss carryforwards. The state income tax provision is primarily related to taxable income in certain states that have suspended the ability to use net operating loss carryforwards. The foreign income tax provision is primarily related to foreign withholding taxes related to royalty income between us and our Canadian affiliate.

As of December 31, 2012 and 2011, the gross liability for income taxes associated with uncertain state tax positions was $1,432, respectively. If recognized, $1,432 of unrecognized tax benefits would affect the effective tax rate. This liability is recorded in Other long-term liabilities. No penalties have been accrued for. We do not currently anticipate that our existing reserves related to uncertain tax positions as of December 31, 2012 will significantly increase or decrease during the twelve-month period ending December 31, 2013; however, various events could cause our current expectations to change in the future. Should our position with respect to the majority of these uncertain tax positions be upheld, the effect would be recorded in our consolidated statements of comprehensive income as part of the income tax provision. Our policy is to recognize interest and penalties accrued on uncertain tax positions as part of income tax expense. We have recorded interest expense of $55 and $92 for the years ended December 31, 2012 and 2011, respectively, related to our unrecognized tax benefits presented below.

Changes in our uncertain income tax positions, from January 1 through December 31 are presented below:

	2012	2011
Balance, beginning of year	$1,432	$ 942
Additions for tax positions from prior years	—	490
Balance, end of year	$1,432	$1,432

We have federal and certain state income tax audits pending. We do not expect the ultimate disposition of these audits to have a material adverse affect on our financial position or results of operations.

(17) Quarterly Financial Data — Unaudited

Our quarterly results of operations are summarized below:

	For the Three Months Ended			
	March 31	June 30	September 30	December 31
2012				
Total revenue	$ 804,722	$ 837,543	$ 867,360	$ 892,415
Cost of services	$(292,309)	$ (293,975)	$(314,204)	$(328,882)
Income from operations	$ 199,238	$ 227,942	$ 231,749	$ 213,096
Net income	$ 107,774	$3,134,170	$ 74,514	$ 156,244
Net income per common share — basic (1) (2)	$ 0.02	$ 0.49	$ 0.01	$ 0.02
Net income per common share — diluted (1)	$ 0.02	$ 0.48	$ 0.01	$ 0.02
2011				
Total revenue	$ 723,839	$ 744,397	$ 762,550	$ 783,738
Cost of services	$(270,689)	$ (273,331)	$(277,360)	$(299,719)
Income from operations	$ 164,172	$ 172,982	$ 184,488	$ 154,475
Net income	$ 78,121	$ 173,319	$ 104,185	$ 71,336
Net income per common share — basic (1) (2)	$ 0.01	$ 0.03	$ 0.02	$ 0.01
Net income per common share — diluted (1)	$ 0.01	$ 0.03	$ 0.02	$ 0.01

(1) The sum of quarterly net income per share applicable to common stockholders (basic and diluted) does not necessarily agree to the net income per share for the year due to the timing of our common stock issuances.

(2) We identified and corrected an immaterial error affecting the historical presentation of basic earnings per share. The adjustment reflects the Series B Preferred Stock held by Liberty Media as participating securities as the holders of such preferred stock may participate in dividends and distributions ratably with holders of our common stock on an as-converted basis as disclosed in Footnote 3. The effects of the error were not material to any previously reported quarterly or annual period. The corrected net income per common share — basic calculations are presented in the quarterly results of operations table. The previously reported net income per common share — basic for the three months ended March 31, 2012 and June 30, 2012 were $0.03 and $0.83, respectively. The previously reported net income per common share — basic for the six months ended June 30, 2012 was $0.86 and the adjusted net income per common share — basic was $0.51. The previously reported net income per common share — basic for the three month ended March 31, 2011, June 30, 2011, and December 31, 2011 were $0.02, $0.05 and $0.02, respectively. The previously reported net income per common share — basic for the six months ended June 30, 2011 was $0.07 and the adjusted net income per common share — basic was $0.04.

(18) Subsequent Events

On January 3, 2013, the Federal Communications Commission granted Liberty Media approval to acquire de jure control of us. On January 17, 2013, Liberty Media filed a Form 4 with the Securities and Exchange Commission indicating that on January 15, 2013 it, indirectly through its subsidiaries, purchased an additional 50,000,000 shares of our common stock. On January 18, 2013, Liberty Radio, LLC, a wholly-owned subsidiary of Liberty Media and the holder of all of the outstanding shares of our Series B Preferred Stock, converted all of its Series B Preferred Stock into 1,293,509,076 shares of our common stock. As a result of this recent purchase and conversion Liberty Media beneficially owned as of January 17, 2013, directly and indirectly, an aggregate of 3,292,800,311 shares of our common stock, representing approximately 50.21% of all the outstanding shares of our common stock.

As a result of the foregoing, a Fundamental Change occurred on January 17, 2013 under the indenture governing the Exchangeable Notes. In accordance with the indenture, on February 1, 2013, we made an offer to each holder of Exchangeable Notes to: (i) have the Company repurchase his or her Exchangeable Notes at a purchase price in cash equal to $1,000 per $1,000 principal amount of the Notes (plus accrued and unpaid interest to, but excluding March 1, 2013); or (ii) exchange his or her Exchangeable Notes for our common stock, at an exchange rate of 581.3112 shares per $1,000 principal amount of Notes, on or prior to March 1, 2013. This exchange rate is a benefit to the holders compared to an exchange rate of 543.1372 shares of common stock in effect prior to occurrence of such Fundamental Change. A holder of the Exchangeable Notes may also elect to retain his or her Notes pursuant to their terms through maturity on December 1, 2014, or otherwise transfer or exchange them in the ordinary course.

SIRIUS XM RADIO INC. AND SUBSIDIARIES

Schedule II — Schedule of Valuation and Qualifying Accounts

(in thousands) **Description**	**Balance January 1,**	**Charged to Expenses (Benefit)**	**Write-offs/ Payments/ Other**	**Balance December 31,**
2010				
Allowance for doubtful accounts	$ 8,667	32,379	(30,824)	$ 10,222
Deferred tax assets — valuation allowance	$3,615,332	(21,749)	(42,295)	$3,551,288
2011				
Allowance for doubtful accounts	$ 10,222	33,164	(33,454)	$ 9,932
Deferred tax assets — valuation allowance	$3,551,288	(166,452)	(24,096)	$3,360,740
2012				
Allowance for doubtful accounts	$ 9,932	34,548	(32,769)	$ 11,711
Deferred tax assets — valuation allowance	$3,360,740	(3,195,651)	(155,254)	$ 9,835

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Corporate Information

Management

James E. Meyer
Chief Executive Officer

Scott A. Greenstein
President and Chief Content Officer

Dara F. Altman
Executive Vice President and Chief Administrative Officer

Stephen Cook
Executive Vice President, Sales and Automotive

Patrick L. Donnelly
Executive Vice President, General Counsel and Secretary

David J. Frear
Executive Vice President and Chief Financial Officer

Enrique Rodriguez
Executive Vice President, Operations and Products

Board of Directors

Gregory B. Maffei
Chairman of the Board of Sirius XM Radio Inc.
President and CEO
Liberty Media Corporation

Eddy W. Hartenstein
Lead Independent Director of Sirius XM Radio Inc.
Publisher and CEO
Los Angeles Times

Joan L. Amble
Director
Executive Vice President and Corporate Comptroller (Retired)
American Express Company

Mark D. Carleton
Director
Senior Vice President
Liberty Media Corporation

David J.A. Flowers
Director
Senior Vice President
Liberty Media Corporation

James P. Holden
Director
President and CEO (Retired)
Chrysler Corporation

John C. Malone
Director
Chairman of the Board
Liberty Media Corporation

James E. Meyer
Director
Chief Executive Officer
Sirius XM Radio Inc.

James F. Mooney
Director
Chairman
Virgin Media Inc.

Robins S. Pringle
Director
Vice President
Liberty Media Corporation

Charles Y. Tanabe
Executive Vice President, General Counsel (Retired)
Liberty Media Corporation

Carl E. Vogel
Director
Senior Advisor
Dish Network Corporation

Vanessa A. Wittman
Director
Senior Vice President and CFO
Motorola Mobility

Executive Offices

Sirius XM Radio Inc.
1221 Avenue of the Americas
36th Floor
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212.584.5100
www.siriusxm.com

Stockholder Information

Annual Stockholders Meeting

The annual meeting of Sirius XM stockholders is scheduled for 9:00 a.m., New York City time, on Tuesday, May 21, 2013, in The Auditorium at The AXA Equitable Center,
787 Seventh Avenue,
New York, New York
10019

Transfer Agent and Registrar

The transfer agent and registrar for the Company's common stock is:

Computershare

Shareowner Services
P.O. Box 358015
Pittsburgh, PA 15252-8015
1-877-268-1949 (toll free) and
201-680-6685 (international callers)
800-231-5469 (hearing impaired TDD phone)
www.bnymellon.com/shareowner/isd

Sirius XM common stock is listed on The NASDAQ Global Select Market under the symbol "SIRI".

Independent Registered Public Accounting Firm

KPMG LLP
345 Park Avenue
New York, New York 10154

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