

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER 001-34295

SIRIUS XM HOLDINGS INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

38-3916511

(I.R.S. Employer Identification Number)

1290 Avenue of the Americas, 11th Floor

New York, New York

(Address of principal executive offices)

10104

(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class:

Name of Each Exchange on Which Registered:

Common Stock, par value \$0.001 per share

The Nasdaq Global Select Market

Securities registered pursuant to Section 12(g) of the Act:

None

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the registrant's common stock held by non-affiliates as of June 30, 2016 was \$6,800,292,544. All executive officers and directors of the registrant have been deemed, solely for the purpose of the foregoing calculation, to be "affiliates" of the registrant.

The number of shares of the registrant's common stock outstanding as of January 31, 2017 was 4,715,160,369.

DOCUMENTS INCORPORATED BY REFERENCE

Information included in our definitive proxy statement for our 2017 annual meeting of stockholders scheduled to be held on Thursday, May 18, 2017 is incorporated by reference in Items 10, 11, 12, 13 and 14 of Part III of this report.

SIRIUS XM HOLDINGS INC. AND SUBSIDIARIES
2016 FORM 10-K ANNUAL REPORT
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PART I

ITEM 1. BUSINESS

This Annual Report on Form 10-K presents information for Sirius XM Holdings Inc. (“Holdings”). The terms “we,” “us,” “our,” and “our company” as used herein and unless otherwise stated or indicated by context, refer to Sirius XM Radio Inc. (“Sirius XM”) and its subsidiaries.

Sirius XM Holdings Inc.

Sirius XM is a wholly-owned subsidiary of Holdings. Holdings was incorporated in the State of Delaware on May 21, 2013. Holdings has no operations independent of its subsidiary Sirius XM.

Relationship with Liberty Media

As of December 31, 2016, Liberty Media Corporation (“Liberty Media”) beneficially owned, directly and indirectly, approximately 67% of the outstanding shares of Holdings’ common stock. Liberty Media owns interests in a range of media, communications and entertainment businesses.

Sirius XM Radio Inc.

We transmit 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 features such as SiriusXM On Demand and MySXM, over our Internet radio service, including through applications for mobile devices, home devices and other consumer electronic equipment. We are also a leader in providing connected vehicle services. Our connected vehicle services are designed to enhance the safety, security and driving experience for vehicle operators while providing marketing and operational benefits to automakers and their dealers.

As of December 31, 2016, we had approximately 31.3 million subscribers. Our subscribers include:

- subscribers under our regular and discounted pricing plans;
- subscribers that have prepaid, including payments made or due from automakers for subscriptions included in the sale or lease price of a vehicle;
- subscribers to our Internet services who do not also have satellite radio subscriptions; and
- certain subscribers to our weather, traffic and data services who do not also have satellite radio subscriptions.

Our primary source of revenue is subscription fees, with most of our customers subscribing to annual, semi-annual, quarterly or monthly plans. We offer discounts for prepaid longer term subscription plans, as well as a multiple subscription discount. We also derive revenue from activation and other fees, the sale of advertising on select non-music channels, the direct sale of satellite radios and accessories, and other ancillary services, such as our weather, traffic and data services.

Our satellite radios are primarily distributed through automakers; retail stores nationwide; and through our website. We have agreements with every major automaker to offer satellite radios in their vehicles. We also acquire subscribers through marketing to owners and lessees of previously-owned vehicles that include factory-installed satellite radios that are not currently subscribing to our services. Satellite radio services are also offered to customers of certain rental car companies.

Programming

We offer a dynamic programming lineup of commercial-free music plus sports, entertainment, comedy, talk, and news, including:

- an extensive selection of music genres, ranging from rock, pop and hip-hop to country, dance, jazz, Latin and classical;
- live play-by-play sports from major leagues and colleges;
- a multitude of talk and entertainment channels for a variety of audiences;
- a wide range of national, international and financial news; and

- exclusive limited run channels.

Our diverse spectrum of programming, including our lineup of exclusive material, is a significant differentiator from terrestrial radio and other audio entertainment providers. We make changes to our programming lineup from time to time as we strive to attract new subscribers and offer content which appeals to a broad range of audiences and to our existing subscribers. The channel line-ups for our services are available at siriusxm.com.

Internet Radio Service

We stream select music and non-music channels over the Internet. Our Internet radio service also includes certain channels and features that are not available on our satellite radio service. Access to our Internet radio service is offered to subscribers for a fee. We also offer applications to allow consumers to access our Internet radio service on smartphones, tablets, computers, home devices and other consumer electronic equipment.

SiriusXM Internet Radio offers listeners enhanced programming discovery and the ability to connect with content currently playing across our commercial-free music, sports, comedy, news, talk and entertainment channels or available through SiriusXM On Demand.

SiriusXM On Demand offers our Internet radio subscribers listening on our online media player and on smartphones the ability to choose their favorite episodes from a catalog of content whenever they want. MySXM permits subscribers to personalize our existing commercial-free music and comedy channels to create a more tailored listening experience. Channel-specific sliders allow users to create over 100 variations of each of more than 50 channels by adjusting characteristics like library depth, familiarity, music style, tempo, region, and multiple other channel-specific attributes. SiriusXM On Demand and MySXM are offered to our Internet radio subscribers at no extra charge.

360L

We are developing a product, which we call “360L” (formerly called SXM17), that combines our satellite and Internet services into a single, cohesive in-vehicle entertainment experience. 360L is expected to allow us to take advantage of advanced in-dash infotainment systems. 360L is intended to leverage the ubiquitous signal coverage of our satellite infrastructure and low delivery costs with the two-way communication capability of wireless Internet service to provide consumers seamless access to our content, including our live channels, SiriusXM On Demand programming and more personalized music services. The wireless Internet connection included in 360L will enable enhanced search and recommendations functions, making discovery of our content in the vehicle easier than ever. 360L will also allow consumers to manage aspects of their subscriptions directly through their vehicles’ equipment.

Distribution of Radios

Automakers

We distribute satellite radios through the sale and lease of new vehicles. We have agreements with every major automaker to offer satellite radios in their vehicles. Satellite radios are available as a factory or dealer-installed option in substantially all vehicle makes sold in the United States.

Most automakers include a subscription to our radio service in the sale or lease of their new vehicles. In certain cases, we receive subscription payments from automakers in advance of the activation of our service. We share with certain automakers a portion of the revenues we derive from subscribers using vehicles equipped to receive our service. We also reimburse various automakers for certain costs associated with the satellite radios installed in new vehicles, including in certain cases hardware costs, engineering expenses and promotional and advertising expenses.

Previously Owned Vehicles

We acquire subscribers through the sale and lease of previously owned vehicles with factory-installed satellite radios. We have entered into agreements with many automakers to market subscriptions to purchasers and lessees of vehicles which include satellite radios sold through their certified pre-owned programs. We also work directly with franchise and independent dealers on programs for non-certified vehicles.

We have developed systems and methods to identify purchasers and lessees of previously owned vehicles which include satellite radios and have established marketing plans to promote our services to these potential subscribers.

Retail

We sell satellite radios directly to consumers through our website. Satellite radios are also marketed and distributed through national and regional retailers.

Our Satellite Radio Systems

Our satellite radio systems are designed to provide clear reception in most areas despite variations in terrain, buildings and other obstructions. We continually monitor our infrastructure and regularly evaluate improvements in technology.

Our satellite radio systems have three principal components:

- satellites, terrestrial repeaters and other satellite facilities;
- studios; and
- radios.

Satellites, Terrestrial Repeaters and Other Satellite Facilities

Satellites. We provide our service through a fleet of five orbiting satellites, two in the Sirius system, FM-5 and FM-6, and three in the XM system, XM-3, XM-4 and XM-5. Our XM-5 satellite serves as a spare for both the XM and Sirius systems.

Our satellite constellation operates in geostationary orbits. During 2016, we transitioned the Sirius network to a geostationary orbit system using our FM-5 and FM-6 satellites. As part of this service transition, in 2016, our FM-1, FM-2 and FM-3 satellites, which had operated in highly inclined elliptical orbits, were moved into disposal orbits. In 2016, we also entered into an agreement for the design and construction of two new satellites, SXM-7 and SXM-8, which we plan to launch into geostationary orbits in 2019 and 2020, respectively, as replacements for XM-3 and XM-4.

Satellite Insurance. We do not have in-orbit insurance policies covering our satellites, as we consider the premium costs to be uneconomical relative to the risk of satellite failure.

Terrestrial Repeaters. In some areas with high concentrations of tall buildings, such as urban centers, signals from our satellites may be blocked and reception of satellite signals can be adversely affected. In other areas with a high density of next generation wireless systems our service may experience interference. In many of these areas, we have deployed terrestrial repeaters to supplement and enhance our signal coverage. We operate over 1,000 terrestrial repeaters across the United States as part of our systems.

Other Satellite Facilities. We control and communicate with our satellites from facilities in North America. During 2016, we maintained earth stations in Panama and Ecuador to control and communicate with three of our Sirius satellites, FM-1, FM-2 and FM-3. We plan to end operations in Panama and Ecuador in 2017. Our satellites are monitored, tracked and controlled by a third party satellite operator.

Studios

Our programming originates from studios in New York City and Washington D.C. and, to a lesser extent, from smaller studios in Los Angeles, Nashville and a variety of smaller venues across the country. Our corporate headquarters is based in New York City. Both our New York City and Washington D.C. offices house facilities for programming origination, programming personnel and facilities to transmit programming.

Radios

We do not manufacture radios. We have authorized manufacturers and distributors to produce and distribute radios, and have licensed our technology to various electronics manufacturers to develop, manufacture and distribute radios under certain brands. We do manage various aspects of the production of satellite radios. To facilitate the sale of radios, we may subsidize a portion of the radio manufacturing costs to reduce the hardware price to consumers.

Connected Vehicle Services

We are a leader in providing connected vehicle services. Our connected vehicle services are designed to enhance the safety, security and driving experience for vehicle operators while providing marketing and operational benefits to automakers and their dealers. We offer a portfolio of location-based services through two-way wireless connectivity, including safety, security, convenience, maintenance and data services, remote vehicles diagnostics, and stolen or parked vehicle locator services. Our connected vehicle business provides services to several automakers, including Acura, Audi, Fiat Chrysler, Honda, Hyundai, Jaguar Land Rover, Nissan, Subaru and Toyota.

Subscribers to our connected vehicle services are not included in our subscriber count or subscriber-based operating metrics.

Canada

We own approximately 37% of the equity of Sirius XM Canada Holdings Inc. (“Sirius XM Canada”), the satellite radio provider in Canada. Subscribers to the services offered by Sirius XM Canada are not included in our subscriber count or subscriber-based operating metrics.

On May 12, 2016, our subsidiary, Sirius XM, entered into an arrangement agreement (the “Arrangement Agreement”) with Sirius XM Canada. Pursuant to the Arrangement Agreement, Sirius XM and certain Canadian shareholders will form a new company to acquire shares of Sirius XM Canada not already owned by them pursuant to a plan of arrangement (the “Transaction”). In connection with the Transaction, Sirius XM Canada’s shareholders will be entitled to elect to receive, for each share of Sirius XM Canada held, C\$4.50 (U.S. \$3.50 as of May 12, 2016) in (i) cash, (ii) shares of our common stock, (iii) a security exchangeable for shares of our common stock, or (iv) a combination thereof; provided that no more than 50% of the total consideration in the Transaction (or up to 35 million shares) will be issued in our common stock and exchangeable shares. All of the obligations of Sirius XM under the Arrangement Agreement are guaranteed by Holdings.

Following the Transaction, Sirius XM is expected to hold a 70% economic interest and 33% voting interest in Sirius XM Canada, with the remainder of the voting power and economic interest held by Slight Communications and Obelysk Media, two of Sirius XM Canada’s current Canadian shareholders. Sirius XM expects to contribute to Sirius XM Canada approximately U.S. \$275 million in connection with the Transaction (assuming that all shareholders elect to receive cash in connection with the Transaction), which amount is expected to be used to pay the cash consideration to Sirius XM Canada’s shareholders and will be decreased proportionately if shareholders elect to receive consideration in shares of our common stock or securities exchangeable for our common stock.

The Transaction has been approved by the stockholders of Sirius XM Canada and has received the required court approval. The Transaction remains subject to receipt of Canadian Radio-Television and Telecommunications Commission approval. Pending receipt of this approval, the Transaction is expected to close early in the the second quarter of 2017.

Other Services

Commercial Accounts. Our programming is available for commercial establishments. Commercial subscription accounts are available through providers of in-store entertainment solutions and directly from us. Certain commercial subscribers are included in our subscriber count.

Satellite Television Service. Certain of our music channels are offered as part of certain programming packages on the DISH Network satellite television service. Subscribers to the DISH Network satellite television service are not included in our subscriber count.

Subscribers to the following services are not included in our subscriber count, unless the applicable service is purchased by the subscriber separately and not as part of a radio subscription to our services:

Travel Link. We offer Travel Link, a suite of data services that includes graphical weather, fuel prices, sports schedules and scores and movie listings.

Real-Time Traffic Services. We offer services that provide graphic information as to road closings, traffic flow and incident data to consumers with compatible in-vehicle navigation systems.

Real-Time Weather Services. We offer several real-time weather services designed for improving situational awareness in vehicle, marine and/or aviation use.

Competition

Satellite Radio

We face significant competition for both listeners and advertisers in our satellite radio business, including from providers of radio or other audio services. Our digital competitors are making in-roads into vehicles, where we are currently the leading alternative to traditional AM/FM radio.

Traditional AM/FM Radio. Our services compete with traditional AM/FM radio. Several traditional radio companies are substantial entities owning large numbers of radio stations or other media properties. The radio broadcasting industry is highly competitive. Traditional AM/FM broadcasters are also aggressively pursuing Internet radio, wireless Internet-based distribution arrangements and data services.

Traditional AM/FM radio has a well-established demand for its services and offers free broadcasts paid for by commercial advertising rather than by subscription fees. Many radio stations offer information programming of a local nature, such as local news and sports. The availability of traditional free AM/FM radio reduces the likelihood that customers would be willing to pay for our subscription services and, by offering free broadcasts, it may impose limits on what we can charge for our services.

Internet-Based Competitors. Internet radio services often have no geographic limitations and provide listeners with radio programming from across the country and around the world. Major online providers, including Amazon, Apple, Google Play, Pandora, Spotify and iHeartRadio, make high fidelity digital streams available through the Internet for free or, in some cases, for less than the cost of a satellite radio subscription. Certain of these services include advanced functionality, such as personalization, and allow the user to access large libraries of content. These services compete directly with our services, at home, in vehicles, and wherever audio entertainment is consumed.

Advanced In-Dash Infotainment Systems. Nearly all automakers have deployed or are planning to deploy integrated multimedia systems in dashboards, including in many cases Apple CarPlay and Android Auto and products from Apple and Google. These systems combine control of audio entertainment from a variety of sources, including AM/FM/HD radio broadcasts, satellite radio, Internet radio, smartphone applications and stored audio, with navigation and other advanced applications such as restaurant bookings, movie show times and financial information. Internet radio and other data are typically connected to the system through an Internet-enabled smartphone or wireless modem installed in the vehicle, and the entire system may be controlled by touchscreen or voice recognition. These systems enhance the attractiveness of Internet-based competitors by making such applications more prominent, easier to access, and safer to use in the car.

Direct Broadcast Satellite and Cable Audio. A number of providers offer specialized audio services through either direct broadcast satellite or cable audio systems. These services are targeted to fixed locations, mostly in-home. The radio service offered by direct broadcast satellite and cable audio is often included as part of a package of digital services with video service, and video customers generally do not pay an additional monthly charge for the audio service.

Other Digital Media Services. The audio entertainment marketplace continues to evolve rapidly, with a steady emergence of new media platforms that compete with our services now or that could compete with those services in the future.

Traffic Services

A number of providers compete with our traffic services. In-dash navigation is threatened by smartphones that provide data services through a direct vehicle interface. Most of these smartphones offer GPS mapping with sophisticated data-based turn-by-turn navigation.

Connected Vehicle Services

Our connected vehicle services business operates in a highly competitive environment and competes with several providers, including Verizon Telematics. OnStar, a division of General Motors, also offers connected vehicle services in GM vehicles. We also compete with wireless devices such as mobile phones and, to a lesser extent, with systems developed internally by automakers. We compete against other connected vehicle service providers for automaker arrangements on the

basis of innovation, service quality and reliability, technical capabilities and systems customization, scope of service, industry experience, past performance and price.

Government Regulation

As operators of a privately-owned satellite system, we are regulated by the FCC under the Communications Act of 1934, principally with respect to:

- the licensing of our satellite systems;
- preventing interference with or to other users of radio frequencies; and
- compliance with FCC rules established specifically for U.S. satellites and satellite radio services.

Any assignment or transfer of control of our FCC licenses must be approved by the FCC. The FCC's order approving the merger of our wholly-owned subsidiary, Vernon Merger Corporation, with and into XM Satellite Radio Holdings Inc. in July 2008 (the "Merger") requires us to comply with certain voluntary commitments we made as part of the FCC Merger proceeding. We believe we comply with those commitments.

In 1997, we were the winning bidders for FCC licenses to operate a satellite digital audio radio service and provide other ancillary services. Our FCC licenses for our Sirius satellites expire in 2022 and 2025. Our FCC licenses for our XM satellites expire in 2018, 2021 and 2022. We anticipate that, absent significant misconduct on our part, the FCC will renew our licenses to permit operation of our satellites for their useful lives, and grant licenses for any replacement satellites.

In some areas, we have installed terrestrial repeaters to supplement our satellite signal coverage. The FCC has established rules governing terrestrial repeaters and has granted us a license through 2027 to operate our repeater network.

In certain cases, we obtain FCC certifications for satellite radios, including satellite radios that include FM modulators. We believe our radios that are in production comply with all applicable FCC rules.

We are required to obtain export licenses or other approvals from the United States government to export certain equipment, services and technical data related to our satellites and their operations. The transfer of such equipment, services and technical data outside the United States or to foreign persons is subject to strict export control and prior approval requirements from the United States government (including prohibitions on the sharing of certain satellite-related goods and services with China).

Changes in law or regulations relating to communications policy or to matters affecting our services could adversely affect our ability to retain our FCC licenses or the manner in which we operate.

Copyrights to Programming

In connection with our satellite radio music programming, we must negotiate and enter into royalty arrangements with two sets of rights holders: Holders of copyrights in musical works (that is, the music and lyrics) and holders of copyrights in sound recordings (that is, the actual recording of a work).

Musical works rights holders, generally songwriters and music publishers, have been traditionally represented by performing rights organizations such as the American Society of Composers, Authors and Publishers ("ASCAP"), Broadcast Music, Inc. ("BMI") and SESAC, Inc. ("SESAC"). The market for rights relating to musical works is changing rapidly. Songwriters and music publishers have withdrawn from the traditional performing rights organizations, particularly ASCAP and BMI, and new entities, such as Global Music Rights LLC ("GMR"), have been formed to represent rights holders. These organizations negotiate fees with copyright users, collect royalties and distribute them to the rights holders. We have arrangements with all of these organizations. The changing market for musical works may have an adverse effect on us, including increasing our costs or limiting the musical works available to us.

Sound recording rights holders, typically large record companies, are primarily represented by SoundExchange, an organization which negotiates licenses, and collects and distributes royalties on behalf of record companies and performing artists. Under the Digital Performance Right in Sound Recordings Act of 1995 and the Digital Millennium Copyright Act of 1998, we may negotiate royalty arrangements with the owners of sound recordings fixed after February 15, 1972, or if negotiation is unsuccessful, the royalty rate is established by the Copyright Royalty Board (the "CRB") of the Library of Congress.

The CRB has issued its determination regarding the royalty rate payable by us under the statutory license covering the performance of sound recordings fixed after February 15, 1972 over our satellite digital audio radio service, and the making of ephemeral (server) copies in support of such performances, for the five-year period ending on December 31, 2017. Under the terms of the CRB's existing decision, we will pay a royalty based on gross revenues, subject to certain exclusions, of 11% for 2017. The rate for 2016 was 10.5%. A proceeding is underway before the CRB to determine the royalty rate payable by us under the statutory license covering the performance of sound recordings fixed after February 15, 1972 over our satellite digital audio radio service, and the making of ephemeral (server) copies in support of such performances, for the five-year period ending on December 31, 2022.

The revenue currently subject to royalty includes subscription revenue from our U.S. satellite digital audio radio subscribers and advertising revenue from channels, other than those channels that make only incidental performances of sound recordings. Exclusions from revenue subject to the statutory license fee include, among other things, revenue from channels, programming and products or other services offered for a separate charge where such channels make only incidental performances of sound recordings; revenue from equipment sales; revenue from current and future data services (including video and connected vehicle services) offered for a separate charge; intellectual property royalties received by us; credit card, invoice and fulfillment service fees; and bad debt expense. The regulations also allow us to further reduce our monthly royalty fee in proportion to the percentage of our performances that feature pre-1972 recordings (which are not subject to federal copyright protection) as well as those that are licensed directly from the copyright holder, rather than through the statutory license.

To secure the rights to stream music content over the Internet, including to mobile devices, we also must obtain licenses from, and pay royalties to, copyright owners of musical compositions and sound recordings. We have arrangements with ASCAP, SESAC, BMI and GMR to license the musical compositions we stream over the Internet. The licensing of certain sound recordings fixed after February 15, 1972 for use on the Internet is also subject to the Digital Performance Right in Sound Recordings Act of 1995 and the Digital Millennium Copyright Act of 1998 on terms established by the CRB. In 2016, we paid a per performance rate for the streaming of certain sound recordings on the Internet of \$0.0022. In accordance with the CRB's 2016 decision, this royalty rate is expected to increase during the period 2018 through 2020 based on the consumer price index.

Our rights to perform certain copyrighted sound recordings (that is, the actual recording of a work) that were fixed after February 15, 1972 are governed by United States federal law, the Copyright Act. In contrast, our rights to perform certain sound recordings that were fixed before February 15, 1972 are governed by state law.

Trademarks

We have registered, and intend to maintain, the trademarks "Sirius", "XM", "SiriusXM" and "SXM" with the United States Patent and Trademark Office in connection with the services we offer. We are not aware of any material claims of infringement or other challenges to our right to use the "Sirius", "XM", "SiriusXM" or "SXM" trademarks in the United States. We also have registered, and intend to maintain, trademarks for the names of certain of our channels. We have also registered the trademarks "Sirius", "XM" and "SiriusXM" in Canada. We have granted a license to use certain of our trademarks in Canada to Sirius XM Canada.

Personnel

As of December 31, 2016, we had 2,402 full-time employees. In addition, we rely upon a number of part-time employees, consultants, other advisors and outsourced relationships. None of our employees are represented by a labor union, and we believe that our employee relations are good.

Corporate Information and Available Information

Our executive offices are located at 1290 Avenue of the Americas, 11th floor, New York, New York 10104 and our telephone number is (212) 584-5100. Our internet address is www.siriusxm.com. Our annual, quarterly and current reports, and any amendments to those reports, filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), may be accessed free of charge through our website after we have electronically filed or furnished such material with the SEC. www.siriusxm.com (including any other reference to such address in this Annual Report) is an inactive textual reference only, meaning that the information contained on or accessible from the website is not part of this Annual Report on Form 10-K and is not incorporated in this report by reference.

Executive Officers of the Registrant

Certain information regarding our executive officers as of January 31, 2017 is provided below:

Name	Age	Position
James E. Meyer	62	Chief Executive Officer
Scott A. Greenstein	57	President and Chief Content Officer
David J. Frear	60	Senior Executive Vice President and Chief Financial Officer
Dara F. Altman	58	Executive Vice President and Chief Administrative Officer
James A. Cady	56	Executive Vice President, Operations, Products and Connected Vehicle
Stephen Cook	61	Executive Vice President, Sales and Automotive
Patrick L. Donnelly	55	Executive Vice President, General Counsel and Secretary
Katherine Kohler Thomson	50	Executive Vice President, Chief Marketing Officer
Joseph A. Verbrugge	47	Executive Vice President, Sales and Development

James E. Meyer has served as our Chief Executive Officer since December 2012. From May 2004 to December 2012, Mr. Meyer was our President, Operations and Sales. Prior to May 2004, Mr. Meyer was President of Aegis Ventures Incorporated, a consulting firm that provides general management services. From December 2001 until 2002, Mr. Meyer served as special advisor to the Chairman of Thomson S.A., a leading consumer electronics company. From January 1997 until December 2001, Mr. Meyer served as the Senior Executive Vice President for Thomson as well as a member of the executive committee. From 1992 until 1996, Mr. Meyer served as Thomson's Senior Vice President of Product Management. Mr. Meyer is Chairman of the Board of Directors and a director of Tivo Corporation.

Scott A. Greenstein has served as our President and Chief Content Officer since May 2004. Prior to May 2004, Mr. Greenstein was Chief Executive Officer of The Greenstein Group, a media and entertainment consulting firm. From 1999 until 2002, he was Chairman of USA Films, a motion picture production, marketing and distribution company. From 1997 until 1999, Mr. Greenstein was Co-President of October Films, a motion picture production, marketing and distribution company. Prior to joining October Films, Mr. Greenstein was Senior Vice President of Motion Pictures, Music, New Media and Publishing at Miramax Films, and held senior positions at Viacom Inc.

David J. Frear has served as our Senior Executive Vice President and Chief Financial Officer since June 2015. From June 2003 to June 2015, he served as our Executive Vice President and Chief Financial Officer. From 1999 to 2003, Mr. Frear was Executive Vice President and Chief Financial Officer of Savvis Communications Corporation, a global managed service provider, delivering internet protocol applications for business customers. Mr. Frear also served as a director of Savvis. From 1993 to 1998, Mr. Frear was Senior Vice President and Chief Financial Officer of Orion Network Systems Inc., an international satellite communications company that was acquired by Loral Space & Communications Ltd. in 1998. From 1990 to 1993, Mr. Frear was Chief Financial Officer of Millicom Incorporated, a cellular, paging and cable television company. Prior to joining Millicom, he was an investment banker at Bear, Stearns & Co., Inc. and Credit Suisse. Mr. Frear is a member of the board of directors of The NASDAQ Stock Market LLC, NASDAQ PHLX LLC, and NASDAQ BX, Inc., subsidiaries of Nasdaq, Inc., a leading provider of trading, clearing, exchange technology, listing, information and public company services.

Dara F. Altman has served as our Executive Vice President and Chief Administrative Officer since September 2008. From January 2006 until September 2008, Ms. Altman served as Executive Vice President, Business and Legal Affairs, of XM. Ms. Altman was Executive Vice President of Business Affairs for Discovery Communications from 1997 to 2005. From 1993 to 1997, Ms. Altman served as Senior Vice President and General Counsel of Reiss Media Enterprises, which owned Request TV, a national pay-per-view service. Before Request TV, Ms. Altman served as counsel for Home Box Office. Ms. Altman started her career as an attorney at the law firm of Willkie Farr & Gallagher LLP.

James A. Cady has served as our Executive Vice President, Operations, Products and Connected Vehicle, since July 2015 and, prior to July 2015, served as Senior Vice President and General Manager of our Connected Services Platform since February 2014. Mr. Cady served as the Chief Executive Officer and President of Slacker, Inc., an internet music service provider, from August 2009 until February 2014. He was the President and Chief Operating Officer of Slacker, Inc. from May 2006 until August 2009. From September 2004 until May 2006, he served as the Chief Executive Officer and President of LightPointe Communications, Inc., a manufacturer of wireless data transmission equipment. Prior to that time, Mr. Cady served in a variety of roles at an assortment of technology companies, including WatchGuard Technologies Inc., a manufacturer of computer security solutions; Rio, a division of SONICblue, Incorporated; Diamond Multimedia Systems, a manufacturer of

various multimedia components; Supra Corp., a producer of hardware for computers; Moore Company, a wholesale distributor of consumer electronics; and Atari Corp., a manufacturer of computer and video games.

Stephen Cook has served as our Executive Vice President, Sales and Automotive, since January 2013. Mr. Cook served as our Group Vice President and General Manager, Automotive Division, from July 2008 until January 2013. Mr. Cook served as Executive Vice President, Automotive, of XM from July 2006 to July 2008. He also served as XM's Executive Vice President, Sales and Marketing, from January 2002 until July 2006, and as XM's Senior Vice President, Sales and Marketing, from February 1999 until January 2002. Prior to joining XM, Mr. Cook was Chief Operating Officer for Conxus Communications. From 1990 to 1997, Mr. Cook held management positions with GTE's cellular operations. Prior to that time, Mr. Cook worked in brand management for Procter & Gamble.

Patrick L. Donnelly has served as our Executive Vice President, General Counsel and Secretary, since May 1998. From June 1997 to May 1998, he was Vice President and Deputy General Counsel of ITT Corporation, a hotel, gaming and entertainment company that was acquired by Starwood Hotels & Resorts Worldwide, Inc. in February 1998. From October 1995 to June 1997, he was assistant general counsel of ITT Corporation. Prior to October 1995, Mr. Donnelly was an attorney at the law firm of Simpson Thacher & Bartlett LLP.

Katherine Kohler Thomson has served as our Executive Vice President, Chief Marketing Officer, since December 2013. Ms. Thomson was the President and Chief Operating Officer of the Los Angeles Times Media Group from May 2011 until November 2013. She was also the Chief Operating Officer of Tribune Publishing Company, Inc. from April 2013 until November 2013. Ms. Thomson served as Vice President, Business Operations of FLO TV, a division of Qualcomm Incorporated that delivered live television to mobile devices, from September 2009 until May 2011. From September 2008 through September 2009, she was Executive Vice President and Chief of Staff at the Los Angeles Times Media Group. She joined the Los Angeles Times Media Group from Energy Innovations, an affordable solar energy provider, where she was Chief Operating Officer from August 2007 until September 2008. Prior to that time, she spent fourteen years in a variety of positions at DIRECTV, culminating in the role of Senior Vice President, Sales and Marketing Operations.

Joseph A. Verbrugge has served as our Executive Vice President, Sales and Development, since December 2015. Mr. Verbrugge previously served as our Senior Vice President and General Manager, Automotive Remarketing and Retail Sales, from April 2012 until December 2015; as our Senior Vice President, Automotive Remarketing, from February 2010 until April 2012; and as our Senior Vice President, Automotive Partnerships, from September 2008 until February 2010. From January 2007 through September 2008, he was Senior Vice President, Automotive Accounts/Partnerships and International Operations, of XM; from May 2006 until January 2007, Mr. Verbrugge served as Senior Vice President, Administration and International Operations of XM; from January 2005 until May 2006, he was Vice President, International Operations, of XM; and from September 2004 until January 2005 he served as Vice President, Special Projects, of XM. Prior to joining XM, Mr. Verbrugge was a consultant with The Dealy Strategy Group LLC, a management consulting firm specializing in international satellite communications and information services companies, from 1999 until 2004. From 1992 until 1995, Mr. Verbrugge was a bond representative with Aetna Life and Casualty Company, an insurance company.

ITEM 1A. RISK FACTORS

In addition to the other information in this Annual Report on Form 10-K, including the information under the caption Item 1. Business "Competition," the following risk factors should be considered carefully in evaluating us and our business. This Annual Report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results and the timing of events could differ materially from those projected in forward-looking statements due to a number of factors, including those set forth below and elsewhere in this Annual Report on Form 10-K. See "Special Note About Forward-Looking Statements" following this Item 1A. Risk Factors.

We face substantial competition and that competition is likely to increase over time.

We face substantial competition from other providers of radio and audio services. Our ability to attract and retain subscribers depends on our success in creating and providing popular or unique music, entertainment, news and sports programming. Our subscribers can obtain certain similar content for free through terrestrial radio stations, Internet radio services and Internet streaming services. Audio content delivered via the Internet, including through mobile devices that are easily integrated in vehicles, is increasingly competitive with our services. A summary of various services that compete with us is contained in the section entitled "Item 1. Business - Competition" of this Annual Report on Form 10-K.

Competition could result in lower subscription, advertising or other revenue and an increase in our marketing, promotion or other expenses and, consequently, lower our earnings and free cash flow. We cannot assure you we will be able to compete

successfully with our existing or future competitors or that competition will not have a material adverse impact on our operations and financial condition.

Our ability to attract and retain subscribers in the future is uncertain.

Our ability to retain our subscribers, or increase the number of subscribers to our service, is uncertain and subject to many factors, including:

- the production and sale or lease of new vehicles in the United States;
- the price of our service;
- the health of the economy;
- the rate at which existing self-pay subscribers buy and sell new and used vehicles in the United States;
- our ability to convince owners and lessees of new and previously owned vehicles that include satellite radios to purchase subscriptions to our service;
- the effectiveness of our marketing programs;
- the entertainment value of our programming;
- our ability to respond to evolving consumer tastes; and
- actions by our competitors, such as terrestrial radio and other audio entertainment and information providers.

As part of our business, we experience, and expect to experience in the future, subscriber turnover (i.e., churn). Some elements of our business strategy may result in churn increasing. For example, our work to acquire subscribers purchasing or leasing pre-owned vehicles may attract subscribers of more limited economic means; our product and marketing efforts may attract more price sensitive subscribers; and our efforts to increase the penetration of satellite radios in new, lower priced vehicle lines may result in the growth of more economy-minded subscribers.

If we are unable to retain current subscribers at expected rates, or the costs of retaining subscribers are higher than expected, our financial performance and operating results could be adversely affected. We cannot predict how successful we will be at retaining customers who purchase or lease vehicles that include a subscription to our satellite radio service. A substantial portion of our subscribers are on discounted pricing plans and our ability to retain these subscribers or migrate them to higher priced plans is uncertain. We spend substantial amounts on advertising and marketing and in transactions with automakers, retailers and others to obtain and attract subscribers.

Our profitability could be adversely affected if we are unable to consistently attract new subscribers and retain our current subscribers at prices and margins consistent with our past performance.

Our service may experience harmful interference from new wireless operations.

The development of new applications and services in spectrum adjacent to the frequencies licensed to us for satellite radio and ancillary services, as well as the combination of signals in other frequencies, may cause harmful interference to our satellite radio service in certain areas of the United States. Certain operations or combination of operations permitted by the FCC in spectrum, other than our licensed frequencies, results in the loss of signal to our service, and the reception of our satellite radio service can be adversely affected in certain areas. Elimination of this interference may not be possible in all cases. In other cases, our efforts to reduce this interference may require extensive engineering efforts and additions to our terrestrial infrastructure. These mitigation efforts may be costly and take several years to implement and may not be entirely effective. In certain cases, we are dependent on the FCC to assist us in preventing harmful interference to our service.

Consumer protection laws and their enforcement could damage our business.

We engage in extensive marketing efforts to attract and retain subscribers to our services. We employ a wide variety of communications tools as part of our marketing campaigns, including telemarketing efforts and email solicitations. Consumer protection laws cover nearly all aspects of our marketing efforts, including the content of our advertising, the terms of consumer offers and the manner in which we communicate with subscribers and prospective subscribers. The nature of our business requires us to expend significant resources to try to ensure that our marketing activities comply with federal and state laws, rules and regulations relating to consumer protection, including laws relating to telemarketing activities and privacy. There can

be no assurance that these efforts will be successful or that we will not have to expend even greater resources towards compliance efforts.

Modifications to federal and state laws, rules and regulations concerning consumer protection, including decisions by federal and state courts and agencies interpreting these laws, could have an adverse impact on our ability to attract and retain subscribers to our services. There can be no assurance that new laws or regulations will not be enacted or adopted, preexisting laws or regulations will not be more strictly enforced or that our varied operations will comply with all applicable laws, which could have a material adverse impact on our operations and financial condition.

The unfavorable outcome of pending or future litigation could have a material adverse impact on our operations and financial condition.

We are parties to several legal proceedings arising out of various aspects of our business, including class actions arising out of our marketing practices and subscription plans. The outcome of these proceedings may not be favorable, and one or more unfavorable outcomes could have a material adverse impact on our financial condition. See “Item 3. Legal Proceedings” below.

The market for music rights is changing and is subject to significant uncertainties.

We must maintain music programming royalty arrangements with, and pay license fees to, owners of rights in musical works. Traditionally, BMI, ASCAP and SESAC have negotiated for these copyright users, collected royalties and distributed them to songwriters and music publishers. These traditional arrangements are changing rapidly. Owners of rights in musical works have withdrawn from BMI, ASCAP and SESAC and new entities, such as GMR, have been formed to represent owners of musical works. In addition, Committees of Congress have held hearings on substantial revisions of the Copyright Act. The fracturing of the traditional system for licensing rights in musical works may have significant consequences to our business, including increasing licensing costs and reducing the availability of certain pieces for use on our services.

Under the Digital Performance Right in Sound Recordings Act of 1995 and the Digital Millennium Copyright Act of 1998, we also must pay royalties to copyright owners of sound recordings fixed after February 15, 1972. Those royalty rates may be established through negotiation or, if negotiation is unsuccessful, by the CRB. Owners of copyrights in sound recordings have created SoundExchange, a collective organization, to collect and distribute royalties. SoundExchange is exempt by statute from certain U.S. antitrust laws and exercises significant market power in the licensing of sound recordings. Under the terms of the CRB's existing decision governing sound recording royalties for the five-year period ending on December 31, 2017, we will be required to pay a royalty based on our gross revenues, subject to certain exclusions, of 11% for 2017. The CRB proceeding to set royalty rates for the five-year period beginning 2018 is underway.

In addition, SoundExchange alleges that we underpaid royalties for statutory licenses related to sound recording royalties for the period from 2007-2012. See “Item 3. Legal Proceedings” below.

The right to perform certain copyrighted sound recordings that were fixed before February 15, 1972 is governed by state common law principles and, in certain instances, may be subject to state statutes. We are a defendant in litigation in several States, regarding the alleged distribution, duplication and performance of certain copyrighted sound recordings that were fixed before February 15, 1972. During 2015 and 2016, we settled suits with copyright owners for almost all of the pre-1972 works we use. If other state courts or appellate courts in certain states ultimately hold that a performance right exists under various state copyright laws, we may be required to pay additional royalties to perform copyrighted sound recordings that were fixed before February 15, 1972.

Our business depends in large part upon the auto industry.

A substantial portion of our subscription growth has come from purchasers and lessees of new and previously owned automobiles in the United States. The sale and lease of vehicles with satellite radios is an important source of subscribers for our satellite radio service. We have agreements with every major automaker to include satellite radios in new vehicles, although these agreements do not require automakers to install specific or minimum quantities of radios in any given period.

Automotive production and sales are dependent on many factors, including the availability of consumer credit, general economic conditions, consumer confidence and fuel costs. To the extent vehicle sales by automakers decline, or the penetration of factory-installed satellite radios in those vehicles is reduced, subscriber growth for our satellite radio services may be adversely impacted.

Sales of previously owned vehicles represent a significant source of new subscribers for us. We have agreements with auto dealers and companies operating in the used vehicle market to provide us with data on sales of previously owned satellite radio enabled vehicles. The continuing availability of this information is important to our future growth.

General economic conditions can affect our business.

The purchase of a satellite radio subscription is discretionary, and our business and our financial condition can be negatively affected by general economic conditions. Poor general economic conditions could adversely affect subscriber churn, conversion rates and vehicle sales.

If we fail to protect the security of personal information about our customers, we could be subject to costly government enforcement actions and private litigation and our reputation could suffer.

The nature of our business involves the receipt and storage of personal information about our subscribers including, in many cases, credit and debit card information. If we fail to protect the security of personal information about our customers or if we experience a significant data security breach, we could be exposed to costly government enforcement actions and private litigation and our reputation could suffer. In addition, our subscribers and potential customers could lose confidence in our ability to protect their personal information, which could cause them to discontinue usage of our services. Such events could lead to lost future sales and adversely affect our results of operations.

We have a program in place to detect and respond to data security incidents. However, because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time, we may be unable to anticipate these techniques or implement adequate preventive measures. In addition, hardware, software, or applications we develop or procure from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Unauthorized parties may also attempt to gain access to our systems or facilities, or those of third parties with whom we do business, through fraud, trickery, or other forms of deceiving our employees, contractors or other agents.

If hackers were able to circumvent our security measures, a release of proprietary information or personal information could occur or we could experience significant disruptions. If our systems become unavailable or suffer a security breach, we may be required to expend significant resources to address these problems, including notification under various federal and state data privacy regulations, and our reputation and operating results could suffer.

Existing or future government laws and regulations could harm our business.

We are subject to many laws, including federal, state, local and foreign laws. These laws and regulations cover issues such as user privacy, behavioral advertising, automatic renewal of agreements, pricing, fraud, electronic waste, mobile and electronic device communications, quality of products and services, taxation, advertising, intellectual property rights and information security. The expansion of these laws, both in terms of their number and their applicability, could harm our business.

Failure of our satellites would significantly damage our business.

The lives of our satellites vary depending on a number of factors, including:

- degradation and durability of solar panels;
- quality of construction;
- random failure of satellite components, which could result in significant damage to or loss of a satellite;
- amount of fuel the satellite consumes; and
- damage or destruction as a result of electrostatic storms, terrorist attacks, collisions with other objects in space or other events, such as nuclear detonations, occurring in space.

In the ordinary course of operation, satellites experience failures of component parts and operational and performance anomalies. Components on our in-orbit satellites have failed; and from time to time we have experienced anomalies in the operation and performance of these satellites. These failures and anomalies are expected to continue in the ordinary course, and we cannot predict if any of these possible future events will have a material adverse effect on our operations or the life of our existing in-orbit satellites. Any material failure of our satellites could cause us to lose customers and could materially harm our

reputation and our operating results. We hold no in-orbit insurance for our satellites. Additional information regarding our fleet of satellites is contained in the section entitled “Item 1. Business - Satellites, Terrestrial Repeaters and Other Satellite Facilities” of this Annual Report on Form 10-K.

In addition, our Sirius network of terrestrial repeaters communicates with a single third-party satellite. Our XM network of terrestrial repeaters communicates with a single XM satellite. If the satellites communicating with the applicable repeater network fail unexpectedly, the services would be disrupted for several hours or longer.

Interruption or failure of our information technology and communications systems could negatively impact our results and our brand.

We operate a complex and growing business. We offer a wide variety of subscription packages at different price points. Our business is dependent on the operation and availability of our information technology and communication systems and those of certain third party service providers. Any degradation in the quality, or any failure, of our systems could reduce our revenues, cause us to lose customers and damage our brand. Although we have implemented practices designed to maintain the availability of our information technology systems and mitigate the harm of any unplanned interruptions, we cannot anticipate all eventualities. We occasionally experience unplanned outages or technical difficulties. We could also experience loss of data or processing capabilities, which could cause us to lose customers and could materially harm our reputation and our operating results.

We rely on internal systems and external systems maintained by manufacturers, distributors and service providers to take, fulfill and handle customer service requests and host certain online activities. Any interruption or failure of our internal or external systems could prevent us from servicing customers or cause data to be unintentionally disclosed.

Our data centers and our information technology and communications systems are vulnerable to damage or interruption from natural disasters, malicious attacks, fire, power loss, telecommunications failures, computer viruses or other attempts to harm our systems.

We may not realize the benefits of acquisitions or other strategic investments and initiatives.

Our business strategy may include selective acquisitions or other strategic investments and initiatives that allow us to expand our business. The success of any acquisition depends upon effective integration of acquired businesses and assets into our operations, which is subject to risks and uncertainties, including realization of any anticipated synergies and cost savings, the ability to retain and attract personnel, the diversion of management’s attention for other business concerns, and undisclosed or potential legal liabilities of the acquired business or assets.

Rapid technological and industry changes could adversely impact our services.

The audio entertainment industry is characterized by rapid technological change, frequent product innovations, changes in customer requirements and expectations, and evolving standards. If we are unable to keep pace with these changes, our business may not succeed. Products using new technologies, or emerging industry standards, could make our technologies less competitive in the marketplace.

Failure of third parties to perform could adversely affect our business.

Our business depends, in part, on various third parties, including:

- manufacturers that build and distribute satellite radios;
- companies that manufacture and sell integrated circuits for satellite radios;
- programming providers and on-air talent;
- vendors that operate our call centers; and
- vendors that have designed or built, and vendors that support or operate, other important elements of our systems, including our satellites.

If one or more of these third parties do not perform in a satisfactory or timely manner, our business could be adversely affected. In addition, a number of third parties on which we depend have experienced, and may in the future experience, financial difficulties or file for bankruptcy protection. Such third parties may not be able to perform their obligations to us in a

timely manner, if at all, as a result of their financial condition or may be relieved of their obligations to us as part of seeking bankruptcy protection.

We design, establish specifications, source or specify parts and components, and manage various aspects of the logistics of the production of satellite radios. As a result of these activities, we may be exposed to liabilities associated with the design, manufacture and distribution of radios that the providers of an entertainment service would not customarily be subject to, such as liabilities for design defects, patent infringement and compliance with applicable laws, as well as the costs of returned product.

Failure to comply with FCC requirements could damage our business.

We hold FCC licenses and authorizations to operate commercial satellite radio services in the United States, including authorizations for satellites and terrestrial repeaters, and related authorizations. The FCC generally grants licenses and authorizations for a fixed term. Although we expect our licenses and authorizations to be renewed in the ordinary course upon their expiration, there can be no assurance that this will be the case. Any assignment or transfer of control of any of our FCC licenses or authorizations must be approved in advance by the FCC.

The operation of our satellite radio systems is subject to significant regulation by the FCC under authority granted through the Communications Act of 1934 and related federal law. We are required, among other things, to operate only within specified frequencies; to meet certain conditions regarding the interoperability of our satellite radios with those of other licensed satellite radio systems; to coordinate our satellite radio services with radio systems operating in the same range of frequencies in neighboring countries; and to coordinate our communications links to our satellites with other systems that operate in the same frequency band. Noncompliance by us with these requirements or other conditions or with other applicable FCC rules and regulations could result in fines, additional license conditions, license revocation or other detrimental FCC actions. There is no guarantee that Congress will not modify the statutory framework governing our services, or that the FCC will not modify its rules and regulations in a manner that would have a material impact on our operations.

We may from time to time modify our business plan, and these changes could adversely affect us and our financial condition.

We regularly evaluate our plans and strategy. These evaluations often result in changes to our plans and strategy, some of which may be material. These changes in our plans or strategy may include: the acquisition or termination 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 investments in, and/or acquisitions of, other businesses, including acquisitions that are not directly related to our satellite radio business.

We have a significant amount of indebtedness, and our debt contains certain covenants that restrict our operations.

As of December 31, 2016, we had an aggregate principal amount of approximately \$5.9 billion of indebtedness outstanding, \$390.0 million of which was outstanding under a \$1.75 billion Senior Secured Revolving Credit Facility.

Our indebtedness increases our vulnerability to general adverse economic and industry conditions; requires us to dedicate a portion of our cash flow from operations to payments on indebtedness, reducing the availability of cash flow to fund capital expenditures, marketing and other general corporate activities; limits our ability to borrow additional funds; and may limit our flexibility in planning for, or reacting to, changes in our business and the audio entertainment industry.

Our studios, terrestrial repeater networks, satellite uplink facilities or other ground facilities could be damaged by natural catastrophes or terrorist activities.

An earthquake, hurricane, tornado, flood, terrorist attack or other catastrophic event could damage our studios, terrestrial repeater networks or satellite uplink facilities, interrupt our service and harm our business.

Any damage to the satellites that transmit to our terrestrial repeater networks would likely result in degradation of the affected service for some subscribers and could result in complete loss of service in certain or all areas. Damage to our satellite uplink facilities could result in a complete loss of our services until we could transfer operations to suitable back-up facilities.

Our principal stockholder has significant influence, including over actions requiring stockholder approval, and its interests may differ from the interests of other holders of our common stock.

As of December 31, 2016, Liberty Media beneficially owned approximately 67% of Holdings' common stock and has the ability to influence our affairs, policies and operations. Two Liberty Media executives and one other member of the board of directors of Liberty Media are members of our board of directors. Our board of directors currently has twelve members. Gregory B. Maffei, the President and Chief Executive Officer of Liberty Media, is the Chairman of Holdings' board of directors. Our board of directors is responsible for, among other things, the appointment of management, future issuances of common stock or other securities, the payment of dividends, if any, the incurrence of debt, and the approval of various transactions.

Liberty Media can also determine the outcome of all matters requiring general stockholder approval, including the election of the board of directors and changes to our certificate of incorporation or by-laws. Liberty Media can also cause or prevent a change of control of Holdings and could preclude any unsolicited acquisition of our company. The concentration of ownership could deprive our 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. In certain cases, the interests of Liberty Media may not be aligned with the interests of other stockholders of Holdings.

We are a "controlled company" within the meaning of the NASDAQ listing rules and, as a result, qualify for, and rely on, exemptions from certain corporate governance requirements.

We are a "controlled company" for the purposes of the NASDAQ Stock Market listing rules. As such, we have elected not to comply with certain NASDAQ corporate governance requirements. Although a majority of our board of directors consists of independent directors, we do not have a compensation committee and nominating and corporate governance committee that consist entirely of independent directors.

Our business may be impaired by third-party intellectual property rights.

Development of our systems has depended upon the intellectual property that we have developed, as well as intellectual property licensed from third parties. If the intellectual property that we have developed or use is not adequately protected, others will be permitted to and may duplicate portions of our systems or services without liability. In addition, others may challenge, invalidate, render unenforceable or circumvent our intellectual property rights, patents or existing licenses or we may face significant legal costs in connection with defending and enforcing those intellectual property rights. Some of the know-how and technology we have developed, and plan to develop, is not now, nor will it be, covered by U.S. patents or trade secret protections. Trade secret protection and contractual agreements may not provide adequate protection if there is any unauthorized use or disclosure. The loss of necessary technologies could require us to substitute technologies of lower quality performance standards, at greater cost or on a delayed basis, which could harm us.

Other parties may have patents or pending patent applications, which will later mature into patents or inventions that may block or put limits on our ability to operate our system or license technologies. We may have to resort to litigation to enforce our rights under license agreements or to determine the scope and validity of other parties' proprietary rights in the subject matter of those licenses. This may be expensive and we may not succeed in any such litigation.

Third parties may assert claims or bring suit against us for patent, trademark or copyright infringement, or for other infringement or misappropriation of intellectual property rights. Any such litigation could result in substantial cost, and diversion of effort and adverse findings in any proceeding could subject us to significant liabilities to third parties; require us to seek licenses from third parties; block our ability to operate our systems or license our technology; or otherwise adversely affect our ability to successfully develop and market our satellite radio systems.

While we currently pay a quarterly cash dividend to holders of our common stock, we may change our dividend policy at any time.

Our board of directors declared our first quarterly dividend in October 2016. Although we currently pay a quarterly cash dividend to holders of our common stock, we have no obligation to do so, and our dividend policy may change at any time without notice to our stockholders. The declaration and payment of dividends is at the discretion of our board of directors in accordance with applicable law after taking into account various factors, including our financial condition, operating results, current and anticipated cash needs, limitations imposed by our indebtedness, legal requirements and other factors that our board of directors deems relevant.

Special Note About Forward-Looking Statements

We have made various statements in this Annual Report on Form 10-K 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, except as required by law.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Below is a list of the principal properties that we own or lease:

Location	Purpose	Own/Lease
New York, NY	Corporate headquarters, office facilities and studio/production facilities	Lease
Washington, DC	Office, studio/production facilities and data center	Own
Lawrenceville, NJ	Office and technical/engineering facilities	Lease
Deerfield Beach, FL	Office and technical/engineering facilities	Lease
Farmington Hills, MI	Office and technical/engineering facilities	Lease
Nashville, TN	Studio/production facilities	Lease
Vernon, NJ	Technical/engineering facilities	Own
Ellenwood, GA	Technical/engineering facilities	Lease
Los Angeles, CA	Studio/production facilities	Lease
Irving, TX	Office and engineering facilities/call center	Lease

We also own or lease other small facilities that we use as offices for our advertising sales personnel, studios and warehouse and maintenance space. These facilities are not material to our business or operations.

In addition, we lease or license space at approximately 610 locations for use in connection with the terrestrial repeater networks that support our satellite radio services. In general, these leases and licenses are for space on building rooftops and communications towers. None of these individual locations are material to our business or operations.

ITEM 3. LEGAL PROCEEDINGS

In the ordinary course of business, we are a defendant or party to various claims and lawsuits, including the following discussed below.

SoundExchange Royalty Claims. In August 2013, SoundExchange, Inc. filed a complaint in the United States District Court for the District of Columbia alleging that we underpaid royalties for statutory licenses in violation of the regulations established by the Copyright Royalty Board for the 2007-2012 period. SoundExchange principally alleges that we improperly reduced our gross revenues applicable to royalties by improperly deducting revenue attributable to pre-1972 recordings and Premier package revenue that is not “separately charged” as required by the regulations. We believe that we properly applied the gross revenue exclusions contained in the regulations established by the Copyright Royalty Board. SoundExchange is seeking compensatory damages of not less than \$50 million and up to \$100 million or more, payment of late fees and interest, and attorneys’ fees and costs.

In August 2014, the United States District Court for the District of Columbia, in response to our motion to dismiss the complaint, stayed the case on the grounds that it properly should be pursued in the first instance before the Copyright Royalty Board rather than the District Court. In its opinion, the District Court concluded that the gross revenue exclusions in the regulations established by the Copyright Royalty Board for the 2007-2012 period were ambiguous and did not, on their face, make clear whether our royalty calculation approaches were permissible under the regulations. In December 2014, SoundExchange filed a petition with the Copyright Royalty Board requesting an order interpreting the applicable regulations.

On January 10, 2017, the Copyright Royalty Board issued a ruling concluding that we correctly interpreted the revenue exclusions applicable to pre-1972 recordings, but in certain cases did not apply those exclusions properly. The ruling further indicated that we improperly claimed a revenue exclusion based on our Premier package upcharge, because, in the Judges' view, the portion of the package that contained programming that did not include sound recordings was not offered for a "separate charge" in accordance with the regulations. The ruling is subject to legal review by the Register of Copyrights, and will be transmitted back to the District Court for further proceedings, such as adjudication claims relating to damages and defenses. We intend to exhaust all available options for review and/or appeal of adverse aspects of the Copyright Royalty Board's ruling, including portions of the ruling which we believe are unclear or inconsistent with the governing law. In addition, we believe we have substantial defenses to those SoundExchange claims that can be asserted before the District Court, and will continue to defend this action vigorously.

This matter is titled *SoundExchange, Inc. v. Sirius XM Radio, Inc.*, No.13-cv-1290-RJL (D.D.C.), and *Determination of Rates and Terms for Preexisting Subscription Services and Satellite Digital Audio Radio Services*, United States Copyright Royalty Board, No. 2006-1 CRB DSTRA. Information concerning the action is publicly available in filings under the docket numbers. This matter is not related to certain claims under state law brought by owners of pre-1972 recording copyrights arising out of our use and performance of those recordings.

At December 31, 2016, we concluded that a loss, in excess of our recorded liabilities, is reasonably possible in connection with the SoundExchange royalty claims. The estimable portion of such possible loss ranges from \$0 to \$70 million, plus any related interest or late fees. Based on our defenses, such a loss is not considered probable at this time and no liability for such additional loss has been recorded at December 31, 2016. The matters underlying this estimated range and the estimable portion of reasonably possible losses may change from time to time and the actual possible loss may vary from this estimate.

Telephone Consumer Protection Act Suits. We were a defendant in several purported class action suits that alleged that we, or call center vendors acting on our behalf, made calls which violate provisions of the Telephone Consumer Protection Act of 1991 (the "TCPA"). These purported class action cases were titled *Erik Knutson v. Sirius XM Radio Inc.*, No. 12-cv-0418-AJB-NLS (S.D. Cal.), *Francis W. Hooker v. Sirius XM Radio Inc.*, No. 4:13-cv-3 (E.D. Va.), *Yefim Elikman v. Sirius XM Radio Inc. and Career Horizons, Inc.*, No. 1:15-cv-02093 (N.D. Ill.), and *Anthony Parker v. Sirius XM Radio Inc.*, No. 8:15-cv-01710-JSM-EAJ (M.D. Fla).

We have entered into an agreement to settle these purported class action suits. The settlement was approved by the United States District Court for the Eastern District of Virginia in December 2016. The settlement resolves the claims of consumers beginning in February 2008 relating to telemarketing calls to their mobile telephones. Approximately 200 consumers, or less than 0.002% of the consumers who received notice of the settlement, opted-out of this class action settlement. As part of this settlement, we made a \$35 million payment to a settlement fund (from which notice, administration and other costs and attorneys' fees are being paid), and are offering participating class members the option of receiving three months of our Select service for no charge.

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 matters, in our opinion, is likely to have a material adverse effect on our business, financial condition or results of operations.

**ITEM 4. MINE SAFETY
DISCLOSURES**

Not applicable.

PART II**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Our common stock is traded on the NASDAQ Global Select Market under the symbol "SIRI." The following table sets forth the high and low per share sales price for our common stock, as reported by NASDAQ, for the periods indicated below:

	High	Low
Year Ended December 31, 2015		
First Quarter	\$ 4.04	\$ 3.33
Second Quarter	\$ 4.00	\$ 3.70
Third Quarter	\$ 4.01	\$ 3.31
Fourth Quarter	\$ 4.20	\$ 3.69
Year Ended December 31, 2016		
First Quarter	\$ 4.04	\$ 3.29
Second Quarter	\$ 4.05	\$ 3.74
Third Quarter	\$ 4.44	\$ 3.92
Fourth Quarter	\$ 4.65	\$ 4.05

On January 31, 2017, the closing sales price of our common stock on the NASDAQ Global Select Market was \$4.72 per share. On January 31, 2017, there were approximately 8,816 record holders of our common stock.

Dividend

On November 30, 2016, we paid a cash dividend of \$0.01 per share of common stock. The total amount of this dividend was approximately \$48.1 million.

Our board of directors expects that this dividend will be the first of regular quarterly dividends, in an aggregate annual amount of \$0.04 per share of common stock.

On January 24, 2017, our board of directors also declared a quarterly dividend on our common stock in the amount of \$0.01 per share of common stock payable on February 28, 2017 to stockholders of record as of the close of business on February 7, 2017.

Issuer Purchases of Equity Securities

As of December 31, 2016, our board of directors had approved for repurchase an aggregate of \$10.0 billion of our common stock. Our board of directors did not establish an end date for this stock repurchase program. Shares of common stock may be purchased from time to time on the open market, pursuant to pre-set trading plans meeting the requirements of Rule 10b5-1 under the Exchange Act, in privately negotiated transactions, including transactions with Liberty Media and its affiliates, or otherwise. As of December 31, 2016, our cumulative repurchases since December 2012 under our stock repurchase program totaled 2.2 billion shares for approximately \$8.0 billion, and approximately \$2.0 billion remained available under our stock repurchase program. The size and timing of our repurchases will be based on a number of factors, including price and business and market conditions.

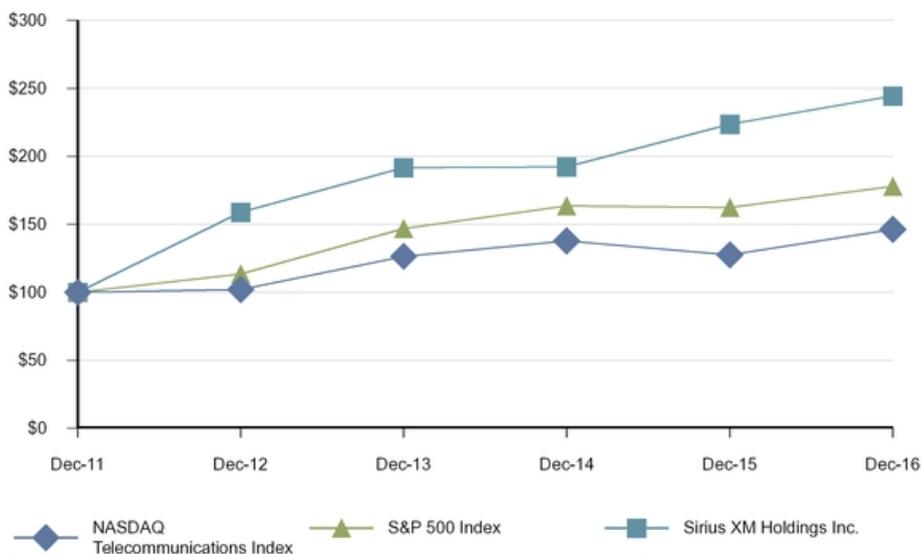
The following table provides information about our purchases of equity securities registered pursuant to Section 12 of the Exchange Act during the quarter ended December 31, 2016:

Period	Total Number of Shares Purchased	Average Price Paid Per Share (a)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (a)
October 1, 2016 - October 31, 2016	24,797,800	\$ 4.14	24,797,800	\$ 2,382,068,418
November 1, 2016 - November 30, 2016	42,526,500	\$ 4.38	42,526,500	\$ 2,195,781,619
December 1, 2016 - December 31, 2016	37,735,900	\$ 4.49	37,735,900	\$ 2,026,163,058
Total	105,060,200	\$ 4.37	105,060,200	

(a) These amounts include fees and commissions associated with the shares repurchased. All of these repurchases were made pursuant to our share repurchase program.

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, 2011 to December 31, 2016. The graph assumes that \$100 was invested on December 31, 2011 in each of our common stock, the S&P 500 and the NASDAQ Telecommunications Index. A special dividend with respect to our common stock was declared in 2012 and, in November 2016, we paid a \$0.01 per share cash dividend, which our board of directors expects will be the first of regular quarterly dividends.



Stockholder Return Performance Table

	NASDAQ Telecommunications Index		S&P 500 Index		Sirius XM Holdings Inc.	
December 31, 2011	\$	100.00	\$	100.00	\$	100.00
December 31, 2012	\$	102.00	\$	113.41	\$	158.79
December 31, 2013	\$	126.50	\$	146.98	\$	191.76
December 31, 2014	\$	137.77	\$	163.72	\$	192.31
December 31, 2015	\$	127.44	\$	162.53	\$	223.63
December 31, 2016	\$	146.39	\$	178.02	\$	244.51

Equity Compensation Plan Information

Plan Category <i>(shares in thousands)</i>	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 ⁽¹⁾	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	362,541	\$ 3.50	181,148
Equity compensation plans not approved by security holders	—	—	—
Total	362,541	\$ 3.50	181,148

- (1) Excludes approximately 29,893 shares underlying restricted stock units, including performance-based restricted stock units (“PRSU”), from the calculation of the weighted average exercise price. The number of shares to be issued in respect of PRSUs has been calculated based on the assumption that the maximum levels of performance applicable to the PRSUs will be achieved.

ITEM 6. SELECTED FINANCIAL DATA

The operating and balance sheet data included in the following selected financial data for 2016 and 2015 have been derived from our audited consolidated financial statements. Historical operating and balance sheet data included within the following selected financial data from 2012 through 2014 is derived from the audited Consolidated Financial Statements of Sirius XM and Holdings. This selected financial data should be read in conjunction with the audited Consolidated Financial Statements and related notes thereto included in Item 8 of this Annual Report on Form 10-K and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in Item 7 of this Annual Report on Form 10-K.

	As of and for the Years Ended December 31,				
	2016 (1)	2015	2014	2013 (2)	2012 (3)
<i>(in thousands, except per share data)</i>					
Statements of Comprehensive Income Data:					
Total revenue	\$ 5,017,220	\$ 4,570,058	\$ 4,181,095	\$ 3,799,095	\$ 3,402,040
Net income	\$ 745,933	\$ 509,724	\$ 493,241	\$ 377,215	\$ 3,472,702
Net income per share - basic	\$ 0.15	\$ 0.09	\$ 0.09	\$ 0.06	\$ 0.55
Net income per share - diluted	\$ 0.15	\$ 0.09	\$ 0.08	\$ 0.06	\$ 0.51
Weighted average common shares outstanding - basic	4,917,050	5,375,707	5,788,944	6,227,646	4,209,073
Weighted average common shares outstanding - diluted	4,964,728	5,435,166	5,862,020	6,384,791	6,873,786
Cash dividends declared per share	\$ 0.01	\$ —	\$ —	\$ —	\$ 0.05
Balance Sheet Data:					
Cash and cash equivalents	\$ 213,939	\$ 111,838	\$ 147,724	\$ 134,805	\$ 520,945
Restricted investments	\$ 9,888	\$ 9,888	\$ 5,922	\$ 5,718	\$ 3,999
Total assets (4)	\$ 8,003,595	\$ 8,046,662	\$ 8,369,065	\$ 8,826,959	\$ 9,024,800
Long-term debt, net of current portion (4)	\$ 5,842,764	\$ 5,443,614	\$ 4,487,419	\$ 3,088,701	\$ 2,400,943
Stockholders' (deficit) equity	\$ (792,015)	\$ (166,491)	\$ 1,309,837	\$ 2,745,742	\$ 4,039,565

- (1) For the year ended December 31, 2016, we recorded \$293,896 as an increase to our Deferred tax assets and decrease to our Accumulated deficit as a result of the adoption of Accounting Standards Update 2016-09, *Compensation-Stock Compensation (Topic 718)*.
- (2) The selected financial data for 2013 includes the balances and approximately two months of activity related to the acquisition of the connected vehicle business of Agero, Inc. in November 2013.
- (3) For the year ended December 31, 2012, we had an income tax benefit of \$2,998,234 due to the release of our valuation allowance. A special cash dividend was paid during 2012.
- (4) The 2012 – 2015 balances reflect the adoption of Accounting Standards Update 2015-03, *Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*, and Accounting Standards Update 2015-15, *Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Agreements*. As a result of our adoption of these ASUs, Total Assets was reduced by \$7,155, \$6,444, \$17,821 and \$30,043 for the years ended December 31, 2015, 2014, 2013 and 2012, respectively, and Long-term debt, net of current portion, was reduced by \$7,155, \$6,444, \$5,120 and \$30,043 for the years ended December 31, 2015, 2014, 2013 and 2012, respectively.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results and the timing of events could differ materially from those projected in forward-looking statements due to a number of factors, including those described under "Item 1A - Risk Factors" and elsewhere in this Annual Report on Form 10-K. See "Special Note About Forward-Looking Statements."

(All amounts referenced in this Item 7 are in thousands, except per subscriber and per installation amounts, unless otherwise stated.)

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our audited consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K.

Executive Summary

We transmit 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 features such as SiriusXM On Demand and MySXM, over our Internet radio service, including through applications for mobile devices, home devices and other consumer electronic equipment. We are also a leader in providing connected vehicle services. Our connected vehicle services are designed to enhance the safety, security and driving experience for vehicle operators while providing marketing and operational benefits to automakers and their dealers.

We have agreements with every major automaker ("OEMs") to offer satellite radio in their vehicles. We also acquire subscribers through marketing to owners and lessees of previously owned vehicles that include factory-installed satellite radios that are not currently subscribing to our services. Our satellite radios are primarily distributed through automakers; retail stores nationwide; and through our website. Satellite radio services are also offered to customers of certain rental car companies.

As of December 31, 2016, we had approximately 31.3 million subscribers of which approximately 26.0 million were self-pay subscribers and approximately 5.4 million 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; subscribers to our Internet services who do not also have satellite radio subscriptions; and certain subscribers to our weather, traffic, and data services who do not also have satellite radio subscriptions. Subscribers and subscription related revenues and expenses associated with our connected vehicle services and the Sirius XM Canada service are not included in our subscriber count or subscriber-based operating metrics.

Our primary source of revenue is subscription fees, with most of our customers subscribing to annual, semi-annual, quarterly or monthly plans. We offer discounts for prepaid, longer term subscription plans, as well as a multiple subscription discount. We also derive revenue from activation and other fees, the sale of advertising on select non-music channels, the direct sale of satellite radios and accessories, and other ancillary services, such as our weather, traffic and data services.

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

As of December 31, 2016, Liberty Media beneficially owned, directly and indirectly, approximately 67% of the outstanding shares of our common stock. As a result, we are a "controlled company" for the purposes of the NASDAQ corporate governance requirements. Liberty Media owns interests in a range of media, communications and entertainment businesses.

We hold an equity method investment in Sirius XM Canada which offers satellite radio services in Canada. As of December 31, 2016, we owned an approximate 37% equity interest in Sirius XM Canada.

Results of Operations

Set forth below are our results of operations for the year ended December 31, 2016 compared with the year ended December 31, 2015 and the year ended December 31, 2015 compared with the year ended December 31, 2014.

	For the Years Ended December 31,			2016 vs 2015 Change		2015 vs 2014 Change	
	2016	2015	2014	Amount	%	Amount	%
Revenue:							
Subscriber revenue	\$ 4,196,852	\$ 3,824,793	\$ 3,554,302	\$ 372,059	10 %	\$ 270,491	8 %
Advertising revenue	138,231	122,292	100,982	15,939	13 %	21,310	21 %
Equipment revenue	118,947	110,923	104,661	8,024	7 %	6,262	6 %
Other revenue	563,190	512,050	421,150	51,140	10 %	90,900	22 %
Total revenue	5,017,220	4,570,058	4,181,095	447,162	10 %	388,963	9 %
Operating expenses:							
Cost of services:							
Revenue share and royalties	1,108,515	1,034,832	810,028	73,683	7 %	224,804	28 %
Programming and content	353,779	293,091	297,313	60,688	21 %	(4,222)	(1)%
Customer service and billing	387,131	377,908	370,585	9,223	2 %	7,323	2 %
Satellite and transmission	103,020	94,609	86,013	8,411	9 %	8,596	10 %
Cost of equipment	40,882	42,724	44,397	(1,842)	(4)%	(1,673)	(4)%
Subscriber acquisition costs	512,809	532,599	493,464	(19,790)	(4)%	39,135	8 %
Sales and marketing	386,724	354,189	336,480	32,535	9 %	17,709	5 %
Engineering, design and development	82,146	64,403	62,784	17,743	28 %	1,619	3 %
General and administrative	341,106	324,801	293,938	16,305	5 %	30,863	10 %
Depreciation and amortization	268,979	272,214	266,423	(3,235)	(1)%	5,791	2 %
Total operating expenses	3,585,091	3,391,370	3,061,425	193,721	6 %	329,945	11 %
Income from operations	1,432,129	1,178,688	1,119,670	253,441	22 %	59,018	5 %
Other income (expense):							
Interest expense	(331,225)	(299,103)	(269,010)	(32,122)	(11)%	(30,093)	(11)%
Loss on extinguishment of debt and credit facilities, net	(24,229)	—	—	(24,229)	— %	—	— %
Loss on change in value of derivatives	—	—	(34,485)	—	— %	34,485	100 %
Other income	14,985	12,379	14,611	2,606	21 %	(2,232)	(15)%
Total other expense	(340,469)	(286,724)	(288,884)	(53,745)	(19)%	2,160	1 %
Income before income taxes	1,091,660	891,964	830,786	199,696	22 %	61,178	7 %
Income tax expense	(345,727)	(382,240)	(337,545)	36,513	10 %	(44,695)	(13)%
Net income	\$ 745,933	\$ 509,724	\$ 493,241	\$ 236,209	46 %	\$ 16,483	3 %

Total Revenue

Subscriber Revenue includes subscription, activation and other fees.

- *2016 vs. 2015:* For the years ended December 31, 2016 and 2015, subscriber revenue was \$4,196,852 and \$3,824,793, respectively, an increase of 10%, or \$372,059. The period over period increase was primarily attributable to an 8% increase in the daily weighted average number of subscribers as well as a 3% increase in average monthly revenue per subscriber resulting from certain rate increases.
- *2015 vs. 2014:* For the years ended December 31, 2015 and 2014, subscriber revenue was \$3,824,793 and \$3,554,302, respectively, an increase of 8%, or \$270,491. The period over period increase was primarily attributable to an 8% increase in the daily weighted average number of subscribers as well as a 1% increase in average monthly revenue per subscriber resulting from certain rate increases.

We expect subscriber revenues to increase based on the growth of our subscriber base, including the increases in certain of our subscription rates and the sale of additional services to subscribers.

Advertising Revenue includes the sale of advertising on certain non-music channels.

- *2016 vs. 2015:* For the years ended December 31, 2016 and 2015, advertising revenue was \$138,231 and \$122,292, respectively, an increase of 13%, or \$15,939. The increase was primarily due to a greater number of advertising spots sold and transmitted as well as increases in rates charged per spot.
- *2015 vs. 2014:* For the years ended December 31, 2015 and 2014, advertising revenue was \$122,292 and \$100,982, respectively, an increase of 21%, or \$21,310. The increase was primarily due to a greater number of advertising spots sold and transmitted as well as increases in rates charged per spot.

We expect our advertising revenue to continue to grow as more advertisers are attracted to our national platform and growing subscriber base and as we launch additional non-music channels.

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

- *2016 vs. 2015:* For the years ended December 31, 2016 and 2015, equipment revenue was \$118,947 and \$110,923, respectively, an increase of 7%, or \$8,024. The increase was driven by an increase in OEM production and an increase in royalty revenue on certain modules starting in the second quarter of 2016, partially offset by lower revenue generated through our distributors and direct to consumer business.
- *2015 vs. 2014:* For the years ended December 31, 2015 and 2014, equipment revenue was \$110,923 and \$104,661, respectively, an increase of 6%, or \$6,262. The increase was driven by royalties from higher OEM production and sales to distributors, partially offset by lower direct to consumer sales.

We expect equipment revenue to increase due to the increase in royalty revenues associated with the transition of our chipsets.

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

- *2016 vs. 2015:* For the years ended December 31, 2016 and 2015, other revenue was \$563,190 and \$512,050, respectively, an increase of 10%, or \$51,140. The period over period increase was primarily driven by additional revenues from the U.S. Music Royalty Fee due to an increase in the number of subscribers and subscribers paying at a higher rate of 13.9%. These increases were offset by lower non-recurring engineering fees associated with our connected vehicle services, lower activation revenues from our Canadian affiliate and a change in accounting for a programming contract in the third quarter of 2015.
- *2015 vs. 2014:* For the years ended December 31, 2015 and 2014, other revenue was \$512,050 and \$421,150, respectively, an increase of 22%, or \$90,900. The increase was driven by revenues from the U.S. Music Royalty Fee as the number of subscribers subject to the 13.9% rate increased along with an overall increase in subscribers, higher revenue generated from our connected vehicle services, and increased revenue from our Canadian affiliate.

Other revenue is expected to increase due to an increase in U.S. Music Royalty fees as our subscriber base continues to grow and an increase in revenue from Sirius XM Canada related to service agreements following the closing of the expected Transaction.

Operating Expenses

Revenue Share and Royalties include distribution and content provider revenue share, royalties for transmitting content and web streaming, and advertising revenue share.

- *2016 vs. 2015:* For the years ended December 31, 2016 and 2015, revenue share and royalties were \$1,108,515 and \$1,034,832, respectively, an increase of 7%, or \$73,683, but decreased as a percentage of total revenue. The increase was due to overall greater revenues subject to royalty and revenue sharing arrangements, a 5% increase in the statutory royalty rate applicable to our use of post-1972 recordings, and \$45,900 related to music royalty legal settlements and reserves recorded in the fourth quarter of 2016. The increase was mitigated by \$128,256 in expense recorded during the twelve months ended December 31, 2015 for the portion of the settlement of the Capitol Records LLC et al. v. Sirius XM Radio Inc. lawsuit

related to our use of pre-1972 sound recordings. We recorded \$39,808 in expense related to this settlement through the twelve months ended December 31, 2016.

- *2015 vs. 2014:* For the years ended December 31, 2015 and 2014, revenue share and royalties were \$1,034,832 and \$810,028, respectively, an increase of 28%, or \$224,804, and increased as a percentage of total revenue. The increase was primarily due to \$128,256 in expense recorded during the year ended December 31, 2015 for the portion of the settlement of the Capitol Records LLC et al. v. Sirius XM Radio Inc. lawsuit related to our use of pre-1972 sound recordings. Revenue share and royalties also increased due to greater revenues subject to royalty and revenue sharing arrangements and a 5.3% increase in the statutory royalty rate for the performance of post-1972 sound recordings.

We expect our revenue share and royalty costs to increase as our revenues grow. As determined by the Copyright Royalty Board, we have paid or will pay royalties for the use of certain post-1972 sound recordings on our satellite radio service of 9.5%, 10.0%, 10.5% and 11% in 2014, 2015, 2016 and 2017, respectively.

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 and other amounts.

- *2016 vs. 2015:* For the years ended December 31, 2016 and 2015, programming and content expenses were \$353,779 and \$293,091, respectively, an increase of 21%, or \$60,688, and increased as a percentage of total revenue. The increase was primarily due to renewed programming licenses as well as increased talent and personnel-related costs.
- *2015 vs. 2014:* For the years ended December 31, 2015 and 2014, programming and content expenses were \$293,091 and \$297,313, respectively, a decrease of 1%, or \$4,222, and decreased as a percentage of total revenue. The decrease was primarily due to the termination of certain programming agreements, partially offset by the addition of new programming arrangements and personnel-related costs.

We expect our programming and content expenses to increase as we offer additional programming, and renew or replace expiring agreements.

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

- *2016 vs. 2015:* For the years ended December 31, 2016 and 2015, customer service and billing expenses were \$387,131 and \$377,908, respectively, an increase of 2%, or \$9,223, but decreased as a percentage of total revenue. The increase was primarily due to costs associated with a higher subscriber base driving increased bad debt expenses, transaction fees, and call center costs, partially offset by lower personnel-related costs and the classification of wireless transmission costs related to our connected vehicle services to Satellite and transmission expense in 2016.
- *2015 vs. 2014:* For the years ended December 31, 2015 and 2014, customer service and billing expenses were \$377,908 and \$370,585, respectively, an increase of 2%, or \$7,323, but decreased as a percentage of total revenue. The increase was primarily due to a higher subscriber base driving increased transaction fees, bad debt expense and personnel-related costs, partially offset by efficiencies achieved from management initiatives implemented at call centers operated by our vendors.

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 terrestrial repeater networks; satellites; satellite telemetry, tracking and control systems; satellite uplink facilities; studios; and delivery of our Internet streaming service.

- *2016 vs. 2015:* For the years ended December 31, 2016 and 2015, satellite and transmission expenses were \$103,020 and \$94,609, respectively, an increase of 9%, or \$8,411, but decreased as a percentage of total revenue. We recorded a loss on disposal of certain obsolete satellite parts of \$12,912 in the second quarter of 2016 and a loss on disposal of certain obsolete terrestrial repeaters and related parts of \$7,384 in the fourth quarter of 2015. Excluding the losses on disposal of these assets, the increase was driven by inclusion of wireless transmission costs related to our connected vehicle services that were previously recorded to Customer service and billing expense in 2015, partially offset by lower web streaming costs from in-sourcing certain activities.

- *2015 vs. 2014:* For the years ended December 31, 2015 and 2014, satellite and transmission expenses were \$94,609 and \$86,013, respectively, an increase of 10%, or \$8,596, and increased as a percentage of total revenue. The increase was primarily due to the loss on disposal of certain obsolete terrestrial repeaters and related parts of \$7,384, and higher costs associated with our Internet streaming operations, partially offset by lower satellite insurance costs.

We expect satellite and transmission expenses, excluding losses from disposal of assets, to remain relatively unchanged.

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.

- *2016 vs. 2015:* For the years ended December 31, 2016 and 2015, cost of equipment was \$40,882 and \$42,724, respectively, a decrease of 4%, or \$1,842, and decreased as a percentage of equipment revenue. The decrease was primarily due to lower aftermarket and direct to consumer sales, partially offset by higher inventory reserves.
- *2015 vs. 2014:* For the years ended December 31, 2015 and 2014, cost of equipment was \$42,724 and \$44,397, respectively, a decrease of 4%, or \$1,673, and decreased as a percentage of equipment revenue. The decrease was primarily due to lower direct to consumer sales, partially offset by higher sales to distributors.

We expect cost of equipment to fluctuate with changes in sales and inventory valuations.

Subscriber Acquisition Costs include hardware subsidies paid to radio manufacturers, distributors and automakers; subsidies paid for chipsets and certain other components used in manufacturing radios; device royalties for certain radios and chipsets; commissions paid to automakers and retailers; 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 costs, marketing, loyalty payments to distributors and dealers of satellite radios or revenue share payments to automakers and retailers of satellite radios.

- *2016 vs. 2015:* For the years ended December 31, 2016 and 2015, subscriber acquisition costs were \$512,809 and \$532,599, respectively, a decrease of 4%, or \$19,790, and decreased as a percentage of total revenue. The decrease was driven by lower subsidized costs related to the transition of chipsets and reductions to OEM hardware subsidy rates, partially offset by higher radio installations.
- *2015 vs. 2014:* For the years ended December 31, 2015 and 2014, subscriber acquisition costs were \$532,599 and \$493,464, respectively, an increase of 8%, or \$39,135, but decreased as a percentage of total revenue. Increased costs related to a larger number of satellite radio installations in new vehicles which were partially offset by improved OEM and chipset subsidy rates per vehicle.

We expect subscriber acquisition costs to fluctuate with OEM installations and aftermarket volume; however, the cost of subsidized radio components is expected to decline. We intend to continue to offer subsidies, commissions and other incentives to acquire subscribers.

Sales and Marketing includes costs for marketing, advertising, media and production, including promotional events and sponsorships; cooperative marketing; and personnel. Marketing costs include expenses related to direct mail, outbound telemarketing and email communications.

- *2016 vs. 2015:* For the years ended December 31, 2016 and 2015, sales and marketing expenses were \$386,724 and \$354,189, respectively, an increase of 9%, or \$32,535, but decreased as a percentage of total revenue. The increase was primarily due to additional subscriber communications, retention programs and acquisition campaigns as well as higher personnel-related costs.
- *2015 vs. 2014:* For the years ended December 31, 2015 and 2014, sales and marketing expenses were \$354,189 and \$336,480, respectively, an increase of 5%, or \$17,709, but decreased as a percentage of total revenue. The increase was primarily due to additional subscriber communications, retention programs and acquisition campaigns as well as higher personnel-related costs.

We anticipate that sales and marketing expenses will increase as we expand programs to retain our existing subscribers, win back former subscribers, and attract new subscribers.

Engineering, Design and Development consists primarily of compensation and related costs to develop chipsets and new products and services, including streaming and connected vehicle services, research and development for broadcast information systems and costs associated with the incorporation of our radios into new vehicles manufactured by automakers.

- *2016 vs. 2015:* For the years ended December 31, 2016 and 2015, engineering, design and development expenses were \$82,146 and \$64,403, respectively, an increase of 28%, or \$17,743, and increased as a percentage of total revenue. The increase was primarily driven by the inclusion of personnel-related costs from our connected vehicle services that were previously recorded in Sales and marketing and General and administrative expense in 2015, partially offset by lower research and development costs.
- *2015 vs. 2014:* For the years ended December 31, 2015 and 2014, engineering, design and development expenses were \$64,403 and \$62,784, respectively, an increase of 3%, or \$1,619, and decreased as a percentage of total revenue. The increase was driven primarily by additional costs associated with streaming development, partially offset by lower personnel costs.

We expect engineering, design and development expenses to increase in future periods as we continue to develop our infrastructure, products and services.

General and Administrative primarily consists of compensation and related costs for personnel and facilities, and include costs related to our finance, legal, human resources and information technologies departments.

- *2016 vs. 2015:* For the years ended December 31, 2016 and 2015, general and administrative expenses were \$341,106 and \$324,801, respectively, an increase of 5%, or \$16,305, but decreased as a percentage of total revenue. The increase was primarily driven by consulting and legal costs.
- *2015 vs. 2014:* For the years ended December 31, 2015 and 2014, general and administrative expenses were \$324,801 and \$293,938, respectively, an increase of 10%, or \$30,863, and increased as a percentage of total revenue. The increase was driven primarily by higher personnel costs, reserves for consumer legal settlements and facilities costs, partially offset by insurance recoveries and lower professional fees related to the proposal made in January 2014 by Liberty Media to acquire the balance of our common stock not already owned by it.

We expect our general and administrative expenses to remain flat as we expect increased costs to support the growth of our business to be offset by lower legal and consulting costs.

Depreciation and Amortization represents the 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.

- *2016 vs. 2015:* For the years ended December 31, 2016 and 2015, depreciation and amortization expense was \$268,979 and \$272,214, respectively, a decrease of 1%, or \$3,235, and decreased as a percentage of total revenue. Depreciation decreased as certain satellites reached the end of their estimated service lives offset by additional assets placed in-service.
- *2015 vs. 2014:* For the years ended December 31, 2015 and 2014, depreciation and amortization expense was \$272,214 and \$266,423, respectively, an increase of 2%, or \$5,791, but decreased as a percentage of total revenue. The increase was driven by additional software placed in-service, partially offset by a reduction of amortization associated with the stepped-up basis in assets acquired in the Merger (including intangible assets, property and equipment) through the end of their estimated service lives and certain satellites reaching the end of their estimated service lives.

Other Income (Expense)

Interest Expense, Net of Amounts Capitalized, includes interest on outstanding debt.

- *2016 vs. 2015:* For the years ended December 31, 2016 and 2015, interest expense was \$331,225 and \$299,103, respectively, an increase of 11%, or \$32,122. The increase was primarily due to higher average debt during the year ended December 31, 2016 compared to the year ended December 31, 2015.
- *2015 vs. 2014:* For the years ended December 31, 2015 and 2014, interest expense was \$299,103 and \$269,010, respectively, an increase of 11%, or \$30,093. The increase was primarily due to higher average debt during the year ended December 31, 2015 compared to the year ended December 31, 2014. The increase was partially offset by lower average interest rates resulting from the redemption and conversion of higher interest rate debt during 2014.

We expect interest expense to increase in future periods to the extent the amount of our total debt outstanding increases.

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

- *2016 vs. 2015*: For the years ended December 31, 2016 and 2015, loss on extinguishment of debt and credit facilities, net, was \$24,229 and \$0, respectively. During the year ended December 31, 2016, a loss was recorded on the redemption of our then outstanding 5.875% Senior Notes due 2020.
- *2015 vs. 2014*: There was no loss on extinguishment of debt and credit facilities for the years ended December 31, 2015 and 2014.

Loss on Change in Value of Derivatives represents the change in fair value of the commitments under the share repurchase agreement with Liberty Media, which were accounted for as a derivative.

- *2016 vs. 2015*: There was no loss on change in value of derivatives for the years ended December 31, 2016 and 2015.
- *2015 vs. 2014*: For the years ended December 31, 2015 and 2014, the loss on change in value of derivatives was \$0 and \$34,485, respectively. The loss in 2014 resulted from a change in the market value of our common stock to be purchased under the share repurchase agreement with Liberty Media. On April 25, 2014, we completed the final purchase installment under this share repurchase agreement and repurchased \$340,000 of our shares of common stock from Liberty Media at a price of \$3.66 per share.

Other Income primarily includes realized gains and losses, interest income, and our share of the income or loss of Sirius XM Canada.

- *2016 vs. 2015*: For the years ended December 31, 2016 and 2015, other income was \$14,985 and \$12,379, respectively. Other income for the year ended December 31, 2016 was primarily driven by our share of Sirius XM Canada's net income and dividends received from Sirius XM Canada in excess of our investment. Other income for the year ended December 31, 2015 was driven by dividends received from Sirius XM Canada in excess of our investment.
- *2015 vs. 2014*: For the years ended December 31, 2015 and 2014, other income was \$12,379 and \$14,611, respectively. Other income for the year ended December 31, 2015 was driven by dividends received from Sirius XM Canada in excess of our investment. Other income for the year ended December 31, 2014 was driven by our share of Sirius XM Canada's net income and a gain from the conversion of certain debentures into shares of Sirius XM Canada, partially offset by the amortization expense related to our equity method intangible assets.

Income Taxes

Income Tax Expense includes the change in our deferred tax assets, foreign withholding taxes and current federal and state tax expenses.

- *2016 vs. 2015*: For the years ended December 31, 2016 and 2015, income tax expense was \$345,727 and \$382,240, respectively. Our annual effective tax rate for the year ended December 31, 2016 was 31.7%. In the fourth quarter of 2016, we recognized a \$66,326 Federal tax credit under the Protecting Americans from Tax Hikes Act of 2015 related to research and development activities, which reduced our effective tax rate by 6.1%.
- *2015 vs. 2014*: For the years ended December 31, 2015 and 2014, income tax expense was \$382,240 and \$337,545, respectively. Our annual effective tax rate for the year ended December 31, 2015 was 42.9%, which was impacted by tax law changes in the District of Columbia and New York City. The tax law change in the District of Columbia will reduce our future taxes and use less of certain net operating losses in the future. The District of Columbia tax law change resulted in a \$44,392 increase in our valuation allowance during the year ended December 31, 2015. The tax law change in New York City will increase certain net operating losses to be utilized in the future. The New York City tax law change resulted in a \$14,831 increase in our deferred tax asset during the year ended December 31, 2015. Our effective tax rate for the year ended December 31, 2014 was 40.6% primarily due to the impact of the loss on change in fair value of the derivative related to the share repurchase agreement with Liberty Media.

Key Financial and Operating Performance Metrics

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 (“Non-GAAP”), which include free cash flow and adjusted EBITDA. We also present certain operating performance measures, which include average monthly revenue per subscriber, or ARPU; customer service and billing expenses, per average subscriber; and subscriber acquisition cost, or SAC, per installation. Our Adjusted EBITDA excludes the impact of share-based payment expense and certain purchase price accounting adjustments related to the merger of Sirius and XM (the “Merger”). Additionally, when applicable, our adjusted EBITDA and free cash flow metrics exclude the effect of significant items that do not relate to the on-going performance of our business. We use these Non-GAAP financial and operating performance measures to manage our business, to set operational goals and as a basis for determining performance-based compensation for our employees. See accompanying glossary on pages 38 through 40 for more details and for the reconciliation to the most directly comparable GAAP measure (where applicable).

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

Our 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. In addition, our Non-GAAP financial measures may not be comparable to similarly-titled measures by other companies. Please refer to the glossary (pages 38 through 40) for a further discussion of such Non-GAAP financial and operating performance measures and reconciliations to the most directly comparable GAAP measure (where applicable). Subscribers and subscription related revenues and expenses associated with our connected vehicle services and Sirius XM Canada are not included in our subscriber count or subscriber-based operating metrics.

Set forth below are our subscriber balances as of December 31, 2016 compared to December 31, 2015 and as of December 31, 2015 compared to December 31, 2014:

	As of December 31,			2016 vs 2015 Change		2015 vs 2014 Change	
	2016	2015	2014	Amount	%	Amount ^(a)	%
Self-pay subscribers	25,951	24,288	22,523	1,663	7%	1,765	8%
Paid promotional subscribers	5,395	5,306	4,788	89	2%	517	11%
Ending subscribers	31,346	29,594	27,311	1,752	6%	2,283	8%

(a) Amounts may not sum as a result of rounding.

The following table contains our Non-GAAP financial and operating performance measures which are based on our adjusted results of operations for the years ended December 31, 2016, 2015 and 2014:

	For the Years Ended December 31,			2016 vs 2015 Change		2015 vs 2014 Change	
	2016	2015	2014	Amount	%	Amount	%
Self-pay subscribers	1,663	1,765	1,441	(102)	(6)%	324	22%
Paid promotional subscribers	89	517	311	(428)	(83)%	206	66%
Net additions ^(a)	1,752	2,283	1,752	(531)	(23)%	531	30%
Daily weighted average number of subscribers	30,494	28,337	26,284	2,157	8%	2,053	8%
Average self-pay monthly churn	1.9%	1.8%	1.9%	0.1%	6%	(0.1)%	(5)%
New vehicle consumer conversion rate	39%	40%	41%	(1)%	(3)%	(1)%	(2)%

ARPU	\$ 12.91	\$ 12.53	\$ 12.38	\$ 0.38	3%	\$ 0.15	1%
SAC, per installation	\$ 31	\$ 33	\$ 34	\$ (2)	(6)%	\$ (1)	(3)%
Customer service and billing expenses, per average subscriber	\$ 1.00	\$ 1.01	\$ 1.07	\$ (0.01)	(1)%	\$ (0.06)	(6)%
Adjusted EBITDA	\$ 1,875,775	\$ 1,657,617	\$ 1,467,775	\$ 218,158	13%	\$ 189,842	13%
Free cash flow	\$ 1,509,113	\$ 1,315,193	\$ 1,155,776	\$ 193,920	15%	\$ 159,417	14%
Diluted weighted average common shares outstanding (GAAP)	4,964,728	5,435,166	5,862,020	(470,438)	(9)%	(426,854)	(7)%

(a) Amounts may not sum as a result of rounding.

Subscribers. At December 31, 2016, we had approximately 31.3 million subscribers, an increase of approximately 1.8 million subscribers, or 6%, from the approximately 29.6 million subscribers as of December 31, 2015. The increase in total subscribers was primarily due to growth in our self-pay subscriber base, which increased by approximately 1.7 million. The increase in self-pay subscribers was primarily driven by original and subsequent owner trial conversions and subscriber win back programs, partially offset by deactivations.

- *2016 vs. 2015:* For the years ended December 31, 2016 and 2015, net additions were 1,752 thousand and 2,283 thousand, respectively, a decrease of 23%, or 531 thousand. The period over period decrease was due to a decrease in net additions of paid promotional subscribers as a result of slower growth in vehicle sales. The decrease in self-pay net additions was due to increases in deactivations from our larger subscriber base which were largely offset by trial conversions and subscriber win back programs.
- *2015 vs. 2014:* For the years ended December 31, 2015 and 2014, net additions were 2,283 thousand and 1,752 thousand, respectively, an increase of 30%, or 531 thousand. The increase in subscribers was primarily due to increases in original and subsequent owner trial conversions, as well as increases in shipments by OEMs offering paid trials and activations of inactive radios, partially offset by higher deactivations related to vehicle turnover and non-pay churn resulting from changes in telemarketing practices following the Federal Communications Commission's July 10, 2015 order relating to the Telephone Consumer Protection Act of 1991.

Average Self-pay Monthly Churn is derived by dividing the monthly average of self-pay deactivations for the period by the average number of self-pay subscribers for the period. (See accompanying glossary on pages 38 through 40 for more details.)

- *2016 vs. 2015:* For the years ended December 31, 2016 and 2015, our average self-pay monthly churn rate was 1.9% and 1.8%, respectively. The increase was due to an increase in vehicle-related, non-pay, and to a lesser extent voluntary churn.
- *2015 vs. 2014:* For the years ended December 31, 2015 and 2014, our average self-pay monthly churn rate was 1.8% and 1.9%, respectively. The decrease in churn was due to a reduction in the total number of subscribers leaving for voluntary reasons.

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 38 through 40 for more details.)

- *2016 vs. 2015:* For the years ended December 31, 2016 and 2015, our new vehicle consumer conversion rate was 39% and 40%, respectively. The decrease in conversion was primarily due to certain manual dialing inefficiencies introduced by our call center vendors as a precautionary response to the Federal Communications Commission's July 10, 2015 order relating to the Telephone Consumer Protection Act of 1991, increased vehicle penetration rate, and lower conversion of first-time buyers and lessees of satellite radio enabled cars.
- *2015 vs. 2014:* For the years ended December 31, 2015 and 2014, our new vehicle consumer conversion rate was 40% and 41%, respectively. The decrease in conversion was primarily due to an increased vehicle penetration rate and the effect of the suspension of certain outbound calling efforts by our vendors as they evaluated the Federal Communications Commission's July 10, 2015 order relating to the Telephone Consumer Protection Act of 1991, partially offset by improvements in converting previously active subscribers during a trial.

ARPU is derived from total earned subscriber revenue (excluding revenue derived from our connected vehicle services), net advertising revenue and other subscription-related revenue, divided by the number of months in the period, divided by the daily weighted average number of subscribers for the period. (See the accompanying glossary on pages 38 through 40 for more details.)

- *2016 vs. 2015:* For the years ended December 31, 2016 and 2015, ARPU was \$12.91 and \$12.53, respectively. The increase was driven primarily by increases in certain of our subscription rates, partially offset by growth in subscription discounts offered through customer acquisition and retention programs.
- *2015 vs. 2014:* For the years ended December 31, 2015 and 2014, ARPU was \$12.53 and \$12.38, respectively. The increase was driven primarily by increases in certain of our subscription rates, partially offset by growth in subscription discounts and limited channel plans offered through customer acquisition and retention programs, and a shift to longer-term promotional data service plans with lower rates.

SAC, Per Installation, is derived from subscriber acquisition costs and margins from the sale of radios, components and accessories, divided by the number of satellite radio installations in new vehicles and shipments of aftermarket radios for the period. (See the accompanying glossary on pages 38 through 40 for more details.)

- *2016 vs. 2015:* For the years ended December 31, 2016 and 2015, SAC, per installation, was \$31 and \$33, respectively. The decrease was driven by lower subsidized costs related to the transition of chipsets as well as lower OEM hardware subsidy rates.
- *2015 vs. 2014:* For the years ended December 31, 2015 and 2014, SAC, per installation, was \$33 and \$34, respectively. The decrease was primarily due to lower subsidies on chipsets and improvements in contractual OEM hardware subsidy rates.

Customer Service and Billing Expenses, Per Average Subscriber, is derived from total customer service and billing expenses, excluding connected vehicle customer service and billing expenses and share-based payment expense, divided by the number of months in the period, divided by the daily weighted average number of subscribers for the period. (See the accompanying glossary on pages 38 through 40 for more details.)

- *2016 vs. 2015:* For the years ended December 31, 2016 and 2015, customer service and billing expenses, per average subscriber, were \$1.00 and \$1.01, respectively. The decrease was primarily related to efficiencies achieved from call center process enhancements, partially offset by increased bad debt expense.
- *2015 vs. 2014:* For the years ended December 31, 2015 and 2014, customer service and billing expenses, per average subscriber, were \$1.01 and \$1.07, respectively. The decrease was driven primarily by efficiencies achieved from management initiatives implemented at call centers operated by our vendors, as well as a decrease in the rate at which subscribers call to cancel service.

Adjusted EBITDA. EBITDA is defined as net income before interest expense, income tax expense and depreciation and amortization. Adjusted EBITDA excludes the impact of other income, loss on extinguishment of debt, loss on change in value of derivatives, other non-cash charges, such as certain purchase price accounting adjustments, share-based payment expense, loss on disposal of assets, and legal settlements and reserves related to the historical use of sound recordings. (See the accompanying glossary on pages 38 through 40 for a reconciliation to GAAP and for more details.)

- *2016 vs. 2015:* For the years ended December 31, 2016 and 2015, adjusted EBITDA was \$1,875,775 and \$1,657,617, respectively, an increase of 13%, or \$218,158. The increase was due to growth in revenues primarily as a result of the increase in our subscriber base and certain of our subscription rates and lower subscriber acquisition costs, partially offset by higher revenue share and royalties costs due to growth in our revenues and royalty rates, programming and content, sales and marketing, and general and administrative costs.
- *2015 vs. 2014:* For the years ended December 31, 2015 and 2014, adjusted EBITDA was \$1,657,617 and \$1,467,775, respectively, an increase of 13%, or \$189,842. The increase was due to growth in adjusted revenues primarily as a result of the increase in our subscriber base and certain of our subscription rates, partially offset by higher costs associated with the growth in our revenues and subscriber base.

Free Cash Flow includes cash provided by operations, net of additions to property and equipment, restricted and other investment activity, the return of capital from investment in unconsolidated entity and excluding the \$210,000 pre-1972 sound recordings legal settlement payment made in 2015. (See the accompanying glossary on pages 38 through 40 for a reconciliation to GAAP and for more details.)

- *2016 vs. 2015:* For the years ended December 31, 2016 and 2015, free cash flow was \$1,509,113 and \$1,315,193, respectively, an increase of \$193,920, or 15%. The increase was primarily driven by higher net cash provided by operating activities resulting from improved operating performance; partially offset by an increase in additions to property and equipment resulting primarily from new satellite construction. The \$210,000 pre-1972 sound recordings legal settlement payment made in 2015 was excluded from free cash flow.
- *2015 vs. 2014:* For the years ended December 31, 2015 and 2014, free cash flow was \$1,315,193 and \$1,155,776, respectively, an increase of \$159,417, or 14%. Excluding the \$210,000 pre-1972 sound recordings legal settlement payment made in 2015, the increase was primarily driven by higher net cash provided by operating activities from improved operating performance, and higher collections from subscribers, partially offset by higher interest payments.

Liquidity and Capital Resources

Cash Flows for the year ended December 31, 2016 compared with the year ended December 31, 2015 and the year ended December 31, 2015 compared with the year ended December 31, 2014.

The following table presents a summary of our cash flow activity for the periods set forth below:

	For the Years Ended December 31,				
	2016	2015	2014	2016 vs 2015	2015 vs 2014
Net cash provided by operating activities	\$ 1,719,237	\$ 1,244,051	\$ 1,253,244	\$ 475,186	\$ (9,193)
Net cash used in investing activities	(210,124)	(138,858)	(96,324)	(71,266)	(42,534)
Net cash used in financing activities	(1,407,012)	(1,141,079)	(1,144,001)	(265,933)	2,922
Net increase (decrease) in cash and cash equivalents	102,101	(35,886)	12,919	137,987	(48,805)
Cash and cash equivalents at beginning of period	111,838	147,724	134,805	(35,886)	12,919
Cash and cash equivalents at end of period	\$ 213,939	\$ 111,838	\$ 147,724	\$ 102,101	\$ (35,886)

Cash Flows Provided by Operating Activities

Cash flows provided by operating activities increased by \$475,186 to \$1,719,237 for the year ended December 31, 2016 from \$1,244,051 for the year ended December 31, 2015. Cash flows provided by operating activities decreased by \$9,193 to \$1,244,051 for the year ended December 31, 2015 from \$1,253,244 for the year ended December 31, 2014.

Our largest source of cash provided by operating activities is generated by subscription and subscription-related revenues. We also generate cash from the sale of advertising on certain non-music channels and the sale of satellite radios, components and accessories. Our primary uses of cash from operating activities include revenue share and royalty payments to

distributors, programming and content providers, and payments to radio manufacturers, distributors and automakers. In addition, uses of cash from operating activities include payments to vendors to service, maintain and acquire subscribers, general corporate expenditures, and compensation and related costs.

Cash Flows Used in Investing Activities

Cash flows used in investing activities were primarily due to additional spending of \$43,300 to construct replacement satellites, improve our terrestrial repeater network and for capitalized software. In 2015, our cash flows used in investing activities also included an increase to our letters of credit issued for the benefit of lessors of certain of our office space. In 2014, our cash flows used in investing activities were primarily due to additional spending to improve our terrestrial repeater network and for capitalized software, partially offset by a special one-time dividend received from our investment in Sirius XM Canada of \$24,178. We expect to continue to incur significant costs to construct replacement satellites.

Cash Flows Used in Financing Activities

Cash flows used in financing activities consists of the issuance and repayment of long-term debt, the purchase of common stock under our share repurchase program and the payment of a 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 provided by financing activities in 2016 were due to the issuance of \$1,000,000 aggregate principal amount of 5.375% Senior Notes due 2026 and borrowings under the Credit Facility. Cash flows used in financing activities in 2016 were primarily due to the purchase and retirement of shares of our common stock under our repurchase program for \$1,673,518, repayments of borrowings under the Credit Facility, the redemption of \$650,000 of our then outstanding 5.875% Senior Notes due 2020 and the payment of a cash dividend. Cash flows provided by financing activities in 2015 were due to the issuance of \$1,000,000 aggregate principal amount of 5.375% Senior Notes due 2025 and borrowings under the Credit Facility. Cash flows used in financing activities in 2015 were primarily due to the purchase and retirement of shares of our common stock under our repurchase program for \$2,018,254 and repayments of borrowings under the Credit Facility. Cash flows used in financing activities in 2014 were primarily due to the purchase of shares of our common stock under our repurchase program from \$2,496,799 and repayments under the Credit Facility. In 2014, we issued \$1,500,000 aggregate principal amount of 6.00% Senior Notes due 2024.

Future Liquidity and Capital Resource Requirements

Based upon our current business plans, we expect to fund operating expenses, capital expenditures, including the construction of replacement satellites, working capital requirements, legal settlements, interest payments, taxes and scheduled maturities of our debt with existing cash, cash flow from operations and borrowings under our Credit Facility. As of December 31, 2016, \$1,360,000 was available for future borrowing under our Credit Facility. We believe that we have sufficient cash and cash equivalents as well as debt capacity to cover our estimated short-term and long-term funding needs, as well as fund stock repurchases, future dividend payments and strategic opportunities.

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 development and introduction of new features or services; significant new or enhanced distribution arrangements; investments in infrastructure, such as satellites, equipment or radio spectrum; and acquisitions and investments, including acquisitions and investments that are not directly related to our satellite radio business.

Capital Return Program

As of December 31, 2016, our board of directors had approved for repurchase an aggregate of \$10,000,000 of our common stock. As of December 31, 2016, our cumulative repurchases since December 2012 under our stock repurchase program totaled 2,203,608 shares for \$7,973,837, and \$2,026,163 remained available under our stock repurchase program.

On October 26, 2016, our board of directors also declared the first quarterly dividend on our common stock in the amount of \$0.01 per share of common stock. That dividend was paid on November 30, 2016 to stockholders of record as of the close of business on November 9, 2016. The total amount of this dividend was approximately \$48,079. Our board of directors expects to declare regular quarterly dividends, in an aggregate annual amount of \$0.04 per share of common stock.

On January 24, 2017, our board of directors also declared a quarterly dividend on our common stock in the amount of \$0.01 per share of common stock payable on February 28, 2017 to stockholders of record as of the close of business on February 7, 2017.

Debt Covenants

The indentures governing Sirius XM's senior notes, and the agreement governing the Credit Facility include restrictive covenants. As of December 31, 2016, we were in compliance with such covenants. For a discussion of our "Debt Covenants," refer to Note 11 to our consolidated financial statements in Item 8 of this Annual Report on Form 10-K.

Off-Balance Sheet Arrangements

We do not have any significant off-balance sheet arrangements other than those disclosed in Note 14 to our consolidated financial statements in Item 8 of this Annual Report on Form 10-K 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 14 to our consolidated financial statements in Item 8 of this Annual Report on Form 10-K.

Related Party Transactions

For a discussion of "Related Party Transactions," refer to Note 10 to our consolidated financial statements in Item 8 of this Annual Report on Form 10-K.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with GAAP, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of 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 identified all significant accounting policies in Note 2 to our consolidated financial statements in Item 8 of this Annual Report on Form 10-K.

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. Accounting Standards Codification ("ASC") 350-20-35, *Goodwill*, states that if the carrying amount of the reporting unit is zero or negative, the second step of the impairment test shall be performed to measure the amount of impairment loss, if any, when it is more likely than not that a goodwill impairment exists based on adverse qualitative factors. As the carrying amount of our one reporting unit was negative as of the date of our annual assessment for 2016, we performed a qualitative analysis to determine whether it was more likely than not that a goodwill impairment exists. We were not aware of any adverse qualitative factors that would indicate any impairment to our goodwill as of the date of our annual assessment for 2016 and as of December 31, 2016. No impairment losses were recorded for goodwill during the years ended December 31, 2016, 2015 and 2014.

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 XM 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. ASC 350-30-35, *Intangibles - Goodwill and Other*, provides for 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 is not 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. We completed qualitative assessments of our FCC licenses and XM trademark during the fourth quarter of 2016, 2015 and 2014. As of the date of our annual assessment for 2016, 2015 and 2014, our qualitative impairment assessment of the fair value of our indefinite intangible assets indicated that such assets substantially exceeded their carrying value and therefore was not at risk of impairment. No impairments were recorded for intangible assets with indefinite lives during the years ended December 31, 2016, 2015 and 2014.

Useful Life of Broadcast/Transmission System. Our satellite system includes the costs of our satellite construction, launch vehicles, launch insurance, capitalized interest, spare satellites, 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 operate two in-orbit Sirius satellites, FM-5 and FM-6. We estimate that our FM-5 and FM-6 satellites launched in 2009 and 2013, respectively, will operate effectively through the end of their depreciable life in 2024 and 2028, respectively.

We operate three in-orbit XM satellites, XM-3, XM-4 and XM-5. We estimate that our XM-3 and XM-4 satellites launched in 2005 and 2006, respectively, will reach the end of their depreciable lives in 2020 and 2021, respectively. Our XM-5 satellite was launched in 2010, is used as an in-orbit spare for the Sirius and XM systems and is expected to reach the end of its depreciable life in 2025.

Our satellites have been designed to last fifteen-years. Our in-orbit satellites may experience component failures which could adversely affect their useful lives. We monitor the operating condition of our in-orbit satellites and 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.

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.

We assess the recoverability of deferred tax assets at each reporting date and, where applicable, 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. Our assessment includes an analysis of whether deferred tax assets will be realized in the ordinary course of operations based on the available positive and negative evidence, including the scheduling of deferred tax liabilities and forecasted income from operations. The underlying assumptions we use in forecasting future taxable income require significant judgment. In the event that actual income from operations differs from forecasted amounts, or if we change our estimates of forecasted income from operations, we could record additional charges or reduce allowances in order to adjust the carrying value of deferred tax assets to their realizable amount. Such adjustments could be material to our consolidated financial statements.

As of December 31, 2016, we had a valuation allowance of \$47,682 relating to deferred tax assets that are not more likely than not to be realized due to certain state net operating loss limitations and acquired net operating losses that we were not likely to be utilized.

ASC 740, *Income Taxes*, 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. If the tax position is not more likely than not to be sustained, the gross amount of the unrecognized tax position will not be recorded in the financial statements but will be shown in tabular format within the uncertain income tax positions. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs due to the following conditions: (1) the tax position is "more likely than not" to be sustained, (2) the tax

position, amount, and/or timing is ultimately settled through negotiation or litigation, or (3) the statute of limitations for the tax position has expired. A number of years may elapse before an uncertain tax position is effectively settled or until there is a lapse in the applicable statute of limitations. We record interest and penalties related to uncertain tax positions in Income tax expense in our consolidated statements of comprehensive income. As of December 31, 2016, the gross liability for income taxes associated with uncertain tax positions was \$303,583.

Glossary

Adjusted EBITDA - EBITDA is defined as net income before interest expense, income tax expense and depreciation and amortization. We adjust EBITDA to exclude the impact of other income as well as certain other charges discussed below. Adjusted EBITDA is one of the primary Non-GAAP financial measures we use to (i) evaluate the performance of our on-going core operating results period over period, (ii) base our internal budgets and (iii) compensate management. Adjusted EBITDA is a Non-GAAP financial measure that excludes (if applicable): (i) certain adjustments as a result of the purchase price accounting for the Merger, (ii) share-based payment expense and (iii) other significant operating expense (income) that do not relate to the on-going performance of our business. 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 capital structure and purchase price accounting. We believe investors find this Non-GAAP financial measure useful when analyzing our past operating performance with our current performance and comparing our operating performance to the performance of other communications, entertainment and media companies. We believe investors use adjusted EBITDA to estimate our current enterprise value and to make investment decisions. Because of large capital investments in our satellite radio system our results of operations reflect significant charges for depreciation expense. We believe the exclusion of share-based payment expense is useful as it is not directly related to the operational conditions of our business. We also believe the exclusion of the legal settlements and reserves related to the historical use of sound recordings and loss on disposal of assets is useful as they are significant expenses not incurred as part of our normal operations for the period.

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:

	For the Years Ended December 31,		
	2016	2015	2014
Net income:	\$ 745,933	\$ 509,724	\$ 493,241
Add back items excluded from Adjusted EBITDA:			
Purchase price accounting adjustments:			
Revenues	7,251	7,251	7,251
Operating expenses	—	(1,394)	(3,781)
Sound recording legal settlements and reserves	45,900	109,164	—
Loss on disposal of assets	12,912	7,384	—
Loss on change in value of derivatives	—	—	34,485
Share-based payment expense	108,604	84,310	78,212
Depreciation and amortization	268,979	272,214	266,423
Interest expense	331,225	299,103	269,010
Loss on extinguishment of debt and credit facilities, net	24,229	—	—
Other income	(14,985)	(12,379)	(14,611)
Income tax expense	345,727	382,240	337,545
Adjusted EBITDA	<u>\$ 1,875,775</u>	<u>\$ 1,657,617</u>	<u>\$ 1,467,775</u>

ARPU - is derived from total earned subscriber revenue, advertising revenue and other subscription-related revenue, excluding revenue associated with our connected vehicle services, 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. ARPU is calculated as follows:

	For the Years Ended December 31,		
	2016	2015	2014
Subscriber revenue, excluding connected vehicle services	\$ 4,108,547	\$ 3,726,340	\$ 3,466,050
Add: advertising revenue	138,231	122,292	100,982
Add: other subscription-related revenue	478,063	410,644	336,408
	<u>\$ 4,724,841</u>	<u>\$ 4,259,276</u>	<u>\$ 3,903,440</u>
Daily weighted average number of subscribers	<u>30,494</u>	<u>28,337</u>	<u>26,284</u>
ARPU	<u>\$ 12.91</u>	<u>\$ 12.53</u>	<u>\$ 12.38</u>

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 connected vehicle customer service and billing expenses and share-based payment expense, 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 as share-based payment expense is not directly related to the operational conditions that give rise to variations in the components of our customer service and billing expenses. Customer service and billing expenses, per average subscriber, is calculated as follows:

	For the Years Ended December 31,		
	2016	2015	2014
Customer service and billing expenses, excluding connected vehicle services	\$ 367,978	\$ 346,789	\$ 340,094
Less: share-based payment expense	(3,735)	(2,982)	(2,780)
	<u>\$ 364,243</u>	<u>\$ 343,807</u>	<u>\$ 337,314</u>
Daily weighted average number of subscribers	<u>30,494</u>	<u>28,337</u>	<u>26,284</u>
Customer service and billing expenses, per average subscriber	<u>\$ 1.00</u>	<u>\$ 1.01</u>	<u>\$ 1.07</u>

Free cash flow - is derived from cash flow provided by operating activities, net of additions to property and equipment, restricted and other investment activity and the return of capital from investment in unconsolidated entity. 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 and significant items that do not relate to the on-going performance of our business. In a capital intensive business, with significant 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, adjusted for any significant legal settlements. We have excluded the \$210,000 payment related to the 2015 pre-1972 sound recordings legal settlement from our free cash flow calculation in the year ended December 31, 2015. 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 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. Free cash flow is calculated as follows:

	For the Years Ended December 31,		
	2016	2015	2014
Cash Flow information			
Net cash provided by operating activities	\$ 1,719,237	\$ 1,244,051	\$ 1,253,244
Net cash used in investing activities	\$ (210,124)	\$ (138,858)	\$ (96,324)
Net cash used in financing activities	\$ (1,407,012)	\$ (1,141,079)	\$ (1,144,001)
Free Cash Flow			
Net cash provided by operating activities	\$ 1,719,237	\$ 1,244,051	\$ 1,253,244
Additions to property and equipment	(205,829)	(134,892)	(121,646)
Purchases of restricted and other investments	(4,295)	(3,966)	—
Return of capital from investment in unconsolidated entity	—	—	24,178
Pre-1972 sound recordings legal settlement	—	210,000	—
Free cash flow	<u>\$ 1,509,113</u>	<u>\$ 1,315,193</u>	<u>\$ 1,155,776</u>

New vehicle consumer conversion rate - is defined as the percentage of owners and lessees of new vehicles that receive our satellite radio 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. 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 installation - or SAC, per installation, is derived from subscriber acquisition costs and margins from the sale of radios and accessories, divided by the number of satellite radio installations in new vehicles and shipments of aftermarket radios for the period. SAC, per installation, is calculated as follows:

	For the Years Ended December 31,		
	2016	2015	2014
Subscriber acquisition costs	\$ 512,809	\$ 532,599	\$ 493,464
Less: margin from sales of radios and accessories	(78,065)	(68,199)	(60,264)
	<u>\$ 434,744</u>	<u>\$ 464,400</u>	<u>\$ 433,200</u>
Installations	<u>14,203</u>	<u>14,041</u>	<u>12,788</u>
SAC, per installation	<u>\$ 31</u>	<u>\$ 33</u>	<u>\$ 34</u>

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

As of December 31, 2016, we did not hold or issue any free-standing derivatives. We hold investments in money market funds and certificates of deposit. These securities are consistent with the 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. Sirius XM's borrowings under the Credit Facility carry a variable interest rate based on LIBOR plus an applicable rate based on its debt to operating cash flow ratio. We currently do not use interest rate derivative instruments to manage our exposure to interest rate fluctuations.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See the Index to Consolidated Financial Statements and financial statements and financial statement schedule contained in Item 15 herein, which are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. An evaluation was performed under the supervision and with the participation of our management, including James E. Meyer, our Chief Executive Officer, and David J. Frear, our Senior Executive Vice President and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as that term is defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2016. Based on that evaluation, our management, including our Chief Executive Officer and our Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of December 31, 2016 at the reasonable assurance level. There has been no change in our internal control over financial reporting (as that term is defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) during the year ended December 31, 2016 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act. We have performed an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of our internal control over financial reporting. Our management used the updated Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission to perform this evaluation. Based on that evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that our internal control over financial reporting was effective as of December 31, 2016.

KPMG LLP, an independent registered public accounting firm, which has audited and reported on the consolidated financial statements contained in this Annual Report on Form 10-K, has issued its report on the effectiveness of our internal control over financial reporting which follows this report.

Audit Report of the Independent Registered Public Accounting Firm

The effectiveness of our internal control over financial reporting as of December 31, 2016 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their audit report appearing on page F-3 of this Annual Report on Form 10-K.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information about our executive officers is contained in the discussion entitled “Executive Officers of the Registrant” in Part I of this Annual Report on Form 10-K.

The additional information required by this Item 10 is incorporated in this report by reference to the applicable information in our definitive proxy statement for the 2017 annual meeting of stockholders set forth under the captions *Stock Ownership, Governance of the Company, Item 1. Election of Directors* and *Item 3. Ratification of Independent Registered Public Accountants*, which we expect to file with the Securities and Exchange Commission prior to May 1, 2017.

Code of Ethics

We have adopted a code of ethics that applies to all employees, including executive officers, and to directors. The Code of Ethics is available on the Corporate Governance page of our website at www.siriusxm.com. If we ever were to amend or waive any provision of our Code of Ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or any person performing similar functions, we intend to satisfy our disclosure obligations with respect to any such waiver or amendment by posting such information on our internet website set forth above rather than filing a Form 8-K.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item 11 is incorporated in this report by reference to the applicable information in our definitive proxy statement for the 2017 annual meeting of stockholders set forth under the captions *Item 1. Election of Directors* and *Executive Compensation*, which we expect to file with the Securities and Exchange Commission prior to May 1, 2017.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Certain information required by this item is set forth under the heading “Equity Compensation Plan Information” in Part II, Item 5, of this report.

The additional information required by this Item 12 is incorporated in this report by reference to the applicable information in our definitive proxy statement for the 2017 annual meeting of stockholders set forth under the caption *Stock Ownership*, which we expect to file with the Securities and Exchange Commission prior to May 1, 2017.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by this Item 13 is incorporated in this report by reference to the applicable information in our definitive proxy statement for the 2017 annual meeting of stockholders set forth under the captions *Governance of the Company* and *Item 1. Election of Directors*, which we expect to file with the Securities and Exchange Commission prior to May 1, 2017.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item 14 is incorporated in this report by reference to the applicable information in our definitive proxy statement for the 2017 annual meeting of stockholders set forth under the caption *Item 3. Ratification of Independent Registered Public Accountants - Principal Accountant Fees and Services*, which we expect to file with the Securities and Exchange Commission prior to May 1, 2017.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Documents filed as part of this report:

- (1) Financial Statements. See Index to Consolidated Financial Statements appearing on page F-1.
- (2) Financial Statement Schedules. See Index to Consolidated Financial Statements appearing on page F-1.
- (3) Exhibits. See Exhibit Index following this report, which is incorporated herein by reference.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on this 2nd day of February 2017.

SIRIUS XM HOLDINGS INC.

By: /s/ DAVID J. FREAR

David J. Frear
Senior Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

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Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ GREGORY B. MAFFEI</u> (Gregory B. Maffei)	Chairman of the Board of Directors and Director	February 2, 2017
<u>/s/ JAMES E. MEYER</u> (James E. Meyer)	Chief Executive Officer and Director (Principal Executive Officer)	February 2, 2017
<u>/s/ DAVID J. FREAR</u> (David J. Frear)	Senior Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 2, 2017
<u>/s/ THOMAS D. BARRY</u> (Thomas D. Barry)	Senior Vice President and Controller (Principal Accounting Officer)	February 2, 2017
<u>/s/ JOAN L. AMBLE</u> (Joan L. Amble)	Director	February 2, 2017
<u>/s/ GEORGE W. BODENHEIMER</u> (George W. Bodenheimer)	Director	February 2, 2017
<u>/s/ MARK D. CARLETON</u> (Mark D. Carleton)	Director	February 2, 2017
<u>/s/ EDDY W. HARTENSTEIN</u> (Eddy W. Hartenstein)	Director	February 2, 2017
<u>/s/ JAMES P. HOLDEN</u> (James P. Holden)	Director	February 2, 2017
<u>/s/ EVAN D. MALONE</u> (Evan D. Malone)	Director	February 2, 2017
<u>/s/ JAMES F. MOONEY</u> (James F. Mooney)	Director	February 2, 2017
<u>/s/ CARL E. VOGEL</u> (Carl E. Vogel)	Director	February 2, 2017
<u>/s/ VANESSA A. WITTMAN</u> (Vanessa A. Wittman)	Director	February 2, 2017
<u>/s/ DAVID M. ZASLAV</u> (David M. Zaslav)	Director	February 2, 2017

SIRIUS XM HOLDINGS INC. AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

<u>Reports of Independent Registered Public Accounting Firm</u>	<u>F-2</u>
<u>Consolidated Statements of Comprehensive Income for the years ended December 31, 2016, 2015 and 2014</u>	<u>F-4</u>
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Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of Sirius XM Holdings Inc. and subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, stockholders' (deficit) equity, and cash flows for each of the years in the three-year period ended December 31, 2016. 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 the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and the 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 Holdings Inc. and subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2016, 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.

As discussed in Note 2 to the financial statements, the Company changed its method of accounting for share-based payments in 2016 due to the adoption of ASU 2016-09, *Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Sirius XM Holdings Inc. and subsidiaries' internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 2, 2017 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

New York, New York
February 2, 2017

Report of Independent Registered Public Accounting Firm

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

We have audited Sirius XM Holdings Inc. and subsidiaries' internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Sirius XM Holdings Inc. and subsidiaries' 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 Holdings Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control – Integrated Framework (2013)* 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 Holdings Inc. and subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, stockholders' (deficit) equity, and cash flows for each of the years in the three-year period ended December 31, 2016, and our report dated February 2, 2017 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

New York, New York
February 2, 2017

SIRIUS XM HOLDINGS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the Years Ended December 31,		
	2016	2015	2014
<i>(in thousands, except per share data)</i>			
Revenue:			
Subscriber revenue	\$ 4,196,852	\$ 3,824,793	\$ 3,554,302
Advertising revenue	138,231	122,292	100,982
Equipment revenue	118,947	110,923	104,661
Other revenue	563,190	512,050	421,150
Total revenue	5,017,220	4,570,058	4,181,095
Operating expenses:			
Cost of services:			
Revenue share and royalties	1,108,515	1,034,832	810,028
Programming and content	353,779	293,091	297,313
Customer service and billing	387,131	377,908	370,585
Satellite and transmission	103,020	94,609	86,013
Cost of equipment	40,882	42,724	44,397
Subscriber acquisition costs	512,809	532,599	493,464
Sales and marketing	386,724	354,189	336,480
Engineering, design and development	82,146	64,403	62,784
General and administrative	341,106	324,801	293,938
Depreciation and amortization	268,979	272,214	266,423
Total operating expenses	3,585,091	3,391,370	3,061,425
Income from operations	1,432,129	1,178,688	1,119,670
Other income (expense):			
Interest expense	(331,225)	(299,103)	(269,010)
Loss on extinguishment of debt and credit facilities, net	(24,229)	—	—
Loss on change in value of derivatives	—	—	(34,485)
Other income	14,985	12,379	14,611
Total other expense	(340,469)	(286,724)	(288,884)
Income before income taxes	1,091,660	891,964	830,786
Income tax expense	(345,727)	(382,240)	(337,545)
Net income	\$ 745,933	\$ 509,724	\$ 493,241
Foreign currency translation adjustment, net of tax	363	(100)	(94)
Total comprehensive income	\$ 746,296	\$ 509,624	\$ 493,147
Net income per common share:			
Basic	\$ 0.15	\$ 0.09	\$ 0.09
Diluted	\$ 0.15	\$ 0.09	\$ 0.08
Weighted average common shares outstanding:			
Basic	4,917,050	5,375,707	5,788,944
Diluted	4,964,728	5,435,166	5,862,020
Dividends declared per common share	\$ 0.01	\$ —	\$ —

See accompanying notes to the consolidated financial statements.

SIRIUS XM HOLDINGS INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

<i>(in thousands, except per share data)</i>	As of December 31,	
	2016	2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 213,939	\$ 111,838
Receivables, net	223,029	234,782
Inventory, net	20,363	22,295
Related party current assets	6,170	5,941
Prepaid expenses and other current assets	179,148	187,033
Total current assets	642,649	561,889
Property and equipment, net	1,398,693	1,415,401
Intangible assets, net	2,544,801	2,593,346
Goodwill	2,205,107	2,205,107
Related party long-term assets	8,918	—
Deferred tax assets	1,084,330	1,115,731
Other long-term assets	119,097	155,188
Total assets	\$ 8,003,595	\$ 8,046,662
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 713,034	\$ 625,313
Accrued interest	114,633	91,655
Current portion of deferred revenue	1,832,609	1,771,915
Current maturities of long-term debt	5,485	4,764
Related party current liabilities	2,840	2,840
Total current liabilities	2,668,601	2,496,487
Deferred revenue	176,319	157,609
Long-term debt	5,842,764	5,443,614
Related party long-term liabilities	7,955	10,795
Deferred tax liabilities	6,418	6,681
Other long-term liabilities	93,553	97,967
Total liabilities	8,795,610	8,213,153
Commitments and contingencies (Note 14)		
Stockholders' (deficit) equity:		
Common stock, par value \$0.001; 9,000,000 shares authorized; 4,746,047 and 5,153,451 shares issued; 4,740,947 and 5,147,647 outstanding at December 31, 2016 and December 31, 2015, respectively	4,745	5,153
Accumulated other comprehensive loss, net of tax	(139)	(502)
Additional paid-in capital	3,117,666	4,783,795
Treasury stock, at cost; 5,100 and 5,804 shares of common stock at December 31, 2016 and December 31, 2015, respectively	(22,906)	(23,727)
Accumulated deficit	(3,891,381)	(4,931,210)
Total stockholders' (deficit) equity	(792,015)	(166,491)
Total liabilities and stockholders' (deficit) equity	\$ 8,003,595	\$ 8,046,662

See accompanying notes to the consolidated financial statements.

SIRIUS XM HOLDINGS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' (DEFICIT) EQUITY

<i>(in thousands)</i>	Common Stock		Accumulated Other Comprehensive (Loss) Income	Additional Paid-in Capital	Treasury Stock		Accumulated Deficit	Total Stockholders' (Deficit) Equity
	Shares	Amount			Shares	Amount		
Balance at January 1, 2014	6,096,220	\$ 6,096	\$ (308)	\$ 8,674,129	—	\$ —	\$(5,934,175)	\$ 2,745,742
Comprehensive income, net of tax	—	—	(94)	—	—	—	493,241	493,147
Share-based payment expense	—	—	—	78,212	—	—	—	78,212
Exercise of options and vesting of restricted stock units	15,960	16	—	315	—	—	—	331
Minimum withholding taxes on net share settlement of stock-based compensation	—	—	—	(37,320)	—	—	—	(37,320)
Conversion of Exchangeable Notes to common stock	272,856	273	—	502,097	—	—	—	502,370
Issuance of common stock upon exercise of warrants	99	—	—	—	—	—	—	—
Common stock repurchased	—	—	—	—	739,016	(2,472,645)	—	(2,472,645)
Common stock retired	(731,606)	(732)	—	(2,445,879)	(731,606)	2,446,611	—	—
Balance at December 31, 2014	5,653,529	\$ 5,653	\$ (402)	\$ 6,771,554	7,410	\$ (26,034)	\$(5,440,934)	\$ 1,309,837
Comprehensive income, net of tax	—	—	(100)	—	—	—	509,724	509,624
Share-based payment expense	—	—	—	84,310	—	—	—	84,310
Exercise of options and vesting of restricted stock units	19,740	20	—	240	—	—	—	260
Minimum withholding taxes on net share settlement of stock-based compensation	—	—	—	(54,575)	—	—	—	(54,575)
Issuance of common stock upon exercise of warrants	6,010	6	—	(6)	—	—	—	—
Common stock repurchased	—	—	—	—	524,222	(2,015,947)	—	(2,015,947)
Common stock retired	(525,828)	(526)	—	(2,017,728)	(525,828)	2,018,254	—	—
Balance at December 31, 2015	5,153,451	\$ 5,153	\$ (502)	\$ 4,783,795	5,804	\$ (23,727)	\$(4,931,210)	\$ (166,491)
Cumulative effect of change in accounting principle	—	—	—	—	—	—	293,896	293,896
Comprehensive income, net of tax	—	—	363	—	—	—	745,933	746,296
Share-based payment expense	—	—	—	97,539	—	—	—	97,539
Exercise of options and vesting of restricted stock units	13,411	13	—	335	—	—	—	348
Minimum withholding taxes on net share settlement of stock-based compensation	—	—	—	(42,827)	—	—	—	(42,827)
Cash dividends paid on common shares	—	—	—	(48,079)	—	—	—	(48,079)
Common stock repurchased	—	—	—	—	420,111	(1,672,697)	—	(1,672,697)
Common stock retired	(420,815)	(421)	—	(1,673,097)	(420,815)	1,673,518	—	—
Balance at December 31, 2016	4,746,047	\$ 4,745	\$ (139)	\$ 3,117,666	5,100	\$ (22,906)	\$(3,891,381)	\$ (792,015)

See accompanying notes to the consolidated financial statements.

SIRIUS XM HOLDINGS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(in thousands)</i>	For the Years Ended December 31,		
	2016	2015	2014
Cash flows from operating activities:			
Net income	\$ 745,933	\$ 509,724	\$ 493,241
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	268,979	272,214	266,423
Non-cash interest expense, net of amortization of premium	8,608	7,872	21,039
Provision for doubtful accounts	55,941	47,237	44,961
Amortization of deferred income related to equity method investment	(2,772)	(2,776)	(2,776)
Loss on extinguishment of debt and credit facilities, net	24,229	—	—
Gain on unconsolidated entity investments, net	(12,529)	—	(5,547)
Dividend received from unconsolidated entity investment	7,160	14,788	17,019
Loss on disposal of assets	12,912	7,384	—
Loss on change in value of derivatives	—	—	34,485
Share-based payment expense	108,604	84,310	78,212
Deferred income taxes	323,562	365,499	327,461
Other non-cash purchase price adjustments	—	(1,394)	(3,781)
Changes in operating assets and liabilities:			
Receivables	(44,188)	(61,440)	(72,628)
Inventory	1,932	(2,898)	(5,534)
Related party, net	(3,485)	(14,953)	(4,303)
Prepaid expenses and other current assets	7,156	(67,204)	(1,195)
Other long-term assets	38,835	(130,741)	3,393
Accounts payable and accrued expenses	78,920	52,696	(17,191)
Accrued interest	22,978	11,215	38,355
Deferred revenue	79,404	145,242	48,645
Other long-term liabilities	(2,942)	7,276	(7,035)
Net cash provided by operating activities	1,719,237	1,244,051	1,253,244
Cash flows from investing activities:			
Additions to property and equipment	(205,829)	(134,892)	(121,646)
Purchases of restricted and other investments	(4,295)	(3,966)	—
Acquisition of business, net of cash acquired	—	—	1,144
Return of capital from investment in unconsolidated entity	—	—	24,178
Net cash used in investing activities	(210,124)	(138,858)	(96,324)
Cash flows from financing activities:			
Proceeds from exercise of stock options	348	260	331
Taxes paid in lieu of shares issued for stock-based compensation	(42,824)	(54,539)	(37,318)
Proceeds from long-term borrowings and revolving credit facility, net of costs	1,847,143	1,728,571	2,406,205
Payment of premiums on redemption of debt	(19,097)	—	—
Repayment of long-term borrowings and revolving credit facility	(1,470,985)	(797,117)	(1,016,420)
Common stock repurchased and retired	(1,673,518)	(2,018,254)	(2,496,799)
Dividends paid	(48,079)	—	—
Net cash used in financing activities	(1,407,012)	(1,141,079)	(1,144,001)
Net increase (decrease) in cash and cash equivalents	102,101	(35,886)	12,919
Cash and cash equivalents at beginning of period	111,838	147,724	134,805
Cash and cash equivalents at end of period	\$ 213,939	\$ 111,838	\$ 147,724

See accompanying notes to the consolidated financial statements.

SIRIUS XM HOLDINGS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS - Continued

<i>(in thousands)</i>	For the Years Ended December 31,		
	2016	2015	2014
Supplemental Disclosure of Cash and Non-Cash Flow Information			
Cash paid during the period for:			
Interest, net of amounts capitalized	\$ 292,556	\$ 269,925	\$ 199,424
Income taxes paid	\$ 20,639	\$ 12,384	\$ 8,713
Non-cash investing and financing activities:			
Capital lease obligations incurred to acquire assets	\$ 6,647	\$ 7,487	\$ 719
Treasury stock not yet settled	\$ 22,906	\$ 23,727	\$ 26,034
Conversion of 7% Exchangeable Notes to common stock, net of debt issuance and deferred financing costs	\$ —	\$ —	\$ 502,097
Purchase price accounting adjustments to goodwill	\$ —	\$ —	\$ 1,698

See accompanying notes to the consolidated financial statements.

SIRIUS XM HOLDINGS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars and shares in thousands, except per share amounts)

(1) Business & Basis of Presentation

Business

We transmit 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 features such as SiriusXM On Demand and MySXM, over our Internet radio service, including through applications for mobile devices, home devices and other consumer electronic equipment. We are also a leader in providing connected vehicle services. Our connected vehicle services are designed to enhance the safety, security and driving experience for vehicle operators while providing marketing and operational benefits to automakers and their dealers.

We have agreements with every major automaker (“OEMs”) to offer satellite radio in their vehicles. We also acquire subscribers through marketing to owners and lessees of previously owned vehicles that include factory-installed satellite radios that are not currently subscribing to our services. Our satellite radios are primarily distributed through automakers; retail stores nationwide; and through our website. Satellite radio services are also offered to customers of certain rental car companies.

Our primary source of revenue is subscription fees, with most of our customers subscribing to annual, semi-annual, quarterly or monthly plans. We offer discounts for prepaid, longer term subscription plans, as well as a multiple subscription discount. We also derive revenue from activation and other fees, the sale of advertising on select non-music channels, the direct sale of satellite radios and accessories, and other ancillary services, such as our weather, traffic and data services.

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

As of December 31, 2016, Liberty Media Corporation (“Liberty Media”) beneficially owned, directly and indirectly, approximately 67% of the outstanding shares of our common stock. As a result, we are a “controlled company” for the purposes of the NASDAQ corporate governance requirements. Liberty Media owns interests in a range of media, communications and entertainment businesses.

Reorganization of Sirius XM Canada

On May 12, 2016, our subsidiary, Sirius XM, entered into an arrangement agreement (the “Arrangement Agreement”) with Sirius XM Canada Holdings Inc. (“Sirius XM Canada”), an entity in which Sirius XM currently holds an approximate 37% economic interest and 25% voting interest. Pursuant to the Arrangement Agreement, Sirius XM and certain Canadian shareholders will form a new company to acquire shares of Sirius XM Canada not already owned by them pursuant to a plan of arrangement (the “Transaction”). In connection with the Transaction, Sirius XM Canada’s shareholders will be entitled to elect to receive, for each share of Sirius XM Canada held, C\$4.50 (U.S. \$3.50 as of May 12, 2016) in (i) cash, (ii) shares of our common stock, (iii) a security exchangeable for shares of our common stock, or (iv) a combination thereof; provided that no more than 50% of the total consideration in the Transaction (or up to 35,000 shares) will be issued in our common stock and exchangeable shares. All of the obligations of Sirius XM under the Arrangement Agreement are guaranteed by us.

Following the Transaction, Sirius XM is expected to hold a 70% economic interest and 33% voting interest in Sirius XM Canada, with the remainder of the voting power and economic interest held by Slight Communications and Obelysk Media, two of Sirius XM Canada’s current Canadian shareholders. Sirius XM expects to contribute to Sirius XM Canada approximately U.S. \$275,000 in connection with the Transaction (assuming that all shareholders elect to receive cash in connection with the Transaction), which amount is expected to be used to pay the cash consideration to Sirius XM Canada’s shareholders and will be decreased proportionately if shareholders elect to receive consideration in shares of our common stock or securities exchangeable for our common stock.

The Transaction has been approved by the stockholders of Sirius XM Canada and has received the required court approval. The Transaction remains subject to receipt of Canadian Radio-Television and Telecommunications Commission approval. Pending receipt of this approval, the Transaction is expected to close early in the second quarter of 2017.

SIRIUS XM HOLDINGS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
(Dollars and shares in thousands, except per share amounts)

Basis of Presentation

This Annual Report on Form 10-K presents information for Sirius XM Holdings Inc. (“Holdings”). Holdings has no operations independent of its wholly-owned subsidiary, Sirius XM.

The accompanying consolidated financial statements of Holdings and its subsidiaries have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”). All significant intercompany transactions have been eliminated in consolidation. Certain numbers in our prior period consolidated financial statements and footnotes have been reclassified or consolidated to conform to our current period presentation.

Public companies are required to disclose certain information about their reportable operating segments. Operating segments are defined as significant components of an enterprise for which separate financial information is available and is evaluated on a regular basis by the chief operating decision makers in deciding how to allocate resources to an individual segment and in assessing performance of the segment. We have determined that we have one reportable segment as our chief operating decision maker, our Chief Executive Officer, assesses performance and allocates resources based on the consolidated results of operations of our business.

We have evaluated events subsequent to the balance sheet date and prior to the filing of this Annual Report on Form 10-K for the year ended December 31, 2016 and have determined that no events have occurred that would require adjustment to our consolidated financial statements. For a discussion of subsequent events that do not require adjustment to our consolidated financial statements refer to Note 16.

Use of Estimates

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 income taxes.

(2) Summary of Significant Accounting Policies

In addition to the significant accounting policies discussed in this Note 2, the following table includes our significant accounting policies that are described in other notes to our consolidated financial statements, including the number and page of the note:

Significant Accounting Policy	Note #	Page #
Fair Value Measurements	3	F-13
Goodwill	7	F-15
Intangible Assets	8	F-16
Property and Equipment	9	F-18
Equity Method Investments	10	F-19
Share-Based Compensation	13	F-23
Legal Costs	14	F-27
Income Taxes	15	F-29

Cash and Cash Equivalents

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

Revenue Recognition

We derive revenue primarily from subscribers, advertising and sales of radios and accessories.

SIRIUS XM HOLDINGS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
(Dollars and shares in thousands, except per share amounts)

Revenue from subscribers consists primarily of subscription fees and other ancillary subscription based revenues. Revenue is recognized as it is realized or realizable and earned. We recognize subscription fees as our services are provided. Consumers purchasing or leasing a vehicle with a factory-installed satellite radio typically receive between a three and twelve month subscription to our service, certain of which are prepaid. 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. There is no revenue recognized for unpaid trial subscriptions.

We recognize revenue from the sale of advertising as the advertising is transmitted. 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 transmitted.

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.

Other revenue primarily includes U.S. Music Royalty Fees which are recorded as other revenue and the cost component as Revenue share and royalties expense. Fees received from subscribers for the U.S. Music Royalty Fee are recorded as deferred revenue and amortized to revenue ratably over the service period which coincides with the recognition of the subscriber's subscription revenue.

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.

Accounting Standards Codification 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, such as in our bundled subscription plans. 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 the selling price to self-pay customers.

Revenue Share

We share a portion of our subscription revenues earned from self-pay subscribers and paid promotional 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 include programming through a dedicated channel 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. Advertising production costs include expenses related to marketing and retention activities, including expenses related to direct mail, outbound telemarketing and email communications. We also incur advertising production costs related to cooperative marketing and promotional events and sponsorships. During the years ended December 31, 2016, 2015 and 2014, we recorded advertising costs of \$226,969, \$206,351 and \$203,945, respectively. These costs are reflected in Sales and marketing expense in our consolidated statements of comprehensive income.

SIRIUS XM HOLDINGS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
(Dollars and shares in thousands, except per share amounts)

Subscriber Acquisition Costs

Subscriber acquisition costs consist of costs incurred to acquire new subscribers which 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 chipsets and certain other components used in manufacturing radios; device royalties for certain radios and chipsets; commissions paid to retailers and automakers as incentives to purchase, install and activate radios; product warranty obligations; freight; and provisions for inventory allowance attributable to inventory consumed in our OEM and retail distribution channels. Subscriber acquisition costs do not include advertising costs, 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. Chipsets 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 chipsets not held on consignment are expensed as Subscriber acquisition costs when the automaker confirms receipt.

Research & Development Costs

Research and development costs are expensed as incurred and primarily include the cost of new product development, chipset design, software development and engineering. During the years ended December 31, 2016, 2015 and 2014, we recorded research and development costs of \$69,025, \$54,933 and \$54,109, respectively. These costs are reported as a component of Engineering, design and development expense in our consolidated statements of comprehensive income.

Recent Accounting Pronouncements

In March 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-09, *Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. The areas for simplification in this ASU involve several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, forfeiture calculations, and classification on the statement of cash flows. The amendments in this ASU are effective for fiscal years beginning after December 15, 2016 and interim periods within those fiscal years, and early adoption is permitted. An entity that elects early adoption must adopt all of the amendments in the same period.

We elected to early adopt ASU 2016-09 in the third quarter of 2016, which required that any adjustments be reflected as of January 1, 2016, the beginning of the annual period that includes the interim period of adoption. The primary impact of adoption of ASU 2016-09 was the recognition of excess tax benefits in our provision for income taxes of \$1,101 and \$1,950 for the three months ended March 31, 2016 and June 30, 2016, respectively. The adoption of this ASU impacted our previously reported quarterly results during fiscal year 2016 as follows:

	For the Three Months Ended				For the Six Months Ended	
	March 31, 2016		June 30, 2016		June 30, 2016	
	As reported	As adjusted	As reported	As adjusted	As reported	As adjusted
Income statements:						
Income tax expense	\$ (109,343)	\$ (108,242)	\$ (108,260)	\$ (106,310)	\$ (217,603)	\$ (214,552)
Net income	\$ 171,339	\$ 172,440	\$ 173,015	\$ 174,965	\$ 344,354	\$ 347,405
Net income per common share - basic	\$ 0.03	\$ 0.03	\$ 0.04	\$ 0.04	\$ 0.07	\$ 0.07
Net income per common share - diluted	\$ 0.03	\$ 0.03	\$ 0.03	\$ 0.04	\$ 0.07	\$ 0.07

Additionally, we recognized net operating losses related to excess share-based compensation tax return deductions that were previously tracked off balance sheet but not recorded in our financial statements. As of January 1, 2016, \$293,896, net of a \$1,946 reserve for an uncertain tax position, was recorded as an increase to our Deferred tax assets and decrease to our

SIRIUS XM HOLDINGS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
(Dollars and shares in thousands, except per share amounts)

Accumulated deficit in our consolidated balance sheets as a result of the cumulative effect of this change in accounting principle.

Additional amendments to this ASU related to income taxes and minimum statutory withholding tax requirements had no impact to accumulated deficit, where the cumulative effect of these changes are required to be recorded. Further, there was no impact to our classification of awards as either equity or liabilities. We also elected to true-up forfeitures in the period of adoption and in the future will recognize forfeitures as they occur. This ASU also required excess tax benefits to be separated from other income tax cash flows and classified as an operating activity, however, prior to adoption, there was no impact to the consolidated statement of cash flows as we have not had any excess tax benefits (windfalls) recorded for book purposes. The presentation requirements for cash flows related to employee taxes paid for withheld shares had no impact to any of the periods presented in our consolidated statement of cash flows as such cash flows have historically been presented as a financing activity.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This ASU requires a company to recognize lease assets and liabilities arising from operating leases in the statement of financial position. This ASU does not significantly change the previous lease guidance for how a lessee should recognize the recognition, measurement, and presentation of expenses and cash flows arising from a lease. Additionally, the criteria for classifying a finance lease versus an operating lease are substantially the same as the previous guidance. The amendments in this ASU are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, and early adoption is permitted. This ASU must be adopted using a modified retrospective approach. We plan to adopt this ASU on January 1, 2019. We are currently evaluating the impact of the adoption of this ASU on our consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU is a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. This ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. In August 2015, the FASB issued ASU 2015-14 which amended the effective date of this ASU to fiscal years beginning after December 15, 2017, and early adoption is permitted only for fiscal years beginning after December 15, 2016. In 2016, the FASB issued additional guidance which clarified principal versus agent considerations, identification of performance obligations and the implementation guidance for licensing. In addition, the FASB issued guidance regarding practical expedients related to disclosures of remaining performance obligations, as well as other amendments to guidance on transition, collectibility, non-cash consideration and the presentation of sales and other similar taxes. The two permitted transition methods under the new standard are the full retrospective method, in which case the standard would be applied to each prior reporting period presented, or the modified retrospective method, in which case the cumulative effect of applying the standard would be recognized at the date of initial application.

We have substantially completed our evaluation of the impact of this ASU on our subscription fees earned from self-pay subscribers and advertising revenue, and based on the preliminary results of our evaluation, we do not expect the application of this ASU to have a material impact on the recognition of revenue related to these revenues. We are still evaluating the impact of this ASU as it relates to other ancillary revenue streams, as well as certain associated expenses. Depending on the results of our review, there could be changes to the classification and timing of recognition of revenues and expenses related to these ancillary areas. We expect to complete our assessment process, including selecting a transition method for adoption, by the end of the third quarter of 2017 along with our implementation process prior to the adoption of this ASU on January 1, 2018.

(3) Fair Value Measurements

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, 2016 and 2015, the carrying amounts of cash and cash equivalents, 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, including quoted prices for identical or similar assets or liabilities in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and

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- iii. Level 3 input: unobservable inputs developed using management's assumptions about the inputs used for pricing the asset or liability.

Investments are periodically reviewed for impairment and an impairment 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.

Our assets and liabilities measured at fair value were as follows:

	December 31, 2016				December 31, 2015			
	Level 1	Level 2	Level 3	Total Fair Value	Level 1	Level 2	Level 3	Total Fair Value
Assets:								
Sirius XM Canada - investment ^(a)	\$ 178,696	—	—	\$ 178,696	\$ 141,850	—	—	\$ 141,850
Liabilities:								
Debt ^(b)	—	\$ 6,008,205	—	\$ 6,008,205	—	\$ 5,649,173	—	\$ 5,649,173

- (a) This amount approximates fair value. The carrying value of our investment in Sirius XM Canada was \$8,615 and \$0 as of December 31, 2016 and 2015, respectively.
- (b) The fair value for non-publicly traded instruments is based upon estimates from a market maker and brokerage firm. Refer to Note 11 for information related to the carrying value of our debt as of December 31, 2016 and 2015.

(4) Earnings per Share

Basic net income per common share is calculated by dividing the 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 number of common shares outstanding for the potential dilution that could occur if common stock equivalents (warrants, stock options and restricted stock units) were exercised or converted into common stock, calculated using the treasury stock method. We had no participating securities during the years ended December 31, 2016, 2015 and 2014.

Common stock equivalents of 208,202 for the year ended December 31, 2016, and 151,112 and 132,162 for the years ended December 31, 2015 and 2014, 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,		
	2016	2015	2014
Numerator:			
Net income available to common stockholders for basic and diluted net income per common share	\$ 745,933	\$ 509,724	\$ 493,241
Denominator:			
Weighted average common shares outstanding for basic net income per common share	4,917,050	5,375,707	5,788,944
Weighted average impact of dilutive equity instruments	47,678	59,459	73,076
Weighted average shares for diluted net income per common share	4,964,728	5,435,166	5,862,020
Net income per common share:			
Basic	\$ 0.15	\$ 0.09	\$ 0.09
Diluted	\$ 0.15	\$ 0.09	\$ 0.08

(5) Receivables, net

Receivables, net, includes customer accounts receivable, receivables from distributors and other receivables.

Customer accounts receivable, net, includes receivables from our subscribers and advertising customers and is stated at amounts due, net of an allowance for doubtful accounts. Our allowance for doubtful accounts is based upon our assessment of

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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 expense is included in Customer service and billing expense in our consolidated statements of comprehensive income.

Receivables from distributors primarily include billed and unbilled amounts due from OEMs for services included in the sale or lease price of vehicles, as well as billed amounts due from wholesale distributors of our satellite radios. Other receivables primarily include amounts due from manufacturers of our radios, modules and chipsets where we are entitled to subsidies and royalties based on the number of units produced. We have not established an allowance for doubtful accounts for our receivables from distributors or other receivables as we have historically not experienced any significant collection issues with OEMs or other third parties.

Receivables, net, consists of the following:

	December 31, 2016	December 31, 2015
Gross customer accounts receivable	\$ 105,737	\$ 98,740
Allowance for doubtful accounts	(8,658)	(6,118)
Customer accounts receivable, net	\$ 97,079	\$ 92,622
Receivables from distributors	98,498	120,012
Other receivables	27,452	22,148
Total receivables, net	\$ 223,029	\$ 234,782

(6) Inventory, net

Inventory consists of finished goods, refurbished goods, chipsets and other raw material components used in manufacturing radios. Inventory is stated at the lower of cost or market. We record an estimated allowance for inventory that is considered slow moving or 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, 2016	December 31, 2015
Raw materials	\$ 10,219	\$ 11,085
Finished goods	19,581	21,159
Allowance for obsolescence	(9,437)	(9,949)
Total inventory, net	\$ 20,363	\$ 22,295

(7) Goodwill

Goodwill represents the excess of the purchase price over the estimated fair value of the 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, 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 a reporting unit below its carrying amount. 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. ASC 350-20-35 states that if the carrying amount of the reporting unit is zero or negative, the second step of the impairment test shall be performed to measure the amount of impairment loss, if any, when it is more likely than not that a goodwill impairment exists based on adverse qualitative factors. As the carrying amount of our one reporting unit was negative as of the date of our annual assessment for 2016, we performed a qualitative analysis to determine whether it was more likely than not that a goodwill

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impairment exists. We were not aware of any adverse qualitative factors that would indicate any impairment to our goodwill as of the date of our annual assessment for 2016 and as of December 31, 2016.

No impairment losses were recorded for goodwill during the years ended December 31, 2016, 2015 and 2014. As of December 31, 2016, the cumulative balance of goodwill impairments recorded since the July 2008 merger (the "Merger") between our wholly owned subsidiary, Vernon Merger Corporation, and XM Satellite Radio Holdings Inc. ("XM"), was \$4,766,190, which was recognized during the year ended December 31, 2008.

(8) Intangible Assets

Our intangible assets include the following:

	Weighted Average Useful Lives	December 31, 2016			December 31, 2015		
		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	(364,893)	15,107	380,000	(336,822)	43,178
OEM relationships	15 years	220,000	(46,444)	173,556	220,000	(31,778)	188,222
Licensing agreements	12 years	45,289	(30,664)	14,625	45,289	(26,977)	18,312
Proprietary software	8 years	27,215	(19,673)	7,542	27,215	(17,752)	9,463
Developed technology	10 years	2,000	(1,683)	317	2,000	(1,483)	517
Leasehold interests	7.4 years	—	—	—	132	(132)	—
Total intangible assets		\$ 3,008,158	\$ (463,357)	\$ 2,544,801	\$ 3,008,290	\$ (414,944)	\$ 2,593,346

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 satellite licenses expires:

FCC satellite licenses	Expiration year
SIRIUS FM-5	2025
SIRIUS FM-6	2022
XM-3	2021
XM-4	2022
XM-5	2018

Prior to expiration of our FCC licenses, 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 radio spectrum, which is a renewable, reusable resource that does not deplete or exhaust over time.

ASC 350-30-35, *Intangibles - Goodwill and Other*, provides for 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. Our annual impairment assessment of our identifiable indefinite lived intangible assets is performed as of the fourth quarter of each year.

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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. If the carrying value of the intangible assets exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.

We completed qualitative assessments of our FCC licenses and XM trademark during the fourth quarter of 2016, 2015 and 2014. As of the date of our annual assessment for 2016, 2015 and 2014, our qualitative impairment assessment of the fair value of our indefinite intangible assets indicated that such assets substantially exceeded their carrying value and therefore was not at risk of impairment. No impairments were recorded for intangible assets with indefinite lives during the years ended December 31, 2016, 2015 and 2014.

Definite Life Intangible Assets

Definite-lived intangible assets are amortized over their respective estimated useful lives to their estimated residual values, in a pattern that reflects when the economic benefits will be consumed, and are 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 in an amount by which the carrying amount of the asset exceeds its fair value. No impairments were recorded for intangible assets with definite lives during the years ended December 31, 2016, 2015 and 2014.

Amortization expense for all definite life intangible assets was \$48,545, \$51,700 and \$55,016 for the years ended December 31, 2016, 2015 and 2014, respectively. Expected amortization expense for each of the fiscal years 2017 through 2021 and for periods thereafter is as follows:

Years ending December 31,	Amount
2017	\$ 34,882
2018	19,463
2019	19,026
2020	18,446
2021	15,576
Thereafter	103,754
Total definite life intangible assets, net	<u>\$ 211,147</u>

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(9) 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 is calculated using the straight-line method over the following estimated useful life of the asset:

Satellite system	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, 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 the 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 in an amount by which the carrying amount exceeds the fair value of the asset. We did not record any impairments during the years ended December 31, 2016, 2015 and 2014.

Property and equipment, net, consists of the following:

	December 31, 2016	December 31, 2015
Satellite system	\$ 1,586,794	\$ 2,388,000
Terrestrial repeater network	127,854	117,127
Leasehold improvements	53,898	49,407
Broadcast studio equipment	84,697	70,888
Capitalized software and hardware	558,101	466,464
Satellite telemetry, tracking and control facilities	77,290	75,440
Furniture, fixtures, equipment and other	90,214	81,871
Land	38,411	38,411
Building	61,597	60,487
Construction in progress	144,954	101,324
Total property and equipment	2,823,810	3,449,419
Accumulated depreciation and amortization	(1,425,117)	(2,034,018)
Property and equipment, net	\$ 1,398,693	\$ 1,415,401

Construction in progress consists of the following:

	December 31, 2016	December 31, 2015
Satellite system	\$ 43,977	\$ 12,912
Terrestrial repeater network	1,139	25,578
Capitalized software	82,204	37,064
Other	17,634	25,770
Construction in progress	\$ 144,954	\$ 101,324

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Depreciation expense on property and equipment was \$220,434, \$220,514 and \$211,407 for the years ended December 31, 2016, 2015 and 2014, respectively. We retired property and equipment of \$843,129, \$43,833 and \$19,398 during the years ended December 31, 2016, 2015 and 2014, respectively, which included approximately \$801,206 related to satellites during 2016. We recognized a loss on disposal of assets of \$12,912 and \$7,384, which has been recorded in Satellite and transmission expense in our consolidated statements of comprehensive income, during the years ended December 31, 2016 and 2015, respectively, which related to the disposal of certain obsolete spare parts for a future satellite and obsolete terrestrial repeaters and related parts, respectively. We did not recognize any loss on disposal of assets during the year ended December 31, 2014.

We capitalize a portion of the interest on funds borrowed to finance the construction and launch of our satellites and launch vehicles. Capitalized interest is recorded as part of the asset's cost and depreciated over the satellite's useful life. Capitalized interest costs for the year ended December 31, 2016 was \$419, which related to the construction of our SXM-7 and SXM-8 satellites. We did not capitalize any interest costs for the years ended December 31, 2015 and 2014.

Satellites

As of December 31, 2016, we owned a fleet of five satellites. The chart below provides certain information on our satellites as of December 31, 2016:

Satellite Description	Year Delivered	Estimated End of Depreciable Life
SIRIUS FM-5	2009	2024
SIRIUS FM-6	2013	2028
XM-3	2005	2020
XM-4	2006	2021
XM-5	2010	2025

(10) Related Party Transactions

In the normal course of business, we enter into transactions with related parties.

Liberty Media

As of December 31, 2016, Liberty Media beneficially owned, directly and indirectly, approximately 67% of the outstanding shares of our common stock and two executives and one of its directors on our board of directors. Gregory B. Maffei, the President and Chief Executive Officer of Liberty Media, is the Chairman of our board of directors. We have not had any related party transactions with Liberty Media during the years ended December 31, 2016 and 2015.

On October 9, 2013, we entered into an agreement with Liberty Media to repurchase \$500,000 of our common stock from Liberty Media. Pursuant to that agreement, we repurchased \$160,000 of our common stock from Liberty Media in 2013 and in April 2014, we completed the final purchase installment under this share repurchase agreement and repurchased the remaining \$340,000 of our shares of common stock from Liberty Media at a price of \$3.66 per share. As there were certain terms in the forward purchase contract that could have caused the obligation to not be fulfilled, the instrument was recorded as a liability and was marked to fair value with \$34,485 recorded to Loss on change in value of derivatives within our consolidated statements of comprehensive income during the year ended December 31, 2014.

During the year ended December 31, 2014, we recognized \$1,025 in Interest expense associated with the portion of our 7% Exchangeable Senior Subordinated Notes due 2014 (the "Exchangeable Notes") held by Liberty Media through November 2014.

Sirius XM Canada

We hold an equity method investment in Sirius XM Canada. As of December 31, 2016, we owned approximately 47,300 of Sirius XM Canada's Class A shares on a converted basis, representing an approximate 37% equity interest and an approximate 25% voting interest. We primarily provide programming and content services to Sirius XM Canada and are reimbursed from Sirius XM Canada for certain product development costs, production and distribution of chipset radios, as well

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as for information technology and streaming support costs. Refer to Note 1 Business & Basis of Presentation for information on the pending transaction with 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 Sirius XM Canada as they occur as a component of Other income in our consolidated statements of comprehensive income on a one month lag.

The difference between our investment and our share of the fair value of the underlying net assets of Sirius XM Canada 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 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 in fair value below carrying value. Equity method finite-lived intangibles, indefinite-lived intangibles and goodwill are included in the carrying amount of the investment.

We had the following related party balances associated with Sirius XM Canada:

	December 31, 2016	December 31, 2015
Related party current assets	\$ 6,170	\$ 5,941
Related party long-term assets	\$ 8,918	\$ —
Related party current liabilities	\$ 2,840	\$ 2,840
Related party long-term liabilities	\$ 7,955	\$ 10,795

Our related party current asset balances primarily consist of activation fees and streaming and chipset costs for which we are reimbursed. Our related party long-term asset balance as of December 31, 2016 primarily included our investment balance in Sirius XM Canada. Our related party liabilities as of December 31, 2016 and 2015 included \$2,776 for the current portion of deferred revenue and \$7,867 and \$10,639, respectively, for the long-term portion of deferred revenue recorded as of the Merger date related to agreements with XM Canada, now Sirius XM Canada. These costs are being amortized on a straight line basis through 2020.

We recorded the following revenue and other income associated with Sirius XM Canada in our consolidated statements of comprehensive income:

	For the Years Ended December 31,		
	2016	2015	2014
Revenue (a)	\$ 45,962	\$ 56,397	\$ 49,691
Other income			
Share of net earnings (b)	\$ 12,529	\$ —	\$ 7,889
Dividends (c)	\$ 3,575	\$ 12,645	\$ 7,628

- (a) Under our agreements with Sirius XM Canada, we currently receive a percentage-based royalty of 10% and 15% for certain types of subscription revenue earned by Sirius XM Canada for Sirius and XM platforms, respectively; and additional royalties for premium services and royalties for activation fees and reimbursements for other charges. We record revenue from Sirius XM Canada as Other revenue in our consolidated statements of comprehensive income. The current license and services agreement entered into with Sirius Canada will expire in 2017. The current license agreement entered into with XM Canada will expire in 2020.
- (b) We recognize our proportionate share of earnings or losses of Sirius XM Canada as they occur as a component of Other income in our consolidated statements of comprehensive income on a one month lag. For the year ended December 31, 2014, this amount included amortization related to the equity method intangible assets of \$363 and a gain of \$1,251 related to the fair value received in excess of the carrying value associated with the redemption of our investment in Sirius XM Canada's 8% convertible unsecured subordinated debentures in February 2014.
- (c) Pursuant to the Arrangement Agreement, Sirius XM Canada did not pay any dividends during the second half of the year ended December 31, 2016. Sirius XM Canada paid gross dividends to us of \$7,548, \$15,645 and \$43,492 during the years ended December 31, 2016, 2015 and 2014, respectively. These dividends were first recorded as a reduction to our investment balance in Sirius XM Canada to the extent a balance existed and then as Other income for the remaining portion.

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(11) Debt

Our debt as of December 31, 2016 and 2015 consisted of the following:

Issuer / Borrower	Issued	Debt	Maturity Date	Interest Payable	Principal Amount at December 31, 2016	Carrying value ^(a) at	
						December 31, 2016	December 31, 2015
Sirius XM (b)	May 2013	4.25% Senior Notes (the "4.25% Notes")	May 15, 2020	semi-annually on May 15 and November 15	\$ 500,000	\$ 497,069	\$ 496,282
Sirius XM (b)(f)	September 2013	5.875% Senior Notes (the "5.875% Notes")	October 1, 2020	semi-annually on April 1 and October 1	—	—	644,720
Sirius XM (b)	August 2013	5.75% Senior Notes (the "5.75% Notes")	August 1, 2021	semi-annually on February 1 and August 1	600,000	596,386	595,720
Sirius XM (b)	May 2013	4.625% Senior Notes (the "4.625% Notes")	May 15, 2023	semi-annually on May 15 and November 15	500,000	496,111	495,602
Sirius XM (b)	May 2014	6.00% Senior Notes (the "6.00% Notes")	July 15, 2024	semi-annually on January 15 and July 15	1,500,000	1,486,556	1,485,196
Sirius XM (b)	March 2015	5.375% Senior Notes (the "5.375% Notes due 2025")	April 15, 2025	semi-annually on April 15 and October 15	1,000,000	990,340	989,446
Sirius XM (b)(c)	May 2016	5.375% Senior Notes (the "5.375% Notes due 2026")	July 15, 2026	semi-annually on January 15 and July 15	1,000,000	989,259	—
Sirius XM (b)(d)	August 2012	5.25% Senior Secured Notes (the "5.25% Notes")	August 15, 2022	semi-annually on February 15 and August 15	400,000	396,232	395,675
Sirius XM (e)	December 2012	Senior Secured Revolving Credit Facility (the "Credit Facility")	June 16, 2020	variable fee paid quarterly	1,750,000	390,000	340,000
Sirius XM	Various	Capital leases	Various	n/a	n/a	13,559	12,892
Total Debt						5,855,512	5,455,533
Less: total current maturities						5,485	4,764
Less: total deferred financing costs for Notes						7,263	7,155
Total long-term debt						\$ 5,842,764	\$ 5,443,614

- (a) The carrying value of the obligations is net of any remaining unamortized original issue discount.
- (b) Substantially all of our domestic wholly-owned subsidiaries have guaranteed these notes.
- (c) In May 2016, Sirius XM issued \$1,000,000 aggregate principal amount of 5.375% Senior Notes due 2026, with an original issuance discount of \$11,250.
- (d) The liens securing the 5.25% Notes are equal and ratable to the liens granted to secure the Credit Facility.
- (e) Sirius XM's obligations under the Credit Facility are guaranteed by certain of its material domestic subsidiaries and are secured by a lien on substantially all of Sirius XM's assets and the assets of its material domestic subsidiaries. Interest on borrowings is payable on a monthly basis and accrues at a rate based on LIBOR plus an applicable rate. Sirius XM is also required to pay a variable fee on the average daily unused portion of the Credit Facility which is payable on a quarterly basis. The variable rate for the unused portion of the Credit Facility was 0.25% per annum as of December 31, 2016. Sirius XM's outstanding borrowings under the Credit Facility are classified as Long-term debt within our consolidated balance sheets due to the long-term maturity of this debt.
- (f) On August 25, 2016, we called for the redemption of \$650,000 outstanding principal balance of the 5.875% Notes on October 1, 2016 for an aggregate purchase price, including premium and interest, of \$669,097. We recognized \$24,229 to Loss on extinguishment of debt and credit facilities, net, consisting primarily of unamortized discount, deferred financing fees and repayment premium, as a result of this redemption.

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Converted Debt

During the year ended December 31, 2014, \$502,370 in principal amount of the Exchangeable Notes were converted, resulting in the issuance of 272,856 shares of our common stock. No loss was recognized as a result of this conversion.

Covenants and Restrictions

Under the Credit Facility, Sirius XM, our wholly-owned subsidiary, must comply with a debt maintenance covenant that it cannot exceed a total leverage ratio, calculated as consolidated total debt to consolidated operating cash flow, of 5.0 to 1.0. The Credit Facility generally requires compliance with certain covenants that restrict Sirius XM's ability to, among other things, (i) incur additional 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 Sirius XM's assets, and (vii) make voluntary prepayments of certain debt, in each case subject to exceptions.

The indentures governing Sirius XM's notes restrict Sirius XM's non-guarantor subsidiaries' ability to create, assume, incur or guarantee additional indebtedness without such non-guarantor subsidiary guaranteeing each such series of notes on a pari passu basis. The indentures governing the notes also contain covenants that, among other things, limit Sirius XM's ability and the ability of its subsidiaries to create certain liens; enter into sale/leaseback transactions; and merge or consolidate.

Under Sirius XM's 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, 2016 and 2015, we were in compliance with our debt covenants.

(12) Stockholders' Equity

Common Stock, par value \$0.001 per share

We are authorized to issue up to 9,000,000 shares of common stock. There were 4,746,047 and 5,153,451 shares of common stock issued and 4,740,947 and 5,147,647 shares outstanding on December 31, 2016 and 2015, respectively.

As of December 31, 2016, there were 362,541 shares of common stock reserved for issuance in connection with outstanding stock based awards and common stock to be granted to members of our board of directors, employees and third parties.

Dividend Declared, \$0.01 per share

On October 26, 2016, our board of directors declared a dividend on our common stock in the amount of \$0.01 per share of common stock to stockholders of record as of the close of business on November 9, 2016. The dividend was paid in cash on November 30, 2016 in the aggregate amount of \$48,079.

Stock Repurchase Program

As of December 31, 2016, our board of directors had approved for repurchase an aggregate of \$10,000,000 of our common stock. Our board of directors did not establish an end date for this stock repurchase program. Shares of common stock may be purchased from time to time on the open market, pursuant to pre-set trading plans meeting the requirements of Rule 10b5-1 under the Exchange Act, in privately negotiated transactions, including transactions with Liberty Media and its affiliates, or otherwise. As of December 31, 2016, our cumulative repurchases since December 2012 under our stock repurchase program totaled 2,203,608 shares for \$7,973,837, and \$2,026,163 remained available under our stock repurchase program.

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The following table summarizes our total share repurchase activity for theyears ended:

Share Repurchase Type	December 31, 2016		December 31, 2015		December 31, 2014	
	Shares	Amount	Shares	Amount	Shares	Amount
Open Market ^(a)	420,111	\$ 1,672,697	524,222	\$ 2,015,947	422,965	\$ 1,426,428
Liberty Media (b)	—	—	—	—	92,889	340,000
May 2014 ASR Agreement (c)	—	—	—	—	151,846	506,404
August 2014 ASR Agreement (d)	—	—	—	—	71,316	250,000
Total Repurchases	420,111	\$ 1,672,697	524,222	\$ 2,015,947	739,016	\$ 2,522,832

- (a) As of December 31, 2016, \$22,906 of common stock repurchases had not settled, nor been retired, and were recorded as Treasury stock within our consolidated balance sheets and consolidated statements of stockholders' (deficit) equity.
- (b) On October 9, 2013, we entered into an agreement to repurchase \$500,000 of our common stock from Liberty Media. In April 2014, we completed the final purchase installment and repurchased 92,889 shares of our common stock for \$340,000 from Liberty Media at a price of \$3.66 per share. As there were certain terms in the forward purchase contract with Liberty Media that could have caused the obligation not to be fulfilled, the instrument was classified as a liability and was marked to fair value with any gain or loss recorded to our consolidated statements of comprehensive income. We recognized \$34,485 to Loss on change in value of derivatives in our consolidated statements of comprehensive income during the year ended December 31, 2014.
- (c) In May 2014, we entered into an accelerated share repurchase agreement (the "May 2014 ASR Agreement") under which we prepaid \$600,000 to a third-party financial institution to repurchase our common stock. Under the May 2014 ASR Agreement, we received 151,846 shares of our common stock which were retired upon receipt and the counterparty returned to us \$93,596 for the unused portion of the original prepayment.
- (d) In August 2014, we entered into an accelerated share repurchase agreement (the "August 2014 ASR Agreement") under which we prepaid \$250,000 to a third-party financial institution to repurchase our common stock. Under the August 2014 ASR Agreement, we received an aggregate of 71,316 shares of our common stock that were retired upon receipt.

Share Lending Arrangements

To facilitate the offering of the Exchangeable Notes, we entered into share lending agreements with Morgan Stanley Capital Services Inc. and UBS AG London Branch in July 2008. All loaned shares were returned to us as of October 2011, and the share lending agreements were terminated.

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 \$12,701 for the year ended December 31, 2014. These costs were fully amortized as of December 31, 2014 as the Exchangeable Notes matured on December 1, 2014.

Preferred Stock, par value \$0.001 per share

We are authorized to issue up to 50,000 shares of undesignated preferred stock with a liquidation preference of \$0.001 per share. There were no shares of preferred stock issued or outstanding as of December 31, 2016 and 2015.

Warrants

As of December 31, 2016, there were no warrants outstanding. We have previously issued warrants to purchase shares of our common stock in connection with distribution and programming agreements. During the year ended December 31, 2015, warrants with an exercise price of \$2.50 per share were exercised on a net settlement basis, resulting in the issuance of 6,010 shares of our common stock. Except for an insignificant amount of warrant expense associated with the extension of the warrants during the three months ended March 31, 2015, we did not incur warrant related expenses during the years ended December 31, 2016, 2015 and 2014. For the year ended December 31, 2014, 16,667 warrants were outstanding and fully vested. Warrants were included in our calculation of diluted net income per common share as the effect was dilutive for the year ended December 31, 2014.

(13) Benefit Plans

We recognized share-based payment expense of \$108,604, \$84,310 and \$78,212 for the years ended December 31, 2016, 2015 and 2014, respectively.

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We account for equity instruments granted to employees in accordance with ASC 718, *Compensation - Stock Compensation*. ASC 718 requires all share-based compensation payments to be recognized in the financial statements based on fair value. Upon adoption of ASU 2016-09 as of January 1, 2016 we recorded actual forfeitures and no longer estimate forfeitures. For the years ended December 31, 2015 and 2014 we estimated forfeitures at the time of the grant. 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. We measure restricted stock awards and units using the fair market value of the restricted shares of common stock on the day the award is granted. Stock-based awards granted to employees, non-employees and members of our board of directors include stock options, stock awards and restricted stock units. We apply variable accounting to our non-employee stock-based awards, whereby we remeasure the value of such awards at each balance sheet date.

Fair value as determined using the Black-Scholes-Merton model varies based on assumptions used for the expected life, expected stock price volatility, expected dividend yield and risk-free interest rates. For the years ended December 31, 2016, 2015 and 2014, 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. 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. Dividend yield is based on the current expected annual dividend per share and our stock price. 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.

2015 Long-Term Stock Incentive Plan

In May 2015, our stockholders approved the Sirius XM Holdings Inc. 2015 Long-Term Stock Incentive Plan (the "2015 Plan"). Employees, consultants and members of our board of directors are eligible to receive awards under the 2015 Plan. The 2015 Plan provides for the grant of stock options, restricted stock awards, restricted stock units and other stock-based awards that the compensation committee of our board of directors deem appropriate. Stock-based awards granted under the 2015 Plan are generally subject to a graded vesting requirement, which is generally three to four years from the grant date, and may include performance requirements. Stock options 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, 2016, 181,148 shares of common stock were available for future grants under the 2015 Plan.

During the year ended December 31, 2016, we granted performance-based restricted stock units ("PRSUs") to certain employees, the vesting of which is subject to the employee's continuing employment and our achievement of certain performance goals. The PRSUs awards cliff vest on the three-year anniversary of the grant date.

Other Plans

We maintain four other share-based benefit plans — the Sirius XM Radio Inc. 2009 Long-Term Stock Incentive Plan, the XM 2007 Stock Incentive Plan, the Amended and Restated Sirius Satellite Radio 2003 Long-Term Stock Incentive Plan and the XM 1998 Shares Award 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,		
	2016	2015	2014
Risk-free interest rate	1.1%	1.4%	1.6%
Expected life of options — years	4.25	4.17	4.72
Expected stock price volatility	22%	26%	33%
Expected dividend yield	0%	0%	0%

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The following table summarizes the weighted-average assumptions used to compute the fair value of options granted to third parties, other than non-employee members of our board of directors:

	For the Year Ended December 31,
	2015
Risk-free interest rate	2.0%
Expected life of options — years	7.00
Expected stock price volatility	37%
Expected dividend yield	0%

There were no options granted to third parties during the years ended December 31, 2016 and 2014. Since we have not historically paid dividends on our common stock prior to the fourth quarter of 2016, the dividend yield used in the Black-Scholes-Merton option value was less than one percent for the year ended December 31, 2016 and zero for the years ended December 31, 2015 and 2014.

The following table summarizes stock option activity under our share-based plans for the years ended December 31, 2016, 2015 and 2014:

	Options	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at the beginning of January 1, 2014	264,239	\$ 2.42		
Granted	61,852	\$ 3.39		
Exercised	(46,943)	\$ 1.63		
Forfeited, cancelled or expired	(11,294)	\$ 4.08		
Outstanding as of December 31, 2014	267,854	\$ 2.72		
Granted	145,366	\$ 3.95		
Exercised	(57,667)	\$ 1.88		
Forfeited, cancelled or expired	(17,072)	\$ 4.60		
Outstanding as of December 31, 2015	338,481	\$ 3.29		
Granted	55,222	\$ 4.14		
Exercised	(50,728)	\$ 2.66		
Forfeited, cancelled or expired	(10,327)	\$ 4.30		
Outstanding as of December 31, 2016	332,648	\$ 3.50	7.33	\$ 315,874
Exercisable as of December 31, 2016	126,580	\$ 2.82	5.99	\$ 209,696

The weighted average grant date fair value per share of options granted during the years ended December 31, 2016, 2015 and 2014 was \$0.81, \$1.11 and \$1.05, respectively. The total intrinsic value of stock options exercised during the years ended December 31, 2016, 2015 and 2014 was \$81,204, \$117,944, and \$89,428, respectively. During the years ended December 31, 2016, 2015 and 2014 the number of net settled shares which were issued as a result of stock option exercises was 10,918, 17,652 and 15,228, respectively.

We recognized share-based payment expense associated with stock options of \$80,266, \$70,084 and \$69,754 for the years ended December 31, 2016, 2015 and 2014, respectively.

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The following table summarizes the restricted stock unit, including PRSUs, and stock award activity under our share-based plans for theyears ended December 31, 2016, 2015 and 2014:

	Shares	Grant Date Fair Value Per Share
Nonvested at the beginning of January 1, 2014	6,984	\$ 3.58
Granted	6,108	\$ 3.38
Vested	(1,138)	\$ 3.62
Forfeited	(379)	\$ 3.52
Nonvested as of December 31, 2014	11,575	\$ 3.47
Granted	8,961	\$ 3.92
Vested	(3,464)	\$ 3.44
Forfeited	(984)	\$ 3.52
Nonvested as of December 31, 2015	16,088	\$ 3.73
Granted	18,523	\$ 4.21
Vested	(4,212)	\$ 3.68
Forfeited	(506)	\$ 3.75
Nonvested as of December 31, 2016	29,893	\$ 4.03

The total intrinsic value of restricted stock units and stock awards vesting during theyears ended December 31, 2016, 2015 and 2014 was \$17,807, \$13,720 and \$4,044, respectively. During the years ended December 31, 2016, 2015 and 2014 the number of net settled shares which were issued as a result of restricted stock units vesting and the number of shares issued from stock awards granted totaled 2,493, 2,088 and 732, respectively. During the year ended December 31, 2016, we granted 3,036 PRSUs to certain employees. We believe it is probable that the performance target applicable to these PRSUs will be achieved.

In connection with the cash dividend paid in 2016, we granted 70 incremental restricted stock units, including PRSUs, in accordance with the terms of existing award agreements. This grant did not result in any additional incremental share-based payment expense being recognized in 2016.

We recognized share-based payment expense associated with restricted stock units and stock awards of \$28,338, \$14,226 and \$8,458 for the years ended December 31, 2016, 2015 and 2014, respectively. The year ended December 31, 2016 included \$1,859 of compensation expense related to PRSUs.

Total unrecognized compensation costs related to unvested share-based payment awards for stock options and restricted stock units granted to employees, members of our board of directors and third parties at December 31, 2016 and 2015 were \$266,045 and \$261,628, respectively. The total unrecognized compensation costs at December 31, 2016 are expected to be recognized over a weighted-average period of 2.5 years.

401(k) Savings Plan

Sirius XM sponsors the Sirius XM Radio Inc. 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 per pay period on the first 6% of an employee's pre-tax salary up to a maximum of 3% of eligible compensation. We may also make additional discretionary matching, true-up matching and non-elective contributions to the Sirius XM Plan. 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. Our cash employer matching contributions are not used to purchase shares of our common stock on the open market, unless the employee elects our common stock as their investment option for this contribution. We recognized \$7,104, \$8,144 and \$5,385 in expense during years ended December 31, 2016, 2015 and 2014, respectively.

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Sirius XM Holdings Inc. Deferred Compensation Plan

In 2015, we adopted the Sirius XM Holdings Inc. Deferred Compensation Plan (the “DCP”). The DCP allows members of our board of directors and certain eligible employees to defer all or a portion of their base salary, cash incentive compensation and/or board of directors’ compensation, as applicable. Pursuant to the terms of the DCP, we may elect to make additional contributions beyond amounts deferred by participants, but we are under no obligation to do so. We have established a grantor (or “rabbi”) trust to facilitate the payment of our obligations under the DCP.

As of December 31, 2016, the fair value of the investments held in the trust was \$4,854, which is included in Other long-term assets in our consolidated balance sheets and is classified as trading securities. Trading gains and losses associated with these investments are recorded in Other income within our consolidated statements of comprehensive income. The associated liability is recorded within Other long-term liabilities in our consolidated balance sheets, and any increase or decrease in the liability is recorded in General and administration expense within our consolidated statements of comprehensive income.

(14) Commitments and Contingencies

The following table summarizes our expected contractual cash commitments as of December 31, 2016:

	2017	2018	2019	2020	2021	Thereafter	Total
Debt obligations	\$ 5,485	\$ 4,477	\$ 3,169	\$ 890,428	\$ 600,000	\$ 4,400,000	\$ 5,903,559
Cash interest payments	318,444	310,505	310,406	294,168	276,125	782,563	2,292,211
Satellite and transmission	94,618	67,886	51,675	25,676	19,199	6,933	265,987
Programming and content	312,413	284,915	261,953	223,095	154,239	202,700	1,439,315
Marketing and distribution	21,574	15,619	13,068	7,612	6,784	750	65,407
Satellite incentive payments	12,729	14,302	10,652	9,310	8,448	71,337	126,778
Operating lease obligations	41,360	43,506	39,339	36,820	30,332	150,675	342,032
Other	84,157	9,760	2,290	1,461	527	30	98,225
Total ⁽¹⁾	\$ 890,780	\$ 750,970	\$ 692,552	\$ 1,488,570	\$ 1,095,654	\$ 5,614,988	\$ 10,533,514

(1) The table does not include our reserve for uncertain tax positions, which at December 31, 2016 totaled \$303,583, as the specific timing of any cash payments cannot be projected with reasonable certainty.

Debt obligations. 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 satellite telemetry, tracking and control facilities and certain components of our terrestrial repeater networks. During the year ended December 31, 2016, we entered into an agreement with Space Systems/Loral to design and build two satellites, SXM-7 and SXM-8, for our service.

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. Our future revenue sharing costs are dependent upon many factors and are difficult to estimate; therefore, they are not included in our minimum contractual cash commitments.

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 costs associated with the incorporation of satellite radios into new vehicles they manufacture.

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Satellite incentive payments. Boeing Satellite Systems International, Inc., the manufacturer of certain of our in-orbit satellites, may be entitled to future in-orbit performance payments with respect to XM-3 and XM-4 meeting their fifteen-year design life, which we expect to occur. Boeing may also be entitled to additional incentive payments up to \$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, the manufacturer of certain of our in-orbit satellites, may be entitled to future in-orbit performance payments with respect to XM-5, FM-5 and FM-6 meeting their fifteen-year design life, which we expect to occur.

Operating lease obligations. We have entered into both 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 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, 2016, 2015 and 2014 was \$46,968, \$47,679 and \$45,107, 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 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. The cost of our common stock acquired but not paid for as of December 31, 2016 is also included in this category.

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 the following discussed below.

We record a liability when we believe that it is both probable that a liability will be incurred, and the amount of loss can be reasonably estimated. We evaluate developments in legal matters that could affect the amount of liability that has been previously accrued and make adjustments as appropriate. Significant judgment is required to determine both probability and the estimated amount of a loss or potential loss. We may be unable to reasonably estimate the reasonably possible loss or range of loss for a particular legal contingency for various reasons, including, among others, because: (i) the damages sought are indeterminate; (ii) the proceedings are in the relative early stages; (iii) there is uncertainty as to the outcome of pending proceedings (including motions and appeals); (iv) there is uncertainty as to the likelihood of settlement and the outcome of any negotiations with respect thereto; (v) there remain significant factual issues to be determined or resolved; (vi) the relevant law is unsettled; or (vii) the proceedings involve novel or untested legal theories. In such instances, there may be considerable uncertainty regarding the ultimate resolution of such matters, including a possible eventual loss, if any.

SoundExchange Royalty Claims. In August 2013, SoundExchange, Inc. filed a complaint in the United States District Court for the District of Columbia alleging that we underpaid royalties for statutory licenses in violation of the regulations established by the Copyright Royalty Board for the 2007-2012 period. SoundExchange principally alleges that we improperly reduced our gross revenues applicable to royalties by improperly deducting revenue attributable to pre-1972 recordings and Premier package revenue that is not "separately charged" as required by the regulations. We believe that we properly applied the gross revenue exclusions contained in the regulations established by the Copyright Royalty Board. SoundExchange is seeking compensatory damages of not less than \$50,000 and up to \$100,000 or more, payment of late fees and interest, and attorneys' fees and costs.

In August 2014, the United States District Court for the District of Columbia, in response to our motion to dismiss the complaint, stayed the case on the grounds that it properly should be pursued in the first instance before the Copyright Royalty Board rather than the District Court. In its opinion, the District Court concluded that the gross revenue exclusions in the regulations established by the Copyright Royalty Board for the 2007-2012 period were ambiguous and did not, on their face,

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make clear whether our royalty calculation approaches were permissible under the regulations. In December 2014, SoundExchange filed a petition with the Copyright Royalty Board requesting an order interpreting the applicable regulations.

On January 10, 2017, the Copyright Royalty Board issued a ruling concluding that we correctly interpreted the revenue exclusions applicable to pre-1972 recordings, but in certain cases did not apply those exclusions properly. The ruling further indicated that we improperly claimed a revenue exclusion based on our Premier package upcharge, because, in the Judges' view, the portion of the package that contained programming that did not include sound recordings was not offered for a "separate charge" in accordance with the regulations. The ruling is subject to legal review by the Register of Copyrights, and will be transmitted back to the District Court for further proceedings, such as adjudication claims relating to damages and defenses. We intend to exhaust all available options for review and/or appeal of adverse aspects of the Copyright Royalty Board's ruling, including portions of the ruling which we believe are unclear or inconsistent with the governing law. In addition, we believe we have substantial defenses to those SoundExchange claims that can be asserted before the District Court, and will continue to defend this action vigorously.

This matter is titled SoundExchange, Inc. v. Sirius XM Radio, Inc., No.13-cv-1290-RJL (D.D.C.), and Determination of Rates and Terms for Preexisting Subscription Services and Satellite Digital Audio Radio Services, United States Copyright Royalty Board, No. 2006-1 CRB DSTRA. Information concerning the action is publicly available in filings under the docket numbers. This matter is not related to certain claims under state law brought by owners of pre-1972 recording copyrights arising out of our use and performance of those recordings.

At December 31, 2016, we concluded that a loss, in excess of our recorded liabilities, is reasonably possible in connection with the SoundExchange royalty claims. The estimable portion of such possible loss ranges from \$0 to \$70,000, plus any related interest or late fees. Based on our defenses, such a loss is not considered probable at this time and no liability for such additional loss has been recorded at December 31, 2016. The matters underlying this estimated range and the estimable portion of reasonably possible losses may change from time to time and the actual possible loss may vary from this estimate.

Telephone Consumer Protection Act Suits. We were a defendant in several purported class action suits that alleged that we, or call center vendors acting on our behalf, made calls which violate provisions of the Telephone Consumer Protection Act of 1991 (the "TCPA"). These purported class action cases were titled Erik Knutson v. Sirius XM Radio Inc., No. 12-cv-0418-AJB-NLS (S.D. Cal.), Francis W. Hooker v. Sirius XM Radio Inc., No. 4:13-cv-3 (E.D. Va.), Yefim Elikman v. Sirius XM Radio Inc. and Career Horizons, Inc., No. 1:15-cv-02093 (N.D. Ill.), and Anthony Parker v. Sirius XM Radio Inc., No. 8:15-cv-01710-JSM-EAJ (M.D. Fla).

We have entered into an agreement to settle these purported class action suits. The settlement was approved by the United States District Court for the Eastern District of Virginia in December 2016. The settlement resolves the claims of consumers beginning in February 2008 relating to telemarketing calls to their mobile telephones. Approximately 200 consumers, or less than 0.002% of the consumers who received notice of the settlement, opted-out of this class action settlement. As part of this settlement, we made a \$35,000 payment to a settlement fund (from which notice, administration and other costs and attorneys' fees are being paid), and are offering participating class members the option of receiving three months of our Select service for no charge.

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 matters, in our opinion, is likely to have a material adverse effect on our business, financial condition or results of operations.

(15) Income Taxes

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 current state income tax provision is primarily related to taxable income in certain States that have suspended or limited the ability to use net operating loss carryforwards or where net operating losses have been fully utilized. The current foreign income tax provision is primarily related to foreign withholding taxes on dividends paid by our Canadian affiliate to us. Income tax expense is the sum of current income tax plus the change in deferred tax assets and liabilities.

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We file a consolidated federal income tax return for all of our wholly-owned subsidiaries, including Sirius XM. Income tax expense consisted of the following:

	For the Years Ended December 31,		
	2016	2015	2014
Current taxes:			
Federal	\$ —	\$ —	\$ —
State	(21,782)	(15,916)	(7,743)
Foreign	(383)	(825)	(2,341)
Total current taxes	(22,165)	(16,741)	(10,084)
Deferred taxes:			
Federal	(304,179)	(318,933)	(302,350)
State	(19,383)	(46,566)	(25,111)
Total deferred taxes	(323,562)	(365,499)	(327,461)
Total income tax expense	\$ (345,727)	\$ (382,240)	\$ (337,545)

The following table presents a reconciliation of the U.S. federal statutory tax rate and our effective tax rate:

	For the Years Ended December 31,		
	2016	2015	2014
Federal tax expense, at statutory rate	35.0 %	35.0%	35.0%
State income tax expense, net of federal benefit	2.8 %	2.9%	3.9%
Change in valuation allowance	— %	4.9%	—%
Tax credit	(6.1)%	—%	—%
Other, net	— %	0.1%	1.7%
Effective tax rate	31.7 %	42.9%	40.6%

For the year ended December 31, 2016, we recorded a tax credit in the fourth quarter of 2016 under the Protecting Americans from Tax Hikes Act of 2015 related to research and development activities. For the year ended December 31, 2015, we recorded additional tax expense to increase our valuation allowance due to a tax law change in the District of Columbia which will reduce our future tax and thus will limit our ability to use certain net operating losses in the future.

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. 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. Our 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. The weight given to the potential effects of positive and negative evidence is based on the extent to which it can be objectively verified. 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.

SIRIUS XM HOLDINGS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
(Dollars and shares in thousands, except per share amounts)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities, shown before jurisdictional netting, are presented below:

	For the Years Ended December 31,	
	2016	2015
Deferred tax assets:		
Net operating loss carryforwards and tax credits	\$ 1,376,012	\$ 1,447,159
Deferred revenue	760,774	730,239
Accrued bonus	35,225	31,458
Expensed costs capitalized for tax	19,610	19,584
Investments	44,129	46,857
Stock based compensation	74,544	66,030
Other	31,133	37,226
Total deferred tax assets	2,341,427	2,378,553
Deferred tax liabilities:		
Depreciation of property and equipment	(259,491)	(250,821)
FCC license	(783,822)	(779,145)
Other intangible assets	(172,520)	(190,442)
Total deferred tax liabilities	(1,215,833)	(1,220,408)
Net deferred tax assets before valuation allowance	1,125,594	1,158,145
Valuation allowance	(47,682)	(49,095)
Total net deferred tax asset	\$ 1,077,912	\$ 1,109,050

Net operating loss carryforwards and tax credits decrease as a result of the utilization of net operating losses related to current year taxable income. For the year ended December 31, 2016, we recognized \$293,896 of additional net operating losses related to excess share-based compensation deductions due to our adoption of ASU 2016-09, *Compensation-Stock Compensation (Topic 718)* and we recorded a \$66,326 tax credit under the Protecting Americans from Tax Hikes Act of 2015 related to research and development activities. The net deferred tax assets were primarily related to gross federal net operating loss carryforwards of approximately \$3,245,207.

As of December 31, 2016 and 2015, we had a valuation allowance related to deferred tax assets of \$47,682 and \$49,095, respectively, which were not likely to be realized due to certain state net operating loss limitations. During the year ended December 31, 2016, we reduced our valuation allowance primarily related to our ability to utilize additional net operating losses as a result of a state income tax audit. The increase in valuation allowance during the year ended December 31, 2015 was primarily related to the tax law change in the District of Columbia for \$44,392. These net operating loss carryforwards expire on various dates through 2035.

ASC 740, *Income Taxes*, 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. If the tax position is not more likely than not to be sustained, the gross amount of the unrecognized tax position will not be recorded in the financial statements but will be shown in tabular format within the uncertain income tax positions. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs due to the following conditions: (1) the tax position is "more likely than not" to be sustained, (2) the tax position, amount, and/or timing is ultimately settled through negotiation or litigation, or (3) the statute of limitations for the tax position has expired. A number of years may elapse before an uncertain tax position is effectively settled or until there is a lapse in the applicable statute of limitations. We record interest and penalties related to uncertain tax positions in Income tax expense in our consolidated statements of comprehensive income.

SIRIUS XM HOLDINGS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
(Dollars and shares in thousands, except per share amounts)

As of December 31, 2016 and 2015, the gross liability for income taxes associated with uncertain tax positions was \$303,583 and \$253,277, respectively. If recognized, \$198,664 of unrecognized tax benefits would affect our effective tax rate. Uncertain tax positions are recognized in Other long-term liabilities which, as of December 31, 2016 and 2015, were \$4,780 and \$3,525, respectively. No penalties have been accrued.

We have state income tax audits pending. We do not expect the ultimate outcome of these audits to have a material adverse effect on our financial position or results of operations. We also do not currently anticipate that our existing reserves related to uncertain tax positions as of December 31, 2016 will significantly increase or decrease during the twelve month period ending December 31, 2017. Various events could cause our current expectations to change. 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. We recorded interest expense of \$100 and \$89 for the years ended December 31, 2016 and 2015, respectively, related to unrecognized tax benefits.

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

	2016	2015
Balance, beginning of year	\$ 253,277	\$ 1,432
Increases in tax positions for prior years	—	251,845
Increases in tax positions for current years	51,738	—
Decreases in tax positions for prior years	(1,432)	—
Balance, end of year	<u>\$ 303,583</u>	<u>\$ 253,277</u>

(16) Subsequent Events

For the period from January 1, 2017 to January 31, 2017, we repurchased 26,676 shares of our common stock on the open market for an aggregate purchase price of \$122,679, including fees and commissions.

On January 24, 2017, our board of directors also declared a quarterly dividend on our common stock in the amount of \$0.01 per share of common stock payable on February 28, 2017 to stockholders of record as of the close of business on February 7, 2017.

SIRIUS XM HOLDINGS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
(Dollars and shares in thousands, except per share amounts)

**(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
2016				
Total revenue	\$ 1,201,010	\$ 1,235,566	\$ 1,277,646	\$ 1,302,998
Cost of services	\$ (467,028)	\$ (486,317)	\$ (488,659)	\$ (551,323)
Income from operations	\$ 348,234	\$ 362,156	\$ 392,179	\$ 329,560
Net income ⁽²⁾	\$ 172,440	\$ 174,965	\$ 193,901	\$ 204,627
Net income per common share--basic ⁽²⁾	\$ 0.03	\$ 0.04	\$ 0.04	\$ 0.04
Net income per common share--diluted ⁽²⁾	\$ 0.03	\$ 0.04	\$ 0.04	\$ 0.04
2015				
Total revenue	\$ 1,080,990	\$ 1,123,210	\$ 1,169,712	\$ 1,196,146
Cost of services	\$ (406,370)	\$ (525,463)	\$ (440,808)	\$ (470,523)
Income from operations	\$ 313,806	\$ 219,429	\$ 351,584	\$ 293,869
Net income	\$ 105,692	\$ 102,849	\$ 166,550	\$ 134,633
Net income per common share--basic ⁽¹⁾	\$ 0.02	\$ 0.02	\$ 0.03	\$ 0.03
Net income per common share--diluted ⁽¹⁾	\$ 0.02	\$ 0.02	\$ 0.03	\$ 0.03

(1) The sum of quarterly net income per share applicable to common stockholders does not necessarily agree to the net income per share for the year due to rounding.

(2) These amounts reflect the adoption of ASU 2016-09, *Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*.

SIRIUS XM HOLDINGS INC. AND SUBSIDIARIES
Schedule II - Schedule of Valuation and Qualifying Accounts

(in thousands)

<u>Description</u>	<u>Balance January 1,</u>	<u>Charged to Expenses (Benefit)</u>	<u>Write-offs/ Payments/ Other</u>	<u>Balance December 31,</u>
2014				
Allowance for doubtful accounts	\$ 9,078	44,961	(46,224)	\$ 7,815
Deferred tax assets—valuation allowance	\$ 7,831	(2,836)	—	\$ 4,995
Allowance for obsolescence	\$ 14,218	(335)	(3,159)	\$ 10,724
2015				
Allowance for doubtful accounts	\$ 7,815	47,187	(48,884)	\$ 6,118
Deferred tax assets—valuation allowance	\$ 4,995	44,100	—	\$ 49,095
Allowance for obsolescence	\$ 10,724	(34)	(741)	\$ 9,949
2016				
Allowance for doubtful accounts	\$ 6,118	55,941	(53,401)	\$ 8,658
Deferred tax assets—valuation allowance	\$ 49,095	(1,019)	(394)	\$ 47,682
Allowance for obsolescence	\$ 9,949	1,148	(1,660)	\$ 9,437

EXHIBIT INDEX

Exhibit	Description
2.1	Certificate of Ownership and Merger, dated as of January 12, 2011, merging XM Satellite Radio Inc. with and into Sirius XM Radio Inc. (incorporated by reference to Exhibit 3.1 to Sirius XM Radio Inc.'s Current Report on Form 8-K filed on January 12, 2011 (File No. 001-34295)).
2.2	Agreement and Plan of Merger, dated as of November 14, 2013, by and among Sirius XM Radio Inc., Sirius XM Holdings Inc. and Sirius XM Merger Sub Inc. (incorporated by reference to Exhibit 2.1 to Sirius XM Holdings Inc.'s Current Report on Form 8-K filed on November 15, 2013 (File No. 001-34295)).
3.1	Amended and Restated Certificate of Incorporation of Sirius XM Holdings Inc. (incorporated by reference to Exhibit 3.1 to Sirius XM Holdings Inc.'s Current Report on Form 8-K filed on November 15, 2013 (File No. 001-34295)).
3.2	Amended and Restated By-Laws of Sirius XM Holdings Inc. (incorporated by reference to Exhibit 3.2 to Sirius XM Holdings Inc.'s Current Report on Form 8-K filed on November 15, 2013 (File No. 001-34295)).
4.1	Form of certificate for shares of Sirius XM Holdings Inc.'s common stock (incorporated by reference to Exhibit 4.1 to Sirius XM Holdings Inc.'s Annual Report on Form 10-K for the year ended December 31, 2013 (File No. 001-34295)).
4.2	Indenture, dated as of August 13, 2012, among Sirius XM Radio Inc., the guarantors thereto and U.S. Bank National Association, as trustee, relating to Sirius XM Radio Inc.'s 5.25% Senior Secured Notes due 2022 (incorporated by reference to Sirius XM Radio Inc.'s Current Report on Form 8-K filed on August 14, 2012 (File No. 001-34295)).
4.3	Supplemental Indenture, dated as of April 10, 2014, among Sirius XM Radio Inc., the guarantors named therein and U.S. Bank National Association, as trustee, relating to the 5.25% Senior Secured Notes due 2022 (incorporated by reference to Exhibit 4.1 to Sirius XM Holdings Inc.'s Current Report on Form 8-K filed on April 10, 2014 (File No. 001-34295)).
4.4	Indenture, dated as of May 16, 2013, among Sirius XM Radio Inc., the guarantors named therein and U.S. Bank National Association, as trustee, relating to the 4.25% Senior Notes due 2020 (incorporated by reference to Exhibit 4.1 to Sirius XM Radio Inc.'s Current Report on Form 8-K filed on May 20, 2013 (File No. 001-34295)).
4.5	Indenture, dated as of May 16, 2013, among Sirius XM Radio Inc., the guarantors named therein and U.S. Bank National Association, as trustee, relating to the 4.625% Senior Notes due 2023 (incorporated by reference to Exhibit 4.2 to Sirius XM Radio Inc.'s Current Report on Form 8-K filed on May 20, 2013 (File No. 001-34295)).
4.6	Indenture, dated as of August 1, 2013, among Sirius XM Radio Inc., the guarantors named therein and U.S. Bank National Association, as trustee, relating to the 5.75% Senior Notes due 2021 (incorporated by reference to Exhibit 4.1 to Sirius XM Radio Inc.'s Current Report on Form 8-K filed on August 1, 2013 (File No. 001-34295)).
4.7	Indenture, dated as of May 6, 2014, among Sirius XM Radio Inc., the guarantors named therein and U.S. Bank National Association, as trustee, relating to the 6.00% Senior Notes due 2024 (incorporated by reference to Exhibit 4.1 to Sirius XM Holdings Inc.'s Current Report on Form 8-K filed on May 7, 2014 (File No. 001-34295)).
4.8	Indenture, dated as of March 6, 2015, among Sirius XM Radio Inc., the guarantors named therein and U.S. Bank National Association as trustee, relating to the 5.375% Senior Notes due 2025 (incorporated by reference to Exhibit 4.1 to Sirius XM Holdings Inc.'s Current Report on Form 8-K filed on March 6, 2015 (File No. 001-34295)).
4.9	Indenture, dated as of May 23, 2016, among Sirius XM Radio Inc., the guarantors named therein and U.S. Bank National Association, as a trustee, relating to the 5.375% Senior Notes due 2026 (incorporated by reference to Exhibit 4.1 to Sirius XM Holdings Inc.'s Current Report on Form 8-K filed on May 24, 2016 (File No. 001-34295)).
4.10	Form of Common Stock Purchase Warrant, dated as of January 27, 2009, issued by Sirius XM Radio Inc. to NFL Enterprises LLC (incorporated by reference to Exhibit 4.48 to Sirius XM Radio Inc.'s Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-34295)).
4.11	Sirius XM Holdings Inc.'s Assumption of NFL Enterprises LLC Warrant, dated as of November 15, 2013 (incorporated by reference to Exhibit 4.13 to Sirius XM Holdings Inc.'s Annual Report on Form 10-K for the year ended December 31, 2013 (File No. 001-34295)).
4.12	Amendment No. 1, dated as of March 30, 2015, to the Common Stock Purchase Warrants, each dated January 27, 2009, issued by Sirius XM Holdings Inc., the successor to Sirius XM Radio Inc., to NFL Enterprises LLC (incorporated by reference to Exhibit 4.2 to Sirius XM Holdings Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2015. (File No. 001-34295))
4.13	Investment Agreement, dated as of February 17, 2009, between Sirius XM Radio Inc. and Liberty Radio LLC (incorporated by reference to Exhibit 4.55 to Sirius XM Radio Inc.'s Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-34295)).

Exhibit	Description
4.14	Assignment and Assumption of Investment Agreement among Sirius XM Radio Inc., Sirius XM Holdings Inc. and Liberty Radio LLC, dated as of November 15, 2013 (incorporated by reference to Exhibit 4.15 to Sirius XM Holdings Inc.'s Annual Report on Form 10-K for the year ended December 31, 2013 (File No. 001-34295)).
10.1	Credit Agreement, dated as of December 5, 2012, among Sirius XM Radio Inc., JPMorgan Chase Bank, N.A. as administrative agent, and the other agents and lenders party thereto (incorporated by reference to Sirius XM Radio Inc.'s Current Report on Form 8-K filed on December 10, 2012 (File No. 001-34295)).
10.2	Amendment No. 1, dated as of April 22, 2014, to the Credit Agreement, dated as of December 5, 2012, among Sirius XM Radio Inc., the Lenders party thereto and JPMorgan Chase Bank, N.A. as administrative agent for the Lenders, as collateral agent for the Secured Parties and as an Issuing Bank (incorporated by reference to Exhibit 10.1 to Sirius XM Holdings Inc.'s Current Report on Form 8-K filed on April 22, 2014 (File No. 001-34295)).
10.3	Amendment No. 2, dated as of June 16, 2015, to the Credit Agreement, dated as of December 5, 2012, among Sirius XM Radio Inc., JPMorgan Chase Bank, N.A., as administrative agent, and the other agents and lenders parties thereto (incorporated by reference to Exhibit 10.1 to Sirius XM Holdings Inc.'s Current Report on Form 8-K filed on June 19, 2015 (File No. 001-34295)).
**10.4	Technology Licensing Agreement among XM Satellite Radio Inc., XM Satellite Radio Holdings Inc., WorldSpace Management Corporation and American Mobile Satellite Corporation, dated as of January 1, 1998, amended by Amendment No. 1 to Technology Licensing Agreement (incorporated by reference to Exhibit 10.3 to XM Satellite Radio Holdings Inc.'s Annual Report on Form 10-K for the year ended December 31, 2007 (File No. 000-27441)).
**10.5	Third Amended and Restated Distribution and Credit Agreement, dated as of February 6, 2008, among General Motors Corporation, XM Satellite Radio Holdings Inc. and XM Satellite Radio Inc. (incorporated by reference to Exhibit 10.63 to XM Satellite Radio Holdings Inc.'s Annual Report on Form 10-K for the year ended December 31, 2007 (File No. 000-27441)).
**10.6	Third Amended and Restated Satellite Purchase Contract for In-Orbit Delivery, dated as of May 15, 2001, between XM Satellite Radio Inc. and Boeing Satellite Systems International, Inc. (incorporated by reference to Exhibit 10.36 to Amendment No. 1 to XM Satellite Radio Holdings Inc.'s Registration Statement on Form S-3 (File No. 333-89132)).
**10.7	Amended and Restated Amendment to the Satellite Purchase Contract for In-Orbit Delivery, dated May 22, 2003, among XM Satellite Radio Inc., XM Satellite Radio Holdings Inc. and Boeing Satellite Systems International, Inc. (incorporated by reference to Exhibit 10.53 to XM Satellite Radio Holdings Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2003 (File No. 000-27441)).
**10.8	Amendment to the Satellite Purchase Contract for In-Orbit Delivery, dated July 31, 2003, among XM Satellite Radio Inc., XM Satellite Radio Holdings Inc. and Boeing Satellite Systems International, Inc. (incorporated by reference to Exhibit 10.54 to XM Satellite Radio Holdings Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2003 (File No. 000-27441)).
**10.9	Amendment to the Satellite Purchase Contract for In-Orbit Delivery, dated December 19, 2003, among XM Satellite Radio Inc., XM Satellite Radio Holdings Inc. and Boeing Satellite Systems International, Inc. (incorporated by reference to Exhibit 10.57 to XM Satellite Radio Holdings Inc.'s Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 000-27441)).
*10.10	Amended and Restated Sirius Satellite Radio 2003 Long-Term Stock Incentive Plan (incorporated by reference to Exhibit 10.10 to Sirius XM Radio Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2004 (File No. 001-34295)).
*10.11	Form of Stock Option Agreement between CD Radio Inc. and each Optionee (incorporated by reference to Exhibit 10.16.2 to Sirius XM Radio Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 1998 (File No. 001-34295)).
*10.12	XM Satellite Radio Holdings Inc. 2007 Stock Incentive Plan (incorporated by reference to Exhibit 10.5 to XM Satellite Radio Holdings Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 (File No. 000-27441)).
*10.13	Form of Non-Qualified Stock Option Agreement pursuant to the XM Satellite Radio Holdings Inc. 2007 Stock Incentive Plan (incorporated by reference to Exhibit 10.2 to XM Satellite Radio Holdings Inc.'s Current Report on Form 8-K filed June 1, 2007 (File No. 000-27441)).
*10.14	Form of Restricted Stock Agreement pursuant to the XM Satellite Radio Holdings Inc. 2007 Stock Incentive Plan (incorporated by reference to Exhibit 10.3 to XM Satellite Radio Holdings Inc.'s Current Report on Form 8-K filed June 1, 2007 (File No. 000-27441)).

Exhibit	Description
*10.15	Sirius XM Radio 401(k) Savings Plan, January 1, 2009 Restatement (incorporated by reference to Exhibit 10.30 to Sirius XM Radio Inc.'s Annual Report on Form 10-K for the year ended December 31, 2009 (File No. 001-34295)).
*10.16	Sirius XM Radio Inc. 2009 Long-Term Stock Incentive Plan (incorporated by reference to Exhibit 4.9 to Sirius XM Radio Inc.'s Registration Statement on Form S-8 (File No. 333-160386)).
*10.17	Sirius XM Holdings Inc. 2015 Long-Term Stock Incentive Plan (incorporated by reference to Appendix A to Sirius XM Holdings Inc.'s definitive Proxy Statement on Schedule 14A filed on April 6, 2015 (File No. 001-34295)).
*10.18	Form of Director Non-Qualified Stock Option Agreement pursuant to the Sirius XM Radio Inc. 2009 Long-Term Stock Incentive Plan (incorporated by reference to Exhibit 10.34 to Sirius XM Radio Inc.'s Annual Report on Form 10-K for the year ended December 31, 2011 (File No. 001-34295)).
*10.19	Form of Director Non-Qualified Stock Option Agreement pursuant to the Sirius XM Holdings Inc. 2009 Long-Term Stock Incentive Plan (incorporated by reference to Exhibit 10.18 to Sirius XM Holdings Inc.'s Annual Report for the year ended December 31, 2014 (File No. 001-34295)).
*10.20	Form of Non-Qualified Stock Option Agreement pursuant to the Sirius XM Radio Inc. 2009 Long-Term Stock Incentive Plan (incorporated by reference to Exhibit 10.35 to Sirius XM Radio Inc.'s Annual Report on Form 10-K for the year ended December 31, 2011 (File No. 001-34295)).
*10.21	Form of Non-Qualified Stock Option Agreement pursuant to the Sirius XM Holdings Inc. 2009 Long-Term Stock Incentive Plan (incorporated by reference to Exhibit 10.20 to Sirius XM Holdings Inc.'s Annual Report filed for the year ended December 31, 2014 (File No. 001-34295)).
*10.22	Form of Director Non-Qualified Stock Option Agreement pursuant to the Sirius XM Holdings Inc. 2015 Long-Term Stock Incentive Plan (incorporated by reference to Exhibit 10.22 to Sirius XM Holdings Inc.'s Annual Report on Form 10-K for the year ended December 31, 2015 (File No. 001-34295)).
*10.23	Form of Non-Qualified Stock Option Agreement pursuant to the Sirius XM Holdings Inc. 2015 Long-Term Stock Incentive Plan (incorporated by reference to Exhibit 10.23 to Sirius XM Holdings Inc.'s Annual Report on Form 10-K for the year ended December 31, 2015 (File No. 001-34295)).
*10.24	Form of SVP Restricted Stock Unit Agreement pursuant to the Sirius XM Holdings Inc. 2015 Long-Term Stock Incentive Plan (filed herewith).
*10.25	Form of Performance-Based Restricted Stock Unit Agreement pursuant to the Sirius XM Holdings Inc. 2015 Long-Term Stock Incentive Plan (filed herewith).
*10.26	Form of SVP Non-Qualified Stock Option Agreement pursuant to the Sirius XM Holdings Inc. 2015 Long-Term Stock Incentive Plan (filed herewith).
*10.27	Employment Agreement, dated as of August 13, 2013, between Sirius XM Radio Inc. and Stephen R. Cook (filed herewith).
*10.28	Employment Agreement, dated as of November 1, 2013, between Sirius XM Radio Inc. and Kathrine Kohler Thomson (filed herewith).
*10.29	Employment Agreement, dated as of June 19, 2015, between Sirius XM Radio Inc. and Dara F Altman (incorporated by reference to Exhibit 10.1 to Sirius XM Holdings Inc.'s Current Report on Form 8-K filed on June 23, 2015 (File No. 001-34295)).
*10.30	Employment Agreement, dated as of June 29, 2015, between Sirius XM Radio Inc. and James A. Cady (incorporated by reference to Exhibit 10.1 to Sirius XM Holdings Inc.'s Current Report on Form 8-K filed on June 30, 2015 (File No. 001-34295)).
*10.31	Amendment to the Employment Agreement between Sirius XM Radio Inc. and James A Cady, dated as of February 23, 2016 (incorporated by reference to Exhibit 10.1 to Sirius XM Holdings Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 (File No. 001-34295)).
*10.32	Employment Agreement, dated as of July 3, 2015, between Sirius XM Radio Inc. and David J. Frear (incorporated by reference to Exhibit 10.1 to Sirius XM Holdings Inc.'s Current Report on Form 8-K filed on July 8, 2015 (File No. 001-34295)).
*10.33	Employment Agreement, dated August 11, 2015, between Sirius XM Radio Inc. and James E. Meyer (incorporated by reference to Exhibit 10.1 to Sirius XM Holdings Inc.'s Current Report on Form 8-K filed on August 13, 2015 (File No. 001-34295)).
*10.34	Form of Option Award Agreement between Sirius XM Radio Inc. and James E. Meyer (incorporated by reference to Exhibit 10.1 to Sirius XM Radio Inc.'s Current Report on Form 8-K filed October 16, 2009 (File No. 001-34295)).

Exhibit	Description
*10.35	Employment Agreement, dated December 11, 2015, between Sirius XM Radio Inc. and Joseph A. Verbrugge (incorporated by reference to Exhibit 10.29 to Sirius XM Holdings Inc.'s Annual Report on Form 10-K for the year ended December 31, 2015 (File No. 001-34295)).
*10.36	Employment Agreement, dated May 24, 2016 between Sirius XM Radio Inc. and Scott A. Greenstein (incorporated by reference to Exhibit 10.1 to Sirius XM Holdings Inc.'s Current Report on Form 8-K filed on May 26, 2016 (File No. 001-34295)).
*10.37	Employment Agreement, dated as of November 22, 2016 between Sirius XM Radio Inc. and Patrick L. Donnelly (filed herewith).
*10.38	Assignment and Assumption Agreement, dated as of November 15, 2013, among Sirius XM Holdings Inc. and Sirius XM Radio Inc. (incorporated by reference to Exhibit 10.1 to Sirius XM Holdings Inc.'s Current Report on Form 8-K filed on November 15, 2013 (File No. 001-34295)).
*10.39	Omnibus Amendment, dated November 15, 2013, to the XM Satellite Radio Holdings Inc. Talent Option Plan, the XM Satellite Radio Holdings Inc. 1998 Shares Award Plan, as amended, the Amended and Restated Sirius Satellite Radio 2003 Long-Term Stock Incentive Plan, the XM Satellite Radio Holdings Inc. 2007 Stock Incentive Plan and the Sirius XM Radio Inc. 2009 Long-Term Stock Incentive Plan and their Related Stock Option Agreements, Restricted Stock Agreements and Restricted Stock Unit Agreements (incorporated by reference to Exhibit 10.2 to Sirius XM Holdings Inc.'s Current Report on Form 8-K filed on November 15, 2013 (File No. 001-34295)).
*10.40	Sirius XM Holdings Inc. Deferred Compensation Plan (incorporated by reference to Exhibit 10.2 to Sirius XM Holdings Inc.'s Current Report on Form 8-K filed on June 30, 2015 (File No. 001-34295)).
21.1	List of Subsidiaries (filed herewith).
23.1	Consent of KPMG LLP (filed herewith).
31.1	Certificate of James E. Meyer, Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certificate of David J. Frear, Senior Executive Vice President and Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certificate of James E. Meyer, Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.2	Certificate of David J. Frear, Senior Executive Vice President and Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
99.1	Amended and Restated Certificate of Incorporation of Sirius XM Radio Inc., as amended (incorporated by reference to Exhibit 3.3 to Sirius XM Holdings Inc.'s Annual Report on Form 10-K for the year ended December 31, 2013 (File No. 001-34295)).
99.2	Amended and Restated By-Laws of Sirius XM Radio Inc., as amended (incorporated by reference to Exhibit 3.4 to Sirius XM Holdings Inc.'s Annual Report on Form 10-K for the year ended December 31, 2013 (File No. 001-34295)).
101.1	The following financial information from our Annual Report on Form 10-K for the year ended December 31, 2016 formatted in eXtensible Business Reporting Language (XBRL): (i) Consolidated Statements of Comprehensive Income for the years ended December 31, 2016, 2015 and 2014; (ii) Consolidated Balance Sheets as of December 31, 2016 and 2015; (iii) Consolidated Statements of Stockholders' (Deficit) Equity for the years ended December 31, 2016, 2015 and 2014; (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2016, 2015 and 2014; and (v) Combined Notes to Consolidated Financial Statements.

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

** Pursuant to the Commission's Orders Granting Confidential Treatment under Rule 406 of the Securities Act of 1933 or Rule 24(b)-2 under the Securities Exchange Act of 1934, certain confidential portions of this Exhibit were omitted by means of redacting a portion of the text.

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by us in these agreements or other documents

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were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

SIRIUS XM HOLDINGS INC.
2015 LONG-TERM STOCK INCENTIVE PLAN
SVP RESTRICTED STOCK UNIT AGREEMENT
2016 COMPENSATION AWARD

This RESTRICTED STOCK UNIT AGREEMENT (this “Agreement”), dated _____, 2016 (the “Date of Grant”), is between SIRIUS XM HOLDINGS INC., a Delaware corporation (the “Company”), and _____ (the “Employee”).

1. Grant of RSUs. Subject to the terms and conditions of this Agreement and the Sirius XM Holdings Inc. 2015 Long-Term Stock Incentive Plan (the “Plan”), the Company hereby grants _____ restricted share units (“RSUs”) to the Employee. Each RSU represents the unfunded, unsecured right of the Employee to receive one share of common stock, par value \$.001 per share, of the Company (each, a “Share”) on the date specified in this Agreement.

2. Dividends. If on any date while RSUs are outstanding the Company shall pay any dividend on the Shares (other than a dividend payable in Shares), the number of RSUs granted to the Employee shall, as of the record date for such dividend payment, be increased by a number of RSUs equal to: (a) the product of (x) the number of RSUs held by the Employee as of such record date, multiplied by (y) the per Share amount of any cash dividend (or, in the case of any dividend payable, in whole or in part, other than in cash, the per Share value of such dividend, as determined in good faith by the Company), divided by (b) the average closing price of a Share on the Nasdaq Global Select Market on the twenty (20) trading days preceding, but not including, such record date. In the case of any dividend declared on Shares that is payable in the form of Shares, the number of RSUs granted to the Employee shall be increased by a number equal to the product of (1) the aggregate number of RSUs held by the Employee on the record date for such dividend, multiplied by (2) the number of Shares (including any fraction thereof) payable as a dividend on a Share. In the case of any other change in the Shares occurring after the date hereof, the number of RSUs shall be adjusted as set forth in Section 4(b) of the Plan.

3. Issuance of Shares subject to RSUs. (a) Subject to the terms of this Agreement and/or the Plan, the Company shall issue to the Employee on each of the first (1st), second (2nd), and third (3rd) anniversaries of the Date of Grant (or if such date is not a business day, then on the next succeeding business day), a number Shares equal to approximately one-third (1/3) the number of RSUs granted to the Employee under this Agreement; provided that no Shares shall be issued to the Employee on any anniversary (or on any succeeding business day) if the Employee is not providing services to Sirius XM Radio Inc. (“Sirius XM”) or any of its subsidiaries or affiliates on such date:

(b) If the Employee’s service with Sirius XM and its subsidiaries and affiliates terminates for any reason, the RSUs shall immediately terminate without consideration.

4. Change of Control. In the event of a Change of Control, the RSUs shall be governed by the terms of the Plan; provided that any transactions between the Company, Sirius XM and/or any of their respective wholly-owned subsidiaries, on the one hand, and Liberty Media Corporation, any Qualified Distribution Transferee (as defined in the Investment Agreement, dated as of February 17, 2009, between the Company and Liberty Radio LLC, as amended) and/or any of their respective subsidiaries, on the other hand, shall not constitute a Change of Control under the Plan.

5. Non-transferable. The RSUs may not be transferred, assigned, pledged or hypothecated in any manner (whether by operation of law or otherwise). Any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of RSUs or of any right or privilege conferred hereby shall be null and void.

6. Withholding. Prior to delivery of the Shares pursuant to this Agreement, the Company shall determine the amount of any United States federal, state and local income taxes, if any, which are required to be withheld under applicable law and shall, as a condition of delivery of the Shares pursuant to this Agreement, collect from the Employee the amount of any such taxes in any manner permitted by the Plan.

7. No Rights of a Stockholder. The Employee shall not have any rights as a stockholder of the Company with respect to any Shares until the Shares have been issued. For purposes of clarity, once an RSU vests and a Share is issued to the Employee pursuant to Section 3, such RSU is no longer considered an RSU for purposes of this Agreement.

8. Rights of the Employee. Neither this Agreement nor the RSUs shall confer upon the Employee any right to, or guarantee of, continued employment by or service with Sirius XM or any of its subsidiaries or affiliates, or in any way limit the right of Sirius XM or any of its subsidiaries or affiliates to terminate the employment or service of the Employee at any time, subject to the terms of any written employment or similar written agreement between the Employee and Sirius XM or any of its subsidiaries or affiliates.

9. Professional Advice. The acceptance of the RSUs may have consequences under federal and state tax and securities laws that may vary depending upon the individual circumstances of the Employee. Accordingly, the Employee acknowledges that the Employee has been advised to consult the Employee's personal legal and tax advisors in connection with this Agreement and the RSUs.

10. Agreement Subject to the Plan. This Agreement and the RSUs are subject to the terms and conditions set forth in the Plan, which terms and conditions are incorporated herein by reference. Capitalized terms used herein but not otherwise defined shall have the meaning set forth in the Plan. The Employee acknowledges that a copy of the Plan is posted on Sirius XM's intranet site and the Employee agrees to review it and comply with its terms. This Agreement and the Plan constitute the entire understanding between or among the Company, Sirius XM and the Employee with respect to the RSUs. In the event of any conflict between this Agreement and the Plan, the Plan shall govern and prevail.

11. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, and shall bind and inure to the benefit of the heirs, executors, personal representatives, successors and assigns of the parties hereto. **The parties hereby irrevocably and unconditionally consent to submit to the exclusive jurisdiction of the state and federal courts located in the Borough of Manhattan, State of New York, and expressly waive the right to a jury trial, for any actions, suits or proceedings arising out of or relating to this Agreement.**

12. Notices. All notices and other communications hereunder shall be in writing and shall be deemed given when delivered personally or when telecopied (with confirmation of transmission received by the sender), three (3) business days after being sent by certified mail, postage prepaid, return receipt requested or one (1) business day after being delivered to a nationally recognized overnight courier with next day delivery specified to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

Company: Sirius XM Holdings Inc.
1290 Avenue of the Americas
11th Floor
New York, New York 10104
Attention: General Counsel

Employee: Address on file at the
office of Sirius XM

Notices sent by email or other electronic means not specifically authorized by this Agreement shall not be effective for any purpose of this Agreement.

ACCEPTED AND AGREED:

Employee

**SIRIUS XM HOLDINGS INC.
2015 LONG-TERM STOCK INCENTIVE PLAN**

**PERFORMANCE-BASED RESTRICTED STOCK UNIT AGREEMENT
2016 COMPENSATION AWARD**

This PERFORMANCE-BASED RESTRICTED STOCK UNIT AGREEMENT (this “Agreement”), dated as of August 5, 2016, is between SIRIUS XM HOLDINGS INC., a Delaware corporation (the “Company”), and _____ (the “Employee”).

1. Grant of PRSUs. Subject to the terms and conditions of this Agreement and the Sirius XM Holdings Inc. 2015 Long-Term Stock Incentive Plan (the “Plan”), the Company hereby grants _____ restricted share units (“PRSUs”) to the Employee. Each PRSU represents the unfunded, unsecured right of the Employee to receive one share of common stock, par value \$.001 per share, of the Company (each, a “Share”) on the date specified in this Agreement.

2. Dividends. If on any date while PRSUs are outstanding the Company shall pay any dividend on the Shares (other than a dividend payable in Shares), the number of PRSUs granted to the Employee shall, as of the record date for such dividend payment, be increased by a number of PRSUs equal to: (a) the product of (x) the number of PRSUs held by the Employee as of such record date, multiplied by (y) the per Share amount of any cash dividend (or, in the case of any dividend payable, in whole or in part, other than in cash, the per Share value of such dividend, as determined in good faith by the Company), divided by (b) the average closing price of a Share on the Nasdaq Global Select Market on the twenty (20) trading days preceding, but not including, such record date. In the case of any dividend declared on Shares that is payable in the form of Shares, the number of PRSUs granted to the Employee shall be increased by a number equal to the product of (1) the aggregate number of PRSUs held by the Employee on the record date for such dividend, multiplied by (2) the number of Shares (including any fraction thereof) payable as a dividend on a Share. In the case of any other change in the Shares occurring after the date hereof, the number of PRSUs shall be adjusted as set forth in Section 4(b) of the Plan.

3. Issuance of Shares subject to PRSUs.

(a) *Performance Metric*. All or a portion of the PRSUs shall be eligible to vest based on the Company’s level of achievement of cumulative free cash flow equal to \$3,050,000,000 (the “Performance Metric Target”) during the period beginning on January 1, 2016 and ending December 31, 2017 (the “Performance Period”).

Free cash flow shall be derived from cash flow provided by operating activities, net of additions to property and equipment, restricted and other investment activity and the return of capital from investment in unconsolidated entities. For the avoidance of doubt, the Committee shall adjust or modify the calculation of free cash flow and/or the Performance Metric Target for the Performance Period in accordance with Sections 4(b) and 12(c) of the Plan, as applicable.

(b) *Calculation of Shares to be Issued*. Within sixty (60) days following the end of the Performance Period, the Company shall certify the Company’s level of achievement of the Performance Metric Target (such actual date of certification, the “Certification Date”) and determine the number of PRSUs that shall vest, as set forth below, in accordance with the terms of the Plan and/or this Agreement (such PRSUs, the “Eligible PRSUs”):

- (i) If the Company fails to achieve at least 80% of the Performance Metric Target, zero PRSUs shall constitute Eligible PRSUs;
- (ii) Upon achieving 100% or more of the Performance Metric Target, 100% of the PRSUs shall constitute Eligible PRSUs; and
- (iii) If the Company's level of free cash flow falls between 80% and 100% of the Performance Metric Target, the number of PRSUs that become Eligible PRSUs shall be determined by straight line interpolation between the thresholds set forth in subsections (i) and (ii) of this Section 3(b).

For the avoidance of doubt, any PRSUs that do not constitute Eligible PRSUs as of the Certification Date shall be cancelled on the Certification Date.

(c) *Issuance of Eligible PRSUs.* The Eligible PRSUs shall vest subject to the Employee's continuous service with Sirius XM Radio Inc. ("Sirius XM") or any of its subsidiaries or affiliates through August 5, 2019 (such date, the "Settlement Date"). Subject to the terms of this Agreement and/or the Plan, the Company shall issue to the Employee on the Settlement Date, a number of Shares equal to the number of Eligible PRSUs held by the Employee as of the Settlement Date.

(d) *Termination.* For the avoidance of doubt, if the Employee's service with Sirius XM and its subsidiaries and affiliates terminates for any reason prior to the Settlement Date, all of the PRSUs, including the Eligible PRSUs, shall immediately terminate without consideration.

4. *Change of Control.* In the event of a Change of Control, the PRSUs shall be governed by the terms of the Plan; provided that any transactions between the Company, Sirius XM and/or any of their respective wholly-owned subsidiaries, on the one hand, and Liberty Media Corporation, any Qualified Distribution Transferee (as defined in the Investment Agreement, dated as of February 17, 2009, between the Company and Liberty Radio LLC, as amended) and/or any of their respective subsidiaries, on the other hand, shall not constitute a Change of Control under the Plan.

5. *Non-transferable.* The PRSUs may not be transferred, assigned, pledged or hypothecated in any manner (whether by operation of law or otherwise). Any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of PRSUs or of any right or privilege conferred hereby shall be null and void.

6. *Withholding.* Prior to delivery of the Shares pursuant to this Agreement, the Company shall determine the amount of any United States federal, state and local income taxes, if any, which are required to be withheld under applicable law and shall, as a condition of delivery of the Shares pursuant to this Agreement, collect from the Employee the amount of any such taxes in any manner permitted by the Plan.

7. *No Rights of a Stockholder.* The Employee shall not have any rights as a stockholder of the Company with respect to any Shares until the Shares have been issued. For purposes of clarity, once an PRSU vests and a Share is issued to the Employee pursuant to Section 3, such PRSU is no longer considered an PRSU for purposes of this Agreement.

8. *Rights of the Employee.* Neither this Agreement nor the PRSUs shall confer upon the Employee any right to, or guarantee of, continued employment by or service with Sirius XM or any of its subsidiaries or affiliates, or in any way limit the right of Sirius XM or any of its subsidiaries or affiliates to terminate the employment or service of the Employee at any time, subject to the terms of any written

employment or similar written agreement between the Employee and Sirius XM or any of its subsidiaries or affiliates.

9. Professional Advice. The acceptance of the PRSUs may have consequences under federal and state tax and securities laws that may vary depending upon the individual circumstances of the Employee. Accordingly, the Employee acknowledges that the Employee has been advised to consult the Employee's personal legal and tax advisors in connection with this Agreement and the PRSUs.

10. Agreement Subject to the Plan. This Agreement and the PRSUs are subject to the terms and conditions set forth in the Plan, which terms and conditions are incorporated herein by reference. Capitalized terms used herein but not otherwise defined shall have the meaning set forth in the Plan. The Employee acknowledges that a copy of the Plan is posted on Sirius XM's intranet site and the Employee agrees to review it and comply with its terms. This Agreement and the Plan constitute the entire understanding between or among the Company, Sirius XM and the Employee with respect to the PRSUs. In the event of any conflict between this Agreement and the Plan, the Plan shall govern and prevail.

11. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, and shall bind and inure to the benefit of the heirs, executors, personal representatives, successors and assigns of the parties hereto. **The parties hereby irrevocably and unconditionally consent to submit to the exclusive jurisdiction of the state and federal courts located in the Borough of Manhattan, State of New York, and expressly waive the right to a jury trial, for any actions, suits or proceedings arising out of or relating to this Agreement.**

12. Notices. All notices and other communications hereunder shall be in writing and shall be deemed given when delivered personally or when telecopied (with confirmation of transmission received by the sender), three (3) business days after being sent by certified mail, postage prepaid, return receipt requested or one (1) business day after being delivered to a nationally recognized overnight courier with next day delivery specified to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

Company: Sirius XM Holdings Inc.
 1290 Avenue of the Americas
 11th Floor
 New York, New York 10104
 Attention: General Counsel

Employee: Address on file at the
 office of Sirius XM

Notices sent by email or other electronic means not specifically authorized by this Agreement shall not be effective for any purpose of this Agreement.

ACCEPTED AND AGREED:

 Employee

**SIRIUS XM HOLDINGS INC.
2015 LONG-TERM STOCK INCENTIVE PLAN**

**SVP STOCK OPTION AGREEMENT
2016 COMPENSATION AWARD**

This STOCK OPTION AGREEMENT (this "Agreement"), dated as of _____, 2016 (the "Date of Grant"), is between SIRIUS XM HOLDINGS INC., a Delaware corporation (the "Company"), and _____ (the "Employee").

1. Grant of Option; Vesting. (a) Subject to the terms and conditions of this Agreement and the Sirius XM Holdings Inc. 2015 Long-Term Stock Incentive Plan (the "Plan"), the Company hereby grants to the Employee the right and option (this "Option") to purchase up to _____ shares (the "Shares") of common stock, par value \$0.001 per share, of the Company at a price per share of _____ (the "Exercise Price") the closing price of such common stock on the Nasdaq Global Select Market on the Date of Grant. This Option is not intended to qualify as an Incentive Stock Option for purposes of Section 422 of the Internal Revenue Code of 1986, as amended. In the case of any stock split, stock dividend or like change in the Shares occurring after the date hereof, the number of Shares and the Exercise Price shall be adjusted as set forth in Section 4(b) of the Plan.

(b) Subject to the terms and conditions of this Agreement and/or the Plan, this Option shall vest and become exercisable with respect to approximately one-third (1/3) of the Shares granted to the Employee under this Agreement on each of the first (1st), second (2nd), and third (3rd) anniversaries of the Date of Grant (or if such date is not a business day, then on the next succeeding business day); provided that no Shares shall vest on any anniversary (or on any succeeding business day) if the Employee is not providing services to Sirius XM Radio Inc. ("Sirius XM") or any of its subsidiaries or affiliates on such date.

(c) In the event of a Change of Control, this Option shall be governed by the terms of the Plan; provided that any transactions between the Company, Sirius XM and/or any of their respective wholly-owned subsidiaries, on the one hand, and Liberty Media Corporation, any Qualified Distribution Transferee (as defined in the Investment Agreement, dated as of February 17, 2009, between the Company and Liberty Radio LLC, as amended) and/or any of their respective subsidiaries, on the other hand, shall not constitute a Change of Control under the Plan.

2. Term. (a) Subject to Sections 2(b) and 2(c), this Option shall terminate ten (10) years from the Date of Grant or earlier upon the expiration of (a) ninety (90) days following the termination of the Employee's service with Sirius XM for any reason other than death, or (b) one (1) year from the date of death of the Employee. Subject to the terms of the Plan, if the Employee's service with Sirius XM is terminated by death, this Option shall be exercisable only by the person or persons to whom the Employee's rights under such Option shall pass by the Employee's will or by the laws of descent and distribution of the state or county of the Employee's domicile at the time of death.

(b) If the Employee's service has been terminated by Sirius XM for Cause, this Option, including all vested Options, shall terminate on the date of termination of the Employee's services.

(c) If, within ninety (90) days following the termination of the Employee's services by the Employee for any reason or by Sirius XM without Cause, the Employee breaches any employment agreement, non-competition agreement, or any other agreement or arrangement that the Employee has

with Sirius XM, then the Option, including all vested Options, shall terminate immediately as of the date of the breach.

3. Non-transferable. This Option may not be transferred, assigned, pledged or hypothecated in any manner (whether by operation of law or otherwise) other than by will or by the applicable laws of descent and distribution, and shall not be subject to execution, attachment or similar process. Any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of this Option or of any right or privilege conferred hereby shall be null and void.

4. Exercise. Subject to Sections 1 and 2 of this Agreement and the terms of the Plan, this Option may be exercised, in whole or in part, by means of a written notice of exercise signed and delivered by the Employee (or, in the case of exercise after death of the Employee, by the executor, administrator, heir or legatee of the Employee, as the case may be). Such notice shall (a) state the number of Shares to be purchased and the date of exercise, and (b) be accompanied by any payments that may be required by the Plan in order to complete such exercise.

5. Withholding. Prior to delivery of the Shares purchased upon exercise of this Option, the Company shall determine the amount of any United States federal, state and local income taxes, if any, which are required to be withheld under applicable law and shall, as a condition of exercise of this Option and delivery the Shares purchased upon exercise of this Option, collect from the Employee the amount of any such taxes in any manner permitted by the Plan.

6. No Rights of a Stockholder. The Employee shall not have any rights as a stockholder of the Company with respect to any Shares until the Shares purchased upon exercise of this Option have been issued.

7. Rights of the Employee. None of this Option, the execution of this Agreement nor the exercise of any portion of this Option shall confer upon the Employee any right to, or guarantee of, continued employment by or service with Sirius XM or any of its subsidiaries or affiliates, or in any way limit the right of Sirius XM to terminate the employment or service of the Employee at any time, subject to the terms of any written employment or similar written agreement between the Employee and Sirius XM or any of its subsidiaries or affiliates.

8. Professional Advice. The acceptance and exercise of this Option may have consequences under federal and state tax and securities laws that may vary depending upon the individual circumstances of the Employee. Accordingly, the Employee acknowledges that the Employee has been advised to consult the Employee's personal legal and tax advisors in connection with this Agreement and this Option.

9. Agreement Subject to the Plan. This Option and this Agreement are subject to the terms and conditions set forth in the Plan, which terms and conditions are incorporated herein by reference. Capitalized terms used herein but not otherwise defined shall have the meaning set forth in the Plan. The Employee acknowledges that a copy of the Plan is posted on Sirius XM's intranet site and the Employee agrees to review it and comply with its terms. This Agreement and the Plan constitute the entire understanding between or among the Company, Sirius XM and the Employee with respect to this Option. In the event of any conflict between this Agreement and the Plan, the Plan shall govern and prevail.

10. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, and shall bind and inure to the benefit of the heirs, executors, personal representatives, successors and assigns of the parties hereto. **The parties hereby irrevocably and unconditionally consent to submit to the exclusive jurisdiction of the state and federal courts located**

in the Borough of Manhattan, State of New York, and expressly waive the right to a jury trial, for any actions, suits or proceedings arising out of or relating to this Agreement.

11. Notices. All notices and other communications hereunder shall be in writing and shall be deemed given when delivered personally or when telecopied (with confirmation of transmission received by the sender), three (3) business days after being sent by certified mail, postage prepaid, return receipt requested or one (1) business day after being delivered to a nationally recognized overnight courier with next day delivery specified to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

Company: Sirius XM Holdings
Inc.
1290 Avenue of the Americas
11th Floor
New York, New York 10104
Attention: General Counsel

Employee: Address on file at
the
office of Sirius XM

Notices sent by email or other electronic means not specifically authorized by this Agreement shall not be effective for any purpose of this Agreement.

ACCEPTED AND AGREED:

Employee

August 13, 2013

Stephen R. Cook
851 Alvermar Ridge Drive
McLean, VA 22102

Dear Stephen:

This letter agreement (this "Letter" or "Agreement") will confirm your continued employment with Sirius XM Radio Inc. (the "Company" or "Sirius XM") on a full-time basis as Executive Vice President - Sales & Automotive. The Company anticipates that your services will be performed primarily at the Company's office in Washington, D.C. If you accept this offer of continued employment, the terms of this Agreement shall take effect as of August 13, 2013 (the "Effective Date") and shall continue until terminated pursuant to the provisions set forth herein.

During your employment with the Company, you shall be paid an annual base salary of \$600,000 (the "Base Salary"), less applicable withholdings, to be paid on a semi-monthly basis through the Company's regular payroll system and subject to any increases that the Company may approve in its sole discretion.

You also will be eligible to participate in any bonus plans generally offered to executive officers of the Company. Your target annual bonus opportunity shall be 150% of your Base Salary (the "Bonus"). Bonus(es) will be subject to your individual performance and satisfaction of Company objectives, as determined by the Company in its sole discretion.

You will be eligible to participate in any Company provided benefit programs and other policies and fringe benefits which may generally be made available to full-time employees at your level.

On the first business day following the Effective Date on which the Company and you are not subject to a blackout restriction (the "First Trading Day"), the Company shall grant to you the following:

- (i) an option to purchase shares of the Company's common stock, par value \$.001 per share (the "Common Stock"), at an exercise price equal to the closing price of the Common Stock on the Nasdaq Global Select Market on the First Trading Day, with the number of shares of Common Stock subject to such option being that necessary to cause the Black-Scholes-Merton value of such option on the First Trading Day to be equal to \$4,400,000, determined by using inputs consistent with those the Company uses for its financial reporting purposes. Such options shall be subject to the terms and conditions set forth in the Option Agreement attached to this Agreement as Exhibit A.
- (ii) a number of restricted stock units equal to \$1,000,000 divided by the closing price of the Common Stock on the Nasdaq Global Select Market on the First Trading Day. Such restricted stock units shall be subject to the terms and conditions set forth in the Restricted Stock Unit Agreement attached to this Agreement as Exhibit B.

At least sixty (60) days before the fourth (4th) anniversary of the Effective Date, the Company agrees to negotiate in good faith with you regarding an additional equity grant. The Company shall not, however, have any obligation to provide you with any additional equity grants other than those set forth in this Agreement.

You agree to comply in all respects with the Company's employee handbook, including its Code of Ethics and Information Security and Privacy Policies, and all other applicable Company's policies and practices. The Company reserves the right to change any and all of its policies, including its benefit and compensation plans, and the specific duties of your position from time to time.

Your employment at the Company is for no specified period of time. It is an at-will employment relationship, and either you or the Company may terminate the relationship at any time, for any reason, with or without Cause upon thirty (30) days prior written notice by either party, other than in the case of a Cause termination which will be effective immediately upon a notice by the Company.

If the Company terminates your employment without Cause (as defined below), and your employment is not terminated due to your death or Disability (as defined below), or if you terminate your employment for Good Reason (as defined below), then, in addition to your rights under any equity award agreements between you and the Company, you shall be entitled to receive the following as severance (the "Severance Amount") (in addition to any salary, benefits or other sums due to you through your termination date):

(i) an amount equal to your annualized Base Salary then in effect

(ii) an amount equal to the Bonus last paid to you in respect of the fiscal year immediately preceding the fiscal year of termination; and

(iii) continuation of group health insurance benefits for a period of twelve (12) months following your termination date, provided pursuant to Section 4980B of the Internal Revenue Code of 1986 ("COBRA"), and comparable to the terms in effect for the Company's active employees, except that benefits otherwise receivable by you pursuant to this paragraph will be applied against the maximum period of continuation coverage under COBRA; provided that (a) the Company will not provide for cash in lieu of such benefits; (b) you timely complete all required paperwork to continue such benefits pursuant to COBRA; and (c) such coverage, and the Company's agreement to pay for such coverage, shall terminate as of the date that you are eligible for comparable benefits from a new employer. You shall notify the Company within thirty (30) days after becoming eligible for coverage of any such comparable benefits.

The Company's obligations under the preceding paragraph shall be conditioned upon you executing, delivering, and not revoking during any applicable revocation period, a separation agreement, and waiver and release of claims against the Company ("Release"), substantially in the form attached to this Agreement as Exhibit C within forty-five (45) days of the date of termination of your employment. The Severance Amount shall be paid in a lump sum on the sixtieth (60th) day following the date of termination of your employment.

For purposes of this Agreement, "Cause" means the occurrence or existence of any of the following:

- (i) a breach by you of the terms of this Agreement provided that such breach remains uncured, as determined by the Company in its reasonable discretion, after thirty (30) days have elapsed following the date on which the Company gives you written notice of such breach;
 - (ii) performance of your duties in a manner deemed by the Company, in its reasonable discretion, to be negligent;
 - (iii) any act of insubordination, dishonesty, misappropriation, embezzlement, fraud, or other misconduct by you involving the Company or any of its affiliates;
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- (iv) the conviction of or the plea of *nolo contendere* or the equivalent by you of any crime other than a traffic violation;
- (v) any action by you causing damage to or misappropriation to any property of the Company or any of its affiliates;
- (vi) your failure to comply with the policies and procedures of the Company in effect from time to time, including its Code of Ethics and Information and Security Policies; or
- (vii) conduct by you that demonstrates unfitness to serve as an employee of the Company or any of its affiliates including any act, whether or not performed in the workplace, which subjects, or if publicly known, would likely subject the Company or any of its affiliates to public ridicule or embarrassment, or would likely be detrimental or damaging to the Company's or any of its affiliates' reputation or relationships with their subscribers, customers, vendors or employees.

For purposes of this Agreement, "Good Reason" shall mean the continuance of any of the following events (without your prior written consent) for a period of thirty (30) days after delivery to the Company by you of a written notice within thirty (30) days of the occurrence of such event, during which such thirty (30)-day period of continuation the Company shall be afforded an opportunity to cure such event:

(i) any material reduction in, or adverse alteration to, your Base Salary, title, duties or responsibilities from that in effect as of the Effective Date; provided that any reduction in, or alteration to, your duties and responsibilities with respect to the Company's businesses relating to auto remarketing, retail sales and marketing, or winbacks shall not constitute a Good Reason event; or

(ii) any requirement that you report to work at a location more than thirty-five (35) miles from Bethesda, Maryland, for more than ninety (90) days in any calendar year, excluding any requirement that results from the damage or destruction of the Company's office as a result of natural disasters, terrorism, acts of war or God or travel in the ordinary course of business.

For purposes of this Agreement, "Disability" means your incapacity due to physical or mental illness to perform the duties of your position for more than 180 days within any twelve (12) month period.

During your employment and for twelve (12) months following the termination of your employment by you or the Company for any reason (such period, the "Restricted Period"), you will not, directly or indirectly, enter into the employment of, render services to, or otherwise assist, any person or entity engaged in any operations in North America involving the transmission or production of radio programming or any activity that competes with the business of the Company, including, without limitation, telematics (any such person or entity, a "Competitor"). For purposes of this Agreement, the term "radio" shall be defined broadly and shall include traditional radio, terrestrial radio, satellite radio, digital radio, internet broadcasts, internet streaming, internet radio and radio devices and methods now known and hereafter developed. Should any provision of this paragraph be declared unenforceable by a court, then to the extent applicable this paragraph shall be deemed modified to restrict your competition with the Company to the maximum extent of time, scope and geography which the court shall find enforceable, and such paragraph shall be so enforced.

Without limiting the generality of the foregoing, you agree that during your employment you will not negotiate or enter into any discussions, or allow any other person or entity to discuss or negotiate on your behalf, with any Competitor concerning employment with or rendering services to such Competitor. You also agree that during the Restricted Period, you will (i) not call on or otherwise solicit business or

assist others to solicit business from any of the customers or potential customers of the Company as to any product or service that competes with the Company as of the termination date of your employment; and (ii) not solicit or assist others to solicit the employment of or hire any employee of the Company without the prior written consent of the Company. As used herein, "solicit" shall include directly or indirectly requesting, encouraging, enticing, assisting, or causing.

You agree that during your employment and thereafter, you shall not make any statements or comments that could be considered to shed an adverse light on the business or reputation of the Company; provided that the foregoing limitation shall not apply to your compliance with law or legal process.

You shall not accept or receive, either directly or indirectly, money, services or any other valuable consideration (other than your compensation paid directly through the Company's payroll department) in connection with or related to your participation, directly or indirectly, in program material broadcast or transmitted by the Company, or for playing certain content or broadcasting any matter, including references to, or endorsement or identification of, any product, service or content. You shall notify the Company immediately in writing of receipt of any such payment or thing of value or any approaches or overtures made to you by anyone to insert, use or otherwise mention, refer or endorse of any product, service, content or other matter in any programming by the Company.

You represent and warrant that neither you nor any member of your immediate family has any interest, either directly or indirectly, in any record company, retail store, music or video publishing (physical or electronic) company, internet or new technology interests, concert promotion company, professional singers or musicians. Should you or any such family member acquire any such interest (other than an interest acquired solely as a result of the purchase of less than 5% of the equity securities of a publicly traded corporation), such acquisitions shall be promptly reported in writing to the Company's General Counsel. Notwithstanding the foregoing, the Company acknowledges that in the event your son enters into an agreement with a record label, concert promotion company, professional singer or musician, such agreement shall not be considered a violation of this Agreement; provided that such agreement does not interfere with your obligations to the Company under this Agreement.

You acknowledge that in the course of your employment you will occupy a position of trust and confidence. You shall not, except as may be required to perform your duties or as required by applicable law, disclose to others or use, whether directly or indirectly, any Confidential Information. "Confidential Information" shall mean information about the Company's business and operations that is not publicly disclosed by the Company and that was learned by you in the course of your employment by the Company, including any proprietary knowledge, business plans, business strategies, budget information, product plans, patents, trade secrets, data, formulae, sketches, notebooks, blueprints, employee information, pricing and cost data, and client and customer lists and all papers and records (including computer records) of the documents containing such Confidential Information. Confidential Information shall not include information that becomes public other than through disclosure, directly or indirectly, by you or information you are required to disclose by law or legal process (provided that you provide the Company immediately with prior written notice of the legally required disclosure and reasonably cooperate with the Company in seeking a protective order or other appropriate protection of such information if it chooses to do so). You acknowledge that such Confidential Information is specialized, unique in nature and of great value to the Company, and that such information gives the Company a competitive advantage. You agree to deliver or return to the Company, at the Company's request at any time or upon termination of your employment or as soon as possible thereafter, all documents, computer tapes and disks, records, lists, data, drawings, prints, notes and written information (and all copies thereof) furnished by the Company or prepared by you in the course of your employment by the Company.

The results and proceeds of your services (collectively, the “Work Product”) shall be “works made for hire” for the Company under United States Copyright Law and shall be the exclusive property of the Company. You shall promptly execute and deliver all documents necessary to transfer all right, title and interest in the Work Product to the Company. You hereby covenant to the Company that no Work Product will infringe upon or violate any intellectual property rights or any other rights whatsoever of any third parties. To the extent that any of the results and proceeds of your services may not, by operation of law, be “works made for hire,” you hereby assign to the Company ownership of these materials, and the Company shall have the right to obtain and hold in its own name or transfer to others, copyrights, and similar protection which may be available in such materials. Any preexisting works utilized by you in the performance of your duties shall remain your exclusive property.

With respect to any payment or benefits that would be considered deferred compensation subject to Section 409A (“Section 409A”) of the Internal Revenue Code of 1986, as amended (the “Code”), and payable upon or following a termination of employment, a termination of employment shall not be deemed to have occurred unless such termination also constitutes a “separation from service” within the meaning of Section 409A, and the regulations thereunder (a “Separation from Service”), and notwithstanding anything contained herein to the contrary, the date on which such Separation from Service takes place shall be your termination date. Notwithstanding any provisions of this Agreement to the contrary, if you are a “specified employee” (within the meaning of Section 409A and determined pursuant to policies adopted by the Company) at the time of your Separation from Service and if any portion of the payments or benefits to be received by you upon Separation from Service would be considered deferred compensation under Section 409A, amounts that would otherwise be payable pursuant to this Agreement during the six (6)-month period immediately following your Separation from Service and benefits that would otherwise be provided pursuant to this Agreement during the six (6)-month period immediately following your Separation from Service will instead be paid or made available on the earlier of (1) the first (1st) business day of the seventh (7th) month following the date of your Separation from Service and (2) your death. In addition, you acknowledge and agree that you are a manager, and thereby meet the requirements of a “management employee” for purposes of New York’s Broadcast Employees Freedom to Work Act.

To the extent applicable, it is intended that the compensation arrangements under this Agreement be in full compliance with Section 409A (it being understood that certain compensation arrangements under this Agreement are intended not to be subject to Section 409A). The Agreement shall be construed, to the maximum extent permitted, in a manner to give effect to such intention. Notwithstanding anything in this Agreement to the contrary, distributions upon termination of your employment may only be made upon a Separation from Service. Neither the Company nor any of its affiliates shall have any obligation to indemnify or otherwise hold you harmless from any or all such taxes, interest or penalties, or liability for any damages related thereto. You acknowledge that you have been advised to obtain independent legal, tax or other counsel in connection with Section 409A. Each payment under this Agreement shall be regarded as a “separate payment” and not of a series of payments for purposes of Section 409A.

With respect to any amount of business expenses eligible for reimbursement pursuant to Company policy, such expenses will be reimbursed by the Company within thirty (30) days following the date on which the Company receives the applicable invoice from you in accordance with the Company's expense reimbursement policies, but in no event later than the last day of your taxable year following the taxable year in which you incur the related expenses. In no event will the reimbursements or in-kind benefits to be provided by the Company in one taxable year affect the amount of reimbursements or in-kind benefits to be provided in any other taxable year, nor will your right to reimbursement or in-kind benefits be subject to liquidation or exchange for another benefit.

You acknowledge that a portion of the compensation being paid to you by the Company is paid expressly in consideration of the covenants contained herein. You also acknowledge that: (a) the restrictions contained in this Agreement are reasonable in order to protect the legitimate business interests of the Company; (b) a breach by you of any of the terms of this Agreement could result in immediate and irreparable harm to the Company that may not be adequately compensated by a monetary award; and (c) in the event of any such breach, in addition to all of the other remedies available to the Company at law or in equity, it would be reasonable for the Company to seek a restraining order, injunction, a decree of specific performance and/or other equitable relief to ensure compliance with the terms of this Agreement.

You hereby represent and warrant to the Company that you are not now under any contractual or other obligation that is inconsistent with or in conflict with this Agreement or that would prevent, limit, or impair your performance of your job duties or your obligations under this Agreement.

Notwithstanding any other provisions in this Agreement to the contrary, any incentive-based compensation, or any other compensation, paid to you pursuant to this Agreement or any other agreement or arrangement with the Company or any of its affiliates, which is subject to recovery under any law, government regulation or stock exchange listing requirement, will be subject to such deductions and clawback as may be required to be made pursuant to such law, government regulation or stock exchange listing requirement (or any policy adopted by the Company or any of its affiliates pursuant to any such law, government regulation or stock exchange listing requirement).

Notwithstanding any other provisions in this Agreement, in the event that any payment or benefit received or to be received by you (including any payment or benefit received in connection with a change of control of the Company or the termination of your employment, whether pursuant to the terms of this Agreement or any other plan, program, arrangement or agreement) (all such payments and benefits, together, the "Total Payments") would be subject (in whole or part), to any excise tax imposed under Section 4999 of the Code, or any successor provision thereto (the "Excise Tax"), then, after taking into account any reduction in the Total Payments provided by reason of Section 280G of the Code in such other plan, program, arrangement or agreement, the Company will reduce the Total Payments to the extent necessary so that no portion of the Total Payments is subject to the Excise Tax (but in no event to less than zero); provided that the Total Payments will only be reduced if (i) the net amount of such Total Payments, as so reduced (and after subtracting the net amount of federal, state, municipal and local income taxes on such reduced Total Payments and after taking into account the phase out of itemized deductions and personal exemptions attributable to such reduced Total Payments), is greater than or equal to (ii) the net amount of such Total Payments without such reduction (but after subtracting the net amount of federal, state, municipal and local income taxes on such Total Payments and the amount of Excise Tax to which you would be subject in respect of such unreduced Total Payments and after taking into account the phase out of itemized deductions and personal exemptions attributable to such unreduced Total Payments).

In the case of a reduction in the Total Payments, the Total Payments will be reduced in the following order: (i) payments that are payable in cash that are valued at full value under Treasury

Regulation Section 1.280G-1, Q&A 24(a) will be reduced (if necessary, to zero), with amounts that are payable last reduced first; (ii) payments and benefits due in respect of any equity valued at full value under Treasury Regulation Section 1.280G-1, Q&A 24(a), with the highest values reduced first (as such values are determined under Treasury Regulation Section 1.280G-1, Q&A 24) will next be reduced; (iii) payments that are payable in cash that are valued at less than full value under Treasury Regulation Section 1.280G-1, Q&A 24, with amounts that are payable last reduced first, will next be reduced; (iv) payments and benefits due in respect of any equity valued at less than full value under Treasury Regulation Section 1.280G-1, Q&A 24, with the highest values reduced first (as such values are determined under Treasury Regulation Section 1.280G-1, Q&A 24) will next be reduced; and (v) all other non-cash benefits not otherwise described in clauses (ii) or (iv) will be next reduced pro-rata. Any reductions made pursuant to each of clauses (i)-(v) above will be made in the following manner: first, a pro-rata reduction of cash payment and payments and benefits due in respect of any equity not subject to Section 409A, and second, a pro-rata reduction of cash payments and payments and benefits due in respect of any equity subject to Section 409A as deferred compensation.

For purposes of determining whether and the extent to which the Total Payments will be subject to the Excise Tax: (i) no portion of the Total Payments the receipt or enjoyment of which you shall have waived at such time and in such manner as not to constitute a "payment" within the meaning of Section 280G(b) of the Code will be taken into account; (ii) no portion of the Total Payments will be taken into account which, in the opinion of tax counsel ("Tax Counsel") reasonably acceptable to you and selected by the accounting firm which was, immediately prior to the change of control, the Company's independent auditor (the "Auditor"), does not constitute a "parachute payment" within the meaning of Section 280G(b)(2) of the Code (including by reason of Section 280G(b)(4)(A) of the Code) and, in calculating the Excise Tax, no portion of such Total Payments will be taken into account which, in the opinion of Tax Counsel, constitutes reasonable compensation for services actually rendered, within the meaning of Section 280G(b)(4)(B) of the Code, in excess of the "base amount" (as set forth in Section 280G(b)(3) of the Code) that is allocable to such reasonable compensation; and (iii) the value of any non-cash benefit or any deferred payment or benefit included in the Total Payments will be determined by the Auditor in accordance with the principles of Sections 280G(d)(3) and (4) of the Code.

At the time that payments are made under this Agreement, the Company will provide you with a written statement setting forth the manner in which such payments were calculated and the basis for such calculations, including any opinions or other advice the Company received from Tax Counsel, the Auditor, or other advisors or consultants (and any such opinions or advice which are in writing will be attached to the statement). If you object to the Company's calculations, the Company will pay to you such portion of the Total Payments (up to 100% thereof) as you determine is necessary to result in the proper application of the preceding paragraphs. All determinations required by the preceding paragraphs (or requested by either you or the Company in connection with this paragraph) will be at the expense of the Company. The fact that your right to payments or benefits may be reduced by reason of the limitations contained in this paragraph will not of itself limit or otherwise affect any other rights you have under this Agreement.

If you receive reduced payments and benefits by reason of the preceding paragraphs and it is established pursuant to a final determination of the court or an Internal Revenue Service proceeding that you could have received a greater amount without resulting in any Excise Tax, then the Company shall thereafter pay you the aggregate additional amount which could have been paid without resulting in any Excise Tax as soon as reasonably practicable.

This Agreement, and any documents incorporated herein by reference, constitutes the entire agreement between the parties regarding their employment relationship and supersedes any and all prior

agreements, understandings and communications between the parties, including the prior letter between you and the Company dated September 20, 2011, but excluding any equity award agreements between you and the Company. Should any provision of this Agreement be declared invalid or unenforceable, such invalidity or unenforceability shall not affect the remaining provisions hereof.

This Agreement shall be governed by and construed in accordance with the laws of the State of New York. **The parties irrevocably and unconditionally waive the right to a jury trial concerning any dispute between them, including any claims relating to the employment relationship between them or that arise out of or relate to this Agreement.**

If any term of this Agreement conflicts with any practice or policy of the Company, now or in the future, the terms of this Agreement will control. The terms of this Agreement may not be changed except by written agreement signed by you and either the Chief Executive Officer, the Executive Vice President and Chief Administrative Officer, or the General Counsel of the Company.

We ask that you confirm your understanding and acceptance of the terms and conditions contained herein by signing the attached copy of this Agreement and returning it to me as soon as possible.

Sincerely,

/s/ Dara F. Altman

Dara F. Altman
Executive Vice President and
Chief Administrative Officer

I have read this Agreement and understand
and agree to its terms:
this 12th day of August, 2013:

/s/ Stephen R. Cook

STEPHEN R. COOK

SIRIUS XM RADIO INC.
2009 LONG-TERM STOCK INCENTIVE PLAN

STOCK OPTION AGREEMENT
2013 COMPENSATION AWARD

This STOCK OPTION AGREEMENT (this "Agreement"), dated August __, 2013, is between SIRIUS XM RADIO INC., a Delaware corporation (the "Company"), and STEPHEN R. COOK (the "Executive").

1. Grant of Option; Vesting. (a) Subject to the terms and conditions of this Agreement, the Sirius XM Radio 2009 Long-Term Stock Incentive Plan (the "Plan"), and the letter agreement dated August __, 2013 between the Company and the Executive (the "Letter Agreement"), the Company hereby grants to the Executive the right and option (this "Option") to purchase _____ shares of common stock, par value \$0.001 per share, of the Company (the "Shares"), at a price per Share of \$ _____ (the "Exercise Price"). This Option is not intended to qualify as an Incentive Stock Option for purposes of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"). In the case of any stock split, stock dividend or like change in the Shares occurring after the date hereof, the number of Shares and the Exercise Price shall be adjusted as set forth in Section 4(b) of the Plan.

(b) Subject to the terms of this Agreement, this Option shall vest and become exercisable in four (4) equal installments on each of August __, 2014, August __, 2015, August __ 2016 and August __, 2017, subject to the Executive's continued employment on each of these dates.

(c) If the Executive's employment with the Company terminates for any reason, this Option, to the extent not then vested, shall immediately terminate without consideration; provided that if the Executive's employment is terminated (i) due to death or "Disability" (as defined in the Letter Agreement); or (ii) by the Company without "Cause" (as defined in the Letter Agreement); or (iii) by the Executive for "Good Reason" (as defined in the Letter Agreement), then the unvested portion of this Option, to the extent not previously cancelled or forfeited, shall immediately become vested and exercisable. In the event of the termination of the Executive's employment due to Disability, the waiver of the condition contained above that the Executive be an employee of the Company shall be conditioned upon the Executive executing a release in accordance with the Letter Agreement.

2. Term. This Option shall terminate on August __, 2023 (the "Option Expiration Date"); provided that if:

(a) the Executive's employment with the Company is terminated due to the Executive's death or Disability, by the Company without Cause, or by the Executive for Good Reason, the Executive (or his beneficiary, in the case of death) may exercise this Option in full until the first (1st) anniversary of such termination (at which time this Option shall be cancelled), but not later than the Option Expiration Date;

(b) the Executive's employment with the Company is terminated for Cause, this Option shall be cancelled upon the date of such termination; and

(c) the Executive voluntarily terminates his employment with the Company without Good Reason, the Executive may exercise any vested portion of this Option until ninety (90) days following the date of such termination (at which time this Option shall be cancelled), but not later than the Option Expiration Date.

3. Exercise. Subject to Sections 1 and 2 of this Agreement and the terms of the Plan, this Option may be exercised, in whole or in part, in accordance with Section 6 of the Plan.
 4. Change of Control. In the event of a Change of Control, the Option shall be governed by the terms of the Plan; provided that any transactions between the Company, on the one hand, and Liberty Media Corporation and/or any of its affiliates, on the other hand, shall not constitute a Change of Control for purposes of the Plan. Further, any Change of Control that occurred prior to the date hereof shall not affect the vesting and exercise schedule set forth for this Agreement.
 5. Non-transferable. This Option may not be transferred, assigned, pledged or hypothecated in any manner (whether by operation of law or otherwise) other than by will or by the applicable laws of descent and distribution, and shall not be subject to execution, attachment or similar process. Any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of this Option or of any right or privilege conferred hereby shall be null and void.
 6. Withholding. Prior to delivery of the Shares purchased upon exercise of this Option, the Company shall determine the amount of any United States federal, state and local income taxes, if any, which are required to be withheld under applicable law and shall, as a condition of exercise of this Option and delivery of certificates representing the Shares purchased upon exercise of this Option, collect from the Executive the amount of any such taxes in any manner permitted by the Plan.
 7. Rights of the Executive. Neither this Option, the execution of this Agreement nor the exercise of any portion of this Option shall confer upon the Executive any right to, or guarantee of, continued employment by the Company, or in any way limit the right of the Company to terminate the employment of the Executive at any time, subject to the terms of the Letter Agreement or any other similar written agreement between the Company and the Executive.
 8. Professional Advice. The acceptance and exercise of this Option may have consequences under federal and state tax and securities laws that may vary depending upon the individual circumstances of the Executive. Accordingly, the Executive acknowledges that the Executive has been advised to consult his personal legal and tax advisors in connection with this Agreement and this Option.
 9. Agreement Subject to the Plan. This Option and this Agreement are subject to the terms and conditions set forth in the Plan, which terms and conditions are incorporated herein by reference. Capitalized terms used herein but not defined shall have the meaning set forth in the Plan. The Employee acknowledges that a copy of the Plan is posted on the Company's intranet site and the Employee agrees to review it and comply with its terms. This Agreement, the Letter Agreement and the Plan constitute the entire understanding between the Company and the Executive with respect to this Option.
 10. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York without regard to its conflict of laws principles, and shall bind and inure to the benefit of the heirs, executors, personal representatives, successors and assigns of the parties hereto.
 11. Notices. All notices and other communications hereunder shall be in writing and shall be deemed given when delivered personally or when telecopied (with confirmation of transmission received by the sender), three (3) business days after being sent by certified mail, postage prepaid, return receipt requested or one (1) business day after being delivered to a nationally recognized overnight courier with next day delivery specified to the parties at the following addresses (or at such other address for a party as shall be specified by like notice): Company: Sirius XM Radio Inc., 1221 Avenue of the Americas, 36th Floor, New York, New York 10020, Attention: General Counsel; and Executive: Address on file at the office of the Company. Notices sent by email or other electronic means not specifically authorized by this Agreement shall not be effective for any purpose of this Agreement.
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12. Binding Effect. This Agreement has been duly executed and delivered by the Company and constitutes the legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms.

13. Amendment. The rights of the Executive hereunder may not be impaired by any amendment, alteration, suspension, discontinuance or termination of the Plan or this Agreement without the Executive's consent.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.
SIRIUS XM RADIO INC.

By: Exhibit A

Dara F. Altman

Executive Vice President and
Chief Administrative Officer

Exhibit A

STEPHEN R. COOK

SIRIUS XM RADIO INC.
2009 LONG-TERM STOCK INCENTIVE PLAN

RESTRICTED STOCK UNIT AGREEMENT
2013 COMPENSATION AWARD

This RESTRICTED STOCK UNIT AGREEMENT (this “Agreement”), dated August __, 2013, is between SIRIUS XM RADIO INC., a Delaware corporation (the “Company”), and STEPHEN R. COOK (the “Executive”).

1. Grant of RSUs. Subject to the terms and conditions of this Agreement, the Sirius XM Radio 2009 Inc. Long-Term Stock Incentive Plan (the “Plan”), and the letter agreement dated August __, 2013, between the Company and the Executive (the “Letter Agreement”), the Company hereby grants _____ restricted share units (“RSUs”) to the Executive. Each RSU represents the unfunded, unsecured right of the Executive to receive one share of common stock, par value \$.001 per share, of the Company (each, a “Share”) on the date specified in this Agreement. Capitalized terms not otherwise defined herein shall have the same meanings as in the Plan.

2. Dividends. If on any date while RSUs are outstanding the Company shall pay any dividend on the Shares (other than a dividend payable in Shares), the number of RSUs granted to the Executive shall, as of the record date for such dividend payment, be increased by a number of RSUs equal to: (a) the product of (x) the number of RSUs held by the Executive as of such record date, multiplied by (y) the per Share amount of any cash dividend (or, in the case of any dividend payable, in whole or in part, other than in cash, the per Share value of such dividend, as determined in good faith by the Company), divided by (b) the average closing price of a Share on the Nasdaq Global Select Market on the twenty (20) trading days preceding, but not including, such record date. In the case of any dividend declared on Shares that is payable in the form of Shares, the number of RSUs granted to the Executive shall be increased by a number equal to the product of (1) the aggregate number of RSUs held by the Executive on the record date for such dividend, multiplied by (2) the number of Shares (including any fraction thereof) payable as a dividend on a Share. In the case of any other change in the Shares occurring after the date hereof, the number of RSUs shall be adjusted as set forth in Section 4(b) of the Plan.

3. No Rights of a Stockholder. The Executive shall not have any rights as a stockholder of the Company until the Shares have been registered in the Company’s register of stockholders. For purposes of clarity, once an RSU vests and a Share is issued to the Executive pursuant to this Agreement, such RSU is no longer considered an RSU for purposes of this Agreement.

4. Issuance of Shares subject to RSUs. (a) Subject to earlier issuance pursuant to the terms of this Agreement or the Plan, on August __, 2017, the Company shall issue, or cause there to be transferred, to the Executive (or his beneficiary, in the case of death) an amount of Shares representing an equal number of the RSUs granted to the Executive under this Agreement, if the Executive continues to be employed by the Company on August __, 2017.

(b) If the Executive’s employment with Company terminates for any reason, the RSUs shall immediately terminate without consideration; provided that if the Executive’s employment is terminated (i) due to death or “Disability” (as defined in the Letter Agreement); or (ii) by the Company without “Cause” (as defined in the Letter Agreement); or (iii) by the Executive for “Good Reason” (as defined in the Letter Agreement), then the unvested portion of the RSUs, to the extent not previously cancelled or

forfeited, shall immediately become vested and the Company shall issue, or cause there to be transferred, to the Executive (or to the Executive's estate in the case of death) the amount of Shares equal to the number of RSUs granted to the Executive under this Agreement (to the extent not previously transferred, cancelled or forfeited). In the event of the termination of the Executive's employment due to Disability, the waiver of the condition contained above that the Executive be an employee of the Company shall be conditioned upon the Executive executing a release in accordance with the Letter Agreement.

5. Change of Control. In the event of a Change of Control, the RSUs shall be governed by the terms of the Plan; provided that any transactions between the Company, on the one hand, and Liberty Media Corporation and/or any of its affiliates, on the other hand, shall not constitute a Change of Control for purposes of the Plan. Further, any Change of Control that occurred prior to the date hereof shall not affect the vesting and exercise schedule set forth for this Agreement.

6. Non-transferable. The RSUs may not be transferred, assigned, pledged or hypothecated in any manner (whether by operation of law or otherwise) other than by will or by the applicable laws of descent and distribution, and shall not be subject to execution, attachment or similar process. Any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of RSUs or of any right or privilege conferred hereby shall be null and void.

7. Withholding. Prior to delivery of the Shares pursuant to this Agreement, the Company shall determine the amount of any United States federal, state and local income taxes, if any, which are required to be withheld under applicable law and shall, as a condition of delivery of certificates representing the Shares pursuant to this Agreement, collect from the Executive the amount of any such taxes in any manner permitted by the Plan.

8. Rights of the Executive. Neither this Agreement nor the RSUs shall confer upon the Executive any right to, or guarantee of, continued employment by the Company, or in any way limit the right of the Company to terminate the employment of the Executive at any time, subject to the terms of the Letter Agreement or any other similar written agreement between the Company and the Executive.

9. Professional Advice. The acceptance of the RSUs may have consequences under federal and state tax and securities laws that may vary depending upon the individual circumstances of the Executive. Accordingly, the Executive acknowledges that the Executive has been advised to consult his personal legal and tax advisors in connection with this Agreement and the RSUs.

10. Agreement Subject to the Plan. This Agreement and the RSUs are subject to the terms and conditions set forth in the Plan, which terms and conditions are incorporated herein by reference. The Employee acknowledges that a copy of the Plan is posted on the Company's intranet site and the Employee agrees to review it and comply with its terms. This Agreement, the Letter Agreement and the Plan constitute the entire understanding between the Company and the Executive with respect to the RSUs.

11. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, and shall bind and inure to the benefit of the heirs, executors, personal representatives, successors and assigns of the parties hereto.

12. Notices. All notices and other communications hereunder shall be in writing and shall be deemed given when delivered personally or when telecopied (with confirmation of transmission received by the sender), three (3) business days after being sent by certified mail, postage prepaid, return receipt requested or one (1) business day after being delivered to a nationally recognized overnight courier with

next day delivery specified to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

Company: Sirius XM Radio Inc.
1221 Avenue of the Americas
36th Floor
New York, New York 10020
Attention: General Counsel

Executive: Stephen R. Cook
Address on file at the
office of the Company

Notices sent by email or other electronic means not specifically authorized by this Agreement shall not be effective for any purpose of this Agreement.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

SIRIUS XM RADIO INC.

By: Exhibit B
Dara F. Altman
Executive Vice President and
Chief Administrative Officer

Exhibit B
STEPHEN R. COOK

AGREEMENT AND RELEASE

This Agreement and Release, dated as of _____, 20__ (this "Agreement"), is entered into by and between STEPHEN R. COOK (the "Executive") and SIRIUS XM RADIO INC. (the "Company").

The purpose of this Agreement is to completely and finally settle, resolve, and forever extinguish all obligations, disputes and differences arising out of the Executive's employment with and separation from the Company.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained in this Agreement, the Executive and the Company hereby agree as follows:

1. The Executive's employment with the Company is terminated as of _____, 20__ (the "Termination Date").
 2. The Company and the Executive agree that the Executive shall be provided severance pay and other benefits, less all legally required and authorized deductions, in accordance with the terms of the letter agreement between the Executive and the Company dated as of August __, 2013 (the "Letter Agreement"), and the exhibits thereto; provided that no such severance shall be paid if the Executive revokes this Agreement pursuant to Section 4 below. The Executive acknowledges and agrees that he is entering into this Agreement in consideration of such severance benefits and the Company's agreements set forth herein. All vacation pay earned and unused as of the Termination Date will be paid to the Executive as required by law. Except as set forth above, the Executive will not be eligible for any other compensation or benefits following the Termination Date other than any vested accrued benefits under the Company's compensation and benefit plans, and other than the rights, if any, granted to the Executive under the terms of any stock option, restricted stock, or other equity award agreements or plans.
 3. The Executive, for himself, and for his heirs, attorneys, agents, spouse and assigns, hereby waives, releases and forever discharges the Company and its parents, subsidiaries and affiliated companies and its and their predecessors, successors, and assigns, if any, as well as all of their officers, directors and employees, stockholders, agents, servants, representatives, and attorneys, and the predecessors, successors, heirs and assigns of each of them (collectively "Released Parties"), from any and all grievances, claims, demands, causes of action, obligations, damages and/or liabilities of any nature whatsoever, whether known or unknown, suspected or claimed, which the Executive ever had, now has, or claims to have against the Released Parties, by reason of any act or omission occurring before the date hereof, including, without limiting the generality of the foregoing, (a) any act, cause, matter or thing stated, claimed or alleged, or which was or which could have been alleged in any manner against the Released Parties prior to the execution of this Agreement and (b) all claims for any payment under the Letter Agreement; provided that nothing contained in this Agreement shall affect the Executive's rights (i) to indemnification from the Company pursuant to any applicable Company policies; (ii) to coverage under the Company's insurance policies covering officers and directors; (iii) to other benefits which by their express terms extend beyond the Executive's separation from employment; and (iv) under this Agreement, and (c) all claims for discrimination, harassment and/or retaliation, under Title VII of the Civil Rights Act of 1964, as amended, the Civil Rights Act of 1991, as amended, the New York State Human Rights Law, as amended, as well as any and all claims arising out of any alleged contract of employment, whether written, oral, express or implied, or any other federal, state or local civil or human rights or labor law, ordinances, rules, regulations, guidelines, statutes, common law, contract or tort law, arising out of or
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relating to the Executive's employment with and/or separation from the Company, including the termination of his employment on the Termination Date, and/or any events occurring prior to the execution of this Agreement.

4. The Executive specifically waives all rights or claims that he has or may have under the Age Discrimination In Employment Act of 1967, 29 U.S.C. §§ 621-634, as amended ("ADEA"), including, without limitation, those arising out of or relating to the Executive's employment with and/or separation from the Company, the termination of his employment on the Termination Date, and/or any events occurring prior to the execution of this Agreement. In accordance with the ADEA, the Company specifically hereby advises the Executive that: (1) he may and should consult an attorney before signing this Agreement, (2) he has forty-five (45) days to consider this Agreement, and (3) he has seven (7) days after signing this Agreement to revoke this Agreement.

5. Notwithstanding the above, nothing in this Agreement prevents or precludes the Executive from (a) challenging or seeking a determination of the validity of this Agreement under the ADEA; or (b) filing an administrative charge of discrimination under any applicable statute or participating in any investigation or proceeding conducted by a governmental agency.

6. The Executive acknowledges that he has read and understands the foregoing release and executes it voluntarily and without coercion.

7. This release does not affect or impair the Executive's rights with respect to workman's compensation or similar claims under applicable law or any claims under medical, dental, disability, life or other insurance arising prior to the date hereof.

8. The Executive warrants that he has not made any assignment, transfer, conveyance or alienation of any potential claim, cause of action, or any right of any kind whatsoever, including but not limited to, potential claims and remedies for discrimination, harassment, retaliation, or wrongful termination, and that no other person or entity of any kind has had, or now has, any financial or other interest in any of the demands, obligations, causes of action, debts, liabilities, rights, contracts, damages, costs, expenses, losses or claims which could have been asserted by the Executive against the Company or any Released Party.

9. The Executive shall not make any disparaging remarks about the Company, or its parents, subsidiaries and affiliated companies, or its or their officers, agents, employees, practices or products; provided that the Executive may provide truthful and accurate facts and opinions about the Company where required to do so by law. The Company shall not, and shall instruct its officers not to, make any disparaging remarks about the Executive; provided that the Company and its officers may provide truthful and accurate facts and opinions about the Executive where required to do so by law.

10. The parties expressly agree that this Agreement shall not be construed as an admission by any of the parties of any violation, liability or wrongdoing, and shall not be admissible in any proceeding as evidence of or an admission by any party of any violation or wrongdoing. The Company expressly denies any violation of any federal, state, or local statute, ordinance, rule, regulation, order, common law or other law in connection with the employment and termination of employment of the Executive.

11. In the event of a dispute concerning the enforcement of this Agreement, the finder of fact shall have the discretion to award the prevailing party reasonable costs and attorneys' fees incurred in bringing or defending an action, and shall award such costs and fees to the Executive in the event the Executive prevails on the merits of any action brought hereunder.

12. The parties declare and represent that no promise, inducement, or agreement not expressed herein has been made to them.

13. This Agreement in all respects shall be interpreted, enforced and governed under the laws of the State of New York and any applicable federal laws relating to the subject matter of this Agreement. The language of all parts of this Agreement shall in all cases be construed as a whole, according to its fair meaning, and not strictly for or against any of the parties. This Agreement shall be construed as if jointly prepared by the Executive and the Company. Any uncertainty or ambiguity shall not be interpreted against any one party.

14. This Agreement, the Letter Agreement, **[and list any outstanding award agreements]** between the Executive and the Company contain the entire agreement of the parties as to the subject matter hereof. No modification or waiver of any of the provisions of this Agreement shall be valid and enforceable unless such modification or waiver is in writing and signed by the party to be charged, and unless otherwise stated therein, no such modification or waiver shall constitute a modification or waiver of any other provision of this Agreement (whether or not similar) or constitute a continuing waiver.

15. The Executive and the Company represent that they have been afforded a reasonable period of time within which to consider the terms of this Agreement, that they have read this Agreement, and they are fully aware of its legal effects. The Executive and the Company further represent and warrant that they enter into this Agreement knowingly and voluntarily, without any mistake, duress or undue influence, and that they have been provided the opportunity to review this Agreement with counsel of their own choosing. In making this Agreement, each party relies upon his or its own judgment, belief and knowledge, and has not been influenced in any way by any representations or statements not set forth herein regarding the contents hereof by the entities who are hereby released, or by anyone representing them.

16. This Agreement may be executed in counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties. The parties further agree that delivery of an executed counterpart by facsimile shall be as effective as delivery of an originally executed counterpart. This Agreement shall be of no force or effect until executed by all the signatories.

17. The Executive warrants that he will return to the Company all software, computers, computer-related equipment, keys and all materials (including copies) obtained or created by the Executive in the course of his employment with the Company on or before the Termination Date; provided that the Executive will be able to keep his cell phones, blackberries, personal computers, personal rolodex and the like so long as any confidential information is removed from such items.

18. Any existing obligations the Executive has with respect to confidentiality, nonsolicitation of Company clients, nonsolicitation of Company employees and noncompetition with the Company shall remain in full force and effect.

19. Should any provision of this Agreement be declared or be determined by a forum with competent jurisdiction to be illegal or invalid, the validity of the remaining parts, terms or provisions shall not be affected thereby and said illegal or invalid part, term, or provision shall be deemed not to be a part of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the respective dates set forth below.

SIRIUS XM RADIO INC.

Dated: _____

By: Exhibit C

Name:
Title:

Dated: _____

Exhibit C

STEPHEN R. COOK

November 1, 2013

Kathy Thomson
1505 Lynngrove Drive
Manhattan Beach, CA 90266

Dear Kathy:

This letter agreement (this "Letter" or "Agreement") will confirm that Sirius XM Radio Inc. (the "Company" or "Sirius XM") would like to offer you employment on a full-time basis as Executive Vice President, Chief Marketing Officer. The Company anticipates that your services will be performed principally at the Company's office in New York City. If you accept this offer of employment, the terms of this Agreement shall take effect on December 2, 2013 (the "Effective Date") and shall continue until terminated pursuant to the provisions set forth herein.

During your employment with the Company, you shall be paid an annual base salary of \$600,000 (the "Base Salary"), less applicable withholdings, to be paid on a semi-monthly basis through the Company's regular payroll system and subject to any increases that the Company may approve in its sole discretion.

You also will be eligible to participate in any bonus plans generally offered to executive officers of the Company. Your target annual bonus opportunity shall be 150% of your Base Salary (the "Bonus"). Bonus(es) will be subject to your individual performance and satisfaction of Company objectives, as determined by the Company in its sole discretion.

You will be eligible to participate in any Company provided benefit programs and other policies and fringe benefits which may generally be made available to full-time employees at your level. You will also receive a vacation allowance of 160 hours (20 working days) per calendar year, to be accrued and used in accordance with Company policy.

On the first business day on or following the Effective Date on which employees of the Company are not subject to a blackout restriction (the "First Trading Day"), the Company shall grant to you the following:

(i) an option to purchase shares of the Company's common stock, par value \$.001 per share (the "Common Stock"), at an exercise price equal to the closing price of the Common Stock on the Nasdaq Global Select Market on the First Trading Day, with the number of shares of Common Stock subject to such option being that necessary to cause the Black-Scholes-Merton value of such option on the First Trading Day to be equal to \$4,400,000, determined by using inputs consistent with those the Company uses for its financial reporting purposes. Such options shall be subject to the terms and conditions set forth in the Option Agreement attached to this Agreement as Exhibit A.

(ii) a number of restricted stock units equal to \$1,000,000 divided by the closing price of the Common Stock on the Nasdaq Global Select Market on the First Trading Day. Such restricted stock units shall be subject to the terms and conditions set forth in the Restricted Stock Unit Agreement attached to this Agreement as Exhibit B.

(iii) a number of restricted stock units equal to \$500,000 divided by the closing price of the Common Stock on the Nasdaq Global Select Market on the First Trading Day. Such restricted stock units shall be subject to the terms and conditions set forth in the Restricted Stock Unit Agreement attached to this Agreement as Exhibit C.

During your employment with the Company, the Company shall reimburse you for reasonable and necessary business expenses incurred and advanced by you in carrying out your duties under this Agreement, which will include the reasonable costs of coach class air-fare from your home in California to the Company's offices on a weekly basis along with reasonable hotel and meal expenses while at the Company's offices. Such expenses will not be grossed up and must be consistent with the Company's travel and expense reimbursement policy and supported by adequate documentation as requested by the Company.

You agree to comply in all respects with the Company's employee handbook, including its Code of Ethics and Information Security and Privacy Policies, and all other applicable Company's policies and practices. The Company reserves the right to change any and all of its policies, including its benefit and compensation plans, and the specific duties of your position from time to time.

Your employment at the Company is for no specified period of time. It is an at-will employment relationship, and either you or the Company may terminate the relationship at any time, for any reason, with or without Cause (as defined below) and with or without notice.

If the Company terminates your employment without Cause (as defined below), and your employment is not terminated due to your death or Disability (as defined below), or if you terminate your employment for Good Reason (as defined below), then, in addition to your rights under any equity award agreements between you and the Company, you shall be entitled to receive the following as severance (the "Severance Amount") (in addition to any salary, benefits or other sums due to you through your termination date):

(i) an amount equal to your annualized Base Salary then in effect;

(ii) an amount equal to the Bonus last paid to you in respect of the fiscal year immediately preceding the fiscal year of termination; and

(iii) continuation of group health insurance benefits for a period of twelve (12) months following your termination date, provided pursuant to Section 4980B of the Internal Revenue Code of 1986 ("COBRA"), and comparable to the terms in effect for the Company's active employees, except that the benefits otherwise receivable by you pursuant to this paragraph will be applied against the maximum period of continuation coverage under COBRA; provided that (a) the Company will not provide for cash in lieu of such benefits; (b) you timely complete all required paperwork to continue such benefits pursuant to COBRA; and (c) such coverage, and the Company's agreement to pay for such coverage, shall terminate as of the date that you are eligible for comparable benefits from a new employer. You shall notify the Company within thirty (30) days after becoming eligible for coverage of any such comparable benefits.

The Company's obligations under the preceding paragraph shall be conditioned upon you executing, delivering, and not revoking during any applicable revocation period, a separation agreement, and waiver and release of claims against the Company ("Release"), substantially in the form attached to this Agreement as Exhibit D within forty-five (45) days of the date of termination of your employment.

The Severance Amount shall be paid in a lump sum on the sixtieth (60th) day following the date of termination of your employment.

For purposes of this Agreement, "Cause" means the occurrence or existence of any of the following:

- (i) a material breach by you of the terms of this Agreement provided that such material breach remains uncured, as determined by the Company in its reasonable discretion, after thirty (30) days have elapsed following the date on which the Company gives you written notice of such material breach;
- (ii) performance of your duties in a manner deemed by the Company, in its reasonable discretion, to be negligent;
- (iii) any act of insubordination, dishonesty, misappropriation, embezzlement, fraud, or other misconduct by you involving the Company or any of its affiliates;
- (iv) the conviction of or the plea of *nolo contendere* or the equivalent by you of any crime other than a traffic violation;
- (v) any action by you causing material damage to or misappropriation to any property of the Company or any of its affiliates;
- (vi) your material failure to comply with material policies and procedures of the Company in effect from time to time, including its Code of Ethics and Information and Security Policies; or
- (vii) conduct by you that demonstrates unfitness to serve as an employee of the Company or any of its affiliates including any act, whether or not performed in the workplace, which subjects, or if publicly known, would likely subject the Company or any of its affiliates to public ridicule or embarrassment, or would likely be detrimental or damaging to the Company's or any of its affiliates' reputation or relationships with their subscribers, customers, vendors or employees.

For purposes of this Agreement, "Good Reason" shall mean any of the following events: (i) any reduction in your Base Salary; (ii) any material reduction in, or adverse alteration to, your title; (iii) you no longer having responsibility for the Subscriber Retention and Customer Care departments; (iv) you no longer reporting to the Chief Executive Office of the Company; or (v) an adverse alteration to the commuting reimbursement arrangement that you have with the Company (as described on page 2); provided that in each case, such event is without your prior written consent and continues for a period of thirty (30) days after delivery to the Company by you of a written notice within thirty (30) days of the occurrence of such event, during which such thirty (30)-day period of continuation the Company shall be afforded an opportunity to cure such event.

For purposes of this Agreement, "Disability" means your incapacity due to physical or mental illness to perform the duties of your position for more than one hundred and eighty (180) days within any twelve (12) month period.

During your employment and for twelve (12) months following the termination of your employment by you or the Company for any reason (such period, the "Restricted Period"), you will not, directly or indirectly, enter into the employment of, render services to, or otherwise assist, any person or entity engaged in any operations in North America involving the transmission or production of radio programming or any activity that competes with the business of the Company, including, without limitation, the business of telematics (any such person or entity, a "Competitor"). For purposes of this Agreement, the term "radio" shall be defined broadly and shall include traditional radio, terrestrial radio, satellite radio, digital radio, internet broadcasts and internet streaming that are primarily audio based ,

internet radio and radio devices and methods now known and hereafter developed. Should any provision of this paragraph be declared unenforceable by a court, then to the extent applicable this paragraph shall be deemed modified to restrict your competition with the Company to the maximum extent of time, scope and geography which the court shall find enforceable, and such paragraph shall be so enforced.

Without limiting the generality of the foregoing, you agree that during your employment you will not negotiate or enter into any discussions, or allow any other person or entity to discuss or negotiate on your behalf, with any Competitor concerning employment with or rendering services to such Competitor. You also agree that during the Restricted Period, you will (i) not call on or otherwise solicit business or assist others to solicit business from any of the customers or potential customers of the Company as to any product or service that competes with the Company as of the termination date of your employment; and (ii) not solicit or assist others to solicit the employment of or hire any employee of the Company without the prior written consent of the Company. As used herein, "solicit" shall include directly or indirectly requesting, encouraging, enticing, assisting, or causing.

You agree that during your employment and thereafter, you shall not make any statements or comments that could be considered to shed an adverse light on the business, reputation or personnel of the Company; provided that the foregoing limitation shall not apply to your compliance with law or legal process.

You shall not accept or receive, either directly or indirectly, money, services or any other valuable consideration (other than your compensation paid directly through the Company's payroll department) in connection with or related to your participation, directly or indirectly, in program material broadcast or transmitted by the Company, or for playing certain content or broadcasting any matter, including references to, or endorsement or identification of, any product, service or content. You shall notify the Company immediately in writing of receipt of any such payment or thing of value or any approaches or overtures made to you by anyone to insert, use or otherwise mention, refer or endorse of any product, service, content or other matter in any programming by the Company.

You represent and warrant that neither you nor any member of your immediate family has any interest, either directly or indirectly, in any broadcasting company, record company, retail store, music or video publishing (physical or electronic) company, internet or new technology interests, concert promotion company, professional singers or musicians. Should you or any such family member acquire any such interest (other than an interest acquired solely as a result of the purchase of less than 5% of the equity securities of a publicly traded corporation), such acquisitions shall be promptly reported in writing to the Company's General Counsel.

You acknowledge that in the course of your employment you will occupy a position of trust and confidence. You shall not, except as may be required to perform your duties or as required by applicable law, disclose to others or use, whether directly or indirectly, any Confidential Information. "Confidential Information" shall mean information about the Company's business and operations that is not publicly disclosed by the Company and that was learned by you in the course of your employment by the Company, including any proprietary knowledge, business plans, business strategies, budget information, product plans, patents, trade secrets, data, formulae, sketches, notebooks, blueprints, employee information, pricing and cost data, and client and customer lists and all papers and records (including computer records) of the documents containing such Confidential Information. Confidential Information shall not include information that becomes public other than through disclosure, directly or indirectly, by you or information you are required to disclose by law or legal process (provided that you provide the Company immediately with prior written notice of the legally required disclosure and reasonably cooperate with the Company in seeking a protective order or other appropriate protection of such

information if it chooses to do so). You acknowledge that such Confidential Information is specialized, unique in nature and of great value to the Company, and that such information gives the Company a competitive advantage. You agree to deliver or return to the Company, at the Company's request at any time or upon termination of your employment or as soon as possible thereafter, all documents, computer tapes and disks, records, lists, data, drawings, prints, notes and written information (and all copies thereof) furnished by the Company or prepared by you in the course of your employment by the Company.

The results and proceeds of your services (collectively, the "Work Product") shall be "works made for hire" for the Company under United States Copyright Law and shall be the exclusive property of the Company. You shall promptly execute and deliver all documents necessary to transfer all right, title and interest in the Work Product to the Company. You hereby covenant to the Company that no Work Product will infringe upon or violate any intellectual property rights or any other rights whatsoever of any third parties. To the extent that any of the results and proceeds of your services may not, by operation of law, be "works made for hire," you hereby assign to the Company ownership of these materials, and the Company shall have the right to obtain and hold in its own name or transfer to others, copyrights, and similar protection which may be available in such materials. Any preexisting works utilized by you in the performance of your duties shall remain your exclusive property.

With respect to any payment or benefits that would be considered deferred compensation subject to Section 409A ("Section 409A") of the Internal Revenue Code of 1986, as amended (the "Code"), and payable upon or following a termination of employment, a termination of employment shall not be deemed to have occurred unless such termination also constitutes a "separation from service" within the meaning of Section 409A, and the regulations thereunder (a "Separation from Service"), and notwithstanding anything contained herein to the contrary, the date on which such Separation from Service takes place shall be your termination date. Notwithstanding any provisions of this Agreement to the contrary, if you are a "specified employee" (within the meaning of Section 409A and determined pursuant to policies adopted by the Company) at the time of your Separation from Service and if any portion of the payments or benefits to be received by you upon Separation from Service would be considered deferred compensation under Section 409A, amounts that would otherwise be payable pursuant to this Agreement during the six (6)-month period immediately following your Separation from Service and benefits that would otherwise be provided pursuant to this Agreement during the six (6)-month period immediately following your Separation from Service will instead be paid or made available on the earlier of (1) the first (1st) business day of the seventh (7th) month following the date of your Separation from Service and (2) your death.

To the extent applicable, it is intended that the compensation arrangements under this Agreement be in full compliance with Section 409A (it being understood that certain compensation arrangements under this Agreement are intended not to be subject to Section 409A). The Agreement shall be construed, to the maximum extent permitted, in a manner to give effect to such intention. Notwithstanding anything in this Agreement to the contrary, distributions upon termination of your employment may only be made upon a Separation from Service. Neither the Company nor any of its affiliates shall have any obligation to indemnify or otherwise hold you harmless from any or all such taxes, interest or penalties, or liability for any damages related thereto. You acknowledge that you have been advised to obtain independent legal, tax or other counsel in connection with Section 409A. Each payment under this Agreement shall be regarded as a "separate payment" and not of a series of payments for purposes of Section 409A.

With respect to any amount of business expenses eligible for reimbursement pursuant to Company policy, such expenses will be reimbursed by the Company within thirty (30) days following the date on which the Company receives the applicable invoice from you in accordance with the Company's expense reimbursement policies, but in no event later than the last day of your taxable year following the taxable year in which you incur the related expenses. In no event will the reimbursements or in-kind benefits to be provided by the Company in one taxable year affect the amount of reimbursements or in-kind benefits to be provided in any other taxable year, nor will your right to reimbursement or in-kind benefits be subject to liquidation or exchange for another benefit.

You acknowledge that a portion of the compensation being paid to you by the Company is paid expressly in consideration of the covenants contained herein. You also acknowledge that: (a) the restrictions contained in this Agreement are reasonable in order to protect the legitimate business interests of the Company; (b) a breach by you of any of the terms of this Agreement could result in immediate and irreparable harm to the Company that may not be adequately compensated by a monetary award; and (c) in the event of any such breach, in addition to all of the other remedies available to the Company at law or in equity, it would be reasonable for the Company to seek a restraining order, injunction, a decree of specific performance and/or other equitable relief to ensure compliance with the terms of this Agreement.

You hereby represent and warrant to the Company that you are not now under any contractual or other obligations, including any non-compete obligations or non-solicitation provisions, that are inconsistent with or in conflict with this Agreement or that would prevent, limit, restrict, or impair your performance of your job duties or your obligations under this Agreement. In addition, you acknowledge and agree that you are a manager, and thereby meet the requirements of a "management employee" for purposes of New York's Broadcast Employees Freedom to Work Act.

Notwithstanding any other provisions in this Agreement to the contrary, any incentive-based compensation, or any other compensation, paid to you pursuant to this Agreement or any other agreement or arrangement with the Company or any of its affiliates, which is subject to recovery under any law, government regulation or stock exchange listing requirement, will be subject to such deductions and clawback as may be required to be made pursuant to such law, government regulation or stock exchange listing requirement (or any policy adopted by the Company or any of its affiliates pursuant to any such law, government regulation or stock exchange listing requirement).

Notwithstanding any other provisions in this Agreement, in the event that any payment or benefit received or to be received by you (including any payment or benefit received in connection with a change of control of the Company or the termination of your employment, whether pursuant to the terms of this Agreement or any other plan, program, arrangement or agreement) (all such payments and benefits, together, the "Total Payments") would be subject (in whole or part), to any excise tax imposed under Section 4999 of the Code, or any successor provision thereto (the "Excise Tax"), then, after taking into account any reduction in the Total Payments provided by reason of Section 280G of the Code in such other plan, program, arrangement or agreement, the Company will reduce the Total Payments to the extent necessary so that no portion of the Total Payments is subject to the Excise Tax (but in no event to less than zero); provided that the Total Payments will only be reduced if (i) the net amount of such Total Payments, as so reduced (and after subtracting the net amount of federal, state, municipal and local income taxes on such reduced Total Payments and after taking into account the phase out of itemized deductions and personal exemptions attributable to such reduced Total Payments), is greater than or equal to (ii) the net amount of such Total Payments without such reduction (but after subtracting the net amount of federal, state, municipal and local income taxes on such Total Payments and the amount of Excise Tax to which you would be subject in respect of such unreduced Total Payments and after taking into account the phase

out of itemized deductions and personal exemptions attributable to such unreduced Total Payments).

In the case of a reduction in the Total Payments, the Total Payments will be reduced in the following order: (i) payments that are payable in cash that are valued at full value under Treasury Regulation Section 1.280G-1, Q&A 24(a) will be reduced (if necessary, to zero), with amounts that are payable last reduced first; (ii) payments and benefits due in respect of any equity valued at full value under Treasury Regulation Section 1.280G-1, Q&A 24(a), with the highest values reduced first (as such values are determined under Treasury Regulation Section 1.280G-1, Q&A 24) will next be reduced; (iii) payments that are payable in cash that are valued at less than full value under Treasury Regulation Section 1.280G-1, Q&A 24, with amounts that are payable last reduced first, will next be reduced; (iv) payments and benefits due in respect of any equity valued at less than full value under Treasury Regulation Section 1.280G-1, Q&A 24, with the highest values reduced first (as such values are determined under Treasury Regulation Section 1.280G-1, Q&A 24) will next be reduced; and (v) all other non-cash benefits not otherwise described in clauses (ii) or (iv) will be next reduced pro-rata. Any reductions made pursuant to each of clauses (i)-(v) above will be made in the following manner: first, a pro-rata reduction of cash payment and payments and benefits due in respect of any equity not subject to Section 409A, and second, a pro-rata reduction of cash payments and payments and benefits due in respect of any equity subject to Section 409A as deferred compensation.

For purposes of determining whether and the extent to which the Total Payments will be subject to the Excise Tax: (i) no portion of the Total Payments the receipt or enjoyment of which you shall have waived at such time and in such manner as not to constitute a "payment" within the meaning of Section 280G(b) of the Code will be taken into account; (ii) no portion of the Total Payments will be taken into account which, in the opinion of tax counsel ("Tax Counsel") reasonably acceptable to you and selected by the accounting firm which was, immediately prior to the change of control, the Company's independent auditor (the "Auditor"), does not constitute a "parachute payment" within the meaning of Section 280G(b)(2) of the Code (including by reason of Section 280G(b)(4)(A) of the Code) and, in calculating the Excise Tax, no portion of such Total Payments will be taken into account which, in the opinion of Tax Counsel, constitutes reasonable compensation for services actually rendered, within the meaning of Section 280G(b)(4)(B) of the Code, in excess of the "base amount" (as set forth in Section 280G(b)(3) of the Code) that is allocable to such reasonable compensation; and (iii) the value of any non-cash benefit or any deferred payment or benefit included in the Total Payments will be determined by the Auditor in accordance with the principles of Sections 280G(d)(3) and (4) of the Code.

At the time that payments are made under this Agreement, the Company will provide you with a written statement setting forth the manner in which such payments were calculated and the basis for such calculations, including any opinions or other advice the Company received from Tax Counsel, the Auditor, or other advisors or consultants (and any such opinions or advice which are in writing will be attached to the statement). If you object to the Company's calculations, the Company will pay to you such portion of the Total Payments (up to 100% thereof) as you determine is necessary to result in the proper application of the preceding paragraphs. All determinations required by the preceding paragraphs (or requested by either you or the Company in connection with this paragraph) will be at the expense of the Company. The fact that your right to payments or benefits may be reduced by reason of the limitations contained in this paragraph will not of itself limit or otherwise affect any other rights you have under this Agreement.

If you receive reduced payments and benefits by reason of the preceding paragraphs and it is established pursuant to a final determination of the court or an Internal Revenue Service proceeding that you could have received a greater amount without resulting in any Excise Tax, then the Company shall thereafter pay you the aggregate additional amount which could have been paid without resulting in any Excise Tax as soon as reasonably practicable.

This Agreement, and any documents incorporated herein by reference, constitutes the entire agreement between the parties regarding their employment relationship and supersedes any and all prior agreements, understandings and communications between the parties. Should any provision of this Agreement be declared invalid or unenforceable, such invalidity or unenforceability shall not affect the remaining provisions hereof.

This Agreement shall be governed by and construed in accordance with the laws of the State of New York. **The parties irrevocably and unconditionally waive the right to a jury trial concerning any dispute between them, including any claims relating to the employment relationship between them or that arise out of or relate to this Agreement.**

If any term of this Agreement conflicts with any practice or policy of the Company, now or in the future, the terms of this Agreement will control. The terms of this Agreement may not be changed except by written agreement signed by you and either the Chief Executive Officer, the Executive Vice President and Chief Administrative Officer, or the General Counsel of the Company.

We ask that you confirm your understanding and acceptance of the terms and conditions contained herein by signing the attached copy of this Agreement and returning it to me as soon as possible.

Sincerely,

/s/ Dara F. Altman

Dara F. Altman
Executive Vice President and
Chief Administrative Officer

I have read this Agreement and understand
and agree to its terms:
this 2nd day of November, 2013:

/s/ Kathy Thomson

KATHY THOMSON

SIRIUS XM RADIO INC.
2009 LONG-TERM STOCK INCENTIVE PLAN

STOCK OPTION AGREEMENT
2013 COMPENSATION AWARD

This STOCK OPTION AGREEMENT (this “Agreement”), dated November __, 2013, is between SIRIUS XM RADIO INC., a Delaware corporation (the “Company”), and Kathy Thomson (the “Executive”).

1. Grant of Option: Vesting. (a) Subject to the terms and conditions of this Agreement, the Sirius XM Radio Inc. 2009 Long-Term Stock Incentive Plan (the “Plan”), and the letter agreement dated November __, 2013 between the Company and the Executive (the “Letter Agreement”), the Company hereby grants to the Executive the right and option (this “Option”) to purchase up to _____ (_____) shares of common stock, par value \$0.001 per share, of the Company (the “Shares”), at a price per Share of \$ _____ (the “Exercise Price”). This Option is not intended to qualify as an Incentive Stock Option for purposes of Section 422 of the Internal Revenue Code of 1986, as amended. In the case of any stock split, stock dividend or like change in the Shares occurring after the date hereof, the number of Shares and the Exercise Price shall be adjusted as set forth in Section 4(b) of the Plan.

(b) Subject to the terms of this Agreement and/or the Plan, this Option shall vest and become exercisable in four (4) equal installments on each of November __, 2014, November __, 2015, November __ 2016 and November __, 2017, subject to the Executive’s continued employment on each of these dates.

(c) If the Executive’s employment with the Company terminates for any reason, this Option, to the extent not then vested, shall immediately terminate without consideration; provided that if the Executive’s employment is terminated (i) due to death or “Disability” (as defined in the Letter Agreement); or (ii) by the Company without “Cause” (as defined in the Letter Agreement); or (iii) by the Executive for “Good Reason” (as defined in the Letter Agreement), then the unvested portion of this Option, to the extent not previously cancelled or forfeited, shall immediately become vested and exercisable. In the event of the termination of the Executive’s employment due to Disability, the waiver of the condition contained above that the Executive be an employee of the Company shall be conditioned upon the Executive executing a release in accordance with the Letter Agreement.

2. Term. This Option shall terminate on November __, 2023 (the “Option Expiration Date”); provided that if:

- (a) the Executive’s employment with the Company is terminated due to the Executive’s death or Disability, by the Company without Cause, or by the Executive for Good Reason, the Executive (or the Executive’s beneficiary, in the case of death) may exercise this Option in full until the first (1st) anniversary of such termination (at which time this Option shall be cancelled), but not later than the Option Expiration Date;
- (b) the Executive’s employment with the Company is terminated for Cause, this Option shall be cancelled upon the date of such termination; and
- (c) the Executive voluntarily terminates the Executive’s employment with the Company without Good Reason, the Executive may exercise any vested portion of this Option
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until ninety (90) days following the date of such termination (at which time this Option shall be cancelled), but not later than the Option Expiration Date.

3. Exercise. Subject to Sections 1 and 2 of this Agreement and the terms of the Plan, this Option may be exercised, in whole or in part, in accordance with Section 6 of the Plan.
 4. Change of Control. In the event of a Change of Control, the Option shall be governed by the terms of the Plan; provided that any transactions between the Company, on the one hand, and Liberty Media Corporation and/or any of its affiliates, on the other hand, shall not constitute a Change of Control.
 5. Non-transferable. This Option may not be transferred, assigned, pledged or hypothecated in any manner (whether by operation of law or otherwise) other than by will or by the applicable laws of descent and distribution, and shall not be subject to execution, attachment or similar process. Any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of this Option or of any right or privilege conferred hereby shall be null and void.
 6. Withholding. Prior to delivery of the Shares purchased upon exercise of this Option, the Company shall determine the amount of any United States federal, state and local income taxes, if any, which are required to be withheld under applicable law and shall, as a condition of exercise of this Option and delivery of certificates representing the Shares purchased upon exercise of this Option, collect from the Executive the amount of any such taxes in any manner permitted by the Plan.
 7. Rights of the Executive. Neither this Option, the execution of this Agreement nor the exercise of any portion of this Option shall confer upon the Executive any right to, or guarantee of, continued employment by the Company, or in any way limit the right of the Company to terminate the employment of the Executive at any time, subject to the terms of the Letter Agreement or any other similar written agreement between the Company and the Executive.
 8. Professional Advice. The acceptance and exercise of this Option may have consequences under federal and state tax and securities laws that may vary depending upon the individual circumstances of the Executive. Accordingly, the Executive acknowledges that the Executive has been advised to consult the Executive's personal legal and tax advisors in connection with this Agreement and this Option.
 9. Agreement Subject to the Plan. This Option and this Agreement are subject to the terms and conditions set forth in the Plan, which terms and conditions are incorporated herein by reference. Capitalized terms used herein but not defined shall have the meaning set forth in the Plan. The Executive acknowledges that a copy of the Plan is posted on the Company's intranet site and the Executive agrees to review it and comply with its terms. This Agreement, the Letter Agreement and the Plan constitute the entire understanding between the Company and the Executive with respect to this Option.
 10. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York without regard to its conflict of laws principles, and shall bind and inure to the benefit of the heirs, executors, personal representatives, successors and assigns of the parties hereto. **The parties hereby irrevocably and unconditionally consent to submit to the exclusive jurisdiction of the state and federal courts located in the Borough of Manhattan, State of New York, and expressly waive the right to a jury trial, for any actions, suits or proceedings arising out of or relating to this Agreement.**
 11. Notices. All notices and other communications hereunder shall be in writing and shall be deemed given when delivered personally or when telecopied (with confirmation of transmission received by the sender), three (3) business days after being sent by certified mail, postage prepaid, return
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receipt requested or one (1) business day after being delivered to a nationally recognized overnight courier with next day delivery specified to the parties at the following addresses (or at such other address for a party as shall be specified by like notice): Company: Sirius XM Radio Inc., 1221 Avenue of the Americas, 36th Floor, New York, New York 10020, Attention: General Counsel; and Executive: Address on file at the office of the Company. Notices sent by email or other electronic means not specifically authorized by this Agreement shall not be effective for any purpose of this Agreement.

12. Binding Effect. This Agreement has been duly executed and delivered by the Company and constitutes the legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms.

13. Amendment. The rights of the Executive hereunder may not be impaired by any amendment, alteration, suspension, discontinuance or termination of the Plan or this Agreement without the Executive's consent.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.
SIRIUS XM RADIO INC.

By: Exhibit A

Dara F. Altman
Executive Vice President and
Chief Administrative Officer

Exhibit A

KATHY THOMSON

SIRIUS XM RADIO INC.
2009 LONG-TERM STOCK INCENTIVE PLAN
RESTRICTED STOCK UNIT AGREEMENT
2013 COMPENSATION AWARD

This RESTRICTED STOCK UNIT AGREEMENT (this "Agreement"), dated November __, 2013, is between SIRIUS XM RADIO INC., a Delaware corporation (the "Company"), and Kathy Thomson (the "Executive").

1. Grant of RSUs. Subject to the terms and conditions of this Agreement, the Sirius XM Radio Inc. 2009 Long-Term Stock Incentive Plan (the "Plan"), and the letter agreement dated November __, 2013, between the Company and the Executive (the "Letter Agreement"), the Company hereby grants _____ restricted share units ("RSUs") to the Executive. Each RSU represents the unfunded, unsecured right of the Executive to receive one share of common stock, par value \$.001 per share, of the Company (each, a "Share") on the date specified in this Agreement. Capitalized terms not otherwise defined herein shall have the same meanings as in the Plan.

2. Dividends. If on any date while RSUs are outstanding the Company shall pay any dividend on the Shares (other than a dividend payable in Shares), the number of RSUs granted to the Executive shall, as of the record date for such dividend payment, be increased by a number of RSUs equal to: (a) the product of (x) the number of RSUs held by the Executive as of such record date, multiplied by (y) the per Share amount of any cash dividend (or, in the case of any dividend payable, in whole or in part, other than in cash, the per Share value of such dividend, as determined in good faith by the Company), divided by (b) the average closing price of a Share on the Nasdaq Global Select Market on the twenty (20) trading days preceding, but not including, such record date. In the case of any dividend declared on Shares that is payable in the form of Shares, the number of RSUs granted to the Executive shall be increased by a number equal to the product of (1) the aggregate number of RSUs held by the Executive on the record date for such dividend, multiplied by (2) the number of Shares (including any fraction thereof) payable as a dividend on a Share. In the case of any other change in the Shares occurring after the date hereof, the number of RSUs shall be adjusted as set forth in Section 4(b) of the Plan.

3. No Rights of a Stockholder. The Executive shall not have any rights as a stockholder of the Company until the Shares have been registered in the Company's register of stockholders. For purposes of clarity, once an RSU vests and a Share is issued to the Executive pursuant to this Agreement, such RSU is no longer considered an RSU for purposes of this Agreement.

4. Issuance of Shares subject to RSUs. (a) Subject to earlier issuance pursuant to the terms of this Agreement or the Plan, on November __, 2017, the Company shall issue, or cause there to be transferred, to the Executive (or the Executive's beneficiary, in the case of death) an amount of Shares representing an equal number of the RSUs granted to the Executive under this Agreement, if the Executive continues to be employed by the Company on November __, 2017.

(b) If the Executive's employment with Company terminates for any reason, the RSUs shall immediately terminate without consideration; provided that if the Executive's employment is terminated (i) due to death or "Disability" (as defined in the Letter Agreement); or (ii) by the Company without "Cause" (as defined in the Letter Agreement); or (iii) by the Executive for "Good Reason" (as defined in

the Letter Agreement), then the unvested portion of the RSUs, to the extent not previously cancelled or forfeited, shall immediately become vested and the Company shall issue, or cause there to be transferred, to the Executive (or to the Executive's estate in the case of death) the amount of Shares equal to the number of RSUs granted to the Executive under this Agreement (to the extent not previously transferred, cancelled or forfeited). In the event of the termination of the Executive's employment due to Disability, the waiver of the condition contained above that the Executive be an employee of the Company shall be conditioned upon the Executive executing a release in accordance with the Letter Agreement.

5. Change of Control. In the event of a Change of Control, the RSUs shall be governed by the terms of the Plan; provided that any transactions between the Company, on the one hand, and Liberty Media Corporation and/or any of its affiliates, on the other hand, shall not constitute a Change of Control.

6. Non-transferable. The RSUs may not be transferred, assigned, pledged or hypothecated in any manner (whether by operation of law or otherwise) other than by will or by the applicable laws of descent and distribution, and shall not be subject to execution, attachment or similar process. Any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of RSUs or of any right or privilege conferred hereby shall be null and void.

7. Withholding. Prior to delivery of the Shares pursuant to this Agreement, the Company shall determine the amount of any United States federal, state and local income taxes, if any, which are required to be withheld under applicable law and shall, as a condition of delivery of certificates representing the Shares pursuant to this Agreement, collect from the Executive the amount of any such taxes in any manner permitted by the Plan.

8. Rights of the Executive. Neither this Agreement nor the RSUs shall confer upon the Executive any right to, or guarantee of, continued employment by the Company, or in any way limit the right of the Company to terminate the employment of the Executive at any time, subject to the terms of the Letter Agreement or any other similar written agreement between the Company and the Executive.

9. Professional Advice. The acceptance of the RSUs may have consequences under federal and state tax and securities laws that may vary depending upon the individual circumstances of the Executive. Accordingly, the Executive acknowledges that the Executive has been advised to consult the Executive's personal legal and tax advisors in connection with this Agreement and the RSUs.

10. Agreement Subject to the Plan. This Agreement and the RSUs are subject to the terms and conditions set forth in the Plan, which terms and conditions are incorporated herein by reference. The Executive acknowledges that a copy of the Plan is posted on the Company's intranet site and the Executive agrees to review it and comply with its terms. This Agreement, the Letter Agreement and the Plan constitute the entire understanding between the Company and the Executive with respect to the RSUs.

11. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, and shall bind and inure to the benefit of the heirs, executors, personal representatives, successors and assigns of the parties hereto. **The parties hereby irrevocably and unconditionally consent to submit to the exclusive jurisdiction of the state and federal courts located in the Borough of Manhattan, State of New York, and expressly waive the right to a jury trial, for any actions, suits or proceedings arising out of or relating to this Agreement.**

12. Notices. All notices and other communications hereunder shall be in writing and shall be deemed given when delivered personally or when telecopied (with confirmation of transmission received)

by the sender), three (3) business days after being sent by certified mail, postage prepaid, return receipt requested or one (1) business day after being delivered to a nationally recognized overnight courier with next day delivery specified to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

Company: Sirius XM Radio Inc.
 1221 Avenue of the Americas
 36th Floor
 New York, New York 10020
 Attention: General Counsel

Executive: Kathy Thomson
 Address on file at the
 office of the Company

Notices sent by email or other electronic means not specifically authorized by this Agreement shall not be effective for any purpose of this Agreement.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

SIRIUS XM RADIO INC.

By: Exhibit B
 Dara F. Altman
 Executive Vice President and
 Chief Administrative Officer

Exhibit B
 KATHY THOMSON

SIRIUS XM RADIO INC.
2009 LONG-TERM STOCK INCENTIVE PLAN

RESTRICTED STOCK UNIT AGREEMENT
2013 COMPENSATION AWARD

This RESTRICTED STOCK UNIT AGREEMENT (this “Agreement”), dated November __, 2013, is between SIRIUS XM RADIO INC., a Delaware corporation (the “Company”), and Kathy Thomson (the “Executive”).

1. Grant of RSUs. Subject to the terms and conditions of this Agreement, the Sirius XM Radio Inc. 2009 Long-Term Stock Incentive Plan (the “Plan”), and the letter agreement dated November __, 2013, between the Company and the Executive (the “Letter Agreement”), the Company hereby grants _____ restricted share units (“RSUs”) to the Executive. Each RSU represents the unfunded, unsecured right of the Executive to receive one share of common stock, par value \$.001 per share, of the Company (each, a “Share”) on the date specified in this Agreement. Capitalized terms not otherwise defined herein shall have the same meanings as in the Plan.

2. Dividends. If on any date while RSUs are outstanding the Company shall pay any dividend on the Shares (other than a dividend payable in Shares), the number of RSUs granted to the Executive shall, as of the record date for such dividend payment, be increased by a number of RSUs equal to: (a) the product of (x) the number of RSUs held by the Executive as of such record date, multiplied by (y) the per Share amount of any cash dividend (or, in the case of any dividend payable, in whole or in part, other than in cash, the per Share value of such dividend, as determined in good faith by the Company), divided by (b) the average closing price of a Share on the Nasdaq Global Select Market on the twenty (20) trading days preceding, but not including, such record date. In the case of any dividend declared on Shares that is payable in the form of Shares, the number of RSUs granted to the Executive shall be increased by a number equal to the product of (1) the aggregate number of RSUs held by the Executive on the record date for such dividend, multiplied by (2) the number of Shares (including any fraction thereof) payable as a dividend on a Share. In the case of any other change in the Shares occurring after the date hereof, the number of RSUs shall be adjusted as set forth in Section 4(b) of the Plan.

3. No Rights of a Stockholder. The Executive shall not have any rights as a stockholder of the Company until the Shares have been registered in the Company’s register of stockholders. For purposes of clarity, once an RSU vests and a Share is issued to the Executive pursuant to this Agreement, such RSU is no longer considered an RSU for purposes of this Agreement.

4. Issuance of Shares subject to RSUs. (a) Subject to earlier issuance pursuant to the terms of this Agreement or the Plan, the Company shall issue, or cause there to be transferred, to the Executive (or the Executive’s beneficiary, in the case of death) on each of November __, 2014, November __ 2015, November __, 2016 and November __, 2017, an amount of Shares equal to one-fourth (1/4) the number of RSUs granted to the Executive under this Agreement, subject to the Executive’s continued employment on each of these dates.

(b) If the Executive’s employment with Company terminates for any reason, the RSUs shall immediately terminate without consideration; provided that if the Executive’s employment is terminated (i) due to death or “Disability” (as defined in the Letter Agreement); or (ii) by the Company without “Cause” (as defined in the Letter Agreement); or (iii) by the Executive for “Good Reason” (as defined in

the Letter Agreement), then the unvested portion of the RSUs, to the extent not previously cancelled or forfeited, shall immediately become vested and the Company shall issue, or cause there to be transferred, to the Executive (or to the Executive's estate in the case of death) the amount of Shares equal to the number of RSUs granted to the Executive under this Agreement (to the extent not previously transferred, cancelled or forfeited). In the event of the termination of the Executive's employment due to Disability, the waiver of the condition contained above that the Executive be an employee of the Company shall be conditioned upon the Executive executing a release in accordance with the Letter Agreement.

5. Change of Control. In the event of a Change of Control, the RSUs shall be governed by the terms of the Plan; provided that any transactions between the Company, on the one hand, and Liberty Media Corporation and/or any of its affiliates, on the other hand, shall not constitute a Change of Control.

6. Non-transferable. The RSUs may not be transferred, assigned, pledged or hypothecated in any manner (whether by operation of law or otherwise) other than by will or by the applicable laws of descent and distribution, and shall not be subject to execution, attachment or similar process. Any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of RSUs or of any right or privilege conferred hereby shall be null and void.

7. Withholding. Prior to delivery of the Shares pursuant to this Agreement, the Company shall determine the amount of any United States federal, state and local income taxes, if any, which are required to be withheld under applicable law and shall, as a condition of delivery of certificates representing the Shares pursuant to this Agreement, collect from the Executive the amount of any such taxes in any manner permitted by the Plan.

8. Rights of the Executive. Neither this Agreement nor the RSUs shall confer upon the Executive any right to, or guarantee of, continued employment by the Company, or in any way limit the right of the Company to terminate the employment of the Executive at any time, subject to the terms of the Letter Agreement or any other similar written agreement between the Company and the Executive.

9. Professional Advice. The acceptance of the RSUs may have consequences under federal and state tax and securities laws that may vary depending upon the individual circumstances of the Executive. Accordingly, the Executive acknowledges that the Executive has been advised to consult the Executive's personal legal and tax advisors in connection with this Agreement and the RSUs.

10. Agreement Subject to the Plan. This Agreement and the RSUs are subject to the terms and conditions set forth in the Plan, which terms and conditions are incorporated herein by reference. The Executive acknowledges that a copy of the Plan is posted on the Company's intranet site and the Executive agrees to review it and comply with its terms. This Agreement, the Letter Agreement and the Plan constitute the entire understanding between the Company and the Executive with respect to the RSUs.

11. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, and shall bind and inure to the benefit of the heirs, executors, personal representatives, successors and assigns of the parties hereto. **The parties hereby irrevocably and unconditionally consent to submit to the exclusive jurisdiction of the state and federal courts located in the Borough of Manhattan, State of New York, and expressly waive the right to a jury trial, for any actions, suits or proceedings arising out of or relating to this Agreement.**

12. Notices. All notices and other communications hereunder shall be in writing and shall be deemed given when delivered personally or when telecopied (with confirmation of transmission received)

by the sender), three (3) business days after being sent by certified mail, postage prepaid, return receipt requested or one (1) business day after being delivered to a nationally recognized overnight courier with next day delivery specified to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

Company: Sirius XM Radio Inc.
1221 Avenue of the Americas
36th Floor
New York, New York 10020
Attention: General Counsel

Executive: Kathy Thomson
Address on file at the
office of the Company

Notices sent by email or other electronic means not specifically authorized by this Agreement shall not be effective for any purpose of this Agreement.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

SIRIUS XM RADIO INC.

By: Exhibit C
Dara F. Altman
Executive Vice President and
Chief Administrative Officer

Exhibit C
KATHY THOMSON

AGREEMENT AND RELEASE

This Agreement and Release, dated as of _____, 20__ (this "Agreement"), is entered into by and between KATHY THOMSON (the "Executive") and SIRIUS XM RADIO INC. (the "Company").

The purpose of this Agreement is to completely and finally settle, resolve, and forever extinguish all obligations, disputes and differences arising out of the Executive's employment with and separation from the Company.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained in this Agreement, the Executive and the Company hereby agree as follows:

1. The Executive's employment with the Company is terminated as of _____, 20__ (the "Termination Date").
 2. The Company and the Executive agree that the Executive shall be provided severance pay and other benefits, less all legally required and authorized deductions, in accordance with the terms of the letter agreement between the Executive and the Company dated as of November __, 2013 (the "Letter Agreement"), and the exhibits thereto; provided that no such severance shall be paid if the Executive revokes this Agreement pursuant to Section 4 below. The Executive acknowledges and agrees that the Executive is entering into this Agreement in consideration of such severance benefits and the Company's agreements set forth herein. All vacation pay earned and unused as of the Termination Date will be paid to the Executive as required by law. Except as set forth above, the Executive will not be eligible for any other compensation or benefits following the Termination Date other than any vested accrued benefits under the Company's compensation and benefit plans, and other than the rights, if any, granted to the Executive under the terms of any stock option, restricted stock, or other equity award agreements or plans.
 3. The Executive, with the intention of binding the Executive and the Executive's heirs, attorneys, agents, spouse and assigns, hereby waives, releases and forever discharges the Company and its parents, subsidiaries and affiliated companies and its and their predecessors, successors, and assigns, if any, as well as all of their officers, directors and employees, stockholders, agents, servants, representatives, and attorneys, and the predecessors, successors, heirs and assigns of each of them (collectively "Released Parties"), from any and all grievances, claims, demands, causes of action, obligations, damages and/or liabilities of any nature whatsoever, whether known or unknown, suspected or claimed, which the Executive ever had, now has, or claims to have against the Released Parties, by reason of any act or omission occurring up until the time the Executive executes this Agreement, including, without limiting the generality of the foregoing, (a) any act, cause, matter or thing stated, claimed or alleged, or which was or which could have been alleged in any manner against the Released Parties prior to the execution of this Agreement and (b) all claims for any payment under the Letter Agreement; provided that nothing contained in this Agreement shall affect the Executive's rights (i) to indemnification from the Company pursuant to any applicable Company policies; (ii) to coverage under the Company's insurance policies covering officers and directors; (iii) to other benefits which by their express terms extend beyond the Executive's separation from employment; and (iv) under this Agreement, and (c) all claims for discrimination, harassment and/or retaliation, under Title VII of the Civil Rights Act of 1964, as amended, the Civil Rights Act of 1991, as amended, the New York State Human Rights Law, as amended, as well as any and all claims arising out of any alleged contract of employment, whether
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written, oral, express or implied, or any other federal, state or local civil or human rights or labor law, ordinances, rules, regulations, guidelines, statutes, common law, contract or tort law, arising out of or relating to the Executive's employment with and/or separation from the Company, including the termination of the Executive's employment on the Termination Date, and/or any events occurring prior to the execution of this Agreement.

4. The Executive specifically waives all rights or claims that the Executive has or may have under the Age Discrimination In Employment Act of 1967, 29 U.S.C. §§ 621-634, as amended ("ADEA"), including, without limitation, those arising out of or relating to the Executive's employment with and/or separation from the Company, the termination of the Executive's employment on the Termination Date, and/or any events occurring prior to the execution of this Agreement. In accordance with the ADEA, the Company specifically hereby advises the Executive that: (1) the Executive may and should consult an attorney before signing this Agreement, (2) the Executive has forty-five (45) days to consider this Agreement, and (3) the Executive has seven (7) days after signing this Agreement to revoke this Agreement.

5. Notwithstanding the above, nothing in this Agreement prevents or precludes the Executive from (a) challenging or seeking a determination of the validity of this Agreement under the ADEA; or (b) filing an administrative charge of discrimination under any applicable statute or participating in any investigation or proceeding conducted by a governmental agency.

6. The Executive acknowledges that the Executive has read and understands the foregoing release and executes it voluntarily and without coercion.

7. This release does not affect or impair the Executive's rights with respect to workman's compensation or similar claims under applicable law or any claims under medical, dental, disability, life or other insurance arising prior to the date hereof.

8. The Executive warrants that the Executive has not made any assignment, transfer, conveyance or alienation of any potential claim, cause of action, or any right of any kind whatsoever, including but not limited to, potential claims and remedies for discrimination, harassment, retaliation, or wrongful termination, and that no other person or entity of any kind has had, or now has, any financial or other interest in any of the demands, obligations, causes of action, debts, liabilities, rights, contracts, damages, costs, expenses, losses or claims which could have been asserted by the Executive against the Company or any Released Party.

9. The Executive shall not make any disparaging remarks about the Company, or its parents, subsidiaries and affiliated companies, or its or their officers, agents, employees, practices or products; provided that the Executive may provide truthful and accurate facts and opinions about the Company where required to do so by law. The Company shall not, and shall instruct its officers not to, make any disparaging remarks about the Executive; provided that the Company and its officers may provide truthful and accurate facts and opinions about the Executive where required to do so by law.

10. The parties expressly agree that this Agreement shall not be construed as an admission by any of the parties of any violation, liability or wrongdoing, and shall not be admissible in any proceeding as evidence of or an admission by any party of any violation or wrongdoing. The Company expressly denies any violation of any federal, state, or local statute, ordinance, rule, regulation, order, common law or other law in connection with the employment and termination of employment of the Executive.

11. In the event of a dispute concerning the enforcement of this Agreement, the finder of fact shall have the discretion to award the prevailing party reasonable costs and attorneys' fees incurred in bringing or defending an action, and shall award such costs and fees to the Executive in the event the Executive prevails on the merits of any action brought hereunder.

12. The parties declare and represent that no promise, inducement, or agreement not expressed herein has been made to them.

13. This Agreement in all respects shall be interpreted, enforced and governed under the laws of the State of New York and any applicable federal laws relating to the subject matter of this Agreement. The language of all parts of this Agreement shall in all cases be construed as a whole, according to its fair meaning, and not strictly for or against any of the parties. This Agreement shall be construed as if jointly prepared by the Executive and the Company. Any uncertainty or ambiguity shall not be interpreted against any one party. **The parties hereby irrevocably and unconditionally consent to submit to the exclusive jurisdiction of the state and federal courts located in the Borough of Manhattan, State of New York, and expressly waive the right to a jury trial, for any actions, suits or proceedings arising out of or relating to this Agreement.**

14. This Agreement, the Letter Agreement, [and list any outstanding award agreements] between the Executive and the Company contain the entire agreement of the parties as to the subject matter hereof. No modification or waiver of any of the provisions of this Agreement shall be valid and enforceable unless such modification or waiver is in writing and signed by the party to be charged, and unless otherwise stated therein, no such modification or waiver shall constitute a modification or waiver of any other provision of this Agreement (whether or not similar) or constitute a continuing waiver.

15. The Executive and the Company represent that they have been afforded a reasonable period of time within which to consider the terms of this Agreement, that they have read this Agreement, and they are fully aware of its legal effects. The Executive and the Company further represent and warrant that they enter into this Agreement knowingly and voluntarily, without any mistake, duress or undue influence, and that they have been provided the opportunity to review this Agreement with counsel of their own choosing. In making this Agreement, each party relies upon its own judgment, belief and knowledge, and has not been influenced in any way by any representations or statements not set forth herein regarding the contents hereof by the entities who are hereby released, or by anyone representing them.

16. This Agreement may be executed in counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties. The parties further agree that delivery of an executed counterpart by facsimile shall be as effective as delivery of an originally executed counterpart. This Agreement shall be of no force or effect until executed by all the signatories.

17. The Executive warrants that the Executive will return to the Company all software, computers, computer-related equipment, keys and all materials (including copies) obtained or created by the Executive in the course of the Executive's employment with the Company on or before the Termination Date; provided that the Executive will be able to keep the Executive's cell phones, blackberries, personal computers, personal rolodex and the like so long as any confidential information is removed from such items.

18. Any existing obligations the Executive has with respect to confidentiality, nonsolicitation of Company clients, nonsolicitation of Company employees and noncompetition with the Company shall remain in full force and effect.

19. Should any provision of this Agreement be declared or be determined by a forum with competent jurisdiction to be illegal or invalid, the validity of the remaining parts, terms or provisions shall not be affected thereby and said illegal or invalid part, term, or provision shall be deemed not to be a part of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the respective dates set forth below.

SIRIUS XM RADIO INC.

Dated: _____ By: Exhibit D
Name:
Title:

Dated: _____ Exhibit D
KATHY THOMSON

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (this "Agreement"), dated as of November 22, 2016 (the "Effective Date"), is between SIRIUS XM RADIO INC., a Delaware corporation (the "Company"), and PATRICK L. DONNELLY (the "Executive").

WHEREAS, the Company and the Executive previously entered into an employment agreement dated as of January 10, 2014 (the "Prior Agreement"); and

WHEREAS, the Company and the Executive jointly desire to enter into this Agreement, which shall replace and supersede the Prior Agreement in its entirety, to reflect the terms and conditions of the Executive's continued employment with the Company.

In consideration of the mutual covenants and conditions set forth herein, the Company and the Executive agree as follows:

1. Employment. Subject to the terms and conditions of this Agreement, the Company hereby employs the Executive, and the Executive hereby agrees to continue his employment with the Company.
 2. Duties and Reporting Relationship. (a) The Executive shall continue his employment as the Executive Vice President, General Counsel and Secretary of the Company and serve as the Executive Vice President, General Counsel and Secretary of Sirius XM Holdings Inc. ("Holdings"). In such capacity, the Executive shall be responsible for the legal affairs of the Company and Holdings, including all legal aspects of their obligations as reporting companies under the Securities Exchange Act of 1934, as amended; and the selection, hiring and supervision of outside counsel for the companies. During the Term (as defined below), the Executive shall, on a full-time basis and consistent with the needs of the Company and Holdings, use his skills and render services to the best of his ability. The Executive shall perform such activities and duties consistent with his position as the Chief Executive Officer of the Company and Holdings (the "CEOs") shall from time to time reasonably specify and direct. During the Term, the Executive shall not perform any consulting services for, or engage in any other business enterprises with, any third parties without the express written consent of the Chief Executive Officer of the Company and Holdings, other than passive investments.
 - (b) The Executive shall generally perform his duties and conduct his business at the principal offices of the Company in New York, New York.
 - (c) Unless otherwise required by law, administrative regulation or the listing standards of the exchange on which Holdings' shares are primarily traded, the Executive shall report solely and directly to the CEOs.
 - (d) Notwithstanding anything contained in this Agreement, under no circumstances shall the Company or Holdings be considered to have breached this Agreement or to have terminated the Executive's employment with or without Cause (as defined below), or shall a Good Reason event (as defined below) be deemed to have occurred, solely as a result of Holdings merging with and/or into the Company, Liberty Media Corporation, any Qualified Distribution Transferee (as defined in the Investment Agreement, dated as of February 17, 2009, between Holdings and Liberty Radio LLC, as amended) or any of their wholly-owned subsidiaries, or any entity wholly owned jointly by any of the foregoing.
 3. Term. The term of this Agreement shall commence on the Effective Date and shall end on November 22, 2019, unless terminated earlier pursuant to the provisions of Section 6 or extended in accordance with Section 6(f)(v) (as applicable, the "Term").
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4. Compensation. (a) During the Term, the Executive shall be paid an annual base salary of \$875,000, which may be subject to any increase from time to time by recommendation of the CEOs to, and approval by, the Board of Directors of Holdings (the “Board”) or any committee thereof (such amount, as increased, the “Base Salary”). All amounts paid to the Executive under this Agreement shall be in U.S. dollars. The Base Salary shall be paid at least monthly and, at the option of the Company, may be paid more frequently.

(b) On November 22, 2016, the Executive shall be granted the following:

(i) an option to purchase shares of Holdings’ common stock, par value \$.001 per share (the “Common Stock”), at an exercise price equal to the closing price of the Common Stock on the Nasdaq Global Select Market on November 22, 2016, with the number of shares of Common Stock subject to such option being that necessary to cause the Black-Scholes-Merton value of such option on such day to be equal to \$1,500,000, determined by using inputs consistent with those Holdings uses for its financial reporting purposes. Such option shall be subject to the terms and conditions set forth in the Option Agreement attached to this Agreement as Exhibit A;

(ii) a number of restricted stock units equal to \$1,500,000, divided by the closing price of the Common Stock on the Nasdaq Global Select Market on November 22, 2016. Such restricted stock units shall be subject to the terms and conditions set forth in the Restricted Stock Unit Agreement attached to this Agreement as Exhibit B; and

(iii) a number of performance-based restricted stock units equal to \$3,000,000, divided by the closing price of the Common Stock on the Nasdaq Global Select Market on November 22, 2016. Such performance-based restricted stock units shall be subject to the terms and conditions set forth in the Performance-Based Restricted Stock Unit Agreement attached to this Agreement as Exhibit C.

(c) All compensation paid to the Executive hereunder shall be subject to any payroll and withholding deductions required by applicable law, including, as and where applicable, federal, New York state and New York City income tax withholding, federal unemployment tax and social security (FICA).

5. Additional Compensation: Expenses and Benefits. (a) During the Term, the Company shall reimburse the Executive for all reasonable and necessary business expenses incurred and advanced by him in carrying out his duties under this Agreement; provided that such expenses are incurred in accordance with the policies and procedures established by the Company. The Executive shall present to the Company an itemized account of all expenses in such form as may be required by the Company from time to time.

(b) During the Term, the Executive shall be eligible to participate fully in any other benefit plans, programs, policies and fringe benefits which may be made available to the executive officers of the Company and Holdings generally, including, without limitation, disability, medical, dental and life insurance and benefits under the Company’s or Holdings’ 401(k) savings plan and deferred compensation plan.

(c) During the Term, the Executive shall be eligible to participate in any bonus plans generally offered to executive officers of the Company and/or Holdings. The Executive’s annual bonus (the “Bonus”), if any, shall be determined annually by the CEOs, the Board or the compensation committee of the Board (the “Compensation Committee”). Bonus(es) may be subject to the Executive’s individual performance and satisfaction of objectives established by the CEOs, the Board or the Compensation Committee, and further are subject to the exercise of discretion by the CEOs and review and approval by the Compensation Committee. Bonus(es), if any, shall be paid in the form of cash.

6. Termination. The date upon which the Executive’s employment with the Company under this Agreement is deemed to be terminated in accordance with any of the provisions of this Section 6 is referred to herein as the “Termination Date.” With respect to any payment or benefits that would be considered deferred compensation subject to Section 409A (“Section 409A”) of the Internal Revenue

Code of 1986, as amended (the “Code”), and which are payable upon or following a termination of employment, a termination of employment shall not be deemed to have occurred unless such termination also constitutes a “separation from service” within the meaning of Section 409A and the regulations thereunder (a “Separation from Service”), and notwithstanding anything contained herein to the contrary, the date on which a Separation from Service takes place shall be the Termination Date.

(a) The Company has the right and may elect to terminate this Agreement for Cause at any time. For purposes of this Agreement, “Cause” means the occurrence or existence of any of the following:

(i) (A) a material breach by the Executive of the terms of this Agreement, (B) a material breach by the Executive of the Executive’s duty not to engage in any transaction that represents, directly or indirectly, self-dealing with the Company, Holdings or any of their affiliates (which, for purposes hereof, shall mean any individual, corporation, partnership, association, limited liability company, trust, estate, or other entity or organization directly or indirectly controlling, controlled by, or under direct or indirect common control with the Company or Holdings) which has not been approved by a majority of the disinterested directors of the Board, or (C) the Executive’s violation of the Company’s or Holdings’ Code of Ethics, or any other written Company or Holdings’ policy that is communicated to the Executive in a similar manner as such policy is communicated to other employees of the Company or Holdings, which is demonstrably and materially injurious to the Company or Holdings, if any such material breach or violation described in clauses (A), (B) or (C), to the extent curable, remains uncured after fifteen (15) days have elapsed following the date on which the Company gives the Executive written notice of such material breach or violation;

(ii) the Executive’s act of dishonesty, misappropriation, embezzlement, intentional fraud, or similar intentional misconduct by the Executive involving the Company, Holdings or any of their affiliates;

(iii) the Executive’s conviction or the plea of *nolo contendere* or the equivalent in respect of a felony;

(iv) any damage of a material nature to any property of the Company, Holdings or any of their affiliates caused by the Executive’s willful misconduct or gross negligence;

(v) the repeated nonprescription use of any controlled substance or the repeated use of alcohol or any other non-controlled substance that, in the reasonable good faith opinion of the Board, renders the Executive unfit to serve as an officer of the Company, Holdings or their affiliates;

(vi) the Executive’s failure to comply with the CEOs’ reasonable written instructions on a material matter within five (5) days, unless such instructions conflict with the Executive’s duties to the Board; or

(vii) conduct by the Executive that, in the reasonable good faith written determination of the Board, demonstrates unfitness to serve as an officer of the Company, Holdings or their affiliates, including but not limited to a finding by the Board or any judicial or regulatory authority that the Executive committed acts of unlawful harassment or violated any other state, federal or local law or ordinance prohibiting discrimination in employment.

(b) Termination of the Executive for Cause pursuant to Section 6(a) shall be communicated by a Notice of Termination for Cause. For purposes of this Agreement, a “Notice of Termination for Cause” shall mean delivery to the Executive of a copy of a resolution or resolutions duly adopted by the affirmative vote of not less than a majority of the directors present (in person or by teleconference) and voting at a meeting of the Board called and held for that purpose after fifteen (15) days’ notice to the Executive (which notice the Company shall use reasonable efforts to confirm that the Executive has actually received and which notice for purposes of Section 6(a) may be delivered, in addition to the requirements set forth in Section 17, through the use of electronic mail) and a reasonable

opportunity for the Executive, together with the Executive's counsel, to be heard before the Board prior to such vote, finding that in the good faith opinion of the Board, the Executive committed the conduct set forth in any of clauses (i) through (vii) of Section 6(a) and specifying the particulars thereof in reasonable detail. For purposes of Section 6(a), this Agreement shall terminate on the date specified by the Board in the Notice of Termination for Cause.

(c) (i) This Agreement and the Executive's employment shall terminate upon the death of the Executive.

(ii) If the Executive is unable to perform the essential duties and functions of his position because of a disability, even with a reasonable accommodation, for one hundred eighty (180) days within any three hundred sixty-five (365)-day period ("Disability"), the Company shall have the right and may elect to terminate the services of the Executive by a Notice of Disability Termination. The Executive shall not be terminated following a Disability except pursuant to this Section 6(c)(ii). For purposes of this Agreement, a "Notice of Disability Termination" shall mean a written notice that sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under this Section 6(c)(ii). For purposes of this Agreement, no such purported termination shall be effective without such Notice of Disability Termination. This Agreement and the Executive's employment shall terminate on the day such Notice of Disability Termination is received by the Executive.

(d) The Executive shall have the absolute right to terminate his employment at any time with or without Good Reason (as defined below). Should the Executive wish to resign from his position with the Company and Holdings during the Term for other than Good Reason, the Executive shall give at least fourteen (14) days' prior written notice to the Company. This Agreement shall terminate on the effective date of the resignation set forth in the notice of resignation; provided that the Company may, at its sole discretion, instruct that the Executive perform no job responsibilities and cease his active employment immediately upon receipt of such notice from the Executive. Further, any resignation by the Executive of his position with the Company shall be deemed a resignation of his position with Holdings (and vice versa).

(e) The Company shall have the absolute right to terminate the Executive's employment without Cause at any time. This Agreement shall terminate one (1) day following receipt of such notice by the Executive; provided that the Company may, at its sole discretion, instruct that the Executive cease active employment and perform no more job duties immediately upon provision of such notice to the Executive.

(f) Should the Executive wish to resign from his position with the Company and Holdings for Good Reason during the Term, the Executive shall give at least seven (7) days' prior written notice to the Company. This Agreement shall terminate on the date specified in such notice; provided that the Company may, at its sole discretion, instruct that the Executive cease active employment and perform no more job duties immediately upon receipt of such notice from the Executive. Further, any resignation by the Executive of his position with the Company shall be deemed a resignation of his position with Holdings (and vice versa).

For purposes of this Agreement, "Good Reason" shall mean the continuance of any of the following events (without the Executive's prior written consent) for a period of thirty (30) days after delivery to the Company by the Executive of a written notice within ninety (90) days of the Executive becoming aware of the initial occurrence of such event, during which thirty (30) day period of continuation the Company and Holdings shall be afforded an opportunity to cure such event (and provided that the Executive's effective date of resignation for Good Reason is within one hundred thirty-five (135) days of the Good Reason event):

(i) the assignment to the Executive by the Company or Holdings of duties not reasonably consistent with the Executive's positions, duties, responsibilities, titles or offices on the

Effective Date, any material reduction in the Executive's duties or responsibilities as described in Section 2 (provided that any reduction in the Executive's duties and responsibilities with respect to the Company's customer care department shall not constitute a Good Reason event) or any removal of the Executive from or any failure to re-elect the Executive to any of such positions or the Executive not being the most senior executive, other than the CEOs, who is responsible for all legal matters and legal personnel of the Company and Holdings (except in connection with the termination of the Executive's employment for Cause, Disability or as a result of the Executive's death or by the Executive other than for Good Reason); or

(ii) the Executive ceasing to report solely and directly to the CEOs (unless otherwise required by Section 2(c) hereof); or

(iii) any requirement that the Executive report for work to a location more than twenty-five (25) miles from the Company's current headquarters for more than thirty (30) days in any calendar year, excluding any requirement that results from the damage or destruction of the Company's current headquarters as a result of natural disasters, terrorism, acts of war or acts of God or travel in the ordinary course of business; or

(iv) any reduction in the Base Salary; or

(v) the Company's failure to make a *bona fide* offer in writing to renew this Agreement, for at least an additional one (1)-year term, on terms and conditions at least as favorable as those set forth in this Agreement (including the Base Salary set forth in Section 4(a), but excluding any equity-based compensation set forth in Section 4(b)), at least ninety (90) days prior to (x) the third (3rd) anniversary of the Effective Date and (y) each subsequent anniversary of the Effective Date on which this Agreement is otherwise scheduled to expire; provided that (for purposes of this clause (y) only) this Agreement has been renewed on the previous anniversary of the Effective Date on which this Agreement was otherwise scheduled to expire; or

(vi) any material breach by the Company of this Agreement.

(g) (i) If the employment of the Executive is terminated by the Company for Cause, by the Executive other than for Good Reason or due to death or Disability, the Executive (or his estate in the case of death) shall, in lieu of any future payments or benefits under this Agreement, be entitled to (A) any earned but unpaid Base Salary and any business expenses incurred but not reimbursed, in each case, prior to the Termination Date and (B) any other vested benefits under any other benefit or incentive plans or programs in accordance with the terms of such plans and programs (collectively, the "Accrued Payments and Benefits").

(ii) If, during the Term, the employment of the Executive is terminated by the Company without Cause or if the Executive terminates his employment for Good Reason, then, subject to Section 6(h), the Executive shall have an absolute and unconditional right to receive, and the Company shall pay to the Executive without setoff, counterclaim or other withholding, except as set forth in Section 4(c), the following:

(A) the Accrued Payments and Benefits;

(B) a lump sum amount equal to the sum of (x) the Executive's annualized Base Salary then in effect and (y) an amount in cash equal to the greater of (I) \$1,312,500 or (II) the Bonus last paid (or due and payable) to the Executive, with such lump sum amount to be paid on the sixtieth (60th) day following the Termination Date;

(C) the continuation for eighteen (18) months, at the Company's expense (by direct payment, not reimbursement to the Executive), of medical and dental benefits in a manner that will not be taxable to the Executive (the "Medical Severance Benefit"); and

(D) life insurance benefits on the same terms as provided by the Company for active employees for one (1) year following the Termination Date; provided that (I) the Company's cost for such life insurance shall not exceed twice the amount that the Company would have paid to provide such life insurance benefit to the Executive if he were an active employee on the Termination Date, and (II) such life insurance coverage shall cease if the Executive obtains a life insurance benefit from another employer during the remainder of such one (1)-year period.

(h) The Company's obligations under Section 6(g)(ii) shall be conditioned upon the Executive executing, delivering, and not revoking during the applicable revocation period a waiver and release of claims against the Company and Holdings, substantially in the form attached as Exhibit D (the "Release"), within sixty (60) days following the Termination Date.

(i) Notwithstanding any provisions of this Agreement to the contrary, if the Executive is a "specified employee" (within the meaning of Section 409A and determined pursuant to policies adopted by the Company and Holdings) at the time of his Separation from Service and if any portion of the payments or benefits to be received by the Executive upon Separation from Service would be considered deferred compensation under Section 409A ("Nonqualified Deferred Compensation"), amounts that would otherwise be payable pursuant to this Agreement during the six (6)-month period immediately following the Executive's Separation from Service that constitute Nonqualified Deferred Compensation and benefits that would otherwise be provided pursuant to this Agreement during the six (6)-month period immediately following the Executive's Separation from Service that constitute Nonqualified Deferred Compensation will instead be paid or made available on the earlier of (x) the first (1st) business day of the seventh (7th) month following the date of the Executive's Separation from Service and (y) the Executive's death.

(j) Unless prohibited by applicable law or the terms of the Company's applicable medical or dental insurance plan, in the case of any termination of the Executive's employment (other than due to the Executive's death or by the Company for Cause), the Executive and his eligible dependents shall be entitled to participate in the Company's medical and dental insurance plans until the third (3rd) anniversary of the date of termination of the Executive's employment or, if earlier, until the date of the Executive's death (as applicable, the "Medical Continuation Period"); provided that the Executive shall be solely responsible for the full payment of both the employee and employer portions of the premiums with respect to the continued insurance coverage after the expiration of the Medical Severance Benefit, if applicable, as contemplated by this Section 6(j) at the applicable COBRA rates in effect from time to time with respect to the Company's medical and dental insurance plans; and provided further that, in the event that either (i) the terms of the Company's applicable medical or dental insurance plan prohibit participation by the Executive or his eligible dependents or (ii) the Company is unable, after using its commercially reasonable efforts, to secure a stop-loss insurance policy that covers claims with respect to the continued insurance coverage contemplated by this Section 6(j) in excess of not more than 150% of the cost of stop-loss insurance coverage for the then-current employees of the Company, then the Company shall, in lieu of the applicable continued insurance coverage contemplated by this Section 6(j), obtain comparable coverage for the Executive and his eligible dependents at no additional cost to the Executive for the duration of the Medical Continuation Period, provided that the cost to provide such comparable coverage shall not exceed three (3) times the amount that the Company would have paid to provide such coverage to the Executive as if he were an active employee. The Company shall not amend any applicable medical or insurance plan primarily for the purpose of defeating the Executive's rights as set forth in this Section 6(j).

(k) Following the termination of the Executive's employment for any reason, if and to the extent requested by the Board, the Executive agrees to resign, as may then be applicable, from the Board, all fiduciary positions (including, without limitation, as trustee) and all other offices and positions the Executive holds with the Company, Holdings or any of their affiliates; provided that if the Executive

refuses to tender the Executive's resignation after the Board has made such request, then the Board will be empowered to remove the Executive from such offices and positions.

7. Nondisclosure of Confidential Information. (a) The Executive acknowledges that in the course of his employment he will occupy a position of trust and confidence. The Executive shall not, except in connection with the proper performance of his functions or as required by applicable law, disclose to others or use, directly or indirectly, any Confidential Information.

(b) "Confidential Information" shall mean information about the Company's and Holdings' (and their affiliates') business and operations that is not disclosed by the Company or Holdings (or their affiliates) for financial reporting purposes and that was learned by the Executive in the course of his employment by the Company or Holdings, including, without limitation, any business plans, product plans, strategy, budget information, proprietary knowledge, patents, trade secrets, data, formulae, sketches, notebooks, blueprints, information and client and customer lists and all papers and records (including but not limited to computer records) of the documents containing such Confidential Information, other than information that is publicly disclosed by the Company or Holdings (or their affiliates) in writing. The Executive acknowledges that such Confidential Information is specialized, unique in nature and of great value to the Company and Holdings, and that such information gives the Company and Holdings a competitive advantage. The Executive agrees to deliver or return to the Company, at the Company's request at any time or upon termination or expiration of his employment or as soon as possible thereafter, all documents, computer tapes and disks, records, lists, data, drawings, prints, notes and written information (and all copies thereof) furnished by or on behalf of the Company or Holdings or prepared by the Executive in the course of his employment by the Company and Holdings; provided that the Executive will be able to keep his cell phones, personal computers, personal contact list and the like so long as any Confidential Information is removed from such items.

(c) Nothing in this Agreement will prohibit or restrict the Executive from responding to any inquiry, or otherwise communicating with, any federal, state or local administrative or regulatory agency or authority or participating in an investigation conducted by any governmental agency or authority. The Executive cannot be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or that is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. As a result, the Company, Holdings and the Executive shall have the right to disclose trade secrets in confidence to federal, state, and local government officials, or to an attorney, for the sole purpose of reporting or investigating a suspected violation of law. Each of the Company, Holdings and the Executive also shall have the right to disclose trade secrets in a document filed in a lawsuit or other proceeding, but only if the filing is made under seal and protected from public disclosure. Nothing in this Agreement is intended to conflict with that right or to create liability for disclosures of trade secrets that are expressly allowed by the foregoing.

(d) The provisions of this Section 7 shall survive indefinitely.

8. Covenant Not to Compete. During the Executive's employment with the Company and during the Restricted Period (as defined below), the Executive shall not, directly or indirectly, enter into the employment of, render services to, or acquire any interest whatsoever in (whether for his own account as an individual proprietor, or as a partner, associate, stockholder, officer, director, consultant, trustee or otherwise), or otherwise assist any person or entity engaged in the distribution, production, transmission or streaming of radio programming or any activity that directly competes with the business of the Company, including, but not limited to, telematics (each, a "Competitive Activity"); provided that nothing in this Agreement shall prevent the purchase or ownership by the Executive by way of investment of less than five (5) percent of the shares or equity interest of any corporation or other entity. Without limiting the generality of the foregoing, the Executive agrees that during the Restricted Period, the Executive shall not call on or otherwise solicit business or assist others to solicit business from any of the

customers of the Company as to any product or service that competes with any product or service provided or marketed by the Company on the date of the Executive's termination of employment with the Company (the "Milestone Date"). The Executive agrees that during the Restricted Period he will not solicit or assist others to solicit the employment of or hire any employee of Holdings, the Company, any of their respective subsidiaries or Liberty Media Corporation without the prior written consent of the Company. For purposes of this Agreement, the "Restricted Period" shall mean a period of one (1) year following the Milestone Date. For purposes of this Agreement, the term "radio" shall be defined broadly and shall include terrestrial radio, satellite radio, HD radio, internet radio and other audio delivered terrestrially, by satellite, HD or the internet, and any and all forms and mediums of audio distribution now existing or hereafter developed. Notwithstanding anything to the contrary in this Section 8, it shall not be a violation of this Section 8 for the Executive to join a division or business line of a commercial enterprise with multiple divisions or business lines if such division or business line is not engaged in a Competitive Activity; provided that the Executive performs services solely for such non-competitive division or business line.

9. Change of Control Provisions. (a) Notwithstanding any other provisions in this Agreement, in the event that any payment or benefit received or to be received by the Executive (including but not limited to any payment or benefit received in connection with a change of control of the Company or Holdings or the termination of the Executive's employment, whether pursuant to the terms of this Agreement or any other plan, program, arrangement or agreement) (all such payments and benefits, together, the "Total Payments") would be subject (in whole or part), to any excise tax imposed under Section 4999 of the Code, or any successor provision thereto (the "Excise Tax"), then, after taking into account any reduction in the Total Payments provided by reason of Section 280G of the Code in such other plan, program, arrangement or agreement, the Company will reduce the Total Payments to the extent necessary so that no portion of the Total Payments is subject to the Excise Tax (but in no event to less than zero); provided that the Total Payments will only be reduced if (i) the net amount of such Total Payments, as so reduced (and after subtracting the net amount of federal, state, municipal, and local income and employment taxes on such reduced Total Payments and after taking into account the phase out of itemized deductions and personal exemptions attributable to such reduced Total Payments), is greater than or equal to (ii) the net amount of such Total Payments without such reduction (but after subtracting the net amount of federal, state, municipal, and local income and employment taxes on such Total Payments and the amount of Excise Tax to which the Executive would be subject in respect of such unreduced Total Payments and after taking into account the phase out of itemized deductions and personal exemptions attributable to such unreduced Total Payments).

(b) In the case of a reduction in the Total Payments, the Total Payments will be reduced in the following order: (i) payments that are payable in cash that are valued at full value under Treasury Regulation Section 1.280G-1, Q&A 24(a) will be reduced (if necessary, to zero), with amounts that are payable last reduced first; (ii) payments and benefits due in respect of any equity valued at full value under Treasury Regulation Section 1.280G-1, Q&A 24(a), with the highest values reduced first (as such values are determined under Treasury Regulation Section 1.280G-1, Q&A 24), will next be reduced; (iii) payments that are payable in cash that are valued at less than full value under Treasury Regulation Section 1.280G-1, Q&A 24, with amounts that are payable last reduced first, will next be reduced; (iv) payments and benefits due in respect of any equity valued at less than full value under Treasury Regulation Section 1.280G-1, Q&A 24, with the highest values reduced first (as such values are determined under Treasury Regulation Section 1.280G-1, Q&A 24) will next be reduced; and (v) all other non-cash benefits not otherwise described in clauses (ii) or (iv) will be next reduced pro-rata. Any reductions made pursuant to each of clauses (i)-(v) above will be made in the following manner: first, a pro-rata reduction of cash payment and payments and benefits due in respect of any equity not subject to Section 409A, and second, a pro-rata reduction of cash payments and payments and benefits due in respect of any equity subject to Section 409A as deferred compensation.

(c) For purposes of determining whether and the extent to which the Total Payments will be subject to the Excise Tax: (i) no portion of the Total Payments the receipt or enjoyment of which the Executive shall have waived at such time and in such manner as not to constitute a “payment” within the meaning of Section 280G(b) of the Code will be taken into account; (ii) no portion of the Total Payments will be taken into account which, in the opinion of tax counsel (“Tax Counsel”) reasonably acceptable to the Executive and selected by the accounting firm which was, immediately prior to the change of control, the Company’s independent auditor (the “Auditor”), does not constitute a “parachute payment” within the meaning of Section 280G(b)(2) of the Code (including without limitation by reason of Section 280G(b)(4)(A) of the Code) and, in calculating the Excise Tax, no portion of such Total Payments will be taken into account which, in the opinion of Tax Counsel, constitutes reasonable compensation for services actually rendered, within the meaning of Section 280G(b)(4)(B) of the Code (including, without limitation, any portion of such Total Payments equal to the value of the covenant included in Section 8, as determined by the Auditor or such other accounting, consulting or valuation firm selected by the Company prior to the change of control and reasonably acceptable to the Executive), in excess of the “base amount” (as set forth in Section 280G(b)(3) of the Code) that is allocable to such reasonable compensation; and (iii) the value of any non-cash benefit or any deferred payment or benefit included in the Total Payments will be determined by the Auditor in accordance with the principles of Sections 280G(d)(3) and (4) of the Code.

(d) At the time that payments are made under this Agreement, the Company will provide the Executive with a written statement setting forth the manner in which such payments were calculated and the basis for such calculations, including but not limited to any opinions or other advice the Company or Holdings received from Tax Counsel, the Auditor, or other advisors or consultants (and any such opinions or advice which are in writing will be attached to the statement). If the Executive objects to the Company’s calculations, the Company will pay to the Executive such portion of the Total Payments (up to 100% thereof) as the Executive determines is necessary to result in the proper application of this Section 9. All determinations required by this Section 9 (or requested by either the Executive or the Company in connection with this Section 9) will be at the expense of the Company. The fact that the Executive’s right to payments or benefits may be reduced by reason of the limitations contained in this Section 9 will not of itself limit or otherwise affect any other rights of the Executive under this Agreement.

(e) If the Executive receives reduced payments and benefits by reason of this Section 9 and it is established pursuant to a determination of a court which is not subject to review or as to which the time to appeal has expired, or pursuant to an Internal Revenue Service proceeding, that the Executive could have received a greater amount without resulting in any Excise Tax, then the Company shall thereafter pay the Executive the aggregate additional amount which could have been paid without resulting in any Excise Tax as soon as reasonably practicable.

10. Remedies. The Executive and the Company agree that damages for breach of any of the covenants under Sections 7 and 8 will be difficult to determine and inadequate to remedy the harm which may be caused thereby, and therefore consent that these covenants may be enforced by temporary or permanent injunction without the necessity of bond. The Executive believes, as of the date of this Agreement, that the provisions of this Agreement are reasonable and that the Executive is capable of gainful employment without breaching this Agreement. However, should any court or arbitrator decline to enforce any provision of Section 7 or 8, this Agreement shall, to the extent applicable in the circumstances before such court or arbitrator, be deemed to be modified to restrict the Executive’s

competition with the Company to the maximum extent of time, scope and geography which the court or arbitrator shall find enforceable, and such provisions shall be so enforced.

11. Indemnification. The Company shall indemnify the Executive to the full extent provided in the Company's and Holdings' respective Certificates of Incorporation and Bylaws and the law of the State of Delaware in connection with his activities as an officer of the Company and Holdings.

12. Entire Agreement. The provisions contained herein constitute the entire agreement between the parties with respect to the subject matter hereof and supersede any and all prior agreements, understandings and communications between the parties, oral or written, with respect to such subject matter, including but not limited to the Prior Agreement, but excluding any equity award agreements between the Executive and the Company or Holdings. Nothing herein is intended to supersede or waive obligations of the Executive to comply with any assignment of invention provisions applicable to the Executive under the Code of Ethics or any assignment of invention agreement(s) between the Company and the Executive.

13. Modification. Any waiver, alteration, amendment or modification of any provisions of this Agreement shall not be valid unless in writing and signed by both the Executive and the Company.

14. Severability. If any provision of this Agreement shall be declared to be invalid or unenforceable, in whole or in part, such invalidity or unenforceability shall not affect the remaining provisions hereof, which shall remain in full force and effect.

15. Assignment. The Executive may not assign any of his rights or delegate any of his duties hereunder without the prior written consent of the Company. The Company may not assign any of its rights or delegate any of its obligations hereunder without the prior written consent of the Executive, except that any successor to the Company or Holdings by merger or purchase of all or substantially all of the Company's or Holdings' assets shall assume this Agreement.

16. Binding Effect. This Agreement shall be binding upon and inure to the benefit of the successors in interest of the Executive and the Company.

17. Notices. All notices and other communications required or permitted hereunder shall be made in writing and shall be deemed effective when delivered personally or transmitted by facsimile transmission, one (1) business day after deposit with a nationally recognized overnight courier (with next day delivery specified) and five (5) days after mailing by registered or certified mail:

if to the Company:

Sirius XM Radio Inc.
1290 Avenue of the Americas
11th Floor
New York, New York 10104
Attention: Chief Executive Officer
Telecopier: (212) 584-5353

if to the Executive:

Address on file at the offices
of the Company

or to such other person or address as either party shall furnish in writing to the other party from time to time.

18. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts made and to be performed entirely within the State of New York.

19. Non-Mitigation. The Executive shall not be required to mitigate damages or seek other employment in order to receive compensation or benefits under Section 6; nor shall the amount of any benefit or payment provided for under Section 6 be reduced by any compensation earned by the Executive as the result of employment by another employer.

20. Arbitration. (a) The Executive and the Company agree that if a dispute arises concerning or relating to the Executive's employment with the Company or Holdings, or the termination of the Executive's employment, such dispute shall be submitted to binding arbitration under the rules of the American Arbitration Association regarding resolution of employment disputes in effect at the time such dispute arises. The arbitration shall take place in New York, New York, before a single experienced arbitrator licensed to practice law in New York and selected in accordance with the American Arbitration Association rules and procedures. Except as provided below, the Executive and the Company agree that this arbitration procedure will be the exclusive means of redress for any disputes relating to or arising from the Executive's employment with the Company or Holdings or his termination, including but not limited to disputes over rights provided by federal, state, or local statutes, regulations, ordinances, and common law, including all laws that prohibit discrimination based on any protected classification. **The parties expressly waive the right to a jury trial, and agree that the arbitrator's award shall be final and binding on both parties, and shall not be appealable.** The arbitrator shall have the discretion to award monetary and other damages, and any other relief that the arbitrator deems appropriate and is allowed by law. The arbitrator shall also have the discretion to award the prevailing party reasonable costs and attorneys' fees incurred in bringing or defending an action, and shall award such costs and fees to the Executive in the event the Executive prevails on the merits of any action brought hereunder.

(b) The Company shall pay the cost of any arbitration proceedings under this Agreement if the Executive prevails in such arbitration on at least one substantive issue.

(c) The Company and the Executive agree that the sole dispute that is excepted from Section 20(a) is an action seeking injunctive relief from a court of competent jurisdiction regarding enforcement and application of Sections 7, 8 or 10, which action may be brought in addition to, or in place of, an arbitration proceeding in accordance with Section 20(a).

21. Compliance with Section 409A. (a) To the extent applicable, it is intended that the compensation arrangements under this Agreement be in full compliance with Section 409A (it being understood that certain compensation arrangements under this Agreement are intended not to be subject to Section 409A). This Agreement shall be construed, to the maximum extent permitted, in a manner to give effect to such intention. Notwithstanding anything in this Agreement to the contrary, distributions upon termination of the Executive's employment that constitute Nonqualified Deferred Compensation may only be made upon a Separation from Service. Neither the Company nor any of its affiliates shall have any obligation to indemnify or otherwise hold the Executive harmless from any or all such taxes, interest or penalties, or liability for any damages related thereto. The Executive acknowledges that he has been advised to obtain independent legal, tax or other counsel in connection with Section 409A.

(b) With respect to any amount of expenses eligible for reimbursement under this Agreement, such expenses will be reimbursed by the Company within thirty (30) days following the date on which the Company receives the applicable invoice from the Executive in accordance with the Company's expense reimbursement policies, but in no event later than the last day of the Executive's taxable year following the taxable year in which the Executive incurs the related expenses. In no event will the reimbursements or in-kind benefits to be provided by the Company in one taxable year affect the amount of reimbursements or in-kind benefits to be provided in any other taxable year, nor will the Executive's right to reimbursement or in-kind benefits be subject to liquidation or exchange for another benefit.

(c) Each payment under this Agreement shall be regarded as a "separate payment" and not one of a series of payments for purposes of Section 409A.

22. Counterparts. This Agreement may be executed in counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other party.

23. Executive's Representation. The Executive hereby represents and warrants to the Company that he is not now under any contractual or other obligation that is inconsistent with or in conflict with this Agreement or that would prevent, limit, or impair the Executive's performance of his obligations under this Agreement.

24. Survivorship. Upon the expiration or other termination of this Agreement or the Executive's employment with the Company, the respective rights and obligations of the parties hereto shall survive to the extent necessary to carry out the intentions of the parties under this Agreement.

25. Clawback Provisions. Notwithstanding any other provisions in this Agreement to the contrary, any incentive-based compensation, or any other compensation, paid to the Executive pursuant to this Agreement or any other agreement or arrangement with the Company, Holdings or any of their affiliates, which is subject to recovery under any law, government regulation or stock exchange listing requirement, will be subject to such deductions and clawback as may be required to be made pursuant to such law, government regulation or stock exchange listing requirement (or any policy adopted by the Company, Holdings or any of their affiliates pursuant to, but only to the extent required by, any such law, government regulation or stock exchange listing requirement).

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.
SIRIUS XM RADIO INC.

By: /s/ Dara F. Altman

Dara F. Altman
Executive Vice President and Chief
Administrative Officer

/s/ Patrick Donnelly

PATRICK L. DONNELLY

THIS OPTION MAY NOT BE TRANSFERRED EXCEPT BY WILL OR UNDER THE LAWS OF DESCENT AND DISTRIBUTION.

SIRIUS XM HOLDINGS INC. 2015 LONG-TERM STOCK INCENTIVE PLAN

STOCK OPTION AGREEMENT

This STOCK OPTION AGREEMENT (this "Agreement"), dated November 22, 2016, is between SIRIUS XM HOLDINGS INC., a Delaware corporation (the "Company"), and PATRICK L. DONNELLY (the "Executive").

1. Grant of Option; Vesting. (a) Subject to the terms and conditions of this Agreement, the Sirius XM Holdings Inc. 2015 Long-Term Stock Incentive Plan (the "Plan"), and the Employment Agreement, dated as of November 22, 2016, between Sirius XM Radio Inc. ("Sirius XM") and the Executive (the "Employment Agreement"), the Company hereby grants to the Executive the right and option (this "Option") to purchase _____ (_____) shares Number to be computed in accordance with Section 4(b)(i) of the Employment Agreement. of common stock, par value \$0.001 per share, of the Company (the "Shares"), at a price per Share of \$ _____ (the "Exercise Price"). Closing price on November 22, 2016. This Option is not intended to qualify as an Incentive Stock Option for purposes of Section 422 of the Internal Revenue Code of 1986, as amended. In the case of any stock split, stock dividend or like change in the Shares occurring after the date hereof, the number of Shares and the Exercise Price shall be adjusted as set forth in Section 4(b) of the Plan.

(b) Subject to the terms of this Agreement, this Option shall vest and become exercisable in three (3) equal installments on November 22, 2017, November 22, 2018, and November 22, 2019, subject to the Executive's continued employment with Sirius XM on each of these dates other than as specifically stated herein.

(c) If the Executive's employment with Sirius XM terminates for any reason, this Option, to the extent not then vested, shall immediately terminate without consideration; provided that if the Executive's employment with Sirius XM is terminated (x) due to death or "Disability" (as defined in the Employment Agreement), (y) by Sirius XM without "Cause" (as defined in the Employment Agreement), or (z) by the Executive for "Good Reason" (as defined in the Employment Agreement), the unvested portion of this Option, to the extent not previously cancelled or forfeited, shall immediately become vested and exercisable. The foregoing condition that the Executive be an employee of Sirius XM shall, in the event of the termination of the Executive's employment with Sirius XM due to death or Disability, by Sirius XM without Cause or by the Executive for Good Reason, be waived by the Company provided that the Executive (or his estate in the case of death) executes a release in accordance with Section 6(h) of the Employment Agreement.

2. Term. This Option shall terminate on November 22, 2026 (the "Option Expiration Date"); provided that if:

a. the Executive's employment with Sirius XM is terminated due to the Executive's death or Disability, by Sirius XM without Cause, or by the Executive for Good Reason, the Executive (or his beneficiary, in the case of death) may exercise this Option in full until the first (1st) anniversary of such termination (at which time this Option shall be cancelled), but not later than the Option Expiration Date;

b. the Executive's employment with Sirius XM is terminated for Cause, this Option shall be cancelled upon the date of such termination; and

c. the Executive voluntarily terminates his employment with Sirius XM without Good Reason, the Executive may exercise any vested portion of this Option until ninety (90) days following the date of such termination (at which time this Option shall be cancelled), but not later than the Option Expiration Date.

3. Exercise. Subject to Sections 1 and 2 of this Agreement and the terms of the Plan, this Option may be exercised, in whole or in part, in accordance with Section 6 of the Plan.

4. Change of Control. In the event of a Change of Control, this Option shall be governed by the terms of the Plan; provided that any transactions between the Company, Sirius XM and/or any of their respective wholly-owned subsidiaries, on the one hand, and Liberty Media Corporation, any Qualified Distribution Transferee (as defined in the Investment Agreement, dated as of February 17, 2009, between the Company and Liberty Radio LLC, as amended) and/or any of their respective wholly-owned subsidiaries, on the other hand, shall not constitute a Change of Control under the Plan.

5. Non-transferable. This Option may not be transferred, assigned, pledged or hypothecated in any manner (whether by operation of law or otherwise) other than by will or by the applicable laws of descent and distribution, and shall not be subject to execution, attachment or similar process. Any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of this Option or of any right or privilege conferred hereby shall be null and void.

6. Withholding. Prior to delivery of the Shares purchased upon exercise of this Option, the Company shall determine the amount of any United States federal, state and local income taxes, if any, which are required to be withheld under applicable law and shall, as a condition of exercise of this Option and delivery of the Shares purchased upon exercise of this Option, collect from the Executive the amount of any such tax to the extent not previously withheld. The Executive may satisfy his withholding obligations in the manner contemplated by Section 16(e) of the Plan.

7. Rights of the Executive. Neither this Option, the execution of this Agreement nor the exercise of any portion of this Option shall confer upon the Executive any right to, or guarantee of, continued employment by Sirius XM, or in any way limit the right of Sirius XM to terminate employment of the Executive at any time, subject to the terms of the Employment Agreement or any other written employment or similar agreement between or among Sirius XM, the Company and the Executive.

8. Professional Advice. The acceptance and exercise of this Option may have consequences under federal and state tax and securities laws that may vary depending upon the individual circumstances of the Executive. Accordingly, the Executive acknowledges that the Executive has been advised to consult his personal legal and tax advisors in connection with this Agreement and this Option.

9. Agreement Subject to the Plan. This Option and this Agreement are subject to the terms and conditions set forth in the Plan, which terms and conditions are incorporated herein by reference. Capitalized terms used herein but not defined shall have the meaning set forth in the Plan. The Executive acknowledges that a copy of the Plan is posted on Sirius XM's intranet site and the Executive agrees to review it and comply with its terms. This Agreement, the Employment Agreement and the Plan constitute the entire understanding between or among the Company, Sirius XM and the Executive with respect to this Option.

10. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, and shall bind and inure to the benefit of the heirs, executors, personal representatives, successors and assigns of the parties hereto. Any disputes arising from or relating to this Agreement shall be subject to arbitration pursuant to Section 20 of the Employment Agreement.

11. Notices. All notices and other communications hereunder shall be in writing and shall be deemed given when delivered personally or when telecopied (with confirmation of transmission received by the sender), three (3) business days after being sent by certified mail, postage prepaid, return receipt requested or one (1) business day after being delivered to a nationally recognized overnight courier with next day delivery specified to the parties at the following addresses (or at such other address for a

party as shall be specified by like notice): Company: Sirius XM Holdings Inc., 1290 Avenue of the Americas, 11th Floor, New York, New York 10104, Attention: Chief Executive Officer; and Executive: Address on file at the office of the Company. Notices sent by email or other electronic means not specifically authorized by this Agreement shall not be effective for any purpose of this Agreement.

12. Binding Effect. This Agreement has been duly executed and delivered by the Company and constitutes the legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms.

13. Amendment. The rights of the Executive hereunder may not be impaired by any amendment, alteration, suspension, discontinuance or termination of the Plan or this Agreement without the Executive's consent.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

SIRIUS XM HOLDINGS INC.

By: Exhibit A

Dara F. Altman
Executive Vice President and Chief

Administrative Officer

Exhibit A

PATRICK L. DONNELLY

THE RSUs HAVE NOT BEEN REGISTERED UNDER STATE OR FEDERAL SECURITIES LAWS. THE RSUs MAY NOT BE TRANSFERRED EXCEPT BY WILL OR UNDER THE LAWS OF DESCENT AND DISTRIBUTION.

SIRIUS XM HOLDINGS INC.
2015 LONG-TERM STOCK INCENTIVE PLAN

RESTRICTED STOCK UNIT AGREEMENT

This RESTRICTED STOCK UNIT AGREEMENT (this "Agreement"), dated November 22, 2016, is between SIRIUS XM HOLDINGS INC., a Delaware corporation (the "Company"), and PATRICK L. DONNELLY (the "Executive").

1. Grant of RSUs. Subject to the terms and conditions of this Agreement, the Sirius XM Holdings Inc. 2015 Long-Term Stock Incentive Plan (the "Plan"), and the Employment Agreement, dated as of November 22, 2016, between Sirius XM Radio Inc. ("Sirius XM") and the Executive (the "Employment Agreement"), the Company hereby grants _____ Number to be determined in accordance with Section 4(b)(ii) of the Employment Agreement. restricted share units ("RSUs") to the Executive. Each RSU represents the unfunded, unsecured right of the Executive to receive one share of common stock, par value \$.001 per share, of the Company (each, a "Share") on the date specified in this Agreement. Capitalized terms not otherwise defined herein shall have the same meanings as in the Plan.

2. Dividends. If on any date while RSUs are outstanding the Company shall pay any dividend on the Shares (other than a dividend payable in Shares), the number of RSUs granted to the Executive shall, as of the record date for such dividend payment, be increased by a number of RSUs equal to: (a) the product of (x) the number of RSUs held by the Executive as of such record date, multiplied by (y) the per Share amount of any cash dividend (or, in the case of any dividend payable, in whole or in part, other than in cash, the per Share value of such dividend, as determined in good faith by the Company), divided by (b) the average closing price of a Share on the Nasdaq Global Select Market on the twenty (20) trading days preceding, but not including, such record date. In the case of any dividend declared on Shares that is payable in the form of Shares, the number of RSUs granted to the Executive shall be increased by a number equal to the product of (1) the aggregate number of RSUs held by the Executive on the record date for such dividend, multiplied by (2) the number of Shares (including any fraction thereof) payable as a dividend on a Share. In the case of any other change in the Shares occurring after the date hereof, the number of RSUs shall be adjusted as set forth in Section 4(b) of the Plan.

3. No Rights of a Stockholder. The Executive shall not have any rights as a stockholder of the Company until the Shares have been issued.

4. Issuance of Shares subject to RSUs. (a) Subject to earlier issuance pursuant to the terms of this Agreement or the Plan, on each of November 22, 2017, November 22, 2018 and November 22, 2019, the Company shall issue, or cause there to be transferred, to the Executive (or his beneficiary, in the case of death) an amount of Shares representing one-third (1/3) of the number of the RSUs granted to the Executive under this Agreement (as adjusted pursuant to Section 2 above, if applicable), if the Executive continues to be employed by Sirius XM on each of these dates other than as specifically stated herein.

(b) If the Executive's employment with Sirius XM terminates for any reason, the RSUs shall immediately terminate without consideration; provided that if the Executive's employment with Sirius

XM terminates due to death or “Disability” (as defined in the Employment Agreement), by Sirius XM without “Cause” (as defined in the Employment Agreement), or by the Executive for “Good Reason” (as defined in the Employment Agreement), the RSUs, to the extent not previously settled, cancelled or forfeited, shall immediately become vested and the Company shall issue, or cause there to be transferred, to the Executive (or to the Executive’s estate in the case of death) the amount of Shares equal to the number of RSUs granted to the Executive under this Agreement (to the extent not previously transferred, cancelled or forfeited), as adjusted pursuant to Section 2 above, if applicable. The foregoing condition that the Executive be an employee of Sirius XM shall, in the event of the termination of the Executive’s employment with Sirius XM due to death or Disability, by Sirius XM without Cause or by the Executive for Good Reason, be waived by the Company provided that the Executive (or his estate in the case of death) executes a release in accordance with Section 6(h) of the Employment Agreement.

5. Change of Control. In the event of a Change of Control, the RSUs shall be governed by the terms of the Plan; provided that any transactions between the Company, Sirius XM and/or any of their respective wholly-owned subsidiaries, on the one hand, and Liberty Media Corporation, any Qualified Distribution Transferee (as defined in the Investment Agreement, dated as of February 17, 2009, between the Company and Liberty Radio LLC, as amended) and/or any of their respective wholly-owned subsidiaries, on the other hand, shall not constitute a Change of Control under the Plan.

6. Non-transferable. The RSUs may not be transferred, assigned, pledged or hypothecated in any manner (whether by operation of law or otherwise) other than by will or by the applicable laws of descent and distribution, and shall not be subject to execution, attachment or similar process. Any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of RSUs or of any right or privilege conferred hereby shall be null and void.

7. Withholding. Prior to delivery of the Shares pursuant to this Agreement, the Company shall determine the amount of any United States federal, state and local income taxes, if any, which are required to be withheld under applicable law and shall, as a condition of delivery of the Shares pursuant to this Agreement, collect from the Executive the amount of any such tax to the extent not previously withheld in any manner permitted by the Plan.

8. Rights of the Executive. Neither this Agreement nor the RSUs shall confer upon the Executive any right to, or guarantee of, continued employment by Sirius XM, or in any way limit the right of Sirius XM to terminate the employment of the Executive at any time, subject to the terms of any written employment or similar agreement between or among the Company, Sirius XM and the Executive.

9. Professional Advice. The acceptance of the RSUs may have consequences under federal and state tax and securities laws that may vary depending upon the individual circumstances of the Executive. Accordingly, the Executive acknowledges that the Executive has been advised to consult his personal legal and tax advisors in connection with this Agreement and the RSUs.

10. Agreement Subject to the Plan. This Agreement and the RSUs are subject to the terms and conditions set forth in the Plan, which terms and conditions are incorporated herein by reference. The Executive acknowledges that a copy of the Plan is posted on the Sirius XM’s intranet site and the Executive agrees to review it and comply with its terms. This Agreement, the Employment Agreement and the Plan constitute the entire understanding between or among the Company, Sirius XM and the Executive with respect to the RSUs.

11. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, and shall bind and inure to the benefit of the heirs, executors, personal

representatives, successors and assigns of the parties hereto. Any disputes arising from or relating to this Agreement shall be subject to arbitration pursuant to Section 20 of the Employment Agreement.

12. Notices. All notices and other communications hereunder shall be in writing and shall be deemed given when delivered personally or when telecopied (with confirmation of transmission received by the sender), three (3) business days after being sent by certified mail, postage prepaid, return receipt requested or one (1) business day after being delivered to a nationally recognized overnight courier with next day delivery specified to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

Company: Sirius XM Holdings Inc.
 1290 Avenue of the Americas
 11th Floor
 New York, New York 10104
 Attention: Chief Executive Officer

Executive: Address on file at the
 office of the Company

Notices sent by email or other electronic means not specifically authorized by this Agreement shall not be effective for any purpose of this Agreement.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

SIRIUS XM HOLDINGS INC.

By: Exhibit B
 Dara Altman
 Executive Vice President and
 Chief Administrative Officer

Exhibit B
 PATRICK L. DONNELLY

THE PRSUs HAVE NOT BEEN REGISTERED UNDER STATE OR FEDERAL SECURITIES LAWS. THE PRSUs MAY NOT BE TRANSFERRED EXCEPT BY WILL OR UNDER THE LAWS OF DESCENT AND DISTRIBUTION.

SIRIUS XM HOLDINGS INC.
2015 LONG-TERM STOCK INCENTIVE PLAN

PERFORMANCE-BASED RESTRICTED STOCK UNIT AGREEMENT

This PERFORMANCE-BASED RESTRICTED STOCK UNIT AGREEMENT (this "Agreement"), dated November __, 2016, is between SIRIUS XM HOLDINGS INC., a Delaware corporation (the "Company"), and PATRICK L. DONNELLY (the "Executive").

1. Grant of PRSUs. Subject to the terms and conditions of this Agreement, the Sirius XM Holdings Inc. 2015 Long-Term Stock Incentive Plan (the "Plan"), and the Employment Agreement, dated as of November 22, 2016, between Sirius XM Radio Inc. ("Sirius XM") and the Executive (the "Employment Agreement"), the Company hereby grants _____ Number to be determined in accordance with Section 4(b)(iii) of the Employment Agreement. performance-based restricted share units ("PRSUs") to the Executive. Each PRSU represents the unfunded, unsecured right of the Executive to receive one share of common stock, par value \$.001 per share, of the Company (each, a "Share") on the date specified in this Agreement. Capitalized terms not otherwise defined herein shall have the same meanings as in the Plan.

2. Dividends. If on any date while PRSUs are outstanding the Company shall pay any dividend on the Shares (other than a dividend payable in Shares), the number of PRSUs granted to the Executive shall, as of the record date for such dividend payment, be increased by a number of PRSUs equal to: (a) the product of (x) the number of PRSUs held by the Executive as of such record date, multiplied by (y) the per Share amount of any cash dividend (or, in the case of any dividend payable, in whole or in part, other than in cash, the per Share value of such dividend, as determined in good faith by the Company), divided by (b) the average closing price of a Share on the Nasdaq Global Select Market on the twenty (20) trading days preceding, but not including, such record date. In the case of any dividend declared on Shares that is payable in the form of Shares, the number of PRSUs granted to the Executive shall be increased by a number equal to the product of (1) the aggregate number of PRSUs held by the Executive on the record date for such dividend, multiplied by (2) the number of Shares (including any fraction thereof) payable as a dividend on a Share. In the case of any other change in the Shares occurring after the date hereof, the number of PRSUs shall be adjusted as set forth in Section 4(b) of the Plan.

3. No Rights of a Stockholder. The Executive shall not have any rights as a stockholder of the Company until the Shares have been issued.

4. Issuance of Shares Subject to PRSUs. (a) All or a portion of the PRSUs shall vest based on the Company's achievement of the cumulative free cash flow amount as set forth in the budgets (the "Performance Metric Target") approved by the Company's Board of Directors (the "Board") for the years ending December 31, 2017 and December 31, 2018 (together, the "Performance Period"). The annual free cash flow component for each of 2017 and 2018 of the Performance Metric Target shall be set at the time such applicable budget is approved by the Board. Free cash flow shall be derived from cash flow provided by operating activities, net of additions to property and equipment, restricted and other investment activity and the return of capital from investment in unconsolidated entities, as reported by the

Company in its annual reports with the Securities and Exchange Commission. In the event the Company ceases to file reports with the Securities and Exchange Commission, then the methodology for calculating free cash flow shall be consistent with the methodology utilized by the Company immediately prior to the cessation of reporting. The Compensation Committee of the Board shall adjust or modify the calculation of the Performance Metric Target for the Performance Period in the event of, or in anticipation of, any unusual, nonrecurring or extraordinary corporate item, transaction, event or development affecting the Company including without limitation mergers, acquisitions and legal settlements; or in recognition of, or in anticipation of, any other unusual, nonrecurring or nonrecurring events affecting the Company, including without limitation the financial or operating performance, or the financial statements, of the Company, or in response to, or in anticipation of, changes in applicable laws, regulations, accounting principles, or business conditions. Further, the Compensation Committee of the Board shall adjust and/or modify the calculation of free cash flow and/or the Performance Metric Target for the Performance Period in accordance with Sections 4(b) and 12(c) of the Plan, as applicable.

(b) Within sixty (60) days following the end of the Performance Period (such date, the “Certification Date”), the Company shall certify the level of achievement of the Performance Metric Target. The number of PRSUs that shall vest in accordance with the terms of this Agreement (and, if applicable, the Plan), shall be set forth below (such vested PRSUs, the “Eligible PRSUs”):

- (i) if the Company fails to achieve at least 80% of the Performance Metric Target, zero PRSUs shall vest;
- (ii) upon achieving 100% or more of the Performance Metric Target, 100% of the PRSUs shall vest; and
- (iii) if the Company’s level of free cash flow falls between 80% and 100% of the Performance Metric Target, the number of PRSUs that vest shall be determined by straight line interpolation between the thresholds set forth in subsections (i) and (ii) of this Section 4(b).

Any PRSUs that do not constitute Eligible PRSUs as of the Certification Date shall be cancelled.

(c) Subject to earlier issuance pursuant to the terms of this Agreement or the Plan, on November 22, 2019, the Company shall issue, or cause there to be transferred, to the Executive (or his beneficiary, in the case of death) an amount of Shares representing the Eligible PRSUs (as adjusted pursuant to Section 2 above, if applicable); provided that the Executive continues to be employed by Sirius XM on November 22, 2019.

5. Termination of Employment. (a) If the Executive’s employment with Sirius XM terminates for any reason, then the PRSUs shall immediately terminate without consideration; provided that if the Executive’s employment with Sirius XM terminates due to death or “Disability” (as defined in the Employment Agreement), by Sirius XM without “Cause” (as defined in the Employment Agreement), or by the Executive for “Good Reason” (as defined in the Employment Agreement) (any such applicable date of termination, the “PRSU Termination Date”), then the PRSUs shall be treated in the following manner:

- (i) if the PRSU Termination Date occurs prior to the end of the Performance Period, then the PRSUs, to the extent not previously settled, cancelled or forfeited, shall, subject to Section 5(b), immediately become vested and the Company shall issue, or cause there to be transferred, to the Executive (or to the Executive’s estate in the case of death) the amount of Shares equal to the number of PRSUs granted to the Executive under this Agreement, notwithstanding Section 4(b), and as adjusted pursuant to Section 2 above, if applicable; and
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(ii) if the PRSU Termination Date occurs after the Performance Period, all Eligible PRSUs, to the extent not previously settled, cancelled or forfeited, shall, subject to Section 5(b), immediately (or, if later, on the Certification Date) become vested and the Company shall issue, or cause there to be transferred, to the Executive (or to the Executive's estate in the case of death) the amount of Shares equal to the number of Eligible PRSUs earned pursuant to Section 4(b), as adjusted pursuant to Section 2 above, if applicable.

(b) In the event the Executive's employment with Sirius XM terminates due to death or Disability, by Sirius XM without Cause or by the Executive for Good Reason, the condition in Section 4(c) that the Executive be an employee of Sirius XM shall be waived; provided that the Executive (or his estate in the case of death) executes a release in accordance with Section 6(h) of the Employment Agreement.

6. Change of Control. In the event of a Change of Control, the PRSUs shall be governed by the terms of the Plan; provided that any transactions between the Company, Sirius XM and/or any of their respective wholly-owned subsidiaries, on the one hand, and Liberty Media Corporation, any Qualified Distribution Transferee (as defined in the Investment Agreement, dated as of February 17, 2009, between the Company and Liberty Radio LLC, as amended) and/or any of their respective wholly-owned subsidiaries, on the other hand, shall not constitute a Change of Control under the Plan.

7. Non-transferable. The PRSUs may not be transferred, assigned, pledged or hypothecated in any manner (whether by operation of law or otherwise) other than by will or by the applicable laws of descent and distribution, and shall not be subject to execution, attachment or similar process. Any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of PRSUs or of any right or privilege conferred hereby shall be null and void.

8. Withholding. Prior to delivery of the Shares pursuant to this Agreement, the Company shall determine the amount of any United States federal, state and local income taxes, if any, which are required to be withheld under applicable law and shall, as a condition of delivery of the Shares pursuant to this Agreement, collect from the Executive the amount of any such tax to the extent not previously withheld in any manner permitted by the Plan.

9. Rights of the Executive. Neither this Agreement nor the PRSUs shall confer upon the Executive any right to, or guarantee of, continued employment by Sirius XM, or in any way limit the right of Sirius XM to terminate the employment of the Executive at any time, subject to the terms of any written employment or similar agreement between or among the Company, Sirius XM and the Executive.

10. Professional Advice. The acceptance of the PRSUs may have consequences under federal and state tax and securities laws that may vary depending upon the individual circumstances of the Executive. Accordingly, the Executive acknowledges that the Executive has been advised to consult his personal legal and tax advisors in connection with this Agreement and the PRSUs.

11. Agreement Subject to the Plan. This Agreement and the PRSUs are subject to the terms and conditions set forth in the Plan, which terms and conditions are incorporated herein by reference. The Executive acknowledges that a copy of the Plan is posted on Sirius XM's intranet site and the Executive agrees to review it and comply with its terms. This Agreement, the Employment Agreement and the Plan constitute the entire understanding between or among the Company, Sirius XM and the Executive with respect to the PRSUs.

12. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, and shall bind and inure to the benefit of the heirs, executors, personal

representatives, successors and assigns of the parties hereto. Any disputes arising from or relating to this Agreement shall be subject to arbitration pursuant to Section 20 of the Employment Agreement.

13. Notices. All notices and other communications hereunder shall be in writing and shall be deemed given when delivered personally or when telecopied (with confirmation of transmission received by the sender), three (3) business days after being sent by certified mail, postage prepaid, return receipt requested or one (1) business day after being delivered to a nationally recognized overnight courier with next day delivery specified to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

Company: Sirius XM Holdings Inc.
1290 Avenue of the Americas
11th Floor
New York, New York 10104
Attention: Chief Executive Officer

Executive: Address on file at the
office of the Company

Notices sent by email or other electronic means not specifically authorized by this Agreement shall not be effective for any purpose of this Agreement.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

SIRIUS XM HOLDINGS INC.

By: Exhibit C
Dara Altman
Executive Vice President and
Chief Administrative Officer

Exhibit C
PATRICK L. DONNELLY



AGREEMENT AND RELEASE

This Agreement and Release, dated as of _____, 20__ (this "Agreement"), is entered into by and between PATRICK L. DONNELLY (the "Executive") and SIRIUS XM RADIO INC. (the "Company").

The purpose of this Agreement is to completely and finally settle, resolve, and forever extinguish all obligations, disputes and differences arising out of the Executive's employment with and separation from the Company.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained in this Agreement, the Executive and the Company hereby agree as follows:

1. The Executive's employment with the Company is terminated as of _____, 20__ (the "Termination Date").
 2. The Company and the Executive agree that the Executive shall be provided severance pay and other benefits, less all legally required and authorized deductions, in accordance with the terms of Section 6(g) of the Employment Agreement between the Executive and the Company, dated as of November 22, 2016 (the "Employment Agreement"); provided that no such severance shall be paid or provided if the Executive revokes this Agreement pursuant to Section 4 below. The Executive acknowledges and agrees that he is entering into this Agreement in consideration of such severance benefits and the Company's agreements set forth herein. All vacation pay earned and unused as of the Termination Date will be paid to the Executive to the extent required by law. Except as set forth above, the Executive will not be eligible for any other compensation or benefits following the Termination Date other than any vested accrued benefits under the Company's compensation and benefit plans, and other than the rights, if any, granted to the Executive under the terms of any stock option, restricted stock, performance-based restricted stock or other equity award agreements or plans.
 3. The Executive, for himself, and for his heirs, attorneys, agents, spouse and assigns, hereby waives, releases and forever discharges Sirius XM Holdings Inc., the Company and their respective parents, subsidiaries, and affiliated companies and its and their predecessors, successors, and assigns, if any, as well as all of their officers, directors and employees, stockholders, agents, servants, representatives, and attorneys, and the predecessors, successors, heirs and assigns of each of them (collectively "Released Parties"), from any and all grievances, claims, demands, causes of action, obligations, damages and/or liabilities of any nature whatsoever, whether known or unknown, suspected or claimed, which the Executive ever had, now has, or claims to have against the Released Parties, by reason of any act or omission occurring before the Executive's execution hereof, including, without limiting the generality of the foregoing, (a) any act, cause, matter or thing stated, claimed or alleged, or which was or which could have been alleged in any manner against the Released Parties prior to the execution of this Agreement and (b) all claims for any payment under the Employment Agreement; provided that nothing contained in this Agreement shall affect the Executive's rights (i) to indemnification from the Company as provided in the Employment Agreement or otherwise; (ii) to coverage under the Company's insurance policies covering officers and directors; (iii) to other benefits which by their express terms extend beyond the Executive's separation from employment (including the Executive's rights under Sections 6(g) and 6(j) of the Employment Agreement); and (iv) under this Agreement, and (c) all claims for discrimination, harassment and/or retaliation, under Title VII of the Civil Rights Act of 1964, as amended, the Civil Rights Act of 1991, as amended, the New York State Human Rights Law, as amended, as well as any and all claims arising out of any alleged contract of employment, whether written, oral,
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express or implied, or any other federal, state or local civil or human rights or labor law, ordinances, rules, regulations, guidelines, statutes, common law, contract or tort law, arising out of or relating to the Executive's employment with and/or separation from the Company, including but not limited to the termination of his employment on the Termination Date, and/or any events occurring prior to the execution of this Agreement.

4. The Executive specifically waives all rights or claims that he has or may have under the Age Discrimination In Employment Act of 1967, 29 U.S.C. §§ 621-634, as amended ("ADEA"), including, without limitation, those arising out of or relating to the Executive's employment with and/or separation from the Company, the termination of his employment on the Termination Date, and/or any events occurring prior to the execution of this Agreement. In accordance with the ADEA, the Company specifically hereby advises the Executive that: (1) he may and should consult an attorney before signing this Agreement, (2) he has [twenty-one (21)/forty-five (45)] To be determined by the Company in connection with the termination. days to consider this Agreement, and (3) he has seven (7) days after signing this Agreement to revoke this Agreement.

5. Notwithstanding the above, nothing in this Agreement prevents or precludes the Executive from (a) challenging or seeking a determination of the validity of this Agreement under the ADEA; or (b) filing an administrative charge of discrimination under any applicable statute or participating in any investigation or proceeding conducted by a governmental agency.

6. The Executive acknowledges that he has read and understands the foregoing release and executes it voluntarily and without coercion.

7. This release does not affect or impair the Executive's rights with respect to workman's compensation or similar claims under applicable law or any claims under medical, dental, disability, life or other insurance arising prior to the date hereof.

8. The Executive warrants that he has not made any assignment, transfer, conveyance or alienation of any potential claim, cause of action, or any right of any kind whatsoever, including but not limited to, potential claims and remedies for discrimination, harassment, retaliation, or wrongful termination, and that no other person or entity of any kind has had, or now has, any financial or other interest in any of the demands, obligations, causes of action, debts, liabilities, rights, contracts, damages, costs, expenses, losses or claims which could have been asserted by the Executive against the Company or any other Released Party.

9. The Executive shall not make any disparaging remarks about any of the Released Parties and/or any of their respective practices or products; provided that the Executive may provide truthful and accurate facts and opinions about the Company where required to do so by law. The Company shall not, and shall instruct its officers not to, make any disparaging remarks about the Executive; provided that the Released Parties and their respective officers may provide truthful and accurate facts and opinions about the Executive where required to do so by law.

10. The parties expressly agree that this Agreement shall not be construed as an admission by any of the parties of any violation, liability or wrongdoing, and shall not be admissible in any proceeding as evidence of or an admission by any party of any violation or wrongdoing. The Company expressly denies any violation of any federal, state, or local statute, ordinance, rule, regulation, order, common law or other law in connection with the employment and termination of employment of the Executive.

11. In the event of a dispute concerning the enforcement of this Agreement, the finder of fact shall have the discretion to award the prevailing party reasonable costs and attorneys' fees incurred in bringing or defending an action, and shall award such costs and fees to the Executive in the event the Executive prevails on the merits of any action brought hereunder. All other requests for relief or damages awards shall be governed by Sections 20(a) and 20(b) of the Employment Agreement.

12. The parties declare and represent that no promise, inducement, or agreement not expressed herein has been made to them.

13. This Agreement in all respects shall be interpreted, enforced and governed under the laws of the State of New York and any applicable federal laws relating to the subject matter of this Agreement. The language of all parts of this Agreement shall in all cases be construed as a whole, according to its fair meaning, and not strictly for or against any of the parties. This Agreement shall be construed as if jointly prepared by the Executive and the Company. Any uncertainty or ambiguity shall not be interpreted against any one party.

14. This Agreement, the Employment Agreement, **[and list any outstanding award agreements]** between the Executive and the Company [or Sirius XM Holdings Inc., as applicable,] contain the entire agreement of the parties as to the subject matter hereof. No modification or waiver of any of the provisions of this Agreement shall be valid and enforceable unless such modification or waiver is in writing and signed by the party to be charged, and unless otherwise stated therein, no such modification or waiver shall constitute a modification or waiver of any other provision of this Agreement (whether or not similar) or constitute a continuing waiver.

15. The Executive and the Company represent that they have been afforded a reasonable period of time within which to consider the terms of this Agreement, that they have read this Agreement, and they are fully aware of its legal effects. The Executive and the Company further represent and warrant that they enter into this Agreement knowingly and voluntarily, without any mistake, duress, coercion or undue influence, and that they have been provided the opportunity to review this Agreement with counsel of their own choosing. In making this Agreement, each party relies upon his or its own judgment, belief and knowledge, and has not been influenced in any way by any representations or statements not set forth herein regarding the contents hereof by the entities who are hereby released, or by anyone representing them.

16. This Agreement may be executed in counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties. The parties further agree that delivery of an executed counterpart by facsimile shall be as effective as delivery of an originally executed counterpart. This Agreement shall be of no force or effect until executed by all the signatories.

17. The Executive warrants that he will return to the Company all software, computers, computer-related equipment, keys and all materials (including, without limitation, copies) obtained or created by the Executive in the course of his employment with the Company on or before the Termination Date; provided that the Executive will be able to keep his cell phones, personal computers, personal contact list and the like so long as any confidential information is removed from such items.

18. Any existing obligations the Executive has with respect to confidentiality, nonsolicitation of clients, nonsolicitation of employees and noncompetition, in each case with the Company or its affiliates, shall remain in full force and effect, including, but not limited to, Sections 7 and 8 of the Employment Agreement.

19. Any disputes arising from or relating to this Agreement shall be subject to arbitration pursuant to Section 20 of the Employment Agreement.

20. Should any provision of this Agreement be declared or be determined by a forum with competent jurisdiction to be illegal or invalid, the validity of the remaining parts, terms or provisions shall not be affected thereby and said illegal or invalid part, term, or provision shall be deemed not to be a part of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the respective dates set forth below.
SIRIUS XM RADIO INC.

Dated: _____

By: Exhibit D

Name:
Title:

Dated: _____

Exhibit D

PATRICK L. DONNELLY

SIRIUS XM HOLDINGS INC.
SUBSIDIARIES

Sirius XM Radio Inc.

Satellite CD Radio LLC

Sirius XM Connected Vehicle Services Inc.

Sirius XM Connected Vehicle Services Holdings Inc.

SXM CVS Canada Inc.

XM Email Inc.

XM 1500 Eckington LLC

XM Investment LLC

XM Radio LLC

Consent of Independent Registered Public Accounting Firm

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

We consent to the incorporation by reference in the registration statements (No. 333-152574, 333-159206, 333-160386, 333-179600, 333-204302, and 333-205409) on Form S-8 of Sirius XM Holdings Inc., of our reports dated February 2, 2017, with respect to the consolidated balance sheets of Sirius XM Holdings Inc. and subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, stockholders' (deficit) equity, and cash flows for each of the years in the three-year period ended December 31, 2016, and the related financial statement schedule, and the effectiveness of internal control over financial reporting as of December 31, 2016, which reports appear in the December 31, 2016 annual report on Form 10-K of Sirius XM Holdings Inc.

Our report on the consolidated financial statements refers to a change in the method of accounting for share-based payments in 2016 due to the adoption of ASU 2016-09, *Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*.

/s/ KPMG LLP

New York, New York
February 2, 2017

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, David J. Frear, certify that:

1. I have reviewed this Annual Report on Form 10-K for the fiscal year ended December 31, 2016 of Sirius XM Holdings Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ DAVID J. FREAR

David J. Frear
Senior Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

February 2, 2017

