Before the
UNITED STATES COPYRIGHT ROYALTY JUDGES
Washington, D.C.

In the Matter of: Determination of Rates and Terms for Preexisting Subscription Services and Satellite Digital Audio Radio Services	Docket No. 2011-1 CRB PSS/Satellite II

WRITTEN REBUTTAL STATEMENT OF SOUNDEXCHANGE, INC.

Volume 3: Exhibits, SX Ex. 201-RR – SX Ex. 235-RR

PUBLIC EXHIBITS ONLY

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PUBLIC VERSION

Docket No. 2011-1 CRB PSS/Satellite II

In the Matter of Determination of Rates and Terms for Preexisting Subscription Services and Satellite Digital Audio Radio Services

SX Ex. 230-RP

EDGAR Online

SIRIUS XM RADIO INC.

FORM 10-K
(Annual Report)

Filed 02/09/12 for the Period Ending 12/31/11

Address	1221 AVENUE OF THE AMERICAS 36TH FLOOR NEW YORK, NY 10020
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Industry	Broadcasting & Cable TV
Sector	Services
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SX Ex. 231-RP

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 Fiscal Year Ended December 31, 2011

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 RADIO INC.

(Exact name of registrant as specified in its charter)

Delaware *(or other jurisdiction of incorporation of organization)*	**52-1700207** *(I.R.S. Employer Identification Number)*
1221 Avenue of the Americas, 36th Floor **New York, New York** *(Address of principal executive offices)*	**10020** *(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	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 mon (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. (Check one):

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ (Do not check if a smaller reporting company) 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 of the registrant as of June 30, 2011 was $8,614,271,427. 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 February 7, 2012 was 3,755,256,475.

DOCUMENTS INCORPORATED BY REFERENCE

Information included in our definitive proxy statement for our 2012 annual meeting of stockholders scheduled to be held on Tuesday, May 22, 2012 is incorporated by reference in Items 10, 11, 12, 13 and 14 of Part III of this report.

SIRIUS XM RADIO INC.

2011 FORM 10-K ANNUAL REPORT

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ITEM 1. *BUSINESS*

We broadcast our music, sports, entertainment, comedy, talk, news, traffic and weather channels in the United States on a subscription fee basis through our two proprietary satellite radio systems. Subscribers can also receive certain of our music and other channels over the Internet, including through applications for mobile devices.

As of December 31, 2011, we had 21,892,824 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;
- certain radios activated for daily rental fleet programs;
- subscribers to our Internet services who do not also have satellite radio subscriptions; and
- certain subscribers to our weather, traffic, data and Backseat TV services.

Our primary source of revenue is subscription fees, with most of our customers subscribing on an annual, semi-annual, quarterly or monthly basis. We offer discounts for prepaid and long-term subscription plans as well as discounts for multiple subscriptions on each platform. We also derive revenue from 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, data and Backseat TV services.

Our satellite radios are primarily distributed through automakers ("OEMs"); retail locations nationwide; and through our website. We have agreements with every major automaker to offer satellite radios in their vehicles. Satellite radio services are also offered to customers of certain rental car companies.

Certain important dates in our corporate history are listed below:

- Satellite CD Radio, Inc. was incorporated in the State of Delaware on May 17, 1990.
- On December 7, 1992, Satellite CD Radio, Inc. changed its name to CD Radio Inc., and Satellite CD Radio, Inc. was formed as a wholly owned subsidiary.
- On November 18, 1999, CD Radio Inc. changed its name to Sirius Satellite Radio Inc.
- In July 2008, our wholly owned subsidiary, Vernon Merger Corporation, merged (the "Merger") with and into XM Satellite Radio Holdings Inc.
- On August 5, 2008, we changed our name from Sirius Satellite Radio Inc. to Sirius XM Radio Inc.
- In April 2010, XM Satellite Radio Holdings Inc. merged with and into XM Satellite Radio Inc.; and in January 2011, XM Satellite Radio Inc., our wholly-owned subsidiary, merged with and into Sirius XM Radio Inc.

Programming

We offer a dynamic programming lineup of commercial-free music, sports, entertainment, talk, news, traffic and weather. The channel line-ups for our services vary in certain respects and are available at siriusxm.com.

Our subscription packages allow most listeners to enhance our standard programming lineup. Our "XM Premier" package offers subscribers the Howard Stern channels, Martha Stewart Living Radio, SiriusXM NFL Radio, SiriusXM NASCAR Radio, Playboy Radio, Spice Radio and play-by-play NFL games and college sports programming. Our "Sirius Premier" package offers subscribers Oprah Radio, Opie and Anthony, SiriusXM Public Radio, MLB Network Radio, NHL Home Ice, SiriusXM PGA Radio, Sirius XM Fantasy Sports Radio and select play-by-play of NBA and NHL games and college sports programming. Subscribers with a la carte-capable radios may customize the programming they receive through our a la carte subscription packages. We also offer family friendly, "mostly music" and "mostly sports, news and talk" packages.

In October 2011, we launched an expanded channel lineup, including new music, sports and comedy channels as well as SiriusXM Latino, a suite of Latin channels. These channels, available online and over certain new radios, are the first phase of SiriusXM 2.0, an upgrade and evolution of our satellite and Internet delivered service that will ultimately span hardware, software, audio, and data services.

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.

Music Programming

We offer an extensive selection of music genres, ranging from rock, pop and hip-hop to country, dance, jazz, Latin and classical. Within each genre we offer a range of formats, styles and recordings.

All of our original music channels are broadcast commercial free. Certain of our music channels are programmed by third parties and air commercials. Our channels are produced, programmed and hosted by a team of experts in their fields, and each channel is operated as an individual radio station, with a distinct format and branding. We also provide special features, such as our *Artist Confidential* series which provides interviews and performances from some of the biggest names in music, and an array of "pop up" channels featuring the music of particular artists.

Sports Programming

Live play-by-play sports is an important part of our programming strategy. We are the Official Satellite Radio Partner of the National Football League ("NFL"), Major League Baseball ("MLB"), NASCAR, National Basketball Association ("NBA"), National Hockey League ("NHL") and PGA TOUR, and broadcast most major college sports, including NCAA Division I football and basketball games. Soccer coverage includes matches from the Barclays Premier League. We also air FIS Alpine Skiing, FIFA World Cup events and horse racing.

We offer many exclusive talk channels and programs such as MLB Network Radio, SiriusXM NASCAR Radio, SiriusXM NFL Radio and Chris "Mad Dog" Russo's *Mad Dog Unleashed* on Mad Dog Radio, as well as two ESPN channels, ESPN Radio and ESPN Xtra. Simulcasts of select ESPN television shows, including *SportsCenter* , can be found on ESPN Xtra.

Talk and Entertainment Programming

We offer a multitude of talk and entertainment channels for a variety of audiences. Our diverse spectrum of talk programming is a significant differentiator from terrestrial radio and other audio entertainment providers.

Our talk radio offerings feature dozens of popular talk personalities, many creating radio shows that air exclusively on our services, including Howard Stern, Oprah Winfrey, Martha Stewart, Dr. Laura Schlessinger, Opie and Anthony, Bob Edwards, Senator Bill Bradley and doctors from the NYU Langone Medical Center.

Our comedy channels present a range of humor such as Jamie Foxx's The Foxxhole, Laugh USA, Blue Collar Comedy and Raw Dog Comedy. Other talk and entertainment channels include SiriusXM Book Radio, Kids Place Live and Radio Disney, as well as OutQ, Road Dog Trucking and Playboy Radio.

Our religious programming includes The Catholic Channel, which is programmed with the Archdiocese of New York, EWTN, a Global Catholic Radio Network, and Family Talk.

News and Information Programming

We offer a wide range of national, international and financial news, including news from BBC World Service News, Bloomberg Radio, CNBC, CNN, FOX News, HLN, MSNBC, NPR and World Radio Network. We also air a range of political call-in talk shows on a variety of channels including our exclusive channel, POTUS.

We offer continuous, local traffic reports for 22 metropolitan markets throughout the United States.

Distribution of Radios

Automakers

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

Many automakers include a subscription to our radio service in the sale or lease price of their vehicles. In many 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 their vehicles, including in certain cases hardware costs, tooling expenses and promotional and advertising expenses.

Previously Owned Vehicles

We expect to acquire an increasing number of 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. In addition, we work directly with many franchise and independent dealers on similar 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 and Internet radios directly to consumers through our website. Satellite and Internet radios are also marketed and distributed through major national and regional retailers. We develop in-store merchandising materials and provide sales force training for several 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. Subscribers can receive our transmissions in all outdoor locations in the continental U.S. where the satellite radio has an unobstructed line-of-sight with one of our satellites or is within range of one of our terrestrial repeaters. We continually monitor our infrastructure and regularly evaluate improvements in technology.

The Federal Communications Commission (the "FCC") has allocated the portion of the S-band located between 2320 MHz and 2345 MHz exclusively for satellite radio. Each of our services uses 12.5 MHz of this bandwidth to transmit its respective signals. Uplink transmissions (from the ground to our satellites) use 12.5 MHz of bandwidth in the 7060-7072.5 MHz band.

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 currently own a fleet of nine orbiting satellites. We have invested in more technologically advanced satellites and satellite deployment to provide for improved coverage, increased redundancy and more efficient use of our spectrum.

Space Systems/Loral has constructed another satellite, FM-6, for use in our system. We expect to launch this satellite on a Proton rocket in the first half of 2012.

We use four of our orbiting satellites in the Sirius system. These satellites, FM-1, FM-2, FM-3 and FM-5, are of the Loral FS-1300 model series. Our FM-1, FM-2 and FM-3 satellites travel in a geosynchronous orbit. Our FM-5 satellite is deployed in a geostationary orbit.

We own five orbiting satellites for use in the XM system which operate in a geostationary orbit. Four of these satellites were manufactured by Boeing Satellite Systems International and one was manufactured by Space Systems/Loral.

Satellite Insurance. We hold in-orbit insurance for our FM-5 and XM-5 satellites. These policies provide coverage for a total, constructive total or partial loss of the satellites that occurs during the first five in-orbit years. We also have negotiated launch and in-orbit insurance for our FM-6 satellite. This insurance provides coverage for a total, constructive total or partial loss of the FM-6 that occurs from launch through the end of the first annual in-orbit period. The insurance does not cover the full cost of constructing, launching and insuring new satellites, nor will it protect us from the adverse effect on business operations due to the loss of a satellite. The policies contain standard commercial satellite insurance provisions, including coverage exclusions. We use launch and in-orbit insurance to mitigate the potential financial impact of satellite fleet launch and in-orbit failures unless the premium costs are considered 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 many of these areas, we have deployed terrestrial repeaters to supplement satellite coverage. We operate over 140 terrestrial repeaters in the Sirius system and over 560 terrestrial repeaters in the XM system.

Other Satellite Facilities. We control and communicate with our satellites from facilities in North America and maintain earth stations in Panama and Ecuador to control and communicate with several of our Sirius satellites. Our satellites are monitored, tracked and controlled by a third party satellite operator.

Studios

Our programming originates principally from studios in New York City and Washington D.C., and, to a lesser extent, from smaller studio facilities in Cleveland, Los Angeles, Memphis, Nashville and Orlando. Our New York City offices house our corporate headquarters. Both our New York City and Washington D.C. offices house facilities for programming origination, programming personnel and facilities to transmit programming.

Radios

We design, establish specifications for, source or specify parts and components for, and manage various aspects of the logistics and production of satellite and Internet 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 purchase radios from independent manufacturers, that are distributed through our website. To facilitate the sale of radios, we may subsidize a portion of the radio manufacturing costs to reduce the hardware price to consumers.

Radios are manufactured in four principal configurations — as in-dash radios, Dock & Play radios, home or commercial units and portable or wearable radios.

- In-dash satellite radios are integrated into vehicles and allow the user to listen to satellite radio with the push of a button. Aftermarket in-dash radios are available at retailers nationally, and to automakers for factory or dealer installation.
- Dock & Play satellite radios enable subscribers to transport their radios easily to and from their cars, trucks, homes, offices, boats or other locations with available adapter kits. Dock & Play radios adapt to existing audio systems through FM modulation or direct audio connection and can be easily installed. Audio systems and boom boxes, which enable subscribers to use their radios virtually anywhere, are available for various models. The Stratus 6, Starmate 5 and Starmate 8 Dock & Play radios also support a la carte channel selection.
- Radios that provide our satellite or Internet service to home and commercial audio systems.
- Portable or wearable radios offer live satellite or Internet radio and recorded satellite, MP3 or WMA content "on the go".

We have introduced an interoperable radio called MiRGE. This radio has a unified control interface allowing for easy switching between our two satellite radio networks. We also offer the XM SkyDock, which connects to an Apple iPhone and iPod touch and provides live XM satellite radio using the control capability of the iPhone or iPod touch.

In 2011, we introduced Edge, a Dock & Play radio capable of receiving our SiriusXM 2.0 expanded channel lineup, including SiriusXM Latino, and Lynx, a portable radio with SiriusXM 2.0 satellite and Internet radio capability and features.

Internet Radio

We stream music channels and select non-music channels over the Internet. Our Internet service also includes channels and features that are not available on our satellite service. Access to certain Internet services is offered to subscribers for a fee. We have available products that provide access to our Internet services without the need for a personal computer. We also offer applications to allow consumers to access our Internet services on certain smartphones and tablet computers. Subscribers to our Internet services are not included in our subscriber count, unless the service is purchased separately and not as part of a satellite radio subscription.

Canada

We also have an equity interest in the satellite radio services offered in Canada through Sirius XM Canada. In June 2011, Canadian Satellite Radio Holdings Inc. ("CSR"), the parent company of XM Canada, and Sirius Canada completed a transaction to combine their operations. Following this merger, we own approximately 38.0% of the equity of CSR, which operates as Sirius XM Canada.

Other Services

Commercial Accounts. Our music services are also available for commercial establishments. Commercial 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:

Backseat TV. We offer Backseat TV, a service offering television content designed primarily for children in the backseat of vehicles. Backseat TV is available as a factory-installed option in select Chrysler, Dodge and Jeep models, and at retail for aftermarket installation.

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

Real-Time Traffic Services. We also 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.

FCC Conditions

In order to demonstrate to the FCC that the Merger was in the public interest, we agreed to implement a number of voluntary commitments. These commitments include certain voluntary assurances regarding our programming and programming packages; the creation of public interest channels; and equipment manufacturing, all of which we have complied with.

Qualified Entity Channels

In April 2011, we entered into long-term leases or other agreements to provide rights to four percent of the full-time audio channels on our platforms to a Qualified Entity or Entities. A Qualified Entity is defined as an entity or entities that: (1) are not directly or indirectly owned, in whole or in part, by us or one of our affiliates; (2) do not share any common officers, directors or employees with us or any affiliate of us; and (3) did not have any existing relationships with us for the supply of programming during the two years prior to October 19, 2010.

As digital compression technology enables us to broadcast additional full-time audio channels, we will ensure that four percent of the full-time audio channels on our platforms are reserved for Qualified Entities. The Qualified Entities are not required to make any lease payments for such channels. We may not alter, censor, or otherwise exercise any control over the leased programming but we may remove programming that violates the law.

Subscription Rates

In connection with the Merger, we had agreed with the FCC not to raise the retail price for, or reduce the number of channels in, our basic $12.95 per month subscription package, our a la carte programming packages or certain other programming packages until July 28, 2011. In ly 2011, the FCC issued an order confirming that the price cap was no longer necessary. On January 1, 2012, we increased the base price of basic subscription packages from $12.95 to $14.49 per month.

Competition

We face significant competition for both listeners and advertisers. In addition to pre-recorded entertainment purchased or playing in cars, homes and using portable players, we compete with numerous other providers of radio or other audio services. Some of our new, digital competitors are making in-roads into automobiles, where we are currently the prominent alternative to traditional AM/FM radio. Our existing and emerging competition includes:

Traditional AM/FM Radio

Our services compete with traditional AM/FM radio. Many 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 radio has had a well-established demand for its services and offers free broadcasts paid for by commercial advertising rather than by a subscription fee like satellite radio. Many radio stations offer information programming of a local nature, such as local news and sports. 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 imposes limits on what we can charge for our services. Some AM/FM radio stations have reduced the number of commercials per hour, expanded the range of music played on the air and experimented with new formats in order to lure customers away from satellite radio.

HD Radio

Many radio stations now broadcast digital signals, which have clarity similar to our signals. These stations do not charge a subscription fee for their digital signals but do generally carry advertising. A group of major broadcast radio networks have created a coalition to jointly market digital radio services. According to this coalition, over 2,100 radio stations are currently broadcasting primary signals with HD Radio technology and broadcasting more than 1,300 additional FM multicast channels (HD2/HD3), and manufacturers are marketing and distributing digital receivers. To the extent that traditional AM/FM radio stations adopt digital transmission technology and listeners adopt digital receivers, any competitive advantage that we enjoy over traditional radio because of our clearer digital signal would be lessened. Traditional AM/FM broadcasters are also complementing their HD Radio efforts by aggressively pursuing Internet radio and wireless Internet-based distribution arrangements. Several automakers install or plan to install HD Radio equipment as factory standard equipment in select models, including Cadillac, Mazda, Lexus, Ford, Volkswagen, BMW, Mercedes-Benz, Scion, Kia and Hyundai.

Internet Radio and Internet-Enabled Smartphones

Internet radio broadcasts often have no geographic limitations and can provide listeners with radio programming from across the country and around the world. Major media companies and online-only providers, including Clear Channel, CBS and Pandora, make high fidelity digital streams available through the Internet for free or, in some cases, for a fraction of the cost of a satellite radio subscription. These services compete directly with our services, at home, in the automobile, and wherever audio entertainment is consumed.

Internet-enabled smartphones, most of which have the capability of interfacing with vehicles, have become popular. These smartphones can typically play recorded or cached content and access Internet radio via dedicated applications or browsers. These applications are often free to the user and offer music and talk content as long as the user is subscribed to a sufficiently large mobile data plan. Leading audio smartphone radio applications include Pandora, last.FM, Slacker, iheartradio and Stitcher. Certain of these applications also include advanced functionality, such as personalization and song skipping, and allow the user to access large libraries of content and podcasts on demand.

In 2011, Spotify launched its music streaming service in the United States, which allows its users unlimited, on-demand access to a large library of song tracks, allowing the sharing of playlists with other listeners through the Facebook platform. Other similar services have launched Facebook integration, including MOG and Rdio. These services, which usually require a monthly subscription fee, are currently available on smartphones but may become integrated into connected cars in the future.

Third and fourth generation mobile networks have enabled a steady increase in the audio quality and reliability of mobile Internet radio streaming, and this is expected to further increase as fourth generation networks become the standard. We expect that improvements from higher bandwidths, wider programming selection, and advancements in functionality are likely to continue making Internet radio and smartphone applications an increasingly significant competitor, particularly in vehicles.

Advanced In-Dash Infotainment Systems

Nearly all automakers have deployed or are planning to deploy integrated multimedia systems in dash boards, such as Ford's SYNC, Toyota's Entune, and BMW/Mini's Connected. These systems can 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 is typically connected to the system via a bluetooth link to an Internet-enabled smartphone, and the entire system may be controlled by touchscreen or voice recognition. These systems enhance the attractiveness of our Internet-based competition by making such applications more prominent, easier to access, and safer to use in the car. Similar systems are also available in the aftermarket and sold through retailers.

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 and portable devices that compete with our services now or that could compete with those services in the future.

Traffic News Services

A number of providers also compete with our traffic services. Clear Channel and Tele Atlas deliver nationwide traffic information for the top 50 markets to in-vehicle navigation systems using RDS/TMC, the radio broadcast standard technology for delivering traffic and travel information to drivers. The in-dash navigation market is also being threatened by increasingly capable smartphones that provide advanced navigation functionality, including live traffic. Android, Palm, Blackberry, and Apple iOS-based smartphones all include GPS mapping and navigation functionality, often with turn-by-turn navigation.

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 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 an FCC license to operate a satellite digital audio radio service and provide other ancillary services. Our FCC licenses for our Sirius satellites expire in 2017. Our FCC licenses for our XM satellites expire in 2013, 2014 and 2018. 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 a license for any replacement satellites.

In some areas with high concentrations of tall buildings, such as urban centers, signals from our satellites may be blocked and reception can be adversely affected. In many of these areas, we have installed terrestrial repeaters to supplement our satellite signal coverage. In 2010, the FCC established rules governing terrestrial repeaters which are also intended to protect adjacent wireless services from interference. Under those rules, we filed an application in November 2011 for a single license to authorize operation of our repeater network.

We design, establish specifications for, source or specify parts and components for, manage various aspects of the logistics and production of, and, in most cases, 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 from the United States government to export certain ground control equipment, satellite communications/control services and technical data related to our satellites and their operations. The delivery of such equipment, services and technical data to destinations outside the United States and 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 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, are represented by performing rights organizations such as the American Society of Composers, Authors and Publishers ("ASCAP"), Broadcast Music, Inc. ("BMI"), and SESAC, Inc. ("SESAC"). These organizations negotiate fees with copyright users, collect royalties and distribute them to the rights holders. We have arrangements with all of these organizations.

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 sound recording copyright owners, or if negotiation is unsuccessful, the royalty rate is established by the Copyright Royalty Board (the "CRB") of the Library of Congress. In January 2008, the CRB issued a decision regarding the royalty rate payable by us under the statutory license covering the performance of sound recordings over our satellite radio services for the six-year period starting January 1, 2007 and ending December 31, 2012. Under the terms of the CRB's decision, we paid, or will pay, a royalty of 6.0%, 6.0%, 6.5%, 7.0%, 7.5% and 8.0% of gross revenues, subject to certain exclusions, for 2007, 2008, 2009, 2010, 2011 and 2012, respectively.

The rate setting proceeding covering the period from 2013 through 2017 before the CRB commenced in January 2011. In November 2011, we filed our direct case in that proceeding and requested the CRB to set a royalty rate payable by us under the statutory license covering the performance of sound recordings over our satellite radio services at less than 7% of our gross revenues, subject to certain exclusions. In November 2011, SoundExchange also filed its direct case in the proceeding and requested the CRB to set a royalty rate under the statutory license of initially 12%, increasing by 2% each year during the term and up to a maximum of 20%, of our gross revenues. A hearing before the CRB in this proceeding is scheduled to commence in 2012.

Trademarks

We have registered, and intend to maintain, the trademark "Sirius", "XM", "SiriusXM" and the "Dog design" logo 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" or "SiriusXM" trademark or the "Dog design" logo 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 the "Dog design" logo in Canada. We have granted a license to use certain of our trademarks in Canada to Sirius XM Canada.

Personnel

As of December 31, 2011, we had 1,526 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

Our executive offices are located at 1221 Avenue of the Americas, 36th floor, New York, New York 10020 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 may be accessed free of charge through our website after we have electronically filed or furnished such material with the SEC. 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 is provided below:

Name	Age	Position
Mel Karmazin	68	Chief Executive Officer
Scott A. Greenstein	52	President and Chief Content Officer
James E. Meyer	57	President, Operations and Sales
Dara F. Altman	53	Executive Vice President and Chief Administrative Officer
Patrick L. Donnelly	50	Executive Vice President, General Counsel and Secretary
David J. Frear	55	Executive Vice President and Chief Financial Officer

Mel Karmazin has served as our Chief Executive Officer and a member of our board of directors since November 2004. Prior to joining us, Mr. Karmazin was President and Chief Operating Officer and a member of the board of directors of Viacom Inc. from May 2000 until June 2004. Prior to joining Viacom, Mr. Karmazin was President and Chief Executive Officer of CBS Corporation from January 1999 and a director of CBS Corporation from 1997 until its merger with Viacom in May 2000. He was President and Chief Operating Officer of CBS Corporation from April 1998 through December 1998. Mr. Karmazin joined CBS Corporation in December 1996 as Chairman and Chief Executive Officer of CBS Radio and served as Chairman and Chief Executive Officer of the CBS Station Group (Radio and Television) from May 1997 to April 1998. Prior to joining CBS Corporation, Mr. Karmazin served as President and Chief Executive Officer of Infinity Broadcasting 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.

James E. Meyer has served as our President, Operations and Sales, since May 2004. 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 the Chief Operating Officer for Thomson Consumer Electronics. From 1992 until 1996, Mr. Meyer served as Thomson's Senior Vice President of Product Management. Mr. Meyer is a director of ROVI Corporation.

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.

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.

David J. Frear has served as our Executive Vice President and Chief Financial Officer since June 2003. 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.

ITEM 1A. *FACTORS*
RISK

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 Regarding 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 other audio services. Our ability to retain and attract 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 or Internet radio services. Audio content delivered via the Internet, including through mobile devices, is increasingly competitive with our services. A number of automakers and aftermarket manufacturers have introduced, or will shortly introduce, factory-installed radios capable of accessing Internet-delivered audio entertainment. A summary of various services that compete with us is contained in the section entitled "Item 1. Business — Competition."

Competition could result in lower subscription, advertising or other revenue or increase 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 effect on our business, financial condition or results of operations.

Our business depends in large part upon automakers.

Most of our new subscription growth has come from purchasers and lessees of new and previously owned automobiles. As a result, 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.

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 can adversely affect subscriber churn, conversion rates and vehicle sales, as evidenced by the dramatic slowdown in auto sales that negatively impacted our subscriber growth in 2008 and 2009.

Failure of our satellites would significantly damage our business.

The lives of our satellites will vary and depend 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 by electrostatic storms, 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.

Three of the Sirius in-orbit satellites have experienced degradation on their solar arrays. The degradation these satellites have experienced does not affect current operations. Additional degradation on the three Sirius satellites could reduce the estimated lives of those satellites.

Space Systems/Loral has constructed a new satellite for the Sirius system that is expected to be launched in the first half of 2012. Satellite launches have significant risks, including launch failure, damage or destruction of the satellite during launch and failure to achieve a proper orbit or operate as planned. Our agreement with Space Systems/Loral does not protect us against the risks inherent in a satellite launch or in-orbit operations.

Our XM-1 and XM-2 satellites have experienced progressive degradation problems common to early Boeing 702 class satellites and now serve as in-orbit spares. Our XM-2, XM-3, and XM-4 in-orbit satellites have experienced circuit failures on their solar arrays which do not affect current operations. Additional circuit failures on the satellites could reduce the estimated lives of those satellites. We estimate that our XM-3, XM-4 and XM-5 satellites will meet their 15-year predicted depreciable lives, and that the XM-1 and XM-2 satellites' depreciable lives will end no earlier than 2013.

Our XM-5 satellite serves as an in-orbit spare for both of our services. In the event of a failure of XM-3, XM-4 or any of the Sirius satellites, service would be maintained through XM-5.

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.

We maintain in-orbit insurance policies covering only our XM-5 and FM-5 satellites. We may not renew these in-orbit insurance policies when they expire. Any insurance proceeds will not fully cover our losses in the event of a satellite failure or significant degradation. For example, the policies covering the insured satellites do not cover the full cost of constructing, launching and insuring new satellites, nor will they cover, and we do not have protection against, business interruption, loss of business or similar losses. Our insurance contains customary exclusions, material change and other conditions that could limit recovery under those policies. Further, any insurance proceeds may not be received on a timely basis in order to launch a spare satellite or construct and launch a replacement satellite or take other remedial measures. In addition, the policies are subject to limitations involving uninsured losses, large satellite performance deductibles and policy limits.

Our ability to attract and retain subscribers at a profitable level in the future is uncertain.

We spend substantial amounts on advertising and marketing and in transactions with automakers, retailers and others to obtain and attract subscribers. During 2011, we added 1,701,860 net subscribers to our satellite radio service. Our ability to retain our subscribers, or increase the number of subscribers to our service, in any given period is subject to many factors, including:

- the price of our service, which we increased on January 1, 2012;
- the health of the economy;
- the production and sale of new 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; and
- actions by our competitors, such as terrestrial radio and other audio entertainment providers.

As part of our business, we experience, and expect to experience in the future, subscriber turnover (i.e., churn). 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 prepaid promotional subscription to our satellite radio service. During 2011, we converted 45% of the customers who received a promotional subscription as part of the purchase or lease of a new vehicle to a self-paying subscription. Over the same period, we have experienced churn of our self-pay subscribers of 1.9% per month.

Average monthly revenue per subscriber, which we refer to as ARPU, is another key metric we use to analyze our business. Over the past several years, we have focused substantial attention and efforts on balancing ARPU and subscriber additions. Our ability to maintain ARPU over time is uncertain and depends upon various factors, including:

- the value consumers perceive in our service;
- our ability to add and retain compelling programming;
- the increasing competition we experience from terrestrial and Internet radio; and
- pricing and other offers we may make to attract new subscribers and retain existing subscribers.

If we are unable to consistently attract new subscribers, and retain our current subscribers, at a sufficient level of revenues to be profitable, the value of our common stock could decline, and without sufficient cash flow we may not be able to make the required payments on our indebtedness and could ultimately default on our commitments.

Royalties for music rights may increase.

We must maintain music programming royalty arrangements with, and pay license fees to, BMI, ASCAP and SESAC. These organizations negotiate with copyright users, collect royalties and distribute them to songwriters and music publishers. We have agreements with ASCAP and SESAC through 2016. We do not have a definitive agreement with BMI and continue to operate under an interim agreement. There can be no assurance that the royalties we pay to ASCAP, SESAC and BMI will not increase upon expiration of these arrangements.

Under the Digital Performance Right in Sound Recordings Act of 1995 and the Digital Millennium Copyright Act of 1998, we pay royalties to copyright owners of sound recordings. 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 U.S. antitrust laws and exercises significant market power in the licensing of sound recordings.

A rate setting proceeding commenced in January 2011, and, if negotiations with SoundExchange prove unsuccessful, new royalty rates will be determined by the CRB and will be effective for the five-year period beginning in 2013. In November 2011, we filed our direct case in that proceeding and requested the CRB to set a royalty rate payable by us under the statutory license covering the performance of sound recordings over our satellite radio services at less than 7% of our gross revenues, subject to certain exclusions. In November 2011, SoundExchange also filed a direct case in the proceeding and requested the CRB to set a royalty rate under the statutory license of initially 12%, increasing by 2% each year during the term and up to a maximum of 20%, of our gross revenues. A hearing before the CRB in this proceeding is scheduled to commence in 2012.

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 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. Non-compliance 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.

The terms of our licenses, the order of the FCC approving the Merger, and the consent decrees we entered into with the FCC require us to meet certain conditions. Non-compliance with these conditions could result in fines, additional license conditions, license revocation or other detrimental FCC actions.

The unfavorable outcome of pending or future litigation could have a material adverse effect.

We are parties to several legal proceedings arising out of various aspects of our business, including class action lawsuits alleging violations of state consumer protection statutes. We are defending all claims against us. The outcome of these proceedings may not be favorable, and an unfavorable outcome may have a material adverse effect on our business or financial results.

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 other third parties to perform could adversely affect our business.

Our business depends, in part, on various other 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;
- retailers that market and sell satellite radios and promote subscriptions to our services; and
- vendors that have designed or built and vendors that support or operate important elements of our systems, such as our satellites and customer service facilities.

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 and production of 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.

Changes in 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; print, television, radio and online advertising; and email solicitations.

Consumer protection laws, rules and regulations are extensive and have developed rapidly, particularly at the State level. Consumer protection laws in certain jurisdictions 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. We are engaged in considerable efforts to ensure that all our activities comply with federal and state laws, rules and regulations relating to consumer protection, including laws relating to privacy. 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. While we monitor the

changes in and interpretations of these laws in consumer-related settlements and decisions, and while we believe that we are in material compliance with applicable laws, there can be no assurances 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 continue to comply with all applicable laws, which might adversely affect our operations.

A Multistate Working Group of 30 State Attorneys General, led by the Attorney General of the State of Ohio, is investigating certain of our consumer practices. The investigation focuses on practices relating to the cancellation of subscriptions; automatic renewal of subscriptions; charging, billing, collecting, and refunding or crediting of payments from consumers; and soliciting customers. A separate investigation into our consumer practices is being conducted by the Attorneys General of the State of Florida and New York. In addition, the Attorney General of the State of Missouri has commenced an action against us regarding our telemarketing practices to residents of the State of Missouri.

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 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 do not have complete redundancy for all of our information technology systems, and our disaster recovery planning 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 are involved in continuing efforts to upgrade and maintain our information technology systems. These maintenance and upgrade activities are costly, and problems with the design or implementation of system enhancements could harm our business and our results of operations.

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.

If hackers were able to circumvent our security measures, we could lose proprietary information or personal information or 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.

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.

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

The nature of our business involves the receipt and storage of personal information about our subscribers. If we experience a data security breach, we could be exposed to government enforcement actions and private litigation. 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 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 satellite equipment or radio spectrum; and acquisitions of other businesses, including acquisitions that are not directly related to our satellite radio business.

Our substantial indebtedness could adversely affect our operations and could limit our ability to react to changes in the economy or our industry.

As of December 31, 2011, we had an aggregate principal amount of approximately $3.1 billion of indebtedness. Our substantial indebtedness has important consequences. For example, it:

- 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 or make capital expenditures;
- limits our flexibility in planning for, or reacting to, changes in our business and the audio entertainment industry; and
- may place us at a competitive disadvantage compared to other competitors.

The instruments governing our indebtedness contain covenants that, among other things, place certain limitations on our ability to incur more debt, pay dividends, make distributions, make investments, repurchase stock, create liens, enter into transactions with affiliates, enter into sale lease-back transactions, merge or consolidate, and transfer or sell assets. Failure to comply with the covenants associated with this debt could result in an event of default, which, if not cured or waived, could cause us to seek the protection of the bankruptcy laws, discontinue operations or seek a purchaser for our business or assets.

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

An earthquake, tornado, flood, terrorist attack or other catastrophic event could damage our broadcast 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 either of our services until we could transfer operations to suitable back-up facilities.

Electromagnetic interference from others could damage our business.

Our satellite radio service may be subject to interference caused by other users of radio frequencies, such as RF lighting, ultra-wideband technology and Wireless Communications Service ("WCS") users. The FCC has approved modifications to the rules governing the operations of WCS devices in the spectrum adjacent to satellite radio, including rule changes that facilitate mobile broadband services in the WCS frequencies. We have opposed certain of the changes out of a concern for their impact on the reception of satellite radio service; and have filed a petition with the FCC asking the Commission to reconsider certain of the changes. We cannot predict the outcome of our petition for reconsideration. The ultimate impact of certain of these rules changes on satellite

radio reception is impossible to predict and dependent on numerous factors outside of our control, such as the design and implementation of WCS systems and devices, the applications deployed through WCS devices, and the number of WCS devices ultimately adopted by consumers.

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 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.

Liberty Media Corporation has significant influence over our business and affairs and its interests may differ from ours.

Liberty Media Corporation holds preferred stock that is convertible into 2,586,976,000 shares of common stock. Pursuant to the terms of the preferred stock held by Liberty Media, we cannot take certain actions, such as certain issuances of equity or debt securities, without the consent of Liberty Media. Additionally, Liberty Media has the right to designate a percentage of our board of directors proportional to its interest. As a result, Liberty Media has significant influence over our business and affairs. The interests of Liberty Media may differ from our interests. The extent of Liberty Media's stock ownership in us also may have the effect of discouraging offers to acquire control of us. Under its investment agreement, Liberty Media is subject to certain standstill provisions which expire in March 2012.

Our net operating loss carryforwards could be substantially limited if we experience an ownership change as defined in the Internal Revenue Code.

We have generated a federal net operating loss carryforward of approximately $7.8 billion through the year ended December 31, 2011, and we may generate net operating loss carryforwards in future years.

Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"), contains rules that limit the ability of a company that undergoes an ownership change, which is generally any change in ownership of more than 50% of its stock over a three-year period, to utilize its net operating loss carryforwards and certain built-in losses recognized in years after the ownership change. These rules generally operate by focusing on ownership changes among stockholders owning directly or indirectly 5% or more of the stock of a company and any change in ownership arising from a new issuance of stock by the company.

If we undergo an ownership change for purposes of Section 382 as a result of future transactions involving our common stock, including purchases or sales of stock between 5% stockholders, our ability to use our net operating loss carryforwards and to recognize certain built-in losses would be subject to the limitations of Section 382. The limitation on our ability to utilize tax losses and credit carryforwards arising from an ownership change under Section 382 would depend upon the value of our equity at the time of any ownership change. Given our current market capitalization, any future ownership change will not negatively impact our ability to fully utilize our existing net operating losses wit the carryforward period. If we were to experience a significant decrease in equity value it is possible that a portion of our tax losses and credit carryforwards could expire before we would be able to use them to offset future taxable income.

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.

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 and studio/production facilities	Lease
New York, NY	Office facilities	Lease
Washington, DC	Office and studio/production facilities	Own
Washington, DC	Office 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

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. We also lease properties in Panama and Ecuador that we use as earth stations to command and control satellites.

In addition, we lease or license space at over 650 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 arrangements is material to our business or operations.

ITEM 3. *LEGAL PROCEEDINGS*

State Consumer Investigations . A Multistate Working Group of 30 State Attorneys General, led by the Attorney General of the State of Ohio, is investigating certain of our consumer practices. The investigation focuses on practices relating to the cancellation of subscriptions; automatic renewal of subscriptions; charging, billing, collecting, and refunding or crediting of payments from consumers; and soliciting customers.

A separate investigation into our consumer practices is being conducted by the Attorneys General of the State of Florida and the State of New York. In addition, in September 2010, the Attorney General of the State of Missouri commenced an action against us in Missouri Circuit Court, Twenty-Second Judicial Circuit, St. Louis, Missouri, alleging violations of various consumer protection statutes, including the Missouri Telemarketing No-Call List Act. The suit seeks, among other things, a permanent injunction prohibiting us from making, or causing to be made, telephone solicitations to our subscribers in the State of Missouri who are on Missouri's no-call list, statutory penalties and reimbursement of costs.

We are cooperating with these investigations and believe our consumer practices comply with all applicable federal and state laws and regulations.

Carl Blessing et al. v. Sirius XM Radio Inc . We have settled the case titled Carl Blessing et al. v. Sirius XM Radio Inc. and the settlement has been approved by the United States District Court for the Southern District of New York. Notices of appeal have been filed by 11 individuals seeking to overturn the settlement.

In December 2009, Carl Blessing, a subscriber, filed a lawsuit against us in the United States District Court for the Southern District of New York. Mr. Blessing and several other plaintiffs purported to represent all subscribers who were subject to: an increase in the price for additional-radio subscriptions from $6.99 to $8.99; the imposition of the US Music Royalty Fee; and the elimination of our free Internet service. The suit claimed that the pricing changes showed that our merger with XM lessened competition or led to a monopoly in violation of the Clayton Act and that the merger led to monopolization in violation of the Sherman Act. Earlier the Court dismissed the plaintiffs' claims breach of contract and granted our motion for summary judgment as to various state law claims.

As part of the settlement, we agreed to: not raise the price of our basic satellite radio service or other programming packages or our Internet services; not increase our US Music Royalty Fee; or not decrease our multi-radio discount prior to January 1, 2012. Existing subscribers were also permitted to renew their current subscription plans at current rates prior to December 31, 2011. Former subscribers who terminated their subscriptions after July 29, 2009 are entitled to receive, at their election, either: one month of our basic satellite radio service or one month of our Internet service, at no charge. We also paid the costs of providing notice to the plaintiff class and reimbursed counsel for the plaintiffs for $13 million of their fees and expenses.

One Twelve, Inc. and Don Buchwald v. Sirius XM Radio Inc . In March 2011, One Twelve, Inc., Howard Stern's production company, and Don Buchwald, Stern's agent, commenced an action against us in the Supreme Court of the State of New York, County of New York. The action alleges that, upon the Merger, we failed to honor our obligations under the performance-based compensation provisions of our prior agreement dated

October 2004 with One Twelve and Buchwald, as agent; One Twelve and Buchwald each assert a claim of breach of contract. More specifically, the complaint alleges that subscribers to the XM Satellite Radio service should have been counted as "Sirius subscribers" following the Merger for purposes of provisions entitling One Twelve and Buchwald to compensation in the event that the number of "Sirius subscribers" exceeded the projected growth amounts of Sirius subscribers by certain magnitudes specified in the 2004 agreement for each ye of that agreement. The suit seeks damages, plus interest and costs, in an amount to be determined. We believe that the claims are without me and intend to vigorously defend this action.

We filed a motion for summary judgment on the basis that the 2004 agreement is unambiguous; specifically, that the term "Sirius subscribers," as used in the 2004 agreement, does not include subscribers to XM Satellite Radio following the Merger and, as a result, One Twelve and Buchwald were not entitled to additional compensation for exceeding projected growth amounts of Sirius subscribers. The Court heard oral argument on our motion for summary judgment in September 2011.

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

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 sales price for our common stock, as reported by Nasdaq, for the periods indicated below:

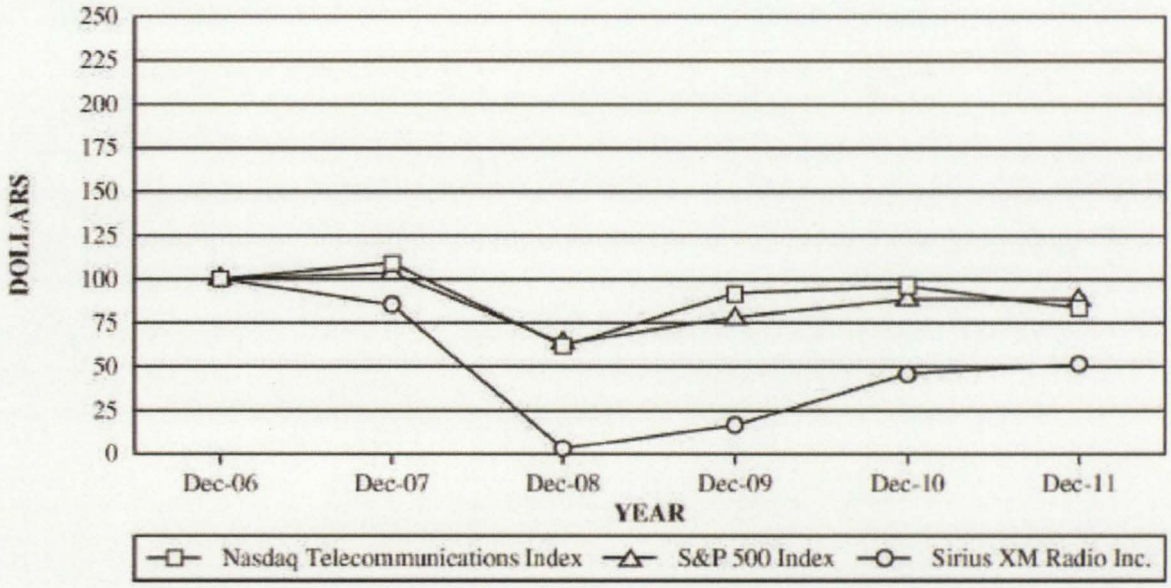
	High	Low
Year ended December 31, 2010		
First Quarter	$1.18	$0.61
Second Quarter	1.25	0.84
Third Quarter	1.20	0.90
Fourth Quarter	1.69	1.18
Year ended December 31, 2011		
First Quarter	$1.88	$1.49
Second Quarter	2.44	1.62
Third Quarter	2.35	1.44
Fourth Quarter	1.92	1.27

On February 7, 2012, the closing sales price of our common stock on the Nasdaq Global Select Market was $2.12 per share. On February 7, 2012, there were approximately 11,459 record holders of our common stock.

We have never paid cash dividends on our common stock. Our ability to pay dividends on our common stock is currently limited by covenants under our debt agreements. It is currently our intention to retain earnings, if any, for use in our business. Our board of directors discusses alternative uses of cash based on a variety of factors such as working capital levels, our debt repayment obligations or repurchase of our debt, our cash requirements for acquisitions, and our return of capital to shareholders. See Note 13 to our consolidated financial statements included in this Annual Report on Form 10-K.

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, 2006 to December 31, 2011. The graph assumes that $100 was invested on December 31, 2006 in each of our common stock, the S&P 500 and the NASDAQ Telecommunications Index. There were no dividends declared during these periods.



Stockholder Return Performance Table

	Nasdaq Telecommunications Index	S&P 500 Index	Sirius XM Radio Inc.
December 31, 2006	$ 100.00	$ 100.00	$ 100.00
December 31, 2007	$ 109.17	$ 103.53	$ 85.59
December 31, 2008	$ 62.25	$ 63.69	$ 3.39
December 31, 2009	$ 92.27	$ 78.62	$ 16.95
December 31, 2010	$ 95.89	$ 88.67	$ 46.05
December 31, 2011	$ 83.79	$ 88.67	$ 51.41

Equity Compensation Plan Information

Plan category *(shares in thousands)*	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders	462,086	$ 1.32	197,606
Equity compensation plans not approved by security holders	—	—	—
Total	462,086	$ 1.32	197,606

ITEM 6. *SELECTED FINANCIAL DATA*

Our selected financial data set forth below with respect to the consolidated statements of operations for the years ended December 31, 2011, 2010 and 2009, and with respect to the consolidated balance sheets at December 31, 2011 and 2010, are derived from our audited consolidated financial statements included in Item 8 of this Annual Report on Form 10-K. Our selected financial data set forth below with respect to the consolidated statements of operations for the years ended December 31, 2008 and 2007, and with respect to the consolidated balance sheets at December 31, 2009, 2008 and 2007 are derived from our audited consolidated financial statements, which are not included in this Annual Report on Form 10-K. This selected financial data should be read in conjunction with the 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.

(in thousands, except per share data)	As of and for the Years Ended December 31, 2011	2010	2009(1)	2008(1)(2)	2007
Statements of Operations Data:					
Total revenue	$3,014,524	$2,816,992	$2,472,638	$ 1,663,992	$ 922,066
Net income (loss) attributable to common stockholders	$ 426,961	$ 43,055	$ (538,226)	$(5,316,910)	$ (565,252)
Net income (loss) per share — basic	$ 0.11	$ 0.01	$ (0.15)	$ (2.45)	$ (0.39)
Net income (loss) per share — diluted	$ 0.07	$ 0.01	$ (0.15)	$ (2.45)	$ (0.39)
Weighted average common shares outstanding — basic	3,744,606	3,693,259	3,585,864	2,169,489	1,462,967
Weighted average common shares outstanding — diluted	6,500,822	6,391,071	3,585,864	2,169,489	1,462,967
Balance Sheet Data:					
Cash and cash equivalents	$ 773,990	$ 586,691	$ 383,489	$ 380,446	$ 438,820
Restricted investments	$ 3,973	$ 3,396	$ 3,400	$ 141,250	$ 53,000
Total assets	$7,495,996	$7,383,086	$7,322,206	$ 7,527,075	$1,687,231
Long-term debt, net of current portion	$3,012,351	$3,021,763	$3,063,281	$ 2,820,781	$1,271,699
Stockholders' equity (deficit)(3)	$ 704,145	$ 207,636	$ 95,522	$ 75,875	$ (792,737)

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

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

(3) No cash dividends were declared or paid in any of the periods presented.

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. See "Special Note Regarding Forward-Looking Statements."

(All dollar amounts referenced in this Item 7 are in thousands, unless otherwise stated)

Executive Summary

We broadcast our music, sports, entertainment, comedy, talk, news, traffic and weather channels in the United States on a subscription fee basis through two proprietary satellite radio systems. Subscribers can also receive certain of our music and other channels over the Internet, including through applications for mobile devices.

We have agreements with every major automaker ("OEMs") to offer satellite radios as factory- or dealer-installed equipment in their vehicles. We also distribute our satellite radios through retail locations nationwide and through our website. Satellite radio services are also offered to customers of certain daily rental car companies.

As of December 31, 2011, we had 21,892,824 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; activated radios in daily rental fleet vehicles; certain subscribers to our Internet services; and certain subscribers to our weather, traffic, data and video services.

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

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

We also have an equity interest in the satellite radio services offered in Canada. Subscribers to the Sirius XM Canada service are not included in our subscriber count. In June 2011, Canadian Satellite Radio Holdings Inc. ("CSR"), the parent company of XM Canada, and Sirius Canada completed a transaction to combine their operations ("the Canada Merger").

Actual Results of Operations

Set forth below are our results of operations for the year ended December 31, 2011 compared with the year ended December 31, 2010 and the year ended December 31, 2010 compared with the year ended December 31, 2009.

	For the Years Ended December 31,			2011 vs 2010 Change		2010 vs 2009 Change	
	2011	2010	2009	Amount	%	Amount	%
Revenue:							
Subscriber revenue	$2,595,414	$2,414,174	$2,287,503	$181,240	8%	$126,671	6%
Advertising revenue, net of agency fees	73,672	64,517	51,754	9,155	14%	12,763	25%
Equipment revenue	71,051	71,355	50,352	(304)	(0%)	21,003	42%
Other revenue	274,387	266,946	83,029	7,441	3%	183,917	222%
Total revenue	3,014,524	2,816,992	2,472,638	197,532	7%	344,354	14%
Operating expenses:							
Revenue share and royalties	471,149	435,410	397,210	35,739	8%	38,200	10%
Programming and content	281,234	305,914	308,121	(24,680)	(8%)	(2,207)	(1%)
Customer service and billing	259,719	241,680	234,456	18,039	7%	7,224	3%
Satellite and transmission	75,902	80,947	84,033	(5,045)	(6%)	(3,086)	(4%)
Cost of equipment	33,095	35,281	40,188	(2,186)	(6%)	(4,907)	(12%)
Subscriber acquisition costs	434,482	413,041	340,506	21,441	5%	72,535	21%
Sales and marketing	222,773	215,454	228,956	7,319	3%	(13,502)	(6%)
Engineering, design and development	53,435	45,390	41,031	8,045	18%	4,359	11%
General and administrative	238,738	240,970	227,554	(2,232)	(1%)	13,416	6%
Depreciation and amortization	267,880	273,691	309,450	(5,811)	(2%)	(35,759)	(12%)
Restructuring, impairments and related costs	—	63,800	32,807	(63,800)	(100%)	30,993	94%
Total operating expenses	2,338,407	2,351,578	2,244,312	(13,171)	(1%)	107,266	5%
Income from operations	676,117	465,414	228,326	210,703	45%	237,088	104%
Other income (expense):							
Interest expense, net of amounts capitalized	(304,938)	(295,643)	(315,668)	(9,295)	(3%)	20,025	6%
Loss on extinguishment of debt and credit facilities, net	(7,206)	(120,120)	(267,646)	112,914	94%	147,526	55%
Interest and investment income (loss)	73,970	(5,375)	5,576	79,345	nm	(10,951)	(196%)
Other income	3,252	3,399	3,355	(147)	(4%)	44	1%
Total other expense	(234,922)	(417,739)	(574,383)	182,817	44%	156,644	27%
Income (loss) before income taxes	441,195	47,675	(346,057)	393,520	825%	393,732	114%
Income tax expense	(14,234)	(4,620)	(5,981)	(9,614)	(208%)	1,361	23%
Net income (loss)	426,961	43,055	(352,038)	383,906	892%	395,093	112%
Preferred stock beneficial conversion feature	—	—	(186,188)	—	—%	186,188	nm
Net income (loss) attributable to common stockholders	$ 426,961	$ 43,055	$ (538,226)	$383,906	892%	$581,281	108%

nm — not meaningful

Total Revenue

Subscriber Revenue includes subscription fees, activation and other fees.

- *2011 vs. 2010* : For the years ended December 31, 2011 and 2010, subscriber revenue was $2,595,414 and $2,414,174, respectively, an increase of 8%, or $181,240. The increase was primarily attributable to an increase of 8% in daily weighted average subscribers; an increase in sales of premium services, including Premier packages, data services and Internet subscriptions, partially offset by the impact of subscription discounts offered through customer acquisition and retention programs.
- *2010 vs. 2009* : For the years ended December 31, 2010 and 2009, subscriber revenue was $2,414,174 and $2,287,503, respectively, an increase of 6%, or $126,671. The increase was primarily attributable to a 5% increase in daily weighted average subscribers; an increase in the sales of premium services, including Premier packages, data services and Internet subscriptions; decreases in discounts on multi-subscription and Internet packages and a $32,159 decrease in the impact of purchase price accounting adjustments attributable to acquired deferred subscriber revenues, partially offset by an increase in the number of subscribers on promotional plans.

The future growth of subscriber revenue will be dependent upon the growth of our subscriber base, conversion and churn rates, promotions, rebates offered to subscribers and corresponding take-rates, plan mix, subscription prices and identification of additional revenue streams from subscribers. We increased certain of our subscription rates beginning January 2012.

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

- *2011 vs. 2010* : For the years ended December 31, 2011 and 2010, advertising revenue was $73,672 and $64,517, respectively, an increase of 14%, or $9,155. The increase was primarily due to greater demand for audio advertising resulting in increases in the number of advertising spots sold as well as the rate charged per spot.
- *2010 vs. 2009* : For the years ended December 31, 2010 and 2009, advertising revenue was $64,517 and $51,754, respectively, an increase of 25%, or $12,763. The increase was primarily due to more effective sales efforts and improvements in the national market for advertising.

Our advertising revenue is subject to fluctuation based on the effectiveness of our sales efforts and the national economic environment. We expect advertising revenue to increase as advertisers are attracted by the growth in our subscriber base.

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

- *2011 vs. 2010* : For the years ended December 31, 2011 and 2010, equipment revenue was $71,051 and $71,355, respectively, a decrease of $304. The decrease was driven by a reduction in aftermarket hardware subsidies earned, partially offset by increased royalties from higher OEM production.
- *2010 vs. 2009* : For the years ended December 31, 2010 and 2009, equipment revenue was $71,355 and $50,352, respectively, an increase of 42%, or $21,003. The increase was driven by royalties from increased OEM production and subsidies earned on aftermarket radios and accessories.

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

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

- *2011 vs. 2010* : For the years ended December 31, 2011 and 2010, other revenue was $274,387 and $266,946, respectively. The $7,441 increase was primarily due to increased royalty revenue from Sirius

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

- *2010 vs. 2009* : For the years ended December 31, 2010 and 2009, other revenue was $266,946 and $83,029, respectively. The $183,917 increase was primarily due to the full year impact of the U.S. Music Royalty Fee introduced in the third quarter of 2009.

Other revenue is dependent upon the amount of the U.S. Music Royalty Fee and revenues from our Canadian affiliate. Other revenue will fluctuate as additional subscribers become subject to the U.S. Music Royalty Fee and based on the performance of our Canadian affiliate.

Operating Expenses

Revenue Share and Royalties include distribution and content provider revenue share, advertising revenue share, residuals and broadcast and web streaming royalties. Residuals are monthly fees paid based upon the number of subscribers using satellite radios purchased from retailers. Advertising revenue share is recognized in revenue share and royalties in the period in which the advertising is broadcast.

- *2011 vs. 2010* : For the years ended December 31, 2011 and 2010, revenue share and royalties were $471,149 and $435,410, respectively, an increase of 8%, or $35,739. For the year ended December 31, 2011, revenue share and royalties remained flat as a percentage of total revenue. The increase in revenue share and royalties was primarily attributable to a 14% increase in our revenues subject to royalty and/or revenue sharing arrangements and a 7% increase in the statutory royalty rate for the performance of sound recordings, partially offset by a $18,974 increase in the benefit to earnings from the amortization of deferred credits on executory contracts initially recognized in purchase price accounting associated with the Merger.
- *2010 vs. 2009* : For the years ended December 31, 2010 and 2009, revenue share and royalties were $435,410 and $397,210, respectively, an increase of 10%, or $38,200. For the year ended December 31, 2010, revenue share and royalties decreased as a percentage of total revenue. The increase in revenue share was primarily attributable to a 12% increase in our revenues subject to royalty and/or revenue sharing arrangements and an 8% increase in the statutory royalty rate for the performance of sound recordings, partially offset by a decrease in the revenue sharing rate with an automaker and a $18,187 increase in the benefit to earnings from the amortization of deferred credits on executory contracts initially recognized in purchase price accounting associated with the Merger.

We expect our revenue share and royalty costs to increase as our revenues grow and as a result of statutory increases in the royalty rate for the performance of sound recordings. Under the terms of the Copyright Royalty Board's decision, we paid royalties of 7.5% and 7.0% of gross revenues, subject to certain exclusions, for the years ended December 31, 2011 and 2010, respectively, and will pay royalties of 8.0% for 2012. The deferred credits on executory contracts initially recognized in purchase price accounting associated with the Merger are expected to provide increasing benefits to revenue share and royalties through the expiration of the acquired executory contracts, principally in 2012 and 2013.

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

- *2011 vs. 2010:* For the years ended December 31, 2011 and 2010, programming and content expenses were $281,234 and $305,914, respectively, a decrease of 8%, or $24,680 and decreased as a percentage of total revenue. The decrease was primarily due to savings in content agreements and production costs, partially offset by increases in personnel costs and an $8,394 reduction in the benefit to earnings from purchase price accounting adjustments associated with the Merger attributable to the amortization of the deferred credit on acquired programming executory contracts.

- *2010 vs. 2009:* For the years ended December 31, 2010 and 2009, programming and content expenses were $305,914 and $308,121, respectively, a decrease of 1%, or $2,207 and decreased as a percentage of total revenue. The decrease was primarily due to savings in content agreements and production costs, partially offset by increases in personnel costs, general operating expenses and a $14,503 reduction in the benefit to earnings from purchase price accounting adjustments associated with the Merger attributable to the amortization of the deferred credit on acquired programming executory contracts.

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

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

- *2011 vs. 2010:* For the years ended December 31, 2011 and 2010, customer service and billing expenses were $259,719 and $241,680, respectively, an increase of 7%, or $18,039 and remained flat as a percentage of total revenue. The increase was primarily attributable to an 8% increase in daily weighted average subscribers which drove higher call volume, billing and collection costs, transaction fees, as well as increased handle time per call and personnel costs. This increase was partially offset by lower agent rates, fewer contacts per subscriber and lower general operating costs.
- *2010 vs. 2009* : For the years ended December 31, 2010 and 2009, customer service and billing expenses were $241,680 and $234,456, respectively, an increase of 3%, or $7,224 but decreased as a percentage of total revenue. The increase was primarily due to higher call volume driven by an increase in average subscribers and more contacts per subscriber, partially offset by lower handle time per call and lower agent cost as a result of moving calls to lower cost locations.

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

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

- *2011 vs. 2010* : For the years ended December 31, 2011 and 2010, satellite and transmission expenses were $75,902 and $80,947, respectively, a decrease of 6%, or $5,045 and decreased as a percentage of total revenue. The decrease was due to savings in repeater expenses from network optimization along with favorable lease renewals, a reduction in satellite in-orbit insurance expense, and a transition to more cost-effective approaches to satellite and broadcast operations.
- *2010 vs. 2009* : For the years ended December 31, 2010 and 2009, satellite and transmission expenses were $80,947 and $84,033, respectively, a decrease of 4%, or $3,086 and decreased as a percentage of total revenue. The decrease was primarily due to savings in repeater expenses, partially offset by increased satellite insurance costs related to our FM-5 satellite.

We expect overall satellite and transmission expenses to increase as a result of costs associated with our enhanced internet-based features and functionality, while costs associated with our in-orbit satellite fleet and terrestrial repeater network remain relatively flat.

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.

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

- *2010 vs. 2009* : For the years ended December 31, 2010 and 2009, cost of equipment was $35,281 and $40,188, respectively, a decrease of 12%, or $4,907, and decreased as a percentage of total revenue. The decrease was primarily due to lower inventory write-downs, lower sales through distributors and reduced costs to produce aftermarket radios.

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

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

- *2011 vs. 2010* : For the years ended December 31, 2011 and 2010, subscriber acquisition costs were $434,482 and $413,041, respectively, an increase of 5%, or $21,441, and decreased as a percentage of total revenue. The increase was primarily a result of the 12% increase in gross subscriber additions and higher subsidies related to increased OEM installations occurring in advance of acquiring the subscriber, partially offset by improved OEM subsidy rates per vehicle and a $6,052 increase in the benefit to earnings from the amortization of the deferred credit for acquired executory contracts recognized in purchase price accounting associated with the Merger.
- *2010 vs. 2009* : For the years ended December 31, 2010 and 2009, subscriber acquisition costs were $413,041 and $340,506, respectively, an increase of 21%, or $72,535, and increased as a percentage of total revenue. The increase was primarily a result of the 25% increase in gross subscriber additions and higher subsidies related to increased OEM installations occurring in advance of acquiring the subscriber, partially offset by improved OEM subsidy rates per vehicle and an $18,275 increase in the benefit to earnings from the amortization of the deferred credit for acquired executory contracts recognized in purchase price accounting associated with the Merger.

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

Sales and Marketing includes costs for advertising, media and production, including promotional events and sponsorships; cooperative marketing; subscriber communications; customer retention and personnel. Cooperative marketing costs include fixed and variable payments to reimburse retailers and automakers for the cost of advertising and other product awareness activities performed on our behalf.

- *2011 vs. 2010* : For the years ended December 31, 2011 and 2010, sales and marketing expenses were $222,773 and $215,454, respectively, an increase of 3%, or $7,319, and decreased as a percentage of total revenue. The increase was primarily due to increased subscriber communications and retention programs associated with a greater number of subscribers and promotional trials, partially offset by reductions in consumer advertising and event marketing.
- *2010 vs. 2009* : For the years ended December 31, 2010 and 2009, sales and marketing expenses were $215,454 and $228,956, respectively, a decrease of 6%, or $13,502, and decreased as a percentage of total

revenue. The decrease was primarily due to reductions in consumer advertising, event marketing and third party distribution support expenses, partially offset by additional cooperative marketing and personnel costs.

Sales and marketing expenses will fluctuate on a quarterly basis as we launch seasonal advertising and promotional initiatives to attract new subscribers in existing and new distribution channels, and launch and expand programs to retain our existing subscribers and win-back former subscribers.

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

- *2011 vs. 2010* : For the years ended December 31, 2011 and 2010, engineering, design and development expenses were $53,435 and $45,390, respectively, an increase of 18%, or $8,045, and remained flat as a percentage of total revenue. The increase was primarily due to higher product development costs and costs related to enhanced subscriber features and functionality, partially offset by lower share-based payment expenses.

- *2010 vs. 2009* : For the years ended December 31, 2010 and 2009, engineering, design and development expenses were $45,390 and $41,031, respectively, an increase of 11%, or $4,359, and remained flat as a percentage of total revenue. The increase was primarily due to higher personnel, overhead and aftermarket product development costs.

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

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

- *2011 vs. 2010* : For the years ended December 31, 2011 and 2010, general and administrative expenses were $238,738 and $240,970, respectively, a decrease of 1%, or $2,232, and decreased as a percentage of total revenue. The decrease was primarily due to lower share-based payment expense, as well as lower general operating expenses, including rent, insurance and information technology costs.

- *2010 vs. 2009* : For the years ended December 31, 2010 and 2009, general and administrative expenses were $240,970 and $227,554, respectively, an increase of 6%, or $13,416, and decreased as a percentage of total revenue. The increase was primarily due to increased personnel and legal costs, partially offset by lower share-based payment expense.

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

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

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

- *2010 vs. 2009:* For the years ended December 31, 2010 and 2009, depreciation and amortization expense was $273,691 and $309,450, respectively, a decrease of 12%, or $35,759, and decreased as a

percentage of total revenue. The decrease was primarily due to a $38,136 reduction in the depreciation of acquired satellite constellation and amortization of subscriber relationships, partially offset by depreciation recognized on additional assets placed in-service.

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

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

- *2011 vs. 2010:* In 2011, we did not record any restructuring, impairments, and related costs. For the year ended December 31, 2010, restructuring, impairments and related costs were $63,800 primarily due to the impairment of our FM-4 satellite as a result of the launch of XM-5 in 2010, and contract terminations.
- *2010 vs. 2009:* For the years ended December 31, 2010 and 2009, restructuring, impairments and related costs were $63,800 and $32,807, respectively, an increase of 94%, or $30,993. The increase was primarily due to the impairment of our FM-4 satellite as a result of the launch of XM-5 in 2010, and contract termination costs in the year ended December 31, 2010 compared to losses incurred on capitalized installment payments which were expected to provide no future benefit due to the counterparty's bankruptcy filing in the year ended December 31, 2009.

Other Income (Expense)

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

- *2011 vs. 2010* : For the years ended December 31, 2011 and 2010, interest expense was $304,938 and $295,643, respectively, an increase of 3%, or $9,295. The increase was primarily due to lower capitalized interest related to the construction of our satellites and related launch vehicles, partially offset by the mix of outstanding debt with lower interest rates.
- *2010 vs. 2009* : For the years ended December 31, 2010 and 2009, interest expense was $295,643 and $315,668, respectively, a decrease of 6%, or $20,025. The decrease was primarily due to decreases in the weighted average interest rate on our outstanding debt in the year ended December 31, 2010 compared to the year ended December 31, 2009 and the redemption of XM's 10% Senior PIK Secured Notes due 2011 on June 1, 2010.

Following the launch of our FM-6 satellite, which is anticipated during the first half of 2012, the capitalization of interest expense related the construction of our satellites and related launch vehicles will be eliminated. As a result, we expect interest expense to increase, offset partially as our outstanding debt declines due to retirements at maturity, redemptions and repurchases.

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

- *2011 vs. 2010* : For the years ended December 31, 2011 and 2010, loss on extinguishment of debt and credit facilities, net, was $7,206 and $120,120, respectively, a decrease of 94%, or $112,914. During the year ended December 31, 2011, the loss was incurred on the repayment of our 11.25% Senior Secured Notes due 2013 and our 3.25% Convertible Notes due 2011. During the year ended December 31, 2010,

the loss was incurred on the repayment of our Senior Secured Term Loan due 2012 and 9.625% Senior Notes due 2013 and XM's 10% Senior PIK Secured Notes due 2011 and 9.75% Senior Notes due 2014, as well as the partial repayment of XM's 11.25% Senior Secured Notes due 2013 and our 3.25% Convertible Notes due 2011.

- *2010 vs. 2009* : For the years ended December 31, 2010 and 2009, loss on extinguishment of debt and credit facilities, net, was $120,120 and $267,646, respectively, a decrease of 55%, or $147,526. During the year ended December 31, 2010, the loss was incurred on the repayment of our Senior Secured Term Loan due 2012 and 9.625% Senior Notes due 2013 and XM's 10% Senior PIK Secured Notes due 2011 and 9.75% Senior Notes due 2014, as well as the partial repayment of XM's 11.25% Senior Secured Notes due 2013 and our 3.25% Convertible Notes due 2011. During the year ended December 31, 2009, the loss was incurred on the retirement of our 2.5% Convertible Notes due 2009, the extinguishment of our Term Loan and Purchase Money Loan with Liberty Media, the repayment of the XM's Amended and Restated Credit Agreement due 2011, the partial repayment of XM's 10% Convertible Senior Notes due 2009 and the termination of XM's Second Lien Credit Agreement.

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

- *2011 vs. 2010* : For the years ended December 31, 2011 and 2010, interest and investment income (loss) was $73,970 and ($5,375), respectively, an increase of $79,345. The increase was attributable to a net gain realized as a result of the Canada Merger. This transaction resulted in the recognition of a $75,768 gain recorded in interest and investment income. The gain was partially offset by our share of net losses at our Canadian affiliate.
- *2010 vs. 2009* : For the years ended December 31, 2010 and 2009, interest and investment (loss) income was ($5,375) and $5,576, respectively, a decrease of 196%, or $10,951. The decrease in income was primarily attributable to higher net losses at XM Canada and Sirius Canada and a decrease in payments received from Sirius Canada in excess of the carrying value of our investments, partially offset by the gain on sale of auction rate securities during the year ended December 31, 2010. In addition, we recorded an impairment charge on our investment in XM Canada during the year ended December 31, 2009.

Income Taxes

Income Tax Expense primarily represents the deferred tax liability related to the difference in accounting for our FCC licenses, which are amortized over 15 years for tax purposes but not amortized for book purposes in accordance with GAAP, foreign withholding taxes on royalty income and the state tax impact of the suspension of net operating loss ("NOL") use in California and Illinois.

- *2011 vs. 2010* : For the years ended December 31, 2011 and 2010, income tax expense was $14,234 and $4,620, respectively, an increase of 208%, or $9,614, primarily due to an increase in the applicable state effective tax rate, foreign withholding taxes on royalty income and the state tax impact of the suspension of NOL use in California and Illinois.
- *2010 vs. 2009* : For the years ended December 31, 2010 and 2009, income tax expense was $4,620 and $5,981, respectively, a decrease of 23%, or $1,361, primarily as a result of a decrease in the applicable state effective tax rate and foreign withholding taxes on royalty income.

In assessing the recoverability of our deferred tax assets, management regularly considers whether some portion or all of the deferred tax assets will not be realized based on the recognition threshold and measurement of tax positions in accordance with the Income Tax Topic of the FASB Accounting Standards Codification (the "Income Taxes Topic"). The ultimate realization of deferred tax assets is dependent upon the generation of future

taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax assets and liabilities, projected taxable income and tax planning strategies in making this assessment. Management's evaluation of the realizability of deferred tax assets considers both positive and negative evidence. The weight given to the potential effects of positive and negative evidence is based on the extent to which it can be objectively verified. Our conclusion with regard to maintaining or releasing the valuation allowance gives consideration to a variety of factors including but not limited to: (a) our ability to utilize net operating losses within the carryforward period, (b) a three-year cumulative pre-tax income, (c) current period taxable income and (d) the expectation of future earnings. After weighting this evidence, management will conclude whether it is more likely than not that our deferred tax assets will be realized.

We have maintained a deferred tax valuation allowance against our deferred tax assets through December 31, 2011. In 2010, we had our first year of pre-tax earnings, but continued to generate taxable losses. For the year ended December 31, 2011, we have continued to report positive earnings and have generated taxable income. If such earnings trends continue, we may realize the benefits of all or a significant portion of our net deferred tax assets in 2012 through a reduction in our deferred tax valuation allowance. This would result in an income tax benefit that would be reflected in net income. As of December 31, 2011, we had approximately $3.4 billion of valuation allowances established against the deferred tax assets.

Subscriber Data

The following table contains actual subscriber data for the years ended December 31, 2011, 2010 and 2009, respectively.

	Unaudited		
	For the Years Ended December 31,		
	2011	2010	2009
Beginning subscribers	20,190,964	18,772,758	19,003,856
Gross subscriber additions	8,696,020	7,768,827	6,208,482
Deactivated subscribers	(6,994,160)	(6,350,621)	(6,439,580)
Net additions	1,701,860	1,418,206	(231,098)
Ending subscribers	21,892,824	20,190,964	18,772,758
Self-pay	17,908,742	16,686,799	15,703,932
Paid promotional	3,984,082	3,504,165	3,068,826
Ending subscribers	21,892,824	20,190,964	18,772,758
Self-pay	1,221,943	982,867	154,275
Paid promotional	479,917	435,339	(385,373)
Net additions	1,701,860	1,418,206	(231,098)
Daily weighted average number of subscribers	20,903,908	19,385,055	18,529,696
Average self-pay monthly churn	1.9%	1.9%	2.0%
New vehicle consumer conversion rate	45%	46%	45%

Note: See pages 45 through 51 for a glossary of terms.

Subscribers. At December 31, 2011, we had 21,892,824 subscribers, an increase of 1,701,860 subscribers, or 8%, from the 20,190,964 subscribers as of December 31, 2010.

- *2011 vs. 2010* : For the years ended December 31, 2011 and 2010, net additions were 1,701,860 and 1,418,206, respectively, an increase in net additions of 20%, or 283,654. The improvement is due to the 12% increase in gross subscriber additions, primarily resulting from an increase in U.S. light vehicle sales, new vehicle penetration, and returning subscriber activations inclusive of previously owned car acquisitions. This increase in gross additions was partially offset by the 10% increase in deactivations, which was primarily due to an increase in paid promotional trial volumes along with growth in our subscriber base.
- *2010 vs. 2009* : For the years ended December 31, 2010 and 2009, net additions were 1,418,206 and (231,098), respectively, an increase in net additions of 1,649,304. The improvement was due to the 25% increase in gross subscriber additions, primarily resulti from an increase in U.S. light vehicle sales, new vehicle penetration and returning subscriber activations.

Average Self-pay Monthly Churn is derived by dividing the monthly average of self-pay deactivations for the quarter by the average self-pay subscriber balance for the quarter. (See accompanying glossary on pages 45 through 51 for more details.)

- *2011 vs. 2010* : For the years ended December 31, 2011 and 2010, our average self-pay monthly churn rate was 1.9%. The consistent churn rate exhibits stability in the continued demand for and satisfaction with our service from existing subscribers.
- *2010 vs. 2009* : For the years ended December 31, 2010 and 2009, our average self-pay monthly churn rate was 1.9% and 2.0%, respectively. The decrease was due to an improving economy, the success of retention and win-back programs and reductions in non-pay cancellation rates.

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 45 through 51 for more details).

- *2011 vs. 2010* : For the years ended December 31, 2011 and 2010, the new vehicle consumer conversion rate was 45% and 46%, respectively. The decrease was primarily due to the changing mix of sales among OEMs and operational issues impacting the timing of the receipt of customer information and prompt marketing communications with buyers and lessees of vehicles.
- *2010 vs. 2009* : For the years ended December 31, 2010 and 2009, the new vehicle consumer conversion rate was 46% and 45%, respectively. The increase was primarily due to improved marketing to promotional period subscribers and an improving economy.

The discussion of operating results below excludes the effects of stock-based compensation and purchase price accounting adjustments associated with the Merger. Financial measures and metrics previously reported as "pro forma" have been renamed "adjusted."

Adjusted Results of Operations

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

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

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

Free cash flow is a metric that our management and Board of Directors use to evaluate the cash generated by our operations, net of capital expenditures and other investment activity. In a capital intensive business, with significant historical and current investments in satellites, we look at our operating cash flow, net of these investing cash outflows, to determine cash available for future subscriber acquisition and capital expenditures, to repurchase or retire debt, to acquire other companies and to evaluate our ability to return capital to stockholders. We believe free cash flow is an indicator of the long-term financial stability of our business. Free cash flow, which is reconciled to "Net cash provided by (used in) 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 (used in) operating activities" from the consolidated statements of cash flows. Free cash flow should be used in conjunction with other GAAP financial performance measures and may not be comparable to free cash flow measures presented by other companies. Free cash flow should be viewed as a supplemental measure rather than

an alternative measure of cash flows from operating activities, as determined in accordance with GAAP. Free cash flow is limited and does not represent remaining cash flows available for discretionary expenditures due to the fact that the measure does not deduct the payments required for debt maturities. We believe free cash flow provides useful supplemental information to investors regarding our current and projected cash flow, along with other GAAP measures (such as cash flows from operating and investing activities), to determine our financial condition, and to compare our operating performance to other communications, entertainment and media companies.

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

These Non-GAAP financial measures should be viewed in addition to, and not as an alternative for or superior to, our reported results prepared in accordance with GAAP. Please refer to the glossary (pages 45 through 51) for a further discussion of such Non-GAAP financial measures and reconciliations to the most directly comparable GAAP measure.

The following table contains our key operating metrics based on our unaudited adjusted results of operations for the years ended December 31, 2011, 2010 and 2009, respectively:

	Unaudited		
	For the Years Ended December 31,		
	2011	2010	2009
(in thousands, except for per subscriber amounts)			
ARPU	$ 11.58	$ 11.73	$ 10.95
SAC, per gross subscriber addition	$ 55	$ 59	$ 63
Customer service and billing expenses, per average subscriber	$ 1.03	$ 1.03	$ 1.05
Free cash flow	$ 415,742	$ 210,481	$ 185,319
Adjusted total revenue	$3,025,434	$2,838,898	$2,526,703
Adjusted EBITDA	$ 731,018	$ 626,288	$ 462,539

Note: See pages 45 through 51 for a glossary of terms.

ARPU is derived from total earned subscriber revenue, net advertising revenue and other subscription-related revenue, net of purchase price accounting adjustments, divided by the number of months in the period, divided by the daily weighted average number of subscribers for the period. (See accompanying glossary on pages 45 through 51 for more details.)

- *2011 vs. 2010* : For the years ended December 31, 2011 and 2010, ARPU was $11.58 and $11.73, respectively. The decrease was driven primarily by an increase in subscription discounts offered through customer acquisition and retention programs and the decrease in the U.S. Music Royalty Fee rate, partially offset by an increase in sales of our premium services, including Premier packages, data services and Internet subscriptions.
- *2010 vs. 2009* : For the years ended December 31, 2010 and 2009, ARPU was $11.73 and $10.95, respectively. The increase was driven primarily by the full year impact of the U.S. Music Royalty Fee introduced in the third quarter of 2009, increased revenues from the sale of Premier packages, decreases in discounts on multi-subscription and Internet packages, and increased net advertising revenue, partially offset by an increase in the number of subscribers on promotional plans.

SAC, Per Gross Subscriber Addition, is derived from subscriber acquisition costs and margins from the direct sale of radios and accessories, excluding share-based payment expense and purchase price accounting adjustments, divided by the number of gross subscriber additions for the period. (See accompanying glossary on pages 45 through 51 for more details.)

- *2011 vs. 2010* : For the years ended December 31, 2011 and 2010, SAC, per gross subscriber addition, was $55 and $59, respectively. The decrease was primarily due to lower per radio subsidy rates for certain OEMs and growth in subscriber reactivations and royalties from radio manufacturers.
- *2010 vs. 2009* : For the years ended December 31, 2010 and 2009, SAC, per gross subscriber addition, was $59 and $63, respectively. The decrease was primarily due to lower per radio subsidy rates for certain OEMs and growth in subscriber reactivations and royalties from radio manufacturers compared to the year ended December 31, 2009, partially offset by increased OEM installations of factory-installed satellite radios.

Customer Service and Billing Expenses, Per Average Subscriber, is derived from total customer service and billing expenses, excluding share-based payment expense and purchase price accounting adjustments, divided by the number of months in the period, divided by the daily weighted average number of subscribers for the period. (See accompanying glossary on pages 45 through 51 for more details.)

- *2011 vs. 2010* : For the years ended December 31, 2011 and 2010, customer service and billing expenses, per average subscriber, were $1.03.
- *2010 vs. 2009* : For the years ended December 31, 2010 and 2009, customer service and billing expenses, per average subscriber, were $1.03 and $1.05, respectively. The decrease was primarily due to lower call center expenses as a result of moving calls to lower cost locations, partially offset by higher call volume.

Free Cash Flow includes the net cash provided by operations, additions to property and equipment, and restricted and other investment activity. (See accompanying glossary on pages 45 through 51 for more details.)

- *2011 vs. 2010* : For the years ended December 31, 2011 and 2010, free cash flow was $415,742 and $210,481, respectively, an increase of $205,261. Net cash provided by operating activities increased $30,735 to $543,630 for the year ended December 31, 2011 compared to the $512,895 provided by operations for the year ended December 31, 2010. Capital expenditures for property and equipment for the year ended December 31, 2011 decreased $174,439 to $137,429 compared to $311,868 for the year ended December 31, 2010. The increase in net cash provided by operating activities was primarily the result of improved operating performance driving higher adjusted EBITDA, cash received from the Canada Merger, higher collections from subscribers and distributors, and the repayment in the first quarter of 2010 of liabilities deferred in 2009. The decrease in capital expenditures for the year ended December 31, 2011 was primarily the result of decreased satellite construction and launch expenditures due to the launch in 2010 of our XM-5 satellite. The increase in restricted and other investment activities was driven by the return of capital resulting from the Canada Merger, partially offset by proceeds from the sale of investment securities in the year ended December 31, 2010.
- *2010 vs. 2009* : For the years ended December 31, 2010 and 2009, free cash flow was $210,481 and $185,319, respectively, an increase of $25,162. Net cash provided by operating activities increased $79,065 to $512,895 for the year ended December 31, 2010 compared to the $433,830 provided by operations for the year ended December 31, 2009. Capital expenditures for property and equipment for the year ended December 31, 2010 increased $63,357 to $311,868 compared to $248,511 for the year ended December 31, 2009. The increase in net cash provided by operating activities was primarily the result of growth in deferred revenue and changes in net assets. The increase in capital expenditures for the year ended December 31, 2010 was primarily the result of satellite construction and launch expenditures for our XM-5 and FM-6 satellites.

Adjusted Total Revenue. Our adjusted total revenue includes the recognition of deferred subscriber revenues acquired in the Merger that are not recognized in our results under purchase price accounting and the elimination of the benefit in earnings from deferred revenue associated with our investment in XM Canada acquired in the Merger. (See the accompanying glossary on pages 45 through 51 for more details.)

	Unaudited		
	For the Years Ended December 31,		
(in thousands)	2011	2010	2009
Revenue:			
Subscriber revenue	$2,595,414	$2,414,174	$2,287,503
Advertising revenue, net of agency fees	73,672	64,517	51,754
Equipment revenue	71,051	71,355	50,352
Other revenue	274,387	266,946	83,029
Purchase price accounting adjustments:			
Subscriber revenue	3,659	14,655	46,814
Other revenue	7,251	7,251	7,251
Adjusted total revenue	$3,025,434	$2,838,898	$2,526,703

Adjusted EBITDA. EBITDA is defined as net income (loss) before interest and investment income (loss); interest expense, net of amounts capitalized; income tax expense and depreciation and amortization. Adjusted EBITDA removes the impact of other income and expense, losses on extinguishment of debt as well as certain other charges, such as goodwill impairment; restructuring, impairments and related costs; certain purchase price accounting adjustments and share-based payment expense. (See the accompanying glossary on pages 45 through 51 for more details):

- *2011 vs. 2010* : For the years ended December 31, 2011 and 2010, adjusted EBITDA was $731,018 and $626,288, respectively, an increase of 17%, or $104,730. The increase was primarily due to an increase of 7%, or $186,536, in adjusted revenues, partially offset by an increase of 4%, or $81,806, in expenses included in adjusted EBITDA. The increase in adjusted revenues was primarily due to the increase in our subscriber base. The increase in expenses was primarily driven by higher revenue share and royalties expenses associated with growth in revenues, increased customer service and billing expenses associated with subscriber growth and higher subscriber acquisition costs related to the 12% increase in gross additions, partially offset by lower programming and content costs.
- *2010 vs. 2009* : For the years ended December 31, 2010 and 2009, adjusted EBITDA was $626,288 and $462,539, respectively, an increase of 35%, or $163,749. The increase was primarily due to an increase of 12%, or $312,195, in adjusted revenues, partially offset by an increase of 7%, or $148,446, in expenses included in adjusted EBITDA. The increase in revenue was primarily due to the increase in our subscriber base and the introduction of the U.S. Music Royalty Fee in the third quarter of 2009, as well as increased advertising and equipment revenue, decreases in discounts on multi-subscription and Internet packages, and an increase in the sale of "Best of" programming, partially offset by an increase in the number of subscribers on promotional plans. The increase in expenses was primarily driven by higher subscriber acquisition costs related to the 25% increase in gross additions and higher revenue share and royalties expenses associated with growth in revenues subject to revenue sharing and royalty arrangements.

Liquidity and Capital Resources

Cash Flows for the Year Ended December 31, 2011 Compared with the Year Ended December 31, 2010 and Year Ended December 31, 2010 Compared with the Year Ended December 31, 2009

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

	For the Years Ended December 31,				
	2011	2010	2009	2011 vs. 2010	2010 vs. 2009
Net cash provided by operating activities	$ 543,630	$ 512,895	$ 433,830	$ 30,735	$ 79,065
Net cash used in investing activities	(127,888)	(302,414)	(248,511)	174,526	(53,903)
Net cash used in financing activities	(228,443)	(7,279)	(182,276)	(221,164)	174,997
Net increase in cash and cash equivalents	187,299	203,202	3,043	(15,903)	200,159
Cash and cash equivalents at beginning of period	586,691	383,489	380,446	203,202	3,043
Cash and cash equivalents at end of period	$ 773,990	$ 586,691	$ 383,489	$ 187,299	$ 203,202

Cash Flows Provided by Operating Activities

Cash provided by operating activities increased by $30,735, or 6%, to $543,630 for the year ended December 31, 2011 from $512,895 for the year ended December 31, 2010. Cash provided by operating activities increased by $79,065, or 18%, to $512,895 for the year ended December 31, 2010 from cash provided by operating activities of $433,830 for the year ended December 31, 2009. The primary drivers of our operating cash flow growth have been improvements in profitability and changes in operating assets and liabilities.

- Our net income (loss) was $426,691, $43,055, and ($352,038) for the years ended December 31, 2011, 2010 and 2009, respectively. Our net income growth has been primarily due to growth in our subscriber revenues which increased by $181,240, or 8%, and $126,671, or 6%, for the years ended December 31, 2011 and 2010, respectively.
- Net adjustments to net income (loss) were $66,975, $357,743, and $564,902 for the years ended December 31, 2011, 2010 and 2009, respectively. Significant components of adjustments to net income, and their impact on cash flows from operating activities, include:

	For the Years Ended December 31,		
	2011	2010	2009
Depreciation and amortization	$ 267,880	$ 273,691	$ 309,450
Restructuring, impairments and related costs	$ —	$ 66,731	$ 26,964
Loss on extinguishment of debt and credit facilities, net	$ 7,206	$ 120,120	$ 267,646
Gain on merger of unconsolidated entities	$ (75,768)	$ —	$ —
Share-based payment expense	$ 53,190	$ 60,437	$ 73,981
Other non-cash purchase price adjustments	$(275,338)	$(250,727)	$(202,054)

Depreciation and amortization expense is expected to increase in future periods as we recognize depreciation expense after the construction and launch of our FM-6 satellite and continue to invest in our information technology, broadcast, and facilities infrastructures.

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

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

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

Share-based payment expense is expected to increase in future periods as we grant equity awards to our employees and directors. Compensation expense for share-based awards is recorded in the financial statements based on the fair value of the underlying equity awards. The fair value of stock option awards is determined using the Black-Scholes-Merton option-pricing model which is subject to various assumptions including the market price of our common stock, estimated forfeiture rates of awards and the volatility of our stock price. The fair value of restricted shares and restricted stock units is based on the market price of our common stock at date of grant.

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

Changes in operating assets and liabilities contributed $49,694, $112,097 and $220,966 to operating cash flows for the years ended December 31, 2011, 2010 and 2009, respectively. Significant changes in operating assets and liabilities include the timing of collections from our customers, the repayment of the XM Canada credit facility, and the timing of payments to vendors and related parties. As we continue to grow our subscriber and revenue base, we expect that deferred revenue and amounts due from customers and distributors will continue to increase. Amounts payable to vendors are also expected to increase as our business grows. The timing of payments to vendors and related parties are based on both contractual commitments and the terms and conditions of our vendors.

Cash Flows Used in Investing Activities

Cash used for investing activities consists primarily of capital expenditures for property and equipment. We will continue to incur significant costs to improve our terrestrial repeater network and broadcast and administrative infrastructure. In addition, we will continue to incur capital expenditures associated with our FM-6 satellite, which is scheduled for launch in the first half of 2012. After the launch of our FM-6 satellite, we anticipate no significant satellite capital expenditures for several years until it becomes necessary to replace satellites in our fleet.

- The decrease in cash used for investing activities was primarily due to lower capital expenditures for construction of our satellites and related launch vehicles following the launch of our XM-5 satellite in 2010.

Cash Flows Used in Financing Activities

Cash flows used in financing activities have generally been the result of the issuance and repayment of long-term debt and related party debt and cash proceeds from exercise of stock options. 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.

- The increase in cash flows used in financing activities was primarily due to the 2011 repayment of the remaining balance of our 11.25% Senior Secured Notes due 2013 and 3.25% Convertible Notes due 2011

without issuing new debt. In 2010, we repaid our Senior Secured Term Loan due 2012, 9.625% Senior Notes due 2013, XM's 10% Senior PIK Secured Notes due 2011 and 9.75% Senior Notes due 2014. We also partially repaid XM's 11.25% Senior Secured Notes due 2013 and our 3.25% Convertible Notes due 2011. We issued the following new debt in 2010; our 8.75% Senior Notes due 2015 and 7.625% Senior Notes due 2018.

Financings and Capital Requirements

We have historically financed our operations through the sale of debt and equity securities. The Certificate of Designations for our Series B Preferred Stock provides that, so long as Liberty Media beneficially owns at least half of its initial equity investment, Liberty Media's consent is required for certain actions, including the grant or issuance of our equity securities and the incurrence of debt (other than, in general, debt incurred to refinance existing debt) in amounts greater than $10,000 in any calendar year.

Future Liquidity and Capital Resource Requirements

We have entered into various agreements to design, construct, and launch our satellites in the normal course of business. As disclosed in Note 17 in our consolidated financial statements in Item 8 of this Annual Report on Form 10-K, as of December 31, 2011, we expect to incur expenditures of approximately $60,517 and $5,526 in 2012 and 2013, respectively, and an additional $48,545 thereafter, the majority of which is attributable to the construction and launch of our FM-6 satellite and related launch vehicle.

Based upon our current plans, we believe that we have sufficient cash, cash equivalents and marketable securities to cover our estimated funding needs. We expect to fund operating expenses, capital expenditures, working capital requirements, interest payments, taxes and scheduled maturities of our debt with existing cash and cash flow from operations, and we believe that we will be able to generate sufficient revenues to meet our cash requirements.

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

We regularly evaluate our business plans and strategy. These evaluations often result in changes to our business plans and strategy, some of which may be material and significantly change our cash requirements. These changes in our business plans or strategy may include: the acquisition of unique or compelling programming; the introduction of new features or services; significant new or enhanced distribution arrangements; investments in infrastructure, such as satellites, equipment or radio spectrum; and acquisitions, including acquisitions that are not directly related to our satellite radio business. In addition, our operations are affected by the FCC order approving the Merger, which imposed certain conditions upon, among other things, our program offerings.

Debt Covenants

The indentures governing our debt include restrictive covenants. As of December 31, 2011, we were in compliance with our debt covenants.

For a discussion of our "Debt Covenants", refer to Note 13 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 financing arrangements other than those disclosed in Note 17 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 17 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 11 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 U.S. GAAP, which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods. Accounting estimates require the use of significant management assumptions and judgments as to future events, and the effect of those events cannot be predicted with certainty. The accounting estimates will change as new events occur, more experience is acquired and more information is obtained. We evaluate and update our assumptions and estimates on an ongoing basis and use outside experts to assist in that evaluation when we deem necessary. We have disclosed all significant accounting policies in Note 2 to our consolidated financial statements 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 October 1st of each year. Assessments are performed at other times if events or circumstances indicate it is more likely than not that the asset is impaired. Step one of the impairment assessment compares the fair value of the entity to its carrying value and if the fair value exceeds its carrying value, goodwill is not impaired. If the carrying value exceeds the fair value, the implied fair value of goodwill is compared to the carrying value of goodwill; an impairment loss will be recorded for the amount the carrying value exceeds the implied fair value. At October 1, 2011, the fair value of our single reporting unit substantially exceeded its carrying value and therefore was not at risk of failing step one of ASC 350-20, *Goodwill* ("ASC 350-20"). Subsequent to our annual evaluation of the carrying value of goodwill, there were no events or circumstances that triggered the need for an interim evaluation for impairment. As a result, there were no changes in the carrying value of our goodwill during the years ended December 31, 2011 and 2010.

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

Our annual impairment assessment of indefinite-lived assets, our FCC licenses and trademark, is performed as of October 1st 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. To determine fair value, we employ an expected present value technique, which utilizes multiple cash flow scenarios for the FCC licenses and trademark that reflect the range of possible outcomes and an appropriate discount rate.

We use independent appraisals to assist in determining the fair value of our FCC licenses and trademark. The income approach, which is commonly called the "Jefferson Pilot Method" or the "Greenfield Method", has been consistently used to estimate the fair value of our FCC licenses. This method attempts to isolate the income that is properly attributable to the license alone (that is, apart from tangible and intangible assets and goodwill). It is based upon modeling a hypothetical "Greenfield" build-up to a normalized enterprise that, by design, lacks inherent goodwill and has essentially purchased (or added) all other assets as part of the build-up process. The

methodology assumes that, rather than acquiring such an operation as a going concern, the buyer would hypothetically obtain a license at nominal cost and build a new operation with similar attributes from inception. The significant assumption was that the hypothetical start up entity would begin its network build out phase at the impairment testing date and revenues and variable costs would not be generated until the satellite network was operational, approximately five years from inception. The "Relief from Royalty" method valuation approach was utilized to value our trademark. This methodology involves the estimation of an amount of hypothetical royalty income that could be generated if the asset was licensed from an independent, third-party owner. The value of the intangible is the present value of the prospective stream of hypothetical royalty income that would be generated over the useful life of the asset.

At October 1, 2011, the fair value of our FCC licenses and trademark substantially exceeded the carrying value and therefore was not at risk of impairment. Subsequent to our annual evaluation of the carrying value of our long-lived assets, there were no events or circumstances that triggered the need for an interim impairment evaluation.

There were no changes in the carrying value of our indefinite life intangible assets during the years ended December 31, 2011 and 2010.

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

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

Certain of our in-orbit satellites have experienced circuit failures on their solar arrays. We continue to monitor the operating condition of our in-orbit satellites. If events or circumstances indicate that the depreciable lives of our in-orbit satellites have changed, we will modify the depreciable life accordingly. If we were to revise our estimates, our depreciation expense would change. For example, a 10% decrease in the expected depreciable lives of satellites and spacecraft control facilities during 2011 would have resulted in approximately $20,614 of additional depreciation expense.

Income Taxes . Deferred income taxes are recognized for the tax consequences related to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for tax purposes, based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. A valuation allowance is recognized when, based on the weight of all available evidence, it is considered more likely than not that all, or some portion, of the deferred tax assets will not be realized. Income tax expense is the sum of current income tax plus the change in deferred tax assets and liabilities. As of December 31, 2011 and 2010, we maintained a full valuation allowance against our deferred tax assets due to our prior history of pre-tax losses and uncertainty about the timing of and ability to generate taxable income in the future and our assessment that the realization of the deferred tax assets did not meet the "more likely than not" criterion under ASC 740.

Recent Accounting Pronouncements

In May 2011, the FASB issued Accounting Standards Update No. 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards (Topic 820) — Fair Value Measurement* ("ASU 2011-04"), to provide a consistent

definition of fair value and ensure that the fair value measurement and disclosure requirements are similar between U.S. GAAP and International Financial Reporting Standards. ASU 2011-04 changes certain fair value measurement principles and enhances the disclosure requirements particularly for Level 3 fair value measurements. The amendments are not expected to have a significant impact on companies that apply U.S. GAAP. This standard is effective for interim and annual periods beginning after December 15, 2011 and will be applied prospectively. The impact of our pending adoption of ASU 2011-04 will not be material to our consolidated financial statements.

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

Glossary

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

Adjusted EBITDA has certain limitations in that it does not take into account the impact to our statement of operations 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 operations. 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 (loss) to the adjusted EBITDA is calculated as follows (in thousands):

	Unaudited		
	For the Years Ended December 31,		
	2011	2010	2009
Net income (loss) (GAAP):	$ 426,961	$ 43,055	$(352,038)
Add back items excluded from Adjusted EBITDA:			
Purchase price accounting adjustments:			
Revenues (see pages 47-49)	10,910	21,906	54,065
Operating expenses (see pages 47-49)	(277,258)	(261,832)	(240,891)
Share-based payment expense, net of purchase price accounting adjustments	53,369	63,309	78,782
Depreciation and amortization (GAAP)	267,880	273,691	309,450
Restructuring, impairments and related costs (GAAP)	—	63,800	32,807
Interest expense, net of amounts capitalized (GAAP)	304,938	295,643	315,668
Loss on extinguishment of debt and credit facilities, net (GAAP)	7,206	120,120	267,646
Interest and investment (income) loss (GAAP)	(73,970)	5,375	(5,576)
Other income (GAAP)	(3,252)	(3,399)	(3,355)
Income tax expense (GAAP)	14,234	4,620	5,981
Adjusted EBITDA	$ 731,018	$ 626,288	$ 462,539

Adjusted Revenues and Operating Expenses – We define this Non-GAAP financial measure as our actual revenues and operating expenses adjusted to exclude the impact of certain purchase price accounting adjustments and share-based payment expense. We use this Non-GAAP financial measure to manage our business, set operational goals and as a basis for determining performance-based compensation for our employees. The following tables reconcile our actual revenues and operating expenses to our adjusted revenues a operating expenses for the years ended December 31, 2011, 2010 and 2009:

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

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

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

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

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

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

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

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

	Unaudited For the Year Ended December 31, 2009			
		Purchase Price		
(in thousands)	As Reported	Accounting Adjustments	Allocation of Share-based Payment Expense	Adjusted
Revenue:				
Subscriber revenue	$2,287,503	$ 46,814	$ —	$2,334,317
Advertising revenue, net of agency fees	51,754	—	—	51,754
Equipment revenue	50,352	—	—	50,352
Other revenue	83,029	7,251	—	90,280
Total revenue	$2,472,638	$ 54,065	$ —	$2,526,703
Operating expenses				
Cost of services:				
Revenue share and royalties	397,210	89,780	—	486,990
Programming and content	308,121	72,069	(9,720)	370,470
Customer service and billing	234,456	453	(2,504)	232,405
Satellite and transmission	84,033	1,339	(3,202)	82,170
Cost of equipment	40,188	—	—	40,188
Subscriber acquisition costs	340,506	61,164	—	401,670
Sales and marketing	228,956	13,507	(10,264)	232,199
Engineering, design and development	41,031	977	(5,856)	36,152
General and administrative	227,554	1,602	(47,236)	181,920
Depreciation and amortization(a)	309,450	—	—	309,450
Restructuring, impairments and related costs	32,807	—	—	32,807
Share-based payment expense(b)	—	—	78,782	78,782
Total operating expenses	$2,244,312	$ 240,891	$ —	$2,485,203

(a) Purchase price accounting adjustments included above exclude the incremental depreciation and amortization associated with the $785,000 stepped up basis in property, equipment and intangible assets as a result of the Merger. The increased depreciation and amortization for the year ended December 31, 2009 was $106,000.

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

Programming and content	$ 9,064	$ 656	$ —	$ 9,720
Customer service and billing	2,051	453	—	2,504
Satellite and transmission	2,745	457	—	3,202
Sales and marketing	9,608	656	—	10,264
Engineering, design and development	4,879	977	—	5,856
General and administrative	45,634	1,602	—	47,236
Total share-based payment expense	$ 73,981	$ 4,801	$ —	$ 78,782

ARPU — is derived from total earned subscriber revenue, net advertising revenue and other subscription-related revenue, net of purchase price accounting adjustments, divided by the number of months in the period, divided by the daily weighted average number of subscribers for the period. Other subscription-related revenue includes the U.S. Music Royalty Fee, which was initially charged to subscribers in the third quarter of 2009. Purchase price accounting adjustments include the recognition of deferred subscriber revenues not recognized in purchase price accounting associated with the Merger. ARPU is calculated as follows (in thousands, except for subscriber and per subscriber amounts):

	Unaudited For the Years Ended December 31,		
	2011	2010	2009
Subscriber revenue (GAAP)	$ 2,595,414	$ 2,414,174	$ 2,287,503
Add: net advertising revenue (GAAP)	73,672	64,517	51,754
Add: other subscription-related revenue (GAAP)	231,902	234,148	48,679
Add: purchase price accounting adjustments	3,659	14,655	46,814
	$ 2,904,647	$ 2,727,494	$ 2,434,750
Daily weighted average number of subscribers	20,903,908	19,385,055	18,529,696
ARPU	$ 11.58	$ 11.73	$ 10.95

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. Average self-pay churn for the year is the average of the quarterly average self-pay churn.

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

	Unaudited For the Years Ended December 31,		
	2011	2010	2009
Customer service and billing expenses (GAAP)	$ 259,719	$ 241,680	$ 234,456
Less: share-based payment expense, net of purchase price accounting adjustments	(1,502)	(2,207)	(2,504)
Add: purchase price accounting adjustments	18	281	453
	$ 258,235	$ 239,754	$ 232,405
Daily weighted average number of subscribers	20,903,908	19,385,055	18,529,696
Customer service and billing expenses, per average subscriber	$ 1.03	$ 1.03	$ 1.05

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

	Unaudited For the Years Ended December 31,		
	2011	2010	2009
Net cash provided by operating activities	$ 543,630	$ 512,895	$ 433,830
Additions to property and equipment	(137,429)	(311,868)	(248,511)
Restricted and other investment activity	9,541	9,454	—
Free cash flow	$ 415,742	$ 210,481	$ 185,319

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

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

	Unaudited For the Years Ended December 31,		
	2011	2010	2009
Subscriber acquisition costs (GAAP)	$ 434,482	$ 413,041	$ 340,506
Less: margin from direct sales of radios and accessories (GAAP)	(37,956)	(36,074)	(10,164)
Add: purchase price accounting adjustments	85,491	79,439	61,164
	$ 482,017	$ 456,406	$ 391,506
Gross subscriber additions	8,696,020	7,768,827	6,208,482
SAC, per gross subscriber addition	$ 55	$ 59	$ 63

ITEM 7A. *QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISKS*

As of December 31, 2011, we did not have any derivative financial instruments. We do not hold or issue any free-standing derivatives. We hold investments in marketable securities consisting of money market funds, and certificates of deposit and investments in debt and equity securities of other entities. We classify our investments in marketable securities as available-for-sale. These securities are consistent with the investment objectives contained within our investment policy. The basic objectives of our investment policy are the preservation of capital, maintaining sufficient liquidity to meet operating requirements and maximizing yield.

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

ITEM 8. *FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA*

See Index to Consolidated Financial Statements contained in Item 15 herein.

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

None.

ITEM 9A. *CONTROLS AND PROCEDURES*

Controls and Procedures

As of December 31, 2011, an evaluation was performed under the supervision and with the participation of our management, including Mel Karmazin, our Chief Executive Officer, and David J. Frear, our 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 Securities Exchange Act). 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, 2011. 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 Securities Exchange Act) during the quarter ended December 31, 2011 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) 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 framework in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations 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, 2011.

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, 2011 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*

The information required by this Item 10 is incorporated in this report by reference to the applicable information in our definitive proxy statement for the 2012 annual meeting of stockholders set forth under the captions *Stock Ownership* , *Governance of the Company, Item 1. Election of Common Stock Directors* and *Item 2. Ratification of Independent Registered Public Accountants* , which we expect to file with the Securities and Exchange Commission prior to April 30, 2012.

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 2012 annual meeting of stockholders set forth under the captions *Item 1. Election of Common Stock Directors* and *Item 2. Ratification of Independent Registered Public Accountants* , which we expect to file with the Securities and Exchange Commission prior to April 30, 2012.

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 2012 annual meeting of stockholders set forth under the caption *Stock Ownership* , which we expect to file with the Securities and Exchange Commission prior to April 30, 2012.

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 2012 annual meeting of stockholders set forth under the captions *Governance of the Company* and *Item 1. Election of Common Stock Directors* which we expect to file with the Securities and Exchange Commission prior to April 30, 2012.

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 2012 annual meeting of stockholders set forth under the captions *Item 2. Ratification of Independent Registered Public Accountants — Principal Accountant Fees and Services* , which we expect to file with the Securities and Exchange Commission prior to April 30, 2012.

PART IV

ITEM 15. *EXHIBITS AND FINANCIAL STATEMENT SCHEDULES*

cuments 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.

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 9th day of February 2012.

SIRIUS XM RADIO INC.

By: /s/ D AVID J. F REAR
David J. Frear
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

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.

Signature	Title	Date
/s/ E DDY W. H ARTENSTEIN **(Eddy W. Hartenstein)**	Chairman of the Board of Directors and Director	February 9, 2012
/s/ M EL K ARMAZIN **(Mel Karmazin)**	Chief Executive Officer and Director (Principal Executive Officer)	February 9, 2012
/s/ D AVID J. F REAR **(David J. Frear)**	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 9, 2012
/s/ T HOMAS D. B ARRY **(Thomas D. Barry)**	Senior Vice President and Controller (Principal Accounting Officer)	February 9, 2012
/s/ J OAN L. A MBLE **(Joan L. Amble)**	Director	February 9, 2012
/s/ L EON D. B LACK **(Leon D. Black)**	Director	February 9, 2012
/s/ D AVID J. A. F LOWERS **(David J. A. Flowers)**	Director	February 9, 2012
/s/ L AWRENCE F. G ILBERTI **(Lawrence F. Gilberti)**	Director	February 9, 2012
/s/ J AMES P. H OLDEN **(James P. Holden)**	Director	February 9, 2012
/s/ G REGORY B. M AFFEI **(Gregory B. Maffei)**	Director	February 9, 2012

Signature	Title	Date
/s/ JOHN C. MALONE **(John C. Malone)**	Director	February 9, 2012
/s/ JAMES F. MOONEY **(James F. Mooney)**	Director	February 9, 2012
/s/ JACK SHAW **(Jack Shaw)**	Director	February 9, 2012
/s/ CARL VOGEL **(Carl Vogel)**	Director	February 9, 2012
/s/ VANESSA WITTMAN **(Vanessa Wittman)**	Director	February 9, 2012

SIRIUS XM RADIO INC. AND SUBSIDIARIES

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Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of Sirius XM Radio Inc. and subsidiaries as of December 31, 2011 and 2010, and the related consolidated statements of operations, stockholders' equity and comprehensive income (loss), and cash flows for each of the years in the three-year period ended December 31, 2011. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule listed in Item 15(2). These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sirius XM Radio Inc. and subsidiaries as of December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2011, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Sirius XM Radio Inc. and subsidiaries' internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 9, 2012 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

New York, New York
February 9, 2012

Report of Independent Registered Public Accounting Firm

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

We have audited Sirius XM Radio Inc. and subsidiaries' internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Sirius XM Radio Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report on Internal Control over Financial Reporting* . Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, Sirius XM Radio Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Sirius XM Radio Inc. and subsidiaries as of December 31, 2011 and 2010, and the related consolidated statements of operations, stockholders' equity and comprehensive income (loss), and cash flows for each of the years in the three-year period ended December 31, 2011, and our report dated February 9, 2012 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

New York, New York
February 9, 2012

SIRIUS XM RADIO INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)	For the Years Ended December 31, 2011	2010	2009
Revenue:			
Subscriber revenue	$2,595,414	$2,414,174	$2,287,503
Advertising revenue, net of agency fees	73,672	64,517	51,754
Equipment revenue	71,051	71,355	50,352
Other revenue	274,387	266,946	83,029
Total revenue	3,014,524	2,816,992	2,472,638
Operating expenses:			
Cost of services:			
Revenue share and royalties	471,149	435,410	397,210
Programming and content	281,234	305,914	308,121
Customer service and billing	259,719	241,680	234,456
Satellite and transmission	75,902	80,947	84,033
Cost of equipment	33,095	35,281	40,188
Subscriber acquisition costs	434,482	413,041	340,506
Sales and marketing	222,773	215,454	228,956
Engineering, design and development	53,435	45,390	41,031
General and administrative	238,738	240,970	227,554
Depreciation and amortization	267,880	273,691	309,450
Restructuring, impairments and related costs	—	63,800	32,807
Total operating expenses	2,338,407	2,351,578	2,244,312
Income from operations	676,117	465,414	228,326
Other income (expense):			
Interest expense, net of amounts capitalized	(304,938)	(295,643)	(315,668)
Loss on extinguishment of debt and credit facilities, net	(7,206)	(120,120)	(267,646)
Interest and investment income (loss)	73,970	(5,375)	5,576
Other income	3,252	3,399	3,355
Total other expense	(234,922)	(417,739)	(574,383)
Income (loss) before income taxes	441,195	47,675	(346,057)
Income tax expense	(14,234)	(4,620)	(5,981)
Net income (loss)	426,961	43,055	(352,038)
Preferred stock beneficial conversion feature	—	—	(186,188)
Net income (loss) attributable to common stockholders	$ 426,961	$ 43,055	$ (538,226)
Net income (loss) per common share:			
Basic	$ 0.11	$ 0.01	$ (0.15)
Diluted	$ 0.07	$ 0.01	$ (0.15)
Weighted average common shares outstanding:			
Basic	3,744,606	3,693,259	3,585,864
Diluted	6,500,822	6,391,071	3,585,864

See accompanying notes to the consolidated financial statements.

SIRIUS XM RADIO INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share data)	As of December 31, 2011	2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 773,990	$ 586,691
Accounts receivable, net	101,705	121,658
Receivables from distributors	84,817	67,576
Inventory, net	36,711	21,918
Prepaid expenses	125,967	134,994
Related party current assets	14,702	6,719
Deferred tax asset	132,727	44,787
Other current assets	6,335	7,432
Total current assets	1,276,954	991,775
Property and equipment, net	1,673,919	1,761,274
Long-term restricted investments	3,973	3,396
Deferred financing fees, net	42,046	54,135
Intangible assets, net	2,573,638	2,632,688
Goodwill	1,834,856	1,834,856
Related party long-term assets	54,953	33,475
Other long-term assets	35,657	71,487
Total assets	$ 7,495,996	$ 7,383,086
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 543,193	$ 593,174
Accrued interest	70,405	72,453
Current portion of deferred revenue	1,333,965	1,201,346
Current portion of deferred credit on executory contracts	284,108	271,076
Current maturities of long-term debt	1,623	195,815
Related party current liabilities	14,302	15,845
Total current liabilities	2,247,596	2,349,709
Deferred revenue	198,135	273,973
Deferred credit on executory contracts	218,199	508,012
Long-term debt	2,683,563	2,695,856
Long-term related party debt	328,788	325,907
Deferred tax liability	1,011,084	914,637
Related party long-term liabilities	21,741	24,517
Other long-term liabilities	82,745	82,8[illegible]
Total liabilities	6,791,851	7,175,4[illegible]
Commitments and contingencies (Note 17)		
Stockholders' equity:		
Preferred stock, par value $0.001; 50,000,000 authorized at December 31, 2011 and 2010: Series A convertible preferred stock; no shares issued and outstanding at December 31, 2011 and 2010	—	—
Convertible perpetual preferred stock, series B-1 (liquidation preference of $0.001 per share at December 31, 2011 and 2010); 12,500,000 shares issued and outstanding at December 31, 2011 and 2010	13	13
Convertible preferred stock, series C junior; no shares issued and outstanding at December 31, 2011 and 2010	—	—
Common stock, par value $0.001; 9,000,000,000 shares authorized at December 31, 2011 and 2010; 3,753,201,929 and 3,933,195,112 shares issued and outstanding at December 31, 2011 and 2010, respectively	3,753	3,933
Accumulated other comprehensive income (loss), net of tax	71	(5,861)
Additional paid-in capital	10,484,400	10,420,604
Accumulated deficit	(9,784,092)	(10,211,053)
Total stockholders' equity	704,145	207,636
Total liabilities and stockholders' equity	$ 7,495,996	$ 7,383,086

See accompanying notes to the consolidated financial statements.

SIRIUS XM RADIO INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME (LOSS)

	Series A Convertible Preferred Stock		Convertible Perpetual Preferred Stock, Series B-1		Common Stock		Accumulated Other Comprehensive	Additional Paid-in	Accumulated	Total Stockholders'
	Shares	Amount	Shares	Amount	Shares	Amount	Income (loss)	Capital	Deficit	Equity
(in thousands, except share and per share data)										
Balance at January 1, 2009	24,808,959	$ 25	—	$ —	3,651,765,837	$ 3,652	$ (7,871)	$ 9,795,951	$ (9,715,882)	$ 75,875
Net loss									(352,038)	(352,038)
Other comprehensive loss:										
Unrealized gain on available-for-sale securities	—	—	—	—	—	—	473	—	—	473
Foreign currency translation adjustment, net of tax of $110	—	—	—	—	—	—	817	—	—	817
Total comprehensive loss	—	—	—	—	—	—	—	—	—	(350,748)
Issuance of preferred stock — related party, net of issuance costs	—	—	12,500,000	13	—	—	—	410,179	(186,188)	224,004
Issuance of common stock to employees and employee benefit plans, net of forfeitures	—	—	—	—	8,511,009	8	—	2,622	—	2,630
Structuring fee on 10% Senior PIK Secured Notes due 2011	—	—	—	—	59,178,819	59	—	5,859	—	5,918
Share-based payment expense	—	—	—	—	—	—	—	71,388	—	71,388
Returned shares under share borrow agreements	—	—	—	—	(60,000,000)	(60)	—	60	—	—
Issuance of restricted stock units in satisfaction of accrued compensation	—	—	—	—	83,803,422	84	—	31,207	—	31,291
Exchange of 2.5% Convertible Notes due 2009, including accrued interest	—	—	—	—	139,400,000	139	—	35,025	—	35,164
Balance at December 31, 2009	24,808,959	$ 25	12,500,000	$ 13	3,882,659,087	$ 3,882	$ (6,581)	$10,352,291	$ (10,254,108)	$ 95,522
Net income									43,055	43,055
Other comprehensive income:										
Unrealized gain on available-for-sale securities	—	—	—	—	—	—	469	—	—	469
Foreign currency translation adjustment, net of tax of $63	—	—	—	—	—	—	251	—	—	251
Total comprehensive income	—	—	—	—	—	—	—	—	—	43,775
Issuance of common stock to employees and employee benefit plans, net of forfeitures	—	—	—	—	6,175,089	6	—	5,265	—	5,271
Share-based payment expense	—	—	—	—	—	—	—	52,229	—	52,229
Exercise of options and vesting of restricted stock units	—	—	—	—	19,551,977	20	—	10,819	—	10,839
Conversion of preferred stock to common stock	(24,808,959)	(25)	—	—	24,808,959	25	—	—	—	—
Balance at December 31, 2010	—	$ —	12,500,000	$ 13	3,933,195,112	$ 3,933	$ (5,861)	$10,420,604	$ (10,211,053)	$ 207,636
Net income									426,961	426,961
Other comprehensive income:										
Realized loss on XM Canada investment foreign currency translation adjustment	—	—	—	—	—	—	6,072	—	—	6,072
Foreign currency translation adjustment, net of tax of $11	—	—	—	—	—	—	(140)	—	—	(140)
Total comprehensive income	—	—	—	—	—	—	—	—	—	432,893
Issuance of common stock to employees and employee benefit plans, net of forfeitures	—	—	—	—	1,882,801	2	—	3,480	—	3,482
Share-based payment expense	—	—	—	—	—	—	—	48,581	—	48,581
Exercise of options and vesting of restricted stock units	—	—	—	—	13,401,048	13	—	11,540	—	11,553
Issuance of common stock upon exercise of warrants	—	—	—	—	7,122,951	7	—	(7)	—	—
Return of shares under share borrow agreements	—	—	—	—	(202,399,983)	(202)	—	202	—	—
Balance at December 31, 2011	—	$ —	12,500,000	$ 13	3,753,201,929	$ 3,753	$ 71	$10,484,400	$ (9,784,092)	$ 704,145

See accompanying notes to the consolidated financial statements.

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

(in thousands)	For the Years Ended December 31, 2011	2010	2009
Cash flows from operating activities:			
Net income (loss)	$ 426,961	$ 43,055	$(352,038)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	267,880	273,691	309,450
Non-cash interest expense, net of amortization of premium	39,515	42,841	43,066
Provision for doubtful accounts	33,164	32,379	30,602
Restructuring, impairments and related costs	—	66,731	26,964
Amortization of deferred income related to equity method investment	(2,776)	(2,776)	(2,776)
Loss on extinguishment of debt and credit facilities, net	7,206	120,120	267,646
Gain on merger of unconsolidated entities	(75,768)	—	—
Loss on unconsolidated entity investments, net	6,520	11,722	13,664
Loss on disposal of assets	269	1,017	—
Share-based payment expense	53,190	60,437	73,981
Deferred income taxes	8,264	2,308	4,359
Other non-cash purchase price adjustments	(275,338)	(250,727)	(202,054)
Distribution from investment in unconsolidated entity	4,849	—	—
Changes in operating assets and liabilities:			
Accounts receivable	(13,211)	(39,236)	(42,158)
Receivables from distributors	(17,241)	(11,023)	(2,788)
Inventory	(14,793)	(5,725)	8,269
Related party assets	30,036	(9,803)	15,305
Prepaid expenses and other current assets	8,525	75,374	10,027
Other long-term assets	36,490	17,671	86,674
Accounts payable and accrued expenses	(32,010)	5,420	(46,645)
Accrued interest	(2,048)	(884)	2,429
Deferred revenue	55,336	133,444	93,578
Related party liabilities	(1,542)	(53,413)	50,172
Other long-term liabilities	152	272	46,10
Net cash provided by operating activities	543,630	512,895	433,83
Cash flows from investing activities:			
Additions to property and equipment	(137,429)	(311,868)	(248,511)
Purchase of restricted investments	(826)	—	—
Sale of restricted and other investments	—	9,454	—
Release of restricted investments	250	—	—
Return of capital from investment in unconsolidated entity	10,117	—	—
Net cash used in investing activities	(127,888)	(302,414)	(248,511)
Cash flows from financing activities:			
Proceeds from exercise of stock options	11,553	10,839	—
Preferred stock issuance, net of costs	—	—	(3,712)
Long-term borrowings, net of costs	—	1,274,707	582,612
Related party long-term borrowings, net of costs	—	196,118	362,593
Payment of premiums on redemption of debt	(5,020)	(84,326)	(17,075)
Repayment of long-term borrowings	(234,976)	(1,262,396)	(755,447)
Repayment of related party long-term borrowings	—	(142,221)	(351,247)
Net cash used in financing activities	(228,443)	(7,279)	(182,276)
Net increase in cash and cash equivalents	187,299	203,202	3,043
Cash and cash equivalents at beginning of period	586,691	383,489	380,446
Cash and cash equivalents at end of period	$ 773,990	$ 586,691	$ 383,489

See accompanying notes to the consolidated financial statements.

SIRIUS XM RADIO INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS — (Continued)

(in thousands)	For the Years Ended December 31, 2011	2010	2009
Supplemental Disclosure of Cash and Non-Cash Flow Information			
Cash paid during the period for:			
Interest, net of amounts capitalized	$258,676	$241,160	$257,328
Non-cash investing and financing activities:			
Share-based payments in satisfaction of accrued compensation	$ —	$ —	$ 31,291
Common stock issued in exchange of 2.5% Convertible Notes due 2009 including, accrued interest	$ —	$ —	$ 18,000
Structuring fee on 10% Senior PIK Secured Notes due 2011	$ —	$ —	$ 5,918
Preferred stock issued to Liberty Media	$ —	$ —	$227,716
Release of restricted investments	$ —	$ —	$137,850
In-orbit satellite performance incentive	$ —	$ 21,450	$ 14,905
Sale-leaseback of equipment	$ —	$ 5,305	$ —
Common stock issuance upon exercise of warrants	$ 7	$ —	$ —
Conversion of Series A preferred stock to common stock	$ —	$ 25	$ —

See accompanying notes to the consolidated financial statements.

(1) Business

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

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

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

(2) Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements of Sirius XM Radio Inc. and subsidiaries have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). All significant intercompany transactions have been eliminated in consolidation.

Basis of Presentation

In the opinion of management, all normal recurring adjustments necessary for a fair presentation of our consolidated financial statements as of December 31, 2011 and 2010, and for the years ended December 31, 2011, 2010 and 2009 have been made.

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, 2011 and have determined no events have occurred that would require adjustment to or disclosure in our consolidated financial statements.

Reclassifications

Certain amounts in our prior period consolidated financial statements have been reclassified to conform to our current period presentation.

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 revenue recognition, asset impairment, depreciable lives of our satellites, share-based payment expense, and valuation allowances against deferred tax assets. Economic conditions in the United States could have a material impact on our accounting estimates.

Cash and Cash Equivalents

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

Equity Method Investments

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

The difference between our investment and our share of the fair value of the underlying net assets of our affiliates is first allocated to either finite-lived intangibles or indefinite-lived intangibles and the balance is attributed to goodwill. We follow ASC 350, *Intangibles — Goodwill and Other* ("ASC 350"), 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 operations. We periodically evaluate our equity method investments to determine if there has been an other than temporary decline below carrying value. Equity method finite-lived intangibles, indefinite-lived intangibles and goodwill are included in the carrying amount of the investment.

Property and Equipment

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

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

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

Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price over the estimated fair value of net tangible and identifiable intangible assets acquired in business combinations. Our annual impairment assessment of our single reporting unit is performed as of October 1 st of each year, and an assessment is performed at other times if events or circumstances indicate it is more likely than not that the asset is impaired. 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. If the implied fair value exceeds the carrying value then goodwill is not impaired; otherwise, an impairment loss will be recorded by the amount the carrying value exceeds the implied fair value. We did not record any impairments in 2011, 2010 or 2009.

The impairment test for other intangible assets not subject to amortization consists of a comparison of the fair value of the intangible asset with its carrying value. This test is performed as of October 1 st of each year, and an assessment is performed at other times if events or circumstances indicate it is more likely than not that the asset is impaired. Our indefinite life intangibles include FCC licenses and trademark. If the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.

We use independent appraisals to assist in determining the fair value of our FCC licenses and trademark. The income approach, which is commonly called the "Jefferson Pilot Method" or the "Greenfield Method", has been consistently used to estimate the fair value of our FCC licenses. This method attempts to isolate the income that is properly attributable to the license alone (that is, apart from tangible and intangible assets and goodwill). It is based upon modeling a hypothetical "Greenfield" build-up to a normalized enterprise that, by design, lacks inherent goodwill and has essentially purchased (or added) all other assets as part of the build-up process. The methodology assumes that, rather than acquiring such an operation as a going concern, the buyer would hypothetically obtain a license at nominal cost and build a new operation with similar attributes from inception. The significant assumption was that the hypothetical start up entity would begin its network build out phase at the impairment testing date and revenues and variable costs would not be generated until the satellite network was operational, approximately five years from inception. The Relief from Royalty method valuation approach was utilized to value our trademark. This methodology involves the estimation of an amount of hypothetical royalty income that could be generated if the asset was licensed to an independent, third-party owner. The value of the intangible is the present value of the prospective stream of hypothetical royalty income that would be generated over the useful life of the asset. We did not record any impairments in 2011, 2010 or 2009.

Other intangible assets with finite lives consists primarily of customer relationships acquired in business combinations, licensing agreements, and certain IT related costs. These assets are amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment under the provisions of ASC 360-10-35, *Property, Plant and Equipment/Overall/Subsequent Measurement* . We review intangible assets subject to amortization for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. If the sum of the expected cash flows, undiscounted and without interest, is less than the carrying amount of the asset, an impairment loss is recognized as the amount by which the carrying amount of the asset exceeds its fair value. We did not record any impairments in 2011, 2010 or 2009.

Revenue Recognition

We derive revenue primarily from subscribers, advertising and direct sales of merchandise. Revenue from subscribers consists of subscription fees; revenue derived from our agreements with daily rental fleet programs; and non-refundable activation and other fees. Revenue is recognized as it is realized or realizable and earned.

We recognize subscription fees as our services are provided.

At the time of sale, vehicle owners purchasing or leasing a vehicle with a subscription to our service typically receive between a three and twelve month prepaid subscription. Prepaid subscription fees received from certain automakers are recorded as deferred revenue and amortized to revenue ratably over the service period which commences upon retail sale and activation.

Activation fees are recognized ratably over the estimated term of a subscriber relationship, estimated to be approximately 3.5 years during 2011, 2010 and 2009. The estimated term of a subscriber relationship is based on historical experience.

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

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

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

Revenue Share

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

Programming Costs

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

Advertising Costs

Media is expensed when aired and advertising production costs are expensed as incurred. Market development funds consist of fixed and variable payments to reimburse retailers for the cost of advertising and other product awareness activities. Fixed market development funds are expensed over the periods specified in the applicable agreement; variable costs are expensed when aired and production costs are expensed as incurred. During the years ended December 31, 2011, 2010 and 2009, we recorded advertising costs of $116,694, $110,050 and $128,784, respectively. These costs are reflected in Sales and marketing expense in our consolidated statements of operations.

Subscriber Acquisition Costs

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

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

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

Research & Development Costs

Research and development costs are expensed as incurred and primarily include the cost of new product development, chip set design, software development and engineering. During the years ended December 31, 2011, 2010 and 2009, we recorded research and development costs of $48,574, $40,043 and $38,852, respectively. These costs are reported as a component of Engineering, design and development expense in our consolidated statements of operations.

Share-Based Compensation

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

Fair value as determined using Black-Scholes-Merton model varies based on assumptions used for the expected life, expected stock price volatility and risk-free interest rates. In 2011, we estimate fair value of awards

nted using the hybrid approach for volatility, which weights observable historical volatility and implied volatility of qualifying actively ded options on our common stock. In 2010 and 2009, due to the lack of qualifying actively traded options on our common stock, we utilized a 100% weighting to observable historical volatility. The expected life assumption represents the weighted-average period stock-based awards are expected to remain outstanding. These expected life assumptions are established through a review of historical exercise behavior of stock-based award grants with similar vesting periods. Where historical patterns do not exist, contractual terms are used. The risk-free interest rate represents the daily treasury yield curve rate at the grant date based on the closing market bid yields on actively traded U.S. treasury securities in the over-the-counter market for the expected term. Our assumptions may change in future periods.

Equity instruments granted to non-employees are accounted for in accordance with ASC 505, *Equity* . The final measurement date for the fair value of equity instruments with performance criteria is the date that each performance commitment for such equity instrument is satisfied or there is a significant disincentive for non-performance.

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

Income Taxes

Deferred income taxes are recognized for the tax consequences related to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for tax purposes at each year-end, based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. A valuation allowance is recognized when, based on the weight of all available evidence, it is considered more likely than not that all, or some portion, of the deferred tax assets will not be realized. Income tax expense is the sum of current income tax plus the change in deferred tax assets and liabilities.

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. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. We record interest and penalties related to uncertain tax positions in income tax expense in our consolidated statement of operations.

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

As of December 31, 2011 and 2010, we maintained a full valuation allowance against our deferred tax assets due to our prior history of pre-tax losses and uncertainty about the timing of and ability to generate taxable income in the future and our assessment that the realization of the deferred tax assets did meet the "more likely than not" criterion under ASC 740.

Fair Value of Financial Instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged in an orderly transaction between market participants to sell the asset or transfer the liability. As of December 31, 2011 and 2010, the carrying amounts of cash and cash equivalents, accounts and other receivables, and accounts payable approximated fair value due to the short-term nature of these instruments.

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

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

The fair value for publicly traded instruments is determined using quoted market prices while the fair value for non-publicly traded instruments is based upon estimates from a market maker and brokerage firm. As of December 31, 2011 and 2010, the carrying value of our debt was $3,013,974 and $3,217,578, respectively; and the fair value approximated $3,506,546 and $3,722,905, respectively.

Recent Accounting Pronouncements

In May 2011, the FASB issued Accounting Standards Update No. 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards (Topic 820) — Fair Value Measurement* ("ASU 2011-04"), to provide a consistent definition of fair value and ensure that the fair value measurement and disclosure requirements are similar between U.S. GAAP and International Financial Reporting Standards. ASU 2011-04 changes certain fair value measurement principles and enhances the disclosure requirements particularly for Level 3 fair value measurements. The amendments are not expected to have a significant impact on companies that apply U.S. GAAP. This standard is effective for interim and annual periods beginning after December 15, 2011 and will be applied prospectively. The impact of our pending adoption of ASU 2011-04 will not be material to our consolidated financial statements.

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

Earnings per Share

Basic net income (loss) per common share is calculated using the weighted average common shares outstanding during each reporting period. Diluted net income (loss) per common share adjusts the weighted average common shares outstanding for the potential dilution that could occur if common stock equivalents (convertible debt and preferred stock, warrants, stock options, restricted stock and restricted stock units) were exercised or converted into common stock, calculated using the treasury stock method. For the years ended December 31, 2011 and 2010, common stock equivalents of approximately 419,752,000 and 689,922,000, respectively, were excluded from the calculation of diluted net income per common share as the effect would have been anti-dilutive. Due to the net loss for the year ended December 31, 2009, common stock equivalents of approximately 3,381,905,000 were excluded from the calculation of diluted net loss per common share as the effect would have been anti-dilutive.

	For the Years Ended December 31,		
(in thousands, except per share data)	2011	2010	2009
Net income (loss) available to common stockholders	$ 426,961	$ 43,055	$ (538,226)
Average common shares outstanding-basic	3,744,606	3,693,259	3,585,864
Dilutive effect of equity instruments	2,756,216	2,697,812	—
Average common shares outstanding-diluted	6,500,822	6,391,071	3,585,864
Net income (loss) per common share			
Basic	$ 0.11	$ 0.01	$ (0.15)
Diluted	$ 0.07	$ 0.01	$ (0.15)

(4) Accounts Receivable, net

Accounts receivable, net are stated at amounts due from customers net of an allowance for doubtful accounts. Our allowance for doubtful accounts considers historical experience, the age of certain receivable balances, current economic conditions and other factors that may affect the counterparty's ability to pay.

Accounts receivable, net, consists of the following:

	December 31, 2011	December 31, 2010
Gross accounts receivable	$ 111,637	$ 131,880
Allowance for doubtful accounts	(9,932)	(10,222)
Total accounts receivable, net	$ 101,705	$ 121,658

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

	December 31, 2011	December 31, 2010
Billed	$ 44,618	$ 30,456
Unbilled	40,199	37,120
Total	$ 84,817	$ 67,576

(5) Inventory, net

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

Inventory, net, consists of the following:

	December 31, 2011	December 31, 2010
Raw materials	$ 24,134	$ 18,181
Finished goods	28,007	24,492
Allowance for obsolescence	(15,430)	(20,755)
Total inventory, net	$ 36,711	$ 21,918

(6) Goodwill

Goodwill represents the excess of the purchase price over the estimated fair value of net tangible and identifiable intangible assets acquired in business combinations. Our annual impairment assessment is performed as of October 1st of each year, and an assessment is performed at other times if events or circumstances indicate it is more likely than not that the asset is impaired. At October 1, 2011 and 2010, the fair value of our single reporting unit substantially exceeded its carrying value and therefore was not at risk of failing step one of ASC 350-20, *Goodwill* ("ASC 350-20"). Subsequent to our annual evaluation of the carrying value of goodwill, there were no events or circumstances that triggered the need for an interim evaluation for impairment. There were no changes in the carrying value of our goodwill during the years ended December 31, 2011, 2010 and 2009.

Intangible Assets

Intangible assets consisted of the following:

		December 31, 2011			December 31, 2010		
	Weighted Average Useful Lives	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Indefinite life intangible assets:							
FCC licenses	Indefinite	$2,083,654	$ —	$2,083,654	$2,083,654	$ —	$2,083,654
Trademark	Indefinite	250,000	—	250,000	250,000	—	250,000
Definite life intangible assets:							
Subscriber relationships	9 years	380,000	(191,201)	188,799	380,000	(144,325)	235,675
Licensing agreements	9.1 years	78,897	(34,145)	44,752	78,897	(24,130)	54,767
Proprietary software	6 years	16,552	(11,507)	5,045	16,552	(9,566)	6,986
Developed technology	10 years	2,000	(683)	1,317	2,000	(483)	1,517
Leasehold interests	7.4 years	132	(61)	71	132	(43)	89
Total intangible assets		$2,811,235	$ (237,597)	$2,573,638	$2,811,235	$ (178,547)	$2,632,688

Indefinite Life Intangible Assets

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

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

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

(1) In 2010, we retired our FM-4 ground spare satellite. We still maintain the FCC license for this satellite.
(2) We hold an FCC license for our FM-6 satellite, which will expire eight years from when this satellite is launched and placed into operation.

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

In connection with the Merger, $250,000 of the purchase price was allocated to the XM trademark. As of December 31, 2011, there were no legal, regulatory or contractual limitations associated with the XM trademark.

Our annual impairment assessment of our indefinite intangible assets is performed as of October 1st of each year. An assessment is made at other times if events or changes in circumstances indicate that it is more likely than not that the assets have been impaired. At October 1, 2011 and 2010, the fair value of our indefinite intangible assets substantially exceeded its carrying value and therefore was not at risk of impairment. Subsequent to our annual evaluation of the carrying value of goodwill, there were no events or circumstances that triggered the need for an interim evaluation for impairment.

Definite Life Intangible Assets

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

Amortization expense for all definite life intangible assets was $59,050, $66,324 and $76,587 for the years ended December 31, 2011, 2010 and 2009, respectively. Expected amortization expense for each of the fiscal years through December 31, 2016 and for periods thereafter is as follows:

Year ending December 31,	Amount
2012	$ 53,680
2013	47,357
2014	38,879
2015	37,553
2016	31,959
Thereafter	30,556
Total definite life intangibles assets, net	$239,984

(8) Subscriber Revenue

Subscriber revenue consists of subscription fees, revenue derived from agreements with certain daily rental fleet operators, non-refundable activation and other fees. Revenues received from OEMs for subscriptions included in the sale or lease price of vehicles are also included in subscriber revenue over the service period.

Subscriber revenue consists of the following:

	For the Years Ended December 31,		
	2011	2010	2009
Subscription fees	$2,581,433	$2,398,146	$2,265,666
Activation fees	13,981	16,028	21,837
Total subscriber revenue	$2,595,414	$2,414,174	$2,287,503

Interest Costs

We capitalized a portion of the interest on funds borrowed to finance the construction costs of our satellites and related launch vehicles for our FM-6 satellite for the year ended December 31, 2011 and for our FM-6 and XM-5 satellites for the years ended December 31, 2010 and 2009. We also incur interest costs on all of our debt instruments and on our satellite incentive agreements. The following is a summary of our interest costs:

	For the Years Ended December 31,		
	2011	2010	2009
Interest costs charged to expense	$304,938	$295,643	$315,668
Interest costs capitalized	33,522	63,880	61,201
Total interest costs incurred	$338,460	$359,523	$376,869

Included in interest costs incurred is non-cash interest expense, consisting of amortization related to original issue discounts, premiums and deferred financing fees of $39,515, $42,841 and $43,066 for the years ended December 31, 2011, 2010 and 2009, respectively.

(10) Property and Equipment

Property and equipment, net, consists of the following:

	December 31, 2011	December 31, 2010
Satellite system	$ 1,943,537	$ 1,943,537
Terrestrial repeater network	112,440	109,582
Leasehold improvements	43,455	43,567
Broadcast studio equipment	53,903	51,985
Capitalized software and hardware	193,301	163,689
Satellite telemetry, tracking and control facilities	60,539	57,665
Furniture, fixtures, equipment and other	60,283	63,265
Land	38,411	38,411
Building	57,185	56,685
Construction in progress	372,508	297,771
Total property and equipment	2,935,562	2,826,157
Accumulated depreciation and amortization	(1,261,643)	(1,064,883)
Property and equipment, net	$ 1,673,919	$ 1,761,274

Construction in progress consists of the following:

	December 31, 2011	December 31, 2010
Satellite system	$ 343,932	$ 262,744
Terrestrial repeater network	19,194	19,239
Other	9,382	15,788
Construction in progress	$ 372,508	$ 297,771

Depreciation and amortization expense on property and equipment was $208,830, $207,367 and $232,863 for the years ended December 31, 2011, 2010 and 2009, respectively. We retired property and equipment of $12,158 during the year ended December 31, 2011 a $155,000, which included our FM-4 satellite, during the year ended December 31, 2010.

Satellites

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

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

We own four orbiting satellites for use in the Sirius system. Space Systems/Loral has constructed another satellite (FM-6) for use in this system.

In 2010, we recorded an other than temporary impairment charge of $56,100 to Restructuring, impairments, and related costs in our consolidated statement of operations for FM-4, a ground spare satellite held in storage since 2002. We determined that the probability of launching FM-4 was remote due to the launch of XM-5 in 2010.

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

During the years ended December 31, 2011 and 2010, we capitalized expenditures, including interest, of $81,189 and $223,928, respectively, related to the construction of our FM-6 and XM-5 satellites and related launch vehicles.

(11) Related Party Transactions

We had the following related party balances at December 31, 2011 and 2010:

	Related party current assets		Related party long-term assets		Related party current liabilities		Related party long-term liabilities		Related party long-term debt	
	2011*	2010	2011*	2010	2011*	2010	2011*	2010	2011*	2010
Liberty Media	$ —	$ —	$ 1,212	$ 1,571	$ 9,722	$ 9,765	$ —	$ —	$328,788	$325,907
Sirius XM Canada	14,702	—	53,741	—	4,580	—	21,741	—	—	—
Sirius Canada	—	5,613	—	—	—	1,805	—	—	—	—
XM Canada	—	1,106	—	31,904	—	4,275	—	24,517	—	—
Total	$14,702	$6,719	$54,953	$33,475	$14,302	$15,845	$21,741	$24,517	$328,788	$325,907

*Sirius Canada and XM Canada combined in June 2011. The combined entity now operates as Sirius XM Canada.

Liberty Media

In February, 2009, we entered into an Investment Agreement (the "Investment Agreement") with an affiliate of Liberty Media Corporation, Liberty Radio, LLC (collectively, "Liberty Media"). Pursuant to the Investment Agreement, in March 2009 we issued to Liberty Radio, LLC 12,500,000 shares of our Convertible Perpetual Preferred Stock, Series B (the "Series B Preferred Stock"), with a liquidation preference of $0.001 per share in partial consideration for certain loan investments. Liberty Media has representatives on our board of directors.

The Series B Preferred Stock is convertible into 2,586,976,000 shares of common stock. The Investment Agreement provides for certain standstill provisions during the three year period ending in March 2012.

We accounted for the Series B Preferred Stock by recording a $227,716 increase to additional paid-in capital, excluding issuance costs, for the amount of allocated proceeds received and an additional $186,188 increase in paid-in capital for the beneficial conversion feature, which was immediately recognized as a charge to retained earnings.

Liberty Media has advised us that as of December 31, 2011 and 2010, respectively, it owned the following:

	December 31, 2011	December 31, 2010
8.75% Senior Notes due 2015	$ 150,000	$ 150,000
9.75% Senior Secured Notes due 2015	50,000	50,000
13% Senior Notes due 2013	76,000	76,000
7% Exchangeable Senior Subordinated Notes due 2014	11,000	11,000
7.625% Senior Notes due 2018	50,000	50,000
Total principal debt	337,000	337,000
Less: discounts	8,212	11,093
Total carrying value debt	$ 328,788	$ 325,907

As of December 31, 2011 and 2010, we recorded $9,722 and $9,765, respectively, related to accrued interest with Liberty Media to Related party current liabilities. We recognized Interest expense associated with debt held by Liberty Media of $35,681, $40,169 and $79,640 for the years ended December 31, 2011, 2010 and 2009, respectively.

Sirius XM Canada

In June 2011, Canadian Satellite Radio Holdings Inc. ("CSR"), the parent company of XM Canada, and Sirius Canada completed a transaction to combine their operations ("the Canada Merger"). As a result of the Canada Merger, Sirius Canada became a wholly-owned subsidiary of CSR. The combined company operates as Sirius XM Canada. In connection with the transaction, we received:

- approximately 46,700,000 Class A shares of CSR, representing a 38.0% equity interest and a 25.0% voting interest;
- $53,781 in cash as repayment of the XM Canada credit facility ($38,815) and consideration for our preferred stock in Sirius Canada ($10,117 as a return of capital and $4,849 in dividends, net of foreign withholding taxes); and
- $5,208 in non-interest bearing notes of CSR, which are primarily due at the earliest of (a) the maturity date (2 years), (b) after Sirius XM Canada is "free cash flow" positive for a period of six consecutive months, or (c) a date determined by the Sirius XM Canada board of directors. As of December 31, 2011, $4,798 of these notes were reported as a Related Party current assets.

The transaction was accounted for as a reverse acquisition whereby Sirius Canada was deemed to be the acquirer of CSR. As a result of the transaction, we recognized a $75,768 gain in Interest and investment income during the year ended December 31, 2011.

Our interest in Sirius XM Canada is accounted for under the equity method. The excess of the cost of our ownership interest in the equity of Sirius XM Canada over our share of the net assets is recognized as goodwill and intangible assets and is included in the carrying amount of our investment. Equity method goodwill is not amortized. We will periodically evaluate this investment to determine if there has been an other than temporary decline below carrying value. Equity method intangible assets are amortized over their respective useful lives, which is recorded in Interest and investment income. As of December 31, 2011, our investment balance in Sirius XM Canada was approximately $45,061, $28,589 of which represents equity method goodwill and intangible assets, and was recorded in Related party long-term assets.

We provide Sirius XM Canada with chip sets and other services and we are reimbursed for these costs. As of December 31, 2011, amounts due for these costs totaled $7,404 and is reported as Related party current assets.

As of December 31, 2011, amounts due from Sirius XM Canada also included $7,280 attributable to deferred programming costs and accrued interest, $4,780 of which is reported as Related party long-term assets.

We hold an investment in Cdn$4,000 face value of 8% convertible unsecured subordinated debentures issued by CSR, for which the embedded conversion feature is bifurcated from the host contract. The host contract is accounted for at fair value as an available-for-sale security with changes in fair value recorded to Accumulated other comprehensive income (loss), net of tax. The embedded conversion feature is accounted for at fair value as a derivative with changes in fair value recorded in earnings as Interest and investment income (loss). As of December 31, 2011, the carrying values of the host contract and embedded derivative related to our investment in the debentures was $3,490 and $0, respectively. As of December 31, 2010, the carrying values of the host contract and embedded derivative related to our investment in the debentures was $3,302 and $11, respectively. The carrying values of the host contract and embedded derivative are recorded in Related party long-term assets.

As of December 31, 2011, amounts due to Sirius XM Canada totaled $1,804 and is reported as Related party current liabilities.

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

	For the Year Ended December 31, 2011*
Royalty income	$ 13,735
Amortization of Sirius XM Canada deferred income	1,388
Licensing fee revenue	3,000
Advertising reimbursements	417
Total revenue from Sirius XM Canada	$ 18,540

*Sirius XM Canada commenced operations on June 2011.

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

Sirius Canada

We had an equity interest of 49.9% in Sirius Canada until June 21, 2011 when the transaction between XM Canada and Sirius Canada closed. Our investment balance was zero as of December 31, 2010 as our investment balance was absorbed by our share of net losses generated by Sirius Canada.

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

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

	For the Years Ended December 31,		
	2011*	2010	2009
Royalty income	$ 9,945	$ 10,684	$ 5,797
Dividend income	460	926	839
Total revenue from Sirius Canada	$ 10,405	$ 11,610	$ 6,636

*Sirius Canada combined with XM Canada in June 2011.

Receivables from royalty and dividend income were utilized to absorb a portion of our share of net losses generated by Sirius Canada. Total costs that have been or will be reimbursed by Sirius Canada were $5,253, $12,185 and $11,031 for the years ended December 31, 2011, 2010 and 2009, respectively.

Our share of net earnings or losses of Sirius Canada was recorded to Interest and investment income (loss) in our consolidated statements of operations on a one month lag. Our share of Sirius Canada's net loss was $9,717, $10,257 and $6,636 for the years ended December 31, 2011, 2010 and 2009, respectively. The payments received from Sirius Canada in excess of carrying value were $6,748, $10,281 and $13,738 for the years ended December 31, 2011, 2010 and 2009, respectively.

XM Canada

We had an equity interest of 21.5% in XM Canada until June 21, 2011 when the transaction between XM Canada and Sirius Canada closed. Our investment balance was zero as of December 31, 2010 as our investment balance was absorbed by our share of net losses generated by XM Canada.

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

amortized on a straight-line basis through 2020, the end of the expected term of the agreements. As of December 31, 2011 and December 31, 2010, the carrying value of deferred revenue related to this agreement was $24,517 and $28,792, respectively.

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

As of December 31, 2010, amounts due from XM Canada also included $7,201 attributable to deferred programming costs and accrued interest, all of which is reported as Related party long-term assets.

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

	For the Years Ended December 31,		
	2011*	2010	2009
Amortization of XM Canada deferred income	$ 1,388	$ 2,776	$ 2,776
Subscriber and activation fee royalties	5,483	10,313	11,603
Licensing fee revenue	3,000	4,500	6,000
Advertising reimbursements	833	1,083	1,067
Total revenue from XM Canada	$10,704	$18,672	$21,446

*XM Canada combined with Sirius Canada in June 2011.

Our share of net earnings or losses of XM Canada is recorded to Interest and investment income in our consolidated statements of operations on a one month lag. Our share of XM Canada's net loss was $6,045, $12,147 and $2,292 for the years ended December 31, 2011, 2010 and 2009, respectively.

General Motors and American Honda

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

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

We have a long-term distribution agreement with American Honda. American Honda had a representative on our board of directors and was considered a related party through May 27, 2010. We have an agreement to make a certain amount of our bandwidth available to American Honda. American Honda's use of our bandwidth

st be in compliance with applicable laws, must not compete or adversely interfere with our business, and must meet our quality standards. s agreement remains in effect so long as American Honda holds a certain amount of its investment in us. We make incentive payments to American Honda for each purchaser of a Honda or Acura vehicle that becomes a self-paying subscriber and we share with American Honda a portion of the subscriber revenue attributable to Honda and Acura vehicles with installed satellite radios.

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

	For the Years Ended December 31,	
	2010*	2009
GM	$ 12,759	$ 31,037
American Honda	4,990	12,254
Total	$ 17,749	$ 43,291

*GM and American Honda were considered related parties through May 27, 2010.

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

	For the Years Ended December 31,			
	2010*		2009	
	GM	American Honda	GM	American Honda
Sales and marketing	$13,374	$ —	$ 31,595	$ 500
Revenue share and royalties	15,823	3,167	58,992	6,541
Subscriber acquisition costs	17,514	1,969	34,895	5,397
Customer service and billing	125	—	268	—
Interest expense, net of amounts capitalized	1,421	—	4,644	—
Total	$48,257	$ 5,136	$130,394	$12,438

*GM and American Honda were considered related parties through May 27, 2010.

(12) Investments

Auction Rate Certificates

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

Long Term Restricted Investments

Restricted investments relate to reimbursement obligations under letters of credit issued for the benefit of lessors of office space. As of December 31, 2011 and December 31, 2010, our Long-term restricted investments were $3,973 and $3,396, respectively. During the year ended December 31, 2011, $250 of obligations relating to these letters of credit were terminated and a new letter of credit agreement was entered into for $826 for additional space.

(13) Debt

Our debt consists of the following:

	Conversion Price (per share)	December 31, 2011	December 31, 2010
3.25% Convertible Notes due 2011 (a)	$ 5.30	$ —	$ 191,979
Less: discount		—	(515)
8.75% Senior Notes due 2015 (b)	N/A	800,000	800,000
Less: discount		(9,753)	(12,213)
9.75% Senior Secured Notes due 2015 (c)	N/A	257,000	257,000
Less: discount		(8,356)	(10,116)
11.25% Senior Secured Notes due 2013 (d)	N/A	—	36,685
Less: discount		—	(1,705)
13% Senior Notes due 2013 (e)	N/A	778,500	778,500
Less: discount		(39,504)	(59,592)
7% Exchangeable Senior Subordinated Notes due 2014 (f)	$ 1.875	550,000	550,000
Less: discount		(5,956)	(7,620)
7.625% Senior Notes due 2018 (g)	N/A	700,000	700,000
Less: discount		(10,898)	(12,054)
Other debt:			
Capital leases	N/A	2,941	7,229
Total debt		3,013,974	3,217,578
Less: total current maturities non-related party		1,623	195,815
Total long-term		3,012,351	3,021,763
Less: related party		328,788	325,907
Total long-term, excluding related party		$2,683,563	$2,695,856

(a) 3.25% Convertible Notes due 2011

In October 2004, we issued $230,000 in aggregate principal amount of 3.25% Convertible Notes due October 15, 2011 (the "3.25% Notes"), which were convertible, at the option of the holder, into shares of our common stock at any time at a conversion rate of 188.6792 shares of common stock for each $1,000 principal amount, or $5.30 per share of common stock. Interest was payable semi-annually on April 15 and October 15 of each year. The obligations under the 3.25% Notes were not secured by any of our assets.

In 2011, we purchased $168,113 of the outstanding 3.25% Notes at prices between 100.75% and 101% of the principal amount plus accrued interest. We recognized a loss on extinguishment of debt for the 3.25% Notes of $2,291 for the year ended December 31, 2011, which consists primarily of cash premiums paid, unamortized discount and deferred financing fees. The remaining $23,866 in principal amount of the 3.25% Notes was paid in October 2011 upon maturity.

(b) 8.75% Senior Notes due 2015

In March 2010, we issued $800,000 aggregate principal amount of 8.75% Senior Notes due 2015 (the "8.75% Notes"). Interest is payable semi-annually in arrears on April 1 and October 1 of each year at a rate of 8.75% per annum. The 8.75% Notes mature on April 1, 2015. The 8.75% Notes were issued for $786,000, resulting in an aggregate original issuance discount of $14,000. Substantially all of our domestic wholly-owned subsidiaries guarantee our obligations under the 8.75% Notes on a senior unsecured basis.

(c) 9.75% Senior Secured Notes due 2015

In August 2009, we issued $257,000 aggregate principal amount of 9.75% Senior Secured Notes due September 1, 2015 (the "9.75% Notes"). Interest is payable semi-annually in arrears on March 1 and September 1 of each year at a rate of 9.75% per annum. The 9.75% Notes were issued for $244,292, resulting in an aggregate original issuance discount of $12,708. Substantially all of our domestic wholly-owned subsidiaries guarantee our obligations under the 9.75% Notes. The 9.75% Notes and related guarantees are secured by first-priority liens on substantially all of our assets and the assets of the guarantors.

(d) 11.25% Senior Secured Notes due 2013

In June 2009, we issued $525,750 aggregate principal amount of 11.25% Senior Secured Notes due 2013 (the "11.25% Notes"). The 11.25% Notes were issued for $488,398, resulting in an aggregate original issuance discount of $37,352.

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

(e) 13% Senior Notes due 2013

In July 2008, we issued $778,500 aggregate principal amount of 13% Senior Notes due 2013 (the "13% Notes"). Interest is payable semi-annually in arrears on February 1 and August 1 of each year at a rate of 13% per annum. The 13% Notes mature on August 1, 2013. Substantially all of our domestic wholly-owned subsidiaries guarantee our obligations under the 13% Notes.

(f) 7% Exchangeable Senior Subordinated Notes due 2014

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

Interest is payable semi-annually in arrears on June 1 and December 1 of each year at a rate of 7% per annum. The Exchangeable Notes mature on December 1, 2014. The Exchangeable Notes are exchangeable at any time at the option of the holder into shares of our common stock at an initial exchange rate of 533.3333 shares of common stock per $1,000 principal amount of Exchangeable Notes, which is equivalent to an approximate exchange price of $1.875 per share of common stock.

(g) 7.625% Senior Notes due 2018

In October 2010, we issued $700,000 aggregate principal amount of 7.625% Senior Notes due 2018 (the "7.625% Senior Notes"). Interest is payable semi-annually in arrears on May 1 and November 1 of each year at a rate of 7.625% per annum. A majority of the net proceeds were used to purchase $489,065 aggregate principal amount of the 11.25% Notes. The 7.625% Senior Notes mature on November 1, 2018. Substantially all of our domestic wholly-owned subsidiaries guarantee our obligations under the 7.625% Senior Notes.

Covenants and Restrictions

Our debt generally requires compliance with certain covenants that restrict our ability to, among other things, (i) incur additional indebtedness unless our consolidated leverage ratio would be no greater than 6.00 to 1.00 after the incurrence of the indebtedness, (ii) incur liens, (iii) pay dividends or make certain other restricted payments, investments or acquisitions, (iv) enter into certain transactions with affiliates, (v) merge or consolidate with another person, (vi) sell, assign, lease or otherwise dispose of all or substantially all of our assets, and (vii) make voluntary prepayments of certain debt, in each case subject to exceptions.

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

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

(14) Stockholders' Equity

Common Stock, par value $0.001 per share

We were authorized to issue up to 9,000,000,000 shares of common stock as of December 31, 2011 and 2010. There were 3,753,201,929 and 3,933,195,112 shares of common stock issued and outstanding as of December 31, 2011 and 2010, respectively.

As of December 31, 2011, approximately 3,342,818,000 shares of common stock were reserved for issuance in connection with outstanding convertible debt, preferred stock, warrants, incentive stock awards and common stock to be granted to third parties upon satisfaction of performance targets.

To facilitate the offering of the Exchangeable Notes, we entered into share lending agreements with Morgan Stanley Capital Services Inc. ("MS") and UBS AG London Branch ("UBS") in July 2008, under which we loaned MS and UBS an aggregate of 262,400,000 shares of our common stock in exchange for a fee of $0.001 per share. During the third quarter of 2009, MS returned to us 60,000,000 shares of our common stock borrowed. In October 2011, MS and UBS returned the remaining 202,400,000 shares loaned. The returned shares were retired upon receipt and removed from outstanding common stock. The share lending agreements have been terminated.

The shares we loaned to the share borrowers were issued and outstanding for corporate law purposes through October 2011, and holders of borrowed shares (other than the share borrowers) had the same rights under those shares as holders of any of our other outstanding common shares. Under GAAP, the borrowed shares were not considered outstanding for the purpose of computing and reporting our net income (loss) per common share.

We recorded interest expense related to the amortization of the costs associated with the share-lending arrangement and other issuance costs of $11,189, $10,095 and $9,248, respectively, for the years ended December 31, 2011, 2010 and 2009. As of December 31, 2011, the unamortized balance of the debt issuance costs was $40,054, with $39,253 recorded in deferred financing fees, net, and $801 recorded in long-term related party assets. As of December 31, 2010, the unamortized balance of the debt issuance costs was $51,243, with $50,218 recorded in deferred financing fees, net, and $1,025 recorded in long-term related party assets. As of December 31, 2010, the estimated fair value of the outstanding 202,400,000 loaned shares was approximately $329,912. These costs will continue to be amortized until the debt is terminated.

In January 2004, Sirius signed a seven-year agreement with a sports programming provider which expired in February 2011. Upon execution of this agreement, Sirius delivered 15,173,070 shares of common stock valued at $40,967 to that programming provider. These shares of common stock were subject to transfer restrictions which lapsed over time. We recognized share-based payment expense associated with these shares of $1,568, $5,852, and $5,852 in the years ended December 31, 2011, 2010 and 2009, respectively. As of December 31, 2011 and December 31, 2010, there was $0 and $1,568 remaining balance of common stock value included in other current assets, respectively.

Preferred Stock, par value $0.001 per share

We were authorized to issue up to 50,000,000 shares of undesignated preferred stock as of December 31, 2011 and 2010.

There were no shares of Series A Convertible Preferred Stock ("Series A Preferred Stock") issued and outstanding as of December 31, 2011 and December 31, 2010.

There were 12,500,000 shares of Series B Preferred Stock issued and outstanding as of December 31, 2011 and 2010. The Series B Preferred Stock is convertible into shares of our common stock at the rate of 206.9581409 shares of common stock for each share of Series B Preferred Stock, representing approximately 40% of our outstanding shares of common stock (after giving effect to such conversion). As the holder of the Series B Preferred Stock, Liberty Radio LLC is entitled to a number of votes equal to the number of shares of our common stock into which such shares of Series B Preferred Stock are convertible. Liberty Radio LLC will also receive dividends and distributions ratably with our common stock, on an as-converted basis. With respect to dividend rights, the Series B Preferred Stock ranks evenly with our common stock and each other class or series of our equity securities not expressly provided as ranking senior to the Series B Preferred Stock. With respect to liquidation rights, the Series B Preferred Stock ranks evenly with each other class or series of our equity securities not expressly provided as ranking senior to the Series B Preferred Stock, and will rank senior to our common stock. In 2009, we accounted for the issuance of Series B Preferred Stock by recording a $227,716 increase to additional paid-in-capital for the amount of the allocated proceeds received and an additional $186,188 increase to paid-in-capital for the beneficial conversion feature, which was recognized as a charge to retained earnings.

There were no shares of Preferred Stock, Series C Junior (the "Series C Junior Preferred Stock"), issued and outstanding as of December 31, 2011 and 2010. In 2009, our board of directors created and reserved for issuance in accordance with the Rights Plan (as described below) 9,000 shares of the Series C Junior Preferred Stock. The shares of Series C Junior Preferred Stock are not redeemable and rank, with respect to the payment of dividends and the distribution of assets, junior to all other series of our preferred stock, unless the terms of such series shall so provide. The Rights Plan expired on August 1, 2011.

Warrants

We have issued warrants to purchase shares of common stock in connection with distribution, programming and satellite purchase agreements and certain debt issuances. As of December 31, 2011 and 2010 approximately 22,506,000 and 42,421,000 warrants to acquire an equal number of shares of common stock were outstanding and fully vested. These warrants expire at various times through 2015. At December 31, 2011 and 2010, the weighted average exercise price of outstanding warrants was $2.63 and $2.66 per share, respectively. During the year ended December 31, 2011, 3,415,000 warrants expired. We incurred warrant related expense of $2,522 for the year ended December 31, 2009. We did not incur warrant related expenses in 2011 or 2010.

(warrants in thousands)	Average Exercise Price	Expiration Date	Number of Warrants Outstanding December 31, 2011	2010
NFL	$ 2.50	March 2015	16,718	16,718
DaimlerChrysler AG	1.04	May 2012	—	16,500
Ford	3.00	October 2012	4,000	4,000
Lehman Warrants	15.00	March 2011 - April 2011	—	1,575
Space Systems/Loral	7.05	December 2011	—	1,840
Other distributors and programming providers	3.00	June 2014	1,788	1,788
Total			22,506	42,421

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

Rights Plan

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

(15) Benefits Plans

We recognized share-based payment expense of $51,622, $54,585, and $65,607 for the years ended December 31, 2011, 2010 and 2009, respectively. We did not realize any income tax benefits from share-based benefits plans during the years ended December 31, 2011, 2010 and 2009 as a result of the full valuation allowance that is maintained for substantially all net deferred tax assets.

2009 Long-Term Stock Incentive Plan

In May 2009, our stockholders approved the Sirius XM Radio Inc. 2009 Long-Term Stock Incentive Plan (the "2009 Plan"). Employees, consultants and members of our board of directors are eligible to receive awards under the 2009 Plan. The 2009 Plan provides for the grant of stock options, restricted stock, restricted stock units and other stock-based awards that the compensation committee of our board of directors may deem appropriate. Vesting and other terms of stock-based awards are set forth in the agreements with the individuals receiving the awards. Stock-based awards granted under the 2009 Plan are generally subject to a vesting requirement. Stock-based awards generally expire ten years from the date of grant. Each restricted stock unit entitles the holder to receive one share of common stock upon vesting. As of December 31, 2011, approximately 197,606,000 shares of common stock were available for future grants under the 2009 Plan.

Other Plans

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

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,		
	2011	2010	2009
Risk-free interest rate	1.1%	1.7%	2.5%
Expected life of options — years	5.27	5.28	4.68
Expected stock price volatility	68%	85%	88%
Expected dividend yield	0%	0%	0%

The following table summarizes the range of 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,
	2009
Risk-free interest rate	0.67-2.69%
Expected life — years	2.33-6.19
Expected stock price volatility	83-130%
Expected dividend yield	0%

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

In 2011, we estimated fair value of awards granted using the hybrid approach for volatility, which weights observable historical volatility and implied volatility of qualifying actively traded options on our common stock. In 2010 and 2009, due to the lack of qualifying actively traded options on our common stock, we utilized a 100% weighting to observable historical volatility.

The following table summarizes stock option activity under our share-based payment plans for the years ended December 31, 2011, 2010 and 2009 (shares in thousands):

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding, January 1, 2009	165,436	$ 4.42		
Granted	265,761	$ 0.53		
Exercised	—	$ —		
Forfeited, cancelled or expired	(66,405)	$ 5.21		
Outstanding, December 31, 2009	364,792	$ 1.44		
Granted	71,179	$ 0.97		
Exercised	(19,360)	$ 0.56		
Forfeited, cancelled or expired	(14,741)	$ 3.58		
Outstanding, December 31, 2010	401,870	$ 1.32		
Granted	77,450	$ 1.80		
Exercised	(13,300)	$ 0.87		
Forfeited, cancelled or expired	(26,440)	$ 4.15		
Outstanding, December 31, 2011	439,580	$ 1.25	6.33	$378,274
Exercisable, December 31, 2011	179,851	$ 1.59	4.92	$158,550

The weighted average grant date fair value of options granted during the years ended December 31, 2011, 2010 and 2009 was $1.04, $0.67 and $0.36, respectively. The total intrinsic value of stock options exercised during the years ended December 31, 2011, 2010 and 2009 was $13,408, $13,261 and $0, respectively.

We recognized share-based payment expense associated with stock options of $48,038, $44,833 and $46,080 for the years ended December 31, 2011, 2010 and 2009, respectively.

The following table summarizes the nonvested restricted stock and restricted stock unit activity under our share-based payment plans for years ended December 31, 2011, 2010 and 2009 (shares in thousands):

	Shares	Weighted-Average Grant Date Fair Value
Nonvested, January 1, 2009	19,931	$ 2.84
Granted	84,851	$ 0.37
Vested restricted stock awards	(8,476)	$ 2.98
Vested restricted stock units	(87,036)	$ 0.46
Forfeited	(2,351)	$ 1.92
Nonvested, December 31, 2009	6,919	$ 2.65
Granted	—	$ —
Vested restricted stock awards	(4,039)	$ 2.85
Vested restricted stock units	(192)	$ 2.92
Forfeited	(291)	$ 2.72
Nonvested, December 31, 2010	2,397	$ 2.57
Granted	—	$ —
Vested restricted stock awards	(1,854)	$ 3.30
Vested restricted stock units	(101)	$ 3.08
Forfeited	(21)	$ 3.05
Nonvested, December 31, 2011	421	$ 1.46

The weighted average grant date fair value of restricted stock units granted during the year ended December 31, 2009 was $0.37. No restricted stock units were granted during 2011 or 2010. The total intrinsic value of restricted stock and restricted stock units that vested during the years ended December 31, 2011, 2010 and 2009 was $3,178, $3,927 and $45,827, respectively.

We recognized share-based payment expense associated with restricted stock units and shares of restricted stock of $543, $7,397 and $16,632 for the years ended December 31, 2011, 2010 and 2009, respectively.

Total unrecognized compensation costs related to unvested share-based payment awards for stock options and restricted stock units and shares granted to employees and members of our board of directors at December 31, 2011 and 2010, net of estimated forfeitures, was $129,983 and $108,170, respectively. The total unrecognized compensation costs at December 31, 2011 are expected to be recognized over a weighted-average period of three years.

401(k) Savings Plan

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

The Sirius XM Plan allows eligible employees to voluntarily contribute from 1% to 50% of their pre-tax eligible earnings, subject to certain defined limits. We match 50% of an employee's voluntary contributions, up to 6% of an employee's pre-tax salary, in the form of shares of common stock. Employer matching contributions

under the Sirius XM Plan vest at a rate of 33 1/3% for each year of employment and are fully vested after three years of employment for all current and future contributions. Share-based payment expense resulting from the matching contribution to the Sirius XM Plan was $3,041, $2,356 and $2,895 for the years ended December 31, 2011, 2010 and 2009, respectively.

We may also elect to contribute to the profit sharing portion of the Sirius XM Plan based upon the total eligible compensation of eligible participants. These additional contributions in the form of shares of common stock are determined by the compensation committee of our board of directors. Employees are only eligible to receive profit-sharing contributions during any year in which they are employed on the last day of the year. We did not contribute to the profit sharing portion of the Sirius XM Plan in 2011, 2010 or 2009.

(16) Income Taxes

Our income tax expense consisted of the following:

	For the Years Ended December 31,		
	2011	2010	2009
Current taxes:			
Federal	$ —	$ —	$ —
State	3,229	942	—
Foreign	2,741	1,370	1,622
Total current taxes	5,970	2,312	1,622
Deferred taxes:			
Federal	3,991	4,163	3,962
State	4,273	(1,855)	397
Total deferred taxes	8,264	2,308	4,359
Total income tax expense	$14,234	$ 4,620	$ 5,981

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

	For the Years Ended December 31,		
	2011	2010	2009
Federal tax expense (benefit), at statutory rate	$ 154,418	$ 16,678	$(117,883)
State income tax expense (benefit), net of federal benefit	15,751	1,620	(11,788)
State rate changes	3,851	(2,252)	—
Non-deductible expenses	457	4,130	1,849
Other, net	6,209	6,193	(4,945)
Change in valuation allowance	(166,452)	(21,749)	138,748
Income tax expense	$ 14,234	$ 4,620	$ 5,981

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

	December 31,	
	2011	2010
Deferred tax assets:		
Net operating loss carryforwards	$ 3,025,621	$ 3,091,869
GM payments and liabilities	194,976	308,776
Deferred revenue	410,812	346,221
Severance accrual	21	266
Accrued bonus	17,296	16,599
Expensed costs capitalized for tax	35,227	44,149
Loan financing costs	1,575	1,568
Investments	40,880	62,742
Stock based compensation	89,862	118,507
Other	42,924	53,260
Total deferred tax assets	3,859,194	4,043,957
Deferred tax liabilities:		
Depreciation of property and equipment	(405,892)	(379,180)
FCC license	(781,742)	(773,850)
Other intangible assets	(188,988)	(209,489)
Other	(189)	—
Total deferred tax liabilities	(1,376,811)	(1,362,519)
Net deferred tax assets before valuation allowance	2,482,383	2,681,438
Valuation allowance	(3,360,740)	(3,551,288)
Total deferred tax liability	$ (878,357)	$ (869,850)

The difference in the net deferred tax liability of $878,357 and $869,850 at December 31, 2011 and 2010, respectively, is primarily the result of the amortization of our FCC licenses which are amortized over 15 years for tax purposes but not amortized for book purposes. This net deferred tax liability cannot be offset against our deferred tax assets under GAAP since it relates to indefinite-lived assets and is not anticipated to reverse in the same period.

As a result of the Merger, we have had several ownership changes under Section 382 of the Internal Revenue Code, which may limit our ability to utilize tax deductions. Internal Revenue Code Section 382 imposes substantial restrictions on the utilization of net operating losses and tax credits in the event of a corporation's ownership change. Currently, our ownership changes do not limit our ability to utilize future tax deductions and so no adjustments were made to gross deferred tax assets as a result of the Merger. As of December 31, 2011, we had NOL carryforwards of approximately $7,844,000 for federal and state income tax purposes available to offset future taxable income. These NOL carryforwards expire on various dates beginning in 2014 and ending in 2028.

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences can be carried forward under tax law. Management's evaluation of the realizability of deferred tax assets consid both positive and negative evidence, including historical financial performance, scheduled reversal of deferred tax assets and liabilities, projected taxable income and tax planning strategies in making this assessment. The weight given to the potential effects of positive and negative evidence is based on the extent to which it can be objectively verified. We will not release the valuation allowance until giving consideration to a variety of factors including but not limited to: (a) the current period realization of NOL carryforwards, (b) three-year cumulative pre-tax income, (c) the current period taxable income and (d) the expectation of future earnings. After weighting this evidence, management concluded that it is more likely than not that our deferred tax assets will not be realized, accordingly, a full valuation allowance was retained at December 31, 2011.

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

As of December 31, 2011 and 2010, the gross liability for income taxes associated with uncertain state tax positions, including interest, was $1,524 and $942, respectively, in other long-term liabilities. No penalties have been accrued for. We do not currently anticipate that our existing reserves related to uncertain tax positions as of December 31, 2011 will significantly increase or decrease during the twelve-month period ending December 31, 2012; however, various events could cause our current expectations to change in the future. Should our position with respect to the majority of these uncertain tax positions be upheld, the effect would be recorded in our consolidated statements of operations as part of the income tax provision. Our policy is to recognize interest and penalties accrued on uncertain tax positions as part of income tax expense.

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

	2011	2010
Balance, beginning of year	$ 942	$ —
Additions for tax positions from prior years	490	942
Interest	92	—
Balance, end of year	$1,524	$942

Commitments and Contingencies

The following table summarizes our expected contractual cash commitments as of December 31, 2011:

	2012	2013	2014	2015	2016	Thereafter	Total
Long-term debt obligations(1)	$ 1,623	$ 779,636	$550,182	$1,057,000	$ —	$ 700,000	$3,088,441
Cash interest payments(1)	288,338	288,208	186,935	113,433	53,375	106,750	1,037,039
Satellite and transmission	60,517	5,526	13,296	13,156	3,455	18,638	114,588
Programming and content	238,792	182,885	157,106	151,531	8,750	—	739,064
Marketing and distribution	46,153	17,555	12,816	11,644	8,617	3,192	99,977
Satellite incentive payments	11,577	12,660	12,615	12,010	12,913	74,989	136,764
Operating lease obligations	34,662	31,291	26,135	28,528	18,422	195,213	334,251
Other	29,681	10,659	1,602	268	182	—	42,392
Total(2)	$711,343	$1,328,420	$960,687	$1,387,570	$105,714	$1,098,782	$5,592,516

(1) Includes captial lease obligations.

(2) The table does not include our reserve for uncertain tax positions, which at December 31, 2011 totaled $1,524, as the specific timing of any cash payments relating to this obligation cannot be projected with reasonable certainty.

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

Cash interest payments. Cash interest payments include interest due on outstanding debt through maturity.

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

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

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

Satellite incentive payments. Boeing Satellite Systems International, Inc., the manufacturer of four of XM's in-orbit satellites, may be entitled to future in-orbit performance payments with respect to two of XM's satellites. As of December 31, 2011, we have accrued $27,925 related to contingent in-orbit performance payments for XM-3 and XM-4 based on expected operating performance over their fifteen year design life. Boeing may also be entitled to an additional $10,000 if XM-4 continues to operate above baseline specifications during the five years beyond the satellite's fifteen-year design life.

Space Systems/Loral, may be entitled to future in-orbit performance payments. As of December 31, 2011, we have accrued $10,709 and $21,450 related to contingent performance payments for FM-5 and XM-5, respectively, based on expected operating performance over their fifteen-year design life.

Operating lease obligations. We have entered into cancelable and non-cancelable operating leases for office space, equipment and terrestrial repeaters. These leases provide for minimum lease payments, additional operating expense charges, leasehold improvements and rent escalations that have initial terms ranging from one to fifteen years, and certain leases that have options to renew. The effect of the rent holidays and rent concessions are recognized on a straight-line basis over the lease term, including reasonably assured renewal periods. Total rent recognized in connection with leases for the years ended December 31, 2011, 2010 and 2009 was $34,143, $36,652 and $44,374, respectively.

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

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

Legal Proceedings

In the ordinary course of business, we are a defendant in various 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. Our significant legal proceedings are discussed under Item 3, Legal Proceedings, in Part I of this Annual Report on Form 10-K.

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
2011:				
Total revenue	$ 723,839	$ 744,397	$ 762,550	$ 783,738
Cost of services	$(270,689)	$(273,331)	$ (277,360)	$ (299,719)
Income from operations	$ 164,172	$ 172,982	$ 184,488	$ 154,475
Net income	$ 78,121	$ 173,319	$ 104,185	$ 71,336
Net income per common share — basic(1)	$ 0.02	$ 0.05	$ 0.03	$ 0.02
Net income per common share — diluted(1)	$ 0.01	$ 0.03	$ 0.02	$ 0.01
2010:				
Total revenue	$ 663,784	$ 699,761	$ 717,548	$ 735,899
Cost of services	$(260,867)	$(266,121)	$ (280,545)	$ (291,699)
Income from operations	$ 125,140	$ 125,634	$ 143,069	$ 71,571
Net (loss) income	$ 41,598	$ 15,272	$ 67,629	$ (81,444)
Net income (loss) per common share —basic(1)	$ 0.01	$ —	$ 0.02	$ (0.02)
Net income (loss) per common share —diluted(1)	$ 0.01	$ —	$ 0.01	$ (0.02)

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

SIRIUS XM RADIO INC. AND SUBSIDIARIES

Schedule II — Schedule of Valuation and Qualifying Accounts

Description *(in thousands)*	Balance January 1,	Charged to Expenses (Benefit)	Write-offs/ Payments/ Other	Balance December 31,
2009				
Allowance for doubtful accounts	$ 10,860	30,602	(32,795)	$ 8,667
Deferred tax assets — valuation allowance	$3,476,583	138,749	—	$3,615,332
2010				
Allowance for doubtful accounts	$ 8,667	32,379	(30,824)	$ 10,222
Deferred tax assets — valuation allowance	$3,615,332	(21,749)	(42,295)	$3,551,288
2011				
Allowance for doubtful accounts	$ 10,222	33,164	(33,454)	$ 9,932
Deferred tax assets — valuation allowance	$3,551,288	(166,452)	(24,096)	$3,360,740

EXHIBIT INDEX

Exhibit	Description
3.1	Amended and Restated Certificate of Incorporation of the Company, dated March 4, 2003 (incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002).
3.2	Certificate of Amendment of the Amended and Restated Certificate of Incorporation of the Company, dated July 28, 2008 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated August 1, 2008).
3.3	Certificate of Amendment of the Amended and Restated Certificate of Incorporation of the Company, dated December 18, 2008 (incorporated by reference to Exhibit 3.3 to the Company's Registration Statement on Form S-3 dated December 30, 2008).
3.4	Certificate of Amendment of the Amended and Restated Certificate of Incorporation of the Company, dated May 29, 2009 (incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-8 dated July 1, 2009).
3.5	Amended and Restated By-Laws of the Company (incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001).
3.6	Certificate of Amendment of the Amended and Restated By-Laws of the Company, dated July 28, 2008 (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K dated August 1, 2008).
3.7	Certificate of Designations of Series B-1 Convertible Perpetual Preferred Stock of the Company, dated March 5, 2009 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated March 6, 2009).
3.8	Certificate of Ownership and Merger, dated January 12, 2011 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated January 12, 2011).
4.1	Form of certificate for shares of the Company's common stock (incorporated by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-1 (File No. 33-74782)).
4.2	Common Stock Purchase Warrant granted by the Company to Ford Motor Company dated October 7, 2002 (incorporated by reference to Exhibit 4.16 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002).
4.3	Indenture, dated as of July 31, 2008, among XM Escrow LLC and The Bank of New York Mellon, as trustee, relating to the 13% Senior Notes due 2013 (incorporated by reference to Exhibit 4.77 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008).
4.4	Supplemental Indenture, dated as of July 31, 2008, among XM Satellite Radio Holdings Inc., XM Satellite Radio Inc., XM Equipment Leasing LLC, XM Radio Inc. and The Bank of New York Mellon, as trustee, relating to the 13% Senior Notes due 2013 (incorporated by reference to Exhibit 4.78 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008).
4.5	Supplemental Indenture, dated as of July 31, 2008, among XM Satellite Radio Holdings Inc., XM Escrow LLC and The Bank of New York Mellon, as trustee, relating to the 13% Senior Notes due 2013 (incorporated by reference to Exhibit 4.79 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008).
4.6	Indenture, dated as of August 1, 2008, among XM Satellite Radio Inc., XM Satellite Radio Holdings Inc., XM Equipment LLC, XM Radio Inc., the Company and The Bank of New York Mellon, as trustee, relating to the 7% Exchangeable Senior Subordinated Notes due 2014 (incorporated by reference to Exhibit 4.80 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008).

Exhibit	Description
4.7	Registration Rights Agreement, dated August 1, 2008, among XM Satellite Radio Inc., XM Satellite Radio Holdings Inc., XM Equipment Leasing LLC, XM Radio Inc., the Company, J.P. Morgan Securities Inc., Morgan Stanley & Co. Incorporated and UBS Securities LLC, relating to the 7% Exchangeable Senior Subordinated Notes due 2014 (incorporated by reference to Exhibit 4.81 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008).
4.8	Form of Media-Based Incentive Warrant, dated as of January 27, 2009, issued by the Company to NFL Enterprises LLC (incorporated by reference to Exhibit 4.48 to the Company's Annual Report on Form 10-K for the year ended December 31, 2008).
4.9	Investment Agreement, dated as of February 17, 2009, among the Company and Liberty Radio LLC (incorporated by reference to Exhibit 4.55 to the Company's Annual Report on Form 10-K for the year ended December 31, 2008).
4.10	Indenture, dated as of August 24, 2009, between the Company and U.S. Bank National Association relating to the 9.75% Senior Secured Notes due 2015 (incorporated by reference to Exhibit 4.61 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009).
4.11	Indenture, dated as of March 17, 2010, among the Company, the guarantors thereto and U.S. Bank National Association, as trustee, relating to the 8.75% Senior Notes due 2015 (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated March 19, 2010).
4.12	Third Supplemental Indenture, dated April 14, 2010, among XM Satellite Radio Inc., certain subsidiaries thereof and The Bank of New York Mellon, as trustee, relating to the 13% Senior Notes due 2013 (incorporated by reference to XM Satellite Radio Inc.'s Quarterly Report on Form 10-Q filed on May 7, 2010).
4.13	Supplemental Indenture, dated April 14, 2010, among XM Satellite Radio Inc., certain subsidiaries thereof and The Bank of New York Mellon, as trustee, relating to the 7% Exchangeable Senior Subordinated Notes due 2014 (incorporated by reference to XM Satellite Radio Inc.'s Quarterly Report on Form 10-Q filed on May 7, 2010).
4.14	Indenture, dated as of October 27, 2010, among XM Satellite Radio Inc., the guarantors thereto and U.S. Bank National Association, as trustee, relating to the 7.625% Senior Notes due 2018 (incorporated by reference to Exhibit 4.1 to XM Satellite Radio Inc.'s Current Report on Form 8-K filed on October 28, 2010).
4.15	Supplemental Indenture, dated January 12, 2011, by and among XM Satellite Radio Inc., the Company, certain subsidiaries thereof and The Bank of New York Mellon, as trustee, relating to the 13% Senior Notes due 2013 (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on January 12, 2011).
4.16	Supplemental Indenture, dated January 12, 2011, by and among XM Satellite Radio Inc., the Company, certain subsidiaries thereof and The Bank of New York Mellon, as trustee, relating to the 7% Exchangeable Senior Subordinated Notes due 2014 (incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed on January 12, 2011).
4.17	Supplemental Indenture, dated January 12, 2011, by and among XM Satellite Radio Inc., the Company, certain subsidiaries thereof and U.S. Bank National Association, as trustee, relating to the 7.625% Senior Notes due 2018 (incorporated by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K filed on January 12, 2011).
4.18	Supplemental Indenture, dated January 12, 2011, by and among the Company, certain subsidiaries thereof and U.S. Bank National Association, as trustee, relating to the 8.75% Senior Notes due 2015 (incorporated by reference to Exhibit 4.24 to the Company's Annual Report on Form 10-K for the year ended December 31, 2010).

Exhibit	Description
4.19	Supplemental Indenture, dated January 12, 2011, by and among the Company, certain subsidiaries thereof and U.S. Bank National Association, as trustee, relating to the 9.75% Senior Secured Notes due 2015 (incorporated by reference to Exhibit 4.25 to the Company's Annual Report on Form 10-K for the year ended December 31, 2010).
4.20	Collateral Agreement, dated January 12, 2011, by and among the Company, certain subsidiaries thereof and U.S. Bank National Association, as collateral agent, relating to the 9.75% Senior Secured Notes due 2015 (incorporated by reference to Exhibit 4.5 to the Company's Current Report on Form 8-K filed on January 12, 2011).
**10.1	Operational Assistance Agreement, dated as of June 7, 1999, between XM Satellite Radio Inc. and Clear Channel Communications, Inc. (incorporated by reference to Exhibit 10.10 to Amendment No. 1 to XM Satellite Radio Holdings Inc.'s Registration Statement on Form S-1, File No. 333-83619).
**10.2	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, dated June 7, 1999 (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).
***10.3	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).
**10.4	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).
10.5	Assignment and Novation Agreement, dated as of December 5, 2001, between XM Satellite Radio Holdings Inc., XM Satellite Radio Inc. and Boeing Satellite Systems International Inc. (incorporated by reference to Exhibit 10.3 to XM Satellite Radio Holdings Inc.'s Current Report on Form 8-K filed on December 6, 2001).
**10.6	Amendment to the Satellite Purchase Contract for In-Orbit Delivery, dated as of December 5, 2001, between XM Satellite Radio Inc. and Boeing Satellite Systems International Inc. (incorporated by reference to Exhibit 10.4 to XM Satellite Radio Holdings Inc.'s Current Report on Form 8-K filed on December 6, 2001).
10.7	Amended and Restated Assignment and Use Agreement, dated as of January 28, 2003, between XM Satellite Radio Inc. and XM Radio Inc. (incorporated by reference to Exhibit 10.7 to XM Satellite Radio Holdings Inc.'s Current Report on Form 8-K filed on January 29, 2003).
**10.8	Amended and Restated Amendment to the Satellite Purchase Contract for In-Orbit Delivery, dated May 23, 2003, among XM Satellite Radio Inc. and 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).
**10.9	Amendment to the Satellite Purchase Contract for In-Orbit Delivery, dated July 31, 2003, among XM Satellite Radio Inc. and 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).

Exhibit	Description
**10.10	December 2003 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).
*10.11	Form of Option Agreement between the Company and each Optionee (incorporated by reference to Exhibit 10.16.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998).
*10.12	Form of Director Non-Qualified Stock Option Agreement (incorporated by reference to Exhibit 10.25 to Amendment No. 5 to XM Satellite Radio Holdings Inc.'s Registration Statement on Form S-1, File No. 333-83619).
*10.13	CD Radio Inc. 401(k) Savings Plan (incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-8 (File No. 333-65473)).
*10.14	Employment Agreement, dated as of June 3, 2003, between the Company and David J. Frear (incorporated by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003).
*10.15	Amended and Restated Sirius Satellite Radio 2003 Long-Term Stock Incentive Plan (incorporated by reference to Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004).
*10.16	Employment Agreement dated November 18, 2004 between the Company and Mel Karmazin (incorporated by reference to Exhibit 10.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004).
*10.17	Restricted Stock Unit Agreement, dated as of August 9, 2005, between the Company and James E. Meyer (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K dated August 12, 2005).
*10.18	First Amendment, dated as of August 10, 2005, to the Employment Agreement, dated as of June 3, 2003, between the Company and David J. Frear (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated August 12, 2005).
*10.19	Form of Non-Qualified Stock Option Agreement (incorporated by reference to Exhibit 10.2 to XM Satellite Radio Holdings Inc.'s Current Report on Form 8-K filed June 1, 2007).
*10.20	Form of Restricted Stock Agreement (incorporated by reference to Exhibit 10.3 to XM Satellite Radio Holdings Inc.'s Current Report on Form 8-K filed June 1, 2007).
*10.21	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).
*10.22	Sirius XM Radio 401(k) Savings Plan, as amended and restated effective January 1, 2009 (incorporated by reference to Exhibit 10.30 to the Company's Annual Report on Form 10-K for the year ended December 31, 2009).
*10.23	Agreement to Forfeit Non-Qualified Stock Options, dated as of May 13, 2009, between Mel Karmazin and the Company (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed May 13, 2009).
*10.24	Second Amendment, dated as of February 12, 2008, to the Employment Agreement, dated as of June 3, 2003, between the Company and David J. Frear (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated February 13, 2008).

Exhibit	Description
*10.25	Employment Agreement, dated as of September 26, 2008, between the Company and Dara F. Altman (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated October 1, 2008).
.26	Letter Agreement dated June 30, 2009 amending the Employment Agreement dated November 18, 2004 between Mel Karmazin and the Company (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed July 1, 2009).
*10.27	Sirius XM Radio Inc. 2009 Long-Term Stock Incentive Plan (incorporated by reference to Exhibit 4.9 to the Company's Registration Statement on Form S-8 dated July 1, 2009).
*10.28	Employment Agreement, dated as of July 28, 2009, between the Company and Scott A. Greenstein (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed July 29, 2009).
*10.29	Employment Agreement, dated as of October 14, 2009, between the Company and James E. Meyer (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed October 16, 2009).
*10.30	Employment Agreement, dated as of January 14, 2010, between the Company and Patrick L. Donnelly (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed January 15, 2010).
*10.31	First Amendment, dated as of February 14, 2011, to the Employment Agreement dated as of October 14, 2009, between the Company and James E. Meyer (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed February 15, 2011).
*10.32	Employment Agreement, dated as of July 21, 2011, between the Company and David J. Frear (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 22, 2011).
*10.33	Employment Agreement, dated as of August 23, 2011, between the Company and Dara F. Altman (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 24, 2011).
*10.34	Form of Director Non-Qualified Stock Option Agreement (filed herewith).
*10.35	Form of Non-Qualified Stock Option Agreement (filed herewith).
21.1	List of Subsidiaries (filed herewith).
23.1	Consent of KPMG LLP (filed herewith).
31.1	Certificate of Mel Karmazin, Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certificate of David J. Frear, Executive Vice President and Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certificate of Mel Karmazin, 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, 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).

Exhibit	Description
****101.1	The following financial information from our Annual Report on Form 10-K for the year ended December 31, 2011 formatted in eXtensible Business Reporting Language (XBRL): (i) Consolidated Statements of Operations for the years ended December 31, 2011, 2010 and 2009; (ii) Consolidated Balance Sheets as of December 31, 2011 and 2010; (iii) Consolidated Statements of Stockholder's Equity and Comprehensive Income (Loss) for the years ended December 31, 2011, 2010 and 2009; (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2011, 2010 and 2009; and (v) 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.

*** Confidential treatment has been requested with respect to portions of this Exhibit that have been omitted by redacting a portion of the text.

**** In accordance with Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101.1 to this Annual Report on Form 10-K shall not be deemed to be "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be part of any registration statement or other document filed under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Exhibit 10.34

D11-01

THIS OPTION HAS NOT BEEN REGISTERED UNDER STATE OR FEDERAL SECURITIES LAWS. THIS OPTION MAY NOT BE TRANSFERRED EXCEPT BY WILL OR UNDER THE LAWS OF DESCENT AND DISTRIBUTION.

SIRIUS XM RADIO 2009 LONG-TERM STOCK INCENTIVE PLAN

STOCK OPTION AGREEMENT
2011 COMPENSATION AWARD

THIS STOCK OPTION AGREEMENT (this " Agreement "), dated as of [ ], between SIRIUS XM RADIO INC., a Delaware corporation (the " Company "), and [ ] (the " Director ").

1. Grant of Option; Vesting . (a) Subject to the terms and conditions of this Agreement and the Sirius XM Radio 2009 Long-Term Stock Incentive Plan (the " Plan "), the Company hereby grants to the Director 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 "). 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) The right and option to purchase up to up to [ ]( ) Shares shall vest and be exercisable as follows:

(i) [ ] ( ) Shares shall vest and become exercisable on , 2012;

(ii) [ ] ( ) Shares shall vest and become exercisable on , 2013;

(iii) [ ] ( ) Shares shall vest and become exercisable on , 2014; and

(iv) [ ] ( ) Shares shall vest and become exercisable on , 2015.

2. Term . This Option shall terminate on , 2021.

3. Exercise . Subject to Section 1 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 Director (or, in the case of exercise after death of the Director, by the executor, administrator, heir or legatee of the Director, as the case may be, or, in the case of exercise after a disability under circumstance in which it is sonable to conclude that the Director does not

have the ability to exercise this Option, by the person or persons who have been legally appointed to act in the name of the Director) to the Company at the address set forth herein for notices to the Company. Such notice shall (a) state the number of Shares to be purchased and the date of exercise, and (b) be accompanied by payment of the Exercise Price in cash or such other method of payment as may be permitted by Section 6(d) of the Plan, subject, in the case of a broker-assisted exercise, to applicable law.

4. 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.

5. 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 Director. Accordingly, the Director acknowledges that the Director has been advised to consult his or her personal legal and tax advisor in connection with this Agreement and this Option.

6. Agreement Subject to the Plan. The 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. A copy of the Plan previously has been delivered to the Director. This Agreement and the Plan constitute the entire understanding between the Company and the Director with respect to this Option.

7. 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.

8. 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 business days after being sent by certified mail, postage prepaid, return receipt requested or one 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 36 th Floor New York, New York 10020 Attention: General Counsel
Director:	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.

RIUS XM RADIO INC.

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

Exhibit 10.35

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

STOCK OPTION AGREEMENT
2011 COMPENSATION AWARD

THIS STOCK OPTION AGREEMENT (this "Agreement"), dated as of (the "Date of Grant"), between SIRIUS XM RADIO 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 Radio Inc. 2009 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 closing price of such common stock on The Nasdaq Global Select Market on [[INSERT DATE OF CLOSING PRICE]] (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. Capitalized terms not otherwise defined herein have the meanings assigned to them in the Plan.

(b) Subject to the terms and conditions of this Section 1(b), this Option shall vest and be exercisable as follows:

(i) Shares shall vest and become exercisable on August , 2012 if the Employee continues to be employed by the Company on August , 2012;

(ii) Shares shall vest and become exercisable on August , 2013 if the Employee continues to be employed by the Company on August , 2013;

(iii) Shares shall vest and become exercisable on August , 2014 if the Employee continues to be employed by the Company on August , 2014; and

(iv) Shares shall vest and become exercisable on August , 2015 if the Employee continues to be employed by the Company on August , 2015.

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 days following the termination of the Employee's employment for any reason other than death, or (b) one year from the date of death of the Employee. Subject to the terms of the Plan, if the Employee's employment 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 employment has been terminated by the Company for Cause, this Option, including all vested Options, shall terminate on the date of termination of Employee's employment.

(c) If, within ninety (90) days following the termination of Employee's employment by Employee for any reason or by the Company without Cause, the Employee breaches any employment agreement, non-competition agreement, or other similar agreement or arrangement that the Employee has with the Company, 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 payment of the aggregate Exercise Price in such manner as is permitted by the Plan.

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 tax, if any, which is 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 Employee the amount of any such tax to the extent not previously withheld.

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 the Company, or in any way limit the right of the Company to terminate employment of the Employee at any time, subject to the terms of any written employment or similar agreement between the Company and the Employee.

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 his or her personal legal and tax advisor in connection with this Agreement and this Option.

9. Agreement Subject to the Plan. The 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. Employee acknowledges that a copy of the Plan is posted on the Company's intranet site and Employee agrees to review it and comply with its terms. This Agreement and the Plan constitute the entire understanding between the Company and the Employee with respect to this Option. In the event of any conflict between the Agreement and the Plan, the Plan shall gove 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 business days after being sent by certified mail, postage prepaid, return receipt requested or one 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
36 th Floor
New York, New York 10020
Attention: General Counsel

Employee: _____
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.

_____
Employee

Exhibit 21.1

SIRIUS XM RADIO INC.
SUBSIDIARIES

us Entertainment Promotions LLC
ellite CD Radio LLC
XM 1500 Eckington LLC
XM Investment LLC
Spend LLC
Earth Station Ecuador Cia. Ltda.
XM Radio LLC
XM Emall Inc.
Satellite Public Radio Inc.
Interoperable Technologies LLC

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

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

We consent to the incorporation by reference in the registration statements (No. 333-158135, No. 333-152548, No. 333-139869, No. 333-130949, No. 333-127169, No. 333-115695, No. 333-108387, No. 333-104406, No. 333-85847, No. 333-65602, and No. 333-64344) on Form S-3, in the registration statement (No. 333-144845) on Form S-4, and in the registration statements (No. 333-169309, 333-166699, 333-160386, No. 333-159206, No. 333-158156, No. 333-156441, No. 333-152574, No. 333-149186, No. 333-142726, No. 333-139214, No. 333-133277, No. 333-125118, No. 333-119479, No. 333-111221, No. 333-106020, No. 333-101515, No. 333-100083, No. 333-81914, No. 333-74752, No. 333-65473, No. 333-62818, No. 333-47954, No. 333-31362, and No. 333-15085), on Form S-8 of Sirius XM Radio Inc. of our reports dated February 9, 2012, with respect to the consolidated balance sheets of Sirius XM Radio Inc. and subsidiaries as of December 31, 2011 and 2010, and the related consolidated statements of operations, stockholders' equity and comprehensive income (loss), and cash flows for each of the years in the three-year period ended December 31, 2011, and the related financial statement schedule for each of the years in the three-year period ended December 31, 2011, and with respect to the effectiveness of internal control over financial reporting as of December 31, 2011, which reports appear in the December 31, 2011 annual report on Form 10-K of Sirius XM Radio Inc.

/s/ KPMG LLP

New York, New York
February 9, 2012

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Mel Karmazin, the Chief Executive Officer of Sirius XM Radio Inc., certify that:

1. I have reviewed this Annual Report on Form 10-K for the fiscal year ended December 31, 2011 of Sirius XM Radio 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 changes in the registrant's internal controls over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth 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/ MEL KARMAZIN
Mel Karmazin
Chief Executive Officer
(Principal Executive Officer)

February 9, 2012

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, David J. Frear, the Executive Vice President and Chief Financial Officer of Sirius XM Radio Inc., certify that:

1. I have reviewed this Annual Report on Form 10-K for the fiscal year ended December 31, 2011 of Sirius XM Radio 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 changes in the registrant's internal controls over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth 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
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

February 9, 2012

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY
ACT OF 2002

In connection with the Annual Report of Sirius XM Radio Inc. (the "Company") on Form 10-K for the fiscal year ended December 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mel Karmazin, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ MEL KARMAZIN
Mel Karmazin
Chief Executive Officer
(Principal Executive Officer)

February 9, 2012

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY
ACT OF 2002

In connection with the Annual Report of Sirius XM Radio Inc. (the "Company") on Form 10-K for the fiscal year ended December 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David J. Frear, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ DAVID J. FREAR
David J. Frear
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

February 9, 2012

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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SIRIUS XM RADIO INC.

FORM 10-Q
(Quarterly Report)

Filed 05/01/12 for the Period Ending 03/31/12

Address	1221 AVENUE OF THE AMERICAS 36TH FLOOR NEW YORK, NY 10020
Telephone	212-584-5100
CIK	0000908937
Symbol	SIRI
SIC Code	4832 - Radio Broadcasting Stations
Industry	Broadcasting & Cable TV
Sector	Services
Fiscal Year	12/31

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SX Ex. 232-RP

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

FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2012

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 RADIO INC.

(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**52-1700207** **(I.R.S. Employer Identification Number)**
1221 Avenue of the Americas, 36th Floor **New York, New York** **(Address of principal executive offices)**	**10020** **(Zip Code)**

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

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 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. (Check one):

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ 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 ☑

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

(Class)	(Outstanding as of April 27, 2012)	
COMMON STOCK, $0.001 PAR VALUE	**3,801,029,929**	**SHARES**

SIRIUS XM RADIO INC. AND SUBSIDIARIES
INDEX TO FORM 10-Q

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SIRIUS XM RADIO INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands, except per share data)	For the Three Months Ended March 31, 2012	2011
Revenue:		
Subscriber revenue	$ 700,242	$ 622,437
Advertising revenue, net of agency fees	18,670	16,558
Equipment revenue	16,953	15,867
Other revenue	68,857	68,977
Total revenue	804,722	723,839
Operating expenses:		
Cost of services:		
Revenue share and royalties	132,111	106,929
Programming and content	70,095	72,959
Customer service and billing	66,187	65,836
Satellite and transmission	18,110	18,560
Cost of equipment	5,806	6,405
Subscriber acquisition costs	116,121	105,270
Sales and marketing	58,361	47,819
Engineering, design and development	12,690	11,135
General and administrative	59,886	56,354
Depreciation and amortization	66,117	68,400
Total operating expenses	605,484	559,66[illegible]
Income from operations	199,238	164,17[illegible]
Other income (expense):		
Interest expense, net of amounts capitalized	(76,971)	(78,218)
Loss on extinguishment of debt and credit facilities, net	(9,971)	(5,994)
Interest and investment loss	(1,142)	(1,884)
Other (loss) income	(578)	1,617
Total other expense	(88,662)	(84,479)
Income before income taxes	110,576	79,693
Income tax expense	(2,802)	(1,572)
Net income	$ 107,774	$ 78,121
Foreign currency translation adjustment, net of tax	(56)	67
Comprehensive income	$ 107,718	$ 78,188
Net income per common share:		
Basic	$ 0.03	$ 0.02
Diluted	$ 0.02	$ 0.01
Weighted average common shares outstanding:		
Basic	3,767,443	3,735,136
Diluted	6,537,728	6,481,384

See accompanying notes to the unaudited consolidated financial statements.

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SIRIUS XM RADIO INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share data)	March 31, 2012 (unaudited)	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 746,576	$ 773,990
Accounts receivable, net	108,335	101,705
Receivables from distributors	96,037	84,817
Inventory, net	36,791	36,711
Prepaid expenses	177,515	125,967
Related party current assets	6,503	14,702
Deferred tax asset	144,798	132,727
Other current assets	20,539	6,335
Total current assets	1,337,094	1,276,954
Property and equipment, net	1,645,610	1,673,919
Long-term restricted investments	3,973	3,973
Deferred financing fees, net	38,848	42,046
Intangible assets, net	2,559,712	2,573,638
Goodwill	1,834,856	1,834,856
Related party long-term assets	54,229	54,953
Other long-term assets	27,402	35,657
Total assets	$ 7,501,724	$ 7,495,996
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 454,748	$ 543,193
Accrued interest	77,562	70,405
Current portion of deferred revenue	1,404,919	1,333,965
Current portion of deferred credit on executory contracts	281,270	284,108
Current maturities of long-term debt	1,540	1,623
Related party current liabilities	16,541	14,302
Total current liabilities	2,236,580	2,247,596
Deferred revenue	183,430	198,135
Deferred credit on executory contracts	147,012	218,199
Long-term debt	2,625,533	2,683,563
Long-term related party debt	329,576	328,788
Deferred tax liability	1,024,734	1,011,084
Related party long-term liabilities	21,048	21,741
Other long-term liabilities	84,232	82,745
Total liabilities	6,652,145	6,791,851
Commitments and contingencies (Note 16)		
Stockholders' equity:		
Preferred stock, par value $0.001; 50,000,000 authorized at March 31, 2012 and December 31, 2011:		
Series A convertible preferred stock; no shares issued and outstanding at March 31, 2012 and December 31, 2011	—	—
Convertible perpetual preferred stock, series B-1 (liquidation preference of $0.001 per share at March 31, 2012 and December 31, 2011); 12,500,000 shares issued and outstanding at March 31, 2012 and December 31, 2011	13	13
Common stock, par value $0.001; 9,000,000 shares authorized at March 31, 2012 and December 31, 2011; 3,788,755,725 and 3,753,201,929 shares issued and outstanding at March 31, 2012 and December 31, 2011, respectively	3,789	3,753
Accumulated other comprehensive income, net of tax	15	71

Additional paid-in capital	10,522,080	10,484,400
Accumulated deficit	(9,676,318)	(9,784,092)
Total stockholders' equity	849,579	704,145
Total liabilities and stockholders' equity	$ 7,501,724	$ 7,495,9

See accompanying notes to the unaudited consolidated financial statements.

SIRIUS XM RADIO INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Series A Convertible Preferred Stock		Convertible Perpetual Preferred Stock, Series B-1		Common Stock					
(in thousands, except share data)	Shares	Amount	Shares	Amount	Shares	Amount	Accumulated Other Comprehensive Income	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
Balance at December 31, 2011	—	$ —	12,500,000	$ 13	3,753,201,929	$3,753	$ 71	$10,484,400	$(9,784,092)	$ 704,145
Comprehensive income, net of tax							(56)		107,774	107,718
Issuance of common stock to employees and employee benefit plans, net of forfeitures	—	—	—	—	598,972	1	—	1,307	—	1,308
Share-based payment expense	—	—	—	—	—	—	—	13,643	—	13,643
Exercise of stock options and vesting of restricted stock units	—	—	—	—	34,954,824	35	—	22,730	—	22,765
Balance at March 31, 2012	—	$ —	12,500,000	$ 13	3,788,755,725	$3,789	$ 15	$10,522,080	$(9,676,318)	$ 849,579

See accompanying notes to the unaudited consolidated financial statements.

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SIRIUS XM RADIO INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	For the Three Months Ended March 31, 2012	2011
Cash flows from operating activities:		
Net income	$ 107,774	$ 78,121
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	66,117	68,400
Non-cash interest expense, net of amortization of premium	10,647	9,573
Provision for doubtful accounts	6,208	9,623
Amortization of deferred income related to equity method investment	(694)	(694)
Loss on extinguishment of debt and credit facilities, net	9,971	5,994
Loss on unconsolidated entity investments, net	422	2,350
Loss on disposal of assets	—	266
Share-based payment expense	14,951	12,856
Deferred income taxes	1,572	1,111
Other non-cash purchase price adjustments	(73,956)	(66,743)
Changes in operating assets and liabilities:		
Accounts receivable	(12,838)	11,291
Receivables from distributors	(11,220)	(8,982)
Inventory	(80)	(7,330)
Related party assets	8,347	(3,686)
Prepaid expenses and other current assets	(65,753)	(39,232)
Other long-term assets	8,256	7,617
Accounts payable and accrued expenses	(96,859)	(110,400)
Accrued interest	7,157	8,124
Deferred revenue	56,182	39,225
Related party liabilities	2,239	738
Other long-term liabilities	1,505	(113)
Net cash provided by operating activities	39,948	18,109
Cash flows from investing activities:		
Additions to property and equipment	(25,187)	(34,983)
Net cash used in investing activities	(25,187)	(34,983)
Cash flows from financing activities:		
Proceeds from exercise of stock options	22,765	1,072
Payment of premiums on redemption of debt	(6,602)	(4,094)
Repayment of long-term borrowings	(58,338)	(133,100)
Net cash used in financing activities	(42,175)	(136,122)
Net decrease in cash and cash equivalents	(27,414)	(152,996)
Cash and cash equivalents at beginning of period	773,990	586,691
Cash and cash equivalents at end of period	$ 746,576	$ 433,695

See accompanying notes to the unaudited consolidated financial statements.

SIRIUS XM RADIO INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands, unless otherwise stated)

Business

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

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

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

(2) Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements of Sirius XM Radio Inc. and subsidiaries have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), the instructions to Form 10-Q and Article 10 of Regulation S-X of the United States Securities and Exchange Commission ("SEC") for interim financial reporting. Accordingly, these interim financial statements do not include all the information and footnotes required by GAAP for complete financial statements. All significant intercompany transactions have been eliminated in consolidation.

Basis of Presentation

In the opinion of management, all normal recurring adjustments necessary for a fair presentation of our unaudited consolidated financial statements as of March 31, 2012 and for the three months ended March 31, 2012 and 2011 have been made.

Interim results are not necessarily indicative of the results that may be expected for a full year. This Quarterly Report on Form 10-Q should be read together with our Annual Report on Form 10-K for the year ended December 31, 2011 , which was filed with the SEC on February 9, 2012.

We have evaluated events subsequent to the balance sheet date and prior to the filing of this Quarterly Report on Form 10-Q for the three months ended March 31, 2012 and have determined that no events have occurred that would require adjustment to our unaudited consolidated financial statements. For a discussion of subsequent events refer to Notes 16 and 17.

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 unaudited consolidated financial statements include revenue recognition, asset impairment, depreciable lives of our satellites, share-based payment expense, and valuation allowances against deferred tax assets.

SIRIUS XM RADIO INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - Continued
(Dollar amounts in thousands, unless otherwise stated)

Income Taxes

Deferred income taxes represents the tax consequence 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 reporting period, based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. A valuation allowance is recognized when, based on the weight of all available evidence, it is considered more likely than not that all, or some portion, of the deferred tax assets will not be realized. Income tax expense is the sum of current income tax plus the change in deferred tax assets and liabilities.

As of March 31, 2012 and December 31, 2011 , we maintained a full valuation allowance against our deferred tax assets due to our historical accumulated pre-tax losses.

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. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. We record interest and penalties related to uncertain tax positions in income tax expense in our unaudited consolidated statements of comprehensive income.

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

Fair Value of Financial Instruments

The fair value for publicly traded instruments is determined using quoted market prices while the fair value for non-publicly traded instruments is based upon estimates from a market maker and brokerage firm. As of March 31, 2012 and December 31, 2011 , the carrying value of our debt was $2,956,649 and $3,013,974 , respectively; and the fair value approximated $3,192,636 and $3,506,546 , respectively.

Accumulated Other Comprehensive Income

Accumulated other comprehensive income of $15 is comprised of foreign currency translation adjustments related to our interest in Sirius XM Canada. During the three months ended March 31, 2012 , we recorded a foreign currency translation adjustments loss of $56 , net of tax of $35 .

Recent Accounting Pronouncements

In May 2011, the FASB issued Accounting Standards Update No. 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards (Topic 820) — Fair Value Measurement ("ASU 2011-04"), to provide a consistent definition of fair value and ensure that the fair value measurement and disclosure requirements are similar between U.S. GAAP and International Financial Reporting Standards. ASU 2011-04 changes certain fair value measurement principles and enhances the disclosure requirements particularly for Level 3 fair value measurements. This standard is effective for interim and annual periods beginning after December 15, 2011 and is applied on a prospective basis. We have adopted ASU 2011-04 and the impact of adoption is not material to our unaudited consolidated financial statements.

In June 2011, the FASB issued Accounting Standards Update No. 2011-05, Comprehensive Income (Topic 220), Presentation of Comprehensive Income ("ASU 2011-05"), to require an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statements of comprehensive income or in two separate but consecutive statements. ASU 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of equity. The standard does not change the items which must be reported in other comprehensive income, how such items are measured or when they must be reclassified to net income. This standard is effective for interim and annual periods beginning after December 15, 2011 and is to be applied retrospectively. The FASB has deferred the requirement to present reclassification adjustments for each component of

mulated other comprehensive income in both net income and other comprehensive income. Companies are required to either present amounts reclassified out of other comprehensive income on the face of the financial statements or disclose those amounts in the notes to the financial statements. During the deferral period, there is no requirement to separately present or disclose the reclassification adjustments into net income. The effective date of this deferral will be consistent with the effective date of the ASU 2011-05. We have adopted ASU 2011-05 and disclosed comprehensive income in our unaudited consolidated statements of comprehensive income and note that this guidance only affects financial statement presentation only and has no impact on our results of unaudited consolidated financial statements.

(3) Earnings per Share

Basic net income per common share is calculated using the weighted average common shares outstanding during each reporting period. Diluted net income per common share adjusts the weighted average common shares outstanding for the potential dilution that could occur if common stock equivalents (convertible debt and preferred stock, warrants, stock options, restricted stock and restricted stock units) were exercised or converted into common stock, calculated using the treasury stock method. For the three months ended March 31, 2012 and 2011 , common stock equivalents of approximately 443,764,000 and 587,254,000 , respectively, were excluded from the calculation of diluted net income per common share as the effect would have been anti-dilutive.

	For the Three Months Ended March 31,	
(in thousands, except per share data)	2012	2011
Net income	$ 107,774	$ 78,121
Average common shares outstanding-basic	3,767,443	3,735,136
Dilutive effect of equity instruments	2,770,285	2,746,248
Average common shares outstanding-diluted	6,537,728	6,481,384
Net income per common share		
Basic	$ 0.03	$ 0.02
Diluted	$ 0.02	$ 0.01

(4) Accounts Receivable, net

Accounts receivable, net are stated at amounts due from customers net of an allowance for doubtful accounts. Our allowance for doubtful accounts considers historical experience, the age of certain receivable balances, current economic conditions and other factors that may affect the counterparty's ability to pay.

Accounts receivable, net, consists of the following:

	March 31, 2012	December 31, 2011
Gross accounts receivable	$ 119,310	$ 111,637
Allowance for doubtful accounts	(10,975)	(9,932)
Total accounts receivable, net	$ 108,335	$ 101,705

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

	March 31, 2012	December 31, 2011
Billed	$ 52,426	$ 44,618
Unbilled	43,611	40,199
Total	$ 96,037	$ 84,817

SIRIUS XM RADIO INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - Continued
(Dollar amounts in thousands, unless otherwise stated)

(5) Inventory, net

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

Inventory, net, consists of the following:

	March 31, 2012	December 31, 2011
Raw materials	$ 22,441	$ 24,134
Finished goods	31,102	28,007
Allowance for obsolescence	(16,752)	(15,430)
Total inventory, net	$ 36,791	$ 36,711

(6) Goodwill

Goodwill represents the excess of the purchase price over the estimated fair value of net tangible and identifiable intangible assets acquired in business combinations. We will perform an annual qualitative assessment as of October 1st of each year to determine if it is more likely than not that the fair value is less than the carrying amount. 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.

As of March 31, 2012 , there were no indicators of impairment and no impairment loss was recorded for goodwill during the three months ended March 31, 2012 and 2011 .

(7) Intangible Assets

Intangible assets consisted of the following:

		March 31, 2012			December 31, 2011		
	Weighted Average Useful Lives	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Indefinite life intangible assets:							
FCC licenses	Indefinite	$ 2,083,654	$ —	$ 2,083,654	$ 2,083,654	$ —	$ 2,083,654
Trademark	Indefinite	250,000	—	250,000	250,000	—	250,000
Definite life intangible assets:							
Subscriber relationships	9 years	380,000	(202,134)	177,866	380,000	(191,201)	188,799
Licensing agreements	9.1 years	78,897	(36,649)	42,248	78,897	(34,145)	44,752
Proprietary software	6 years	16,552	(11,941)	4,611	16,552	(11,507)	5,045
Developed technology	10 years	2,000	(733)	1,267	2,000	(683)	1,317
Leasehold interests	7.4 years	132	(66)	66	132	(61)	71
Total intangible assets		$ 2,811,235	$ (251,523)	$ 2,559,712	$ 2,811,235	$ (237,597)	$ 2,573,638

Indefinite Life Intangible Assets

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

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

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

(1) In 2010, we retired our FM-4 ground spare satellite. We still maintain the FCC license for this satellite.

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

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

In connection with the merger of our wholly owned subsidiary, Vernon Merger Corporation, with and into XM Satellite Radio Holdings Inc. in July 2008 (the "Merger"), $250,000 of the purchase price was allocated to the XM trademark. As of March 31, 2012 , there were no legal, regulatory or contractual limitations associated with the XM trademark.

Our annual impairment assessment of our indefinite intangible assets is performed as of October 1st of each year. An assessment is made at other times if events or changes in circumstances indicate that these assets might be impaired. The impairment test consists of a comparison of the fair value of the assets with its carrying value. If the carrying value of the intangible assets exceeds its fair value, an impairment loss is recognized. As of March 31, 2012 , there were no indicators of impairment and no impairment loss was recorded for intangible assets with indefinite lives during the three months ended March 31, 2012 and 2011 .

Definite Life Intangible Assets

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

Amortization expense for all definite life intangible assets was $13,926 and $15,303 for the three months ended March 31, 2012 and 2011 , respectively. Expected amortization expense for the remaining period in 2012 , each of the fiscal years 2013 through 2016 and for periods thereafter is as follows:

Year ending December 31,	Amount
2012	$ 39,739
2013	47,357
2014	38,879
2015	37,553
2016	31,959
Thereafter	30,571
Total definite life intangibles assets, net	$ 226,058

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(8) Subscriber Revenue

Subscriber revenue consists of subscription fees, revenue derived from agreements with certain daily rental fleet operators, activation and other fees. Revenues received from OEMs for subscriptions included in the sale or lease price of vehicles are also included in subscriber revenue over the service period.

Subscriber revenue consists of the following:

	For the Three Months Ended March 31,	
	2012	2011
Subscription fees	$ 696,298	$ 619,291
Activation fees	3,944	3,146
Total subscriber revenue	$ 700,242	$ 622,437

(9) Interest Costs

We capitalized a portion of the interest on funds borrowed to finance the construction costs of our FM-6 satellite and related launch vehicle. We will continue to capitalize the interest until the launch of our FM-6 satellite. We also incur interest costs on all of our debt instruments and on our satellite incentive agreements. The following is a summary of our interest costs:

	For the Three Months Ended March 31,	
	2012	2011
Interest costs charged to expense	$ 76,971	$ 78,21[illegible]
Interest costs capitalized	7,954	7,250
Total interest costs incurred	$ 84,925	$ 85,468

Included in interest costs incurred is non-cash interest expense, consisting of amortization related to original issue discounts, premiums and deferred financing fees of $10,647 and $9,573 for the three months ended March 31, 2012 and 2011 , respectively.

(10) Property and Equipment

Property and equipment, net, consists of the following:

	March 31, 2012	December 31, 2011
Satellite system	$ 1,943,537	$ 1,943,537
Terrestrial repeater network	110,335	112,440
Leasehold improvements	43,529	43,455
Broadcast studio equipment	54,218	53,903
Capitalized software and hardware	201,266	193,301
Satellite telemetry, tracking and control facilities	61,020	60,539
Furniture, fixtures, equipment and other	60,739	60,283
Land	38,411	38,411
Building	57,200	57,185
Construction in progress	385,300	372,508
Total property and equipment	2,955,555	2,935,562
Accumulated depreciation and amortization	(1,309,945)	(1,261,64[illegible]
Property and equipment, net	$ 1,645,610	$ 1,673,919

Construction in progress consists of the following:

	March 31, 2012	December 31, 2011
Satellite system	$ 352,597	$ 343,932
Terrestrial repeater network	18,586	19,194
Other	14,117	9,382
Construction in progress	$ 385,300	$ 372,508

Depreciation and amortization expense on property and equipment was $52,191 and $53,097 for the three months ended March 31, 2012 and 2011 , respectively.

Satellites

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

Satellite Designation	Year Delivered	Estimated End of Depreciable Life
FM-1	2000	2013
FM-2	2000	2013
FM-3	2000	2015
FM-5	2009	2024
XM-1	2001	2013
XM-2	2001	201[illegible]
XM-3	2005	20[illegible]
XM-4	2006	2021
XM-5	2010	2025

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

During the three months ended March 31, 2012 and 2011 , we capitalized expenditures, including interest, of $ 8,665 and $ 28,815 , respectively, related to the construction of our FM-6 satellite and related launch vehicle.

(11) Related Party Transactions

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

	Related party current assets		Related party long-term assets		Related party current liabilities		Related party long-term liabilities		Related party long-term debt	
	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011
Liberty Media	$ —	$ —	$ 1,122	$ 1,212	$ 10,461	$ 9,722	$ —	$ —	$ 329,576	$ 328,788
Sirius XM Canada	6,503	14,702	53,107	53,741	6,080	4,580	21,048	21,741	—	—
Total	$ 6,503	$ 14,702	$ 54,229	$ 54,953	$ 16,541	$ 14,302	$ 21,048	$ 21,741	$ 329,576	$ 328,788

Liberty Media

In February 2009, we entered into an Investment Agreement (the "Investment Agreement") with an affiliate of Liberty Media Corporation, Liberty Radio, LLC (collectively, "Liberty Media"). Pursuant to the Investment Agreement, in March 2009

we issued to Liberty Radio, LLC 12,500,000 shares of our Convertible Perpetual Preferred Stock, Series B-1 (the "Series B Preferred Stock") with a liquidation preference of $0.001 per share in partial consideration for certain loan investments. Liberty Media has representatives on our board of directors. The Series B Preferred Stock is convertible into 2,586,976,000 shares of common stock. Liberty Media Corporation has filed with the Federal Communications Commission an application for consent to transfer *de facto* control of Sirius XM. We have filed a petition to dismiss or deny such application. Liberty Media's application was not filed in connection with a transaction between Liberty Media and us.

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

	March 31, 2012	December 31, 2011
8.75% Senior Notes due 2015	$ 150,000	$ 150,000
9.75% Senior Secured Notes due 2015	50,000	50,000
13% Senior Notes due 2013	76,000	76,000
7% Exchangeable Senior Subordinated Notes due 2014	11,000	11,000
7.625% Senior Notes due 2018	50,000	50,000
Total principal debt	337,000	337,000
Less: discounts	7,424	8,212
Total carrying value debt	$ 329,576	$ 328,788

As of March 31, 2012 and December 31, 2011 , we recorded $10,461 and $9,722 , respectively, related to accrued interest with Liberty Media to Related party current liabilities. We recognized Interest expense associated with debt held by Liberty Media of $8,994 and $8,933 for the three months ended March 31, 2012 and 2011 , respectively.

Sirius XM Canada

In June 2011, Canadian Satellite Radio Holdings Inc. ("CSR"), the parent company of XM Canada, and Sirius Canada completed a transaction to combine their operations ("the Canada Merger"). As a result of the Canada Merger, Sirius Canada became a wholly-owned subsidiary of CSR. The combined company operates as Sirius XM Canada. We own approximately 46,700,000 Class A shares of CSR, representing a 38.0% equity interest and a 25.0% voting interest, and hold a non-interest bearing note of $410 issued by CSR.

We also hold an investment in Cdn $4,000 face value of 8% convertible unsecured subordinated debentures issued by CSR, for which the embedded conversion feature is bifurcated from the host contract. The host contract is accounted for at fair value as an available-for-sale security with changes in fair value recorded to Accumulated other comprehensive income (loss), net of tax. The embedded conversion feature is accounted for at fair value as a derivative with changes in fair value recorded in earnings as Interest and investment loss. As of March 31, 2012 , the carrying values of the host contract and embedded derivative related to our investment in the debentures was $3,638 and $13 , respectively. As of December 31, 2011 , the carrying values of the host contract and embedded derivative related to our investment in the debentures was $3,490 and $0 , respectively. The carrying values of the host contract and embedded derivative are recorded in Related party long-term assets.

Our interest in Sirius XM Canada is accounted for under the equity method. The excess of the cost of our ownership interest in the equity of Sirius XM Canada over our share of the net assets is recognized as goodwill and intangible assets and is included in the carrying amount of our investment. Equity method goodwill is not amortized. We periodically evaluate this investment to determine if there has been an other than temporary decline below carrying value. Equity method intangible assets are amortized over their respective useful lives, which is recorded in Interest and investment loss. As of March 31, 2012 , our investment balance in Sirius XM Canada was approximately $44,631 , $28,763 of which represents equity method goodwill and intangible assets, and was recorded in Related party long-term assets. As of December 31, 2011 , our investment balance in Sirius XM Canada was approximately $45,061 , $28,589 of which represented equity method goodwill and intangible assets, and was recorded in Related party long-term assets.

We provide Sirius XM Canada with chip sets and other services and we are reimbursed for these costs. As of March 31, 2012 and December 31, 2011 amounts due for these costs totaled $4,504 and $7,404 , respectively, and is reported as Related party current assets.

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As of March 31, 2012 , amounts due from Sirius XM Canada also included $6,414 attributable to deferred programming costs and accrued interest, $4,415 of which is reported as Related party long-term assets. As of December 31, 2011 , amounts due from Sirius XM Canada included $7,280 attributable to deferred programming costs and accrued interest, $4,780 of which was reported as Related party long-term assets.

As of March 31, 2012 and December 31, 2011 , the amounts due to Sirius XM Canada totaled $3,305 and $1,804 , respectively, and is reported as Related party current liabilities.

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

	For the Three Months Ended March 31, 2012
Royalty income	$ 7,465
Amortization of Sirius XM Canada deferred income	694
Licensing fee revenue	1,500
Advertising reimbursements	417
Total revenue from Sirius XM Canada	$ 10,076

Our share of net earnings or losses of Sirius XM Canada are recorded to Interest and investment loss in our consolidated statements of comprehensive income on a one month lag. Our share of Sirius XM Canada's net loss was $1,645 for the three months ended March 31, 2012 . We recorded amortization expense of $(173) related to the equity method intangible assets for three months ended March 31, 2012 .

Sirius Canada

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

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

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

	For the Three Months Ended March 31, 2011
Royalty income	$ 4,470
Dividend income	238
Total revenue from Sirius Canada	$ 4,708

Receivables from royalty and dividend income were utilized to absorb a portion of our share of net losses generated by Sirius Canada. Total costs that have been reimbursed by Sirius Canada were $2,490 for the three months ended March 31, 2011 .

Our share of net earnings or losses of Sirius Canada was recorded to Interest and investment loss in our consolidated statements of comprehensive income on a one month lag. Our share of Sirius Canada's net loss was $4,458 for the three months ended March 31, 2011 . The payments received from Sirius Canada in excess of carrying value were $2,880 for the three months ended March 31, 2011 .

XM Canada

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

In 2005, XM entered into agreements to provide XM Canada with the right to offer XM satellite radio service in Canada. The agreements have an initial ten year term and XM Canada has the unilateral option to extend the agreements for an additional five year term. We receive a 15% royalty for all subscriber fees earned by XM Canada each month for its basic service and an activation fee for each gross activation of an XM Canada subscriber on XM's system. Sirius XM Canada is obligated to pay us a total of $70,300 for the rights to broadcast and market National Hockey League ("NHL") games for a ten year term. We recognize these payments on a gross basis as a principal obligor pursuant to the provisions of ASC 605, *Revenue Recognition* . The estimated fair value of deferred revenue from XM Canada as of the Merger date was approximately $34,000 , which is amortized on a straight-line basis through 2020, the end of the expected term of the agreements. As of March 31, 2012 and December 31, 2011 , the carrying value of deferred revenue related to this agreement was $23,823 and $24,517 , respectively.

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

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

	For the Three Months Ended March 31, 2011
Amortization of XM Canada deferred income	$ 69
Subscriber and activation fee royalties	2,623
Licensing fee revenue	1,500
Advertising reimbursements	417
Total revenue from XM Canada	$ 5,234

Our share of net earnings or losses of XM Canada is recorded to Interest and investment loss in our consolidated statements of comprehensive income on a one month lag. Our share of XM Canada's net loss was $2,053 for the three months ended March 31, 2011 .

(12) Investments

Long Term Restricted Investments

Restricted investments relate to reimbursement obligations under letters of credit issued for the benefit of lessors of office space. As of March 31, 2012 and December 31, 2011 , our Long-term restricted investments were $ 3,973 .

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(13) Debt

Our debt consists of the following:

	Conversion Price (per share)	March 31, 2012	December 31, 2011
8.75% Senior Notes due 2015 (a)	N/A	800,000	800,000
Less: discount		(9,102)	(9,753)
9.75% Senior Secured Notes due 2015 (b)	N/A	224,428	257,000
Less: discount		(6,886)	(8,356)
13% Senior Notes due 2013 (c)	N/A	744,246	778,500
Less: discount		(32,438)	(39,504)
7% Exchangeable Senior Subordinated Notes due 2014 (d)	$ 1.875	550,000	550,000
Less: discount		(5,513)	(5,956)
7.625% Senior Notes due 2018 (e)	N/A	700,000	700,000
Less: discount		(10,595)	(10,898)
Other debt:			
Capital leases	N/A	2,509	2,941
Total debt		2,956,649	3,013,974
Less: total current maturities non-related party		1,540	1,623
Total long-term		2,955,109	3,012,351
Less: related party		329,576	328,788
Total long-term, excluding related party		$ 2,625,533	$ 2,683,563

(a) 8.75% Senior Notes due 2015

In March 2010, we issued $800,000 aggregate principal amount of 8.75% Senior Notes due 2015 (the " 8.75% Notes"). Interest is payable semi-annually in arrears on April 1 and October 1 of each year at a rate of 8.75% per annum. The 8.75% Notes mature on April 1, 2015 . The 8.75% Notes were issued for $786,000 , resulting in an aggregate original issuance discount of $14,000 . Substantially all of our domestic wholly-owned subsidiaries guarantee our obligations under the 8.75% Notes on a senior unsecured basis.

(b) 9.75% Senior Secured Notes due 2015

In August 2009, we issued $257,000 aggregate principal amount of 9.75% Senior Secured Notes due September 1, 2015 (the " 9.75% Notes"). Interest is payable semi-annually in arrears on March 1 and September 1 of each year at a rate of 9.75% per annum. The 9.75% Notes were issued for $244,292 , resulting in an aggregate original issuance discount of $12,708 . Substantially all of our domestic wholly-owned subsidiaries guarantee our obligations under the 9.75% Notes. The 9.75% Notes and related guarantees are secured by first-priority liens on substantially all of our assets and the assets of the guarantors.

In March 2012, we purchased $32,572 in aggregate principal amount of the 9.75% Notes, $9,500 of which was settled in April 2012. The aggregate purchase price for these 9.75% Notes was $35,565 inclusive of accrued interest. We recognized an aggregate loss on extinguishment of these 9.75% Notes of $3,778 , consisting primarily of unamortized discount, deferred financing fees and repayment premium, to Loss on extinguishment of debt and credit facilities, net, for the three months ended March 31, 2012 .

(c) 13% Senior Notes due 2013

In July 2008, we issued $778,500 aggregate principal amount of 13% Senior Notes due 2013 (the " 13% Notes"). Interest is payable semi-annually in arrears on February 1 and August 1 of each year at a rate of 13% per annum. The 13% Notes mature on August 1, 2013 . Substantially all of our domestic wholly-owned subsidiaries guarantee our obligations under

the 13% Notes.

In March 2012, we purchased $34,254 in aggregate principal amount of the 13% Notes. The aggregate purchase price for these 13% Notes was $39,610 inclusive of accrued interest. We recognized an aggregate loss on extinguishment on these 13% Notes of $6,193 , consisting primarily of unamortized discount, deferred financing fees and repayment premium, to Loss on extinguishment of debt and credit facilities, net, for the three months ended March 31, 2012 .

(d) 7% Exchangeable Senior Subordinated Notes due 2014

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

Interest is payable semi-annually in arrears on June 1 and December 1 of each year at a rate of 7% per annum. The Exchangeable Notes mature on December 1, 2014 . The Exchangeable Notes are exchangeable at any time at the option of the holder into shares of our common stock at an initial exchange rate of 533.3333 shares of common stock per $1,000 principal amount of Exchangeable Notes, which is equivalent to an approximate exchange price of $1.875 per share of common stock. Although our stock price was greater than the exchange price during the three months ended March 31, 2012 , the common stock reserved for exchange in connection with the Exchangeable Notes were considered to be anti-dilutive in our calculation of diluted net income per common share.

(e) 7.625% Senior Notes due 2018

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

Retired Debt Instruments

3.25% Convertible Notes due 2011

In February 2011, we purchased $94,148 of our then outstanding 3.25% Convertible Notes due 2011 (the " 3.25% Notes") at prices between 100.75% and 100.94% of the principal amount plus accrued interest. We recognized a loss on extinguishment of debt for the 3.25% Notes of $1,079 for the three months ended March 31, 2011 , which consisted primarily of cash premiums paid, unamortized discount and deferred financing fees. The remainder of the 3.25% Notes were paid upon maturity in the fourth quarter of 2011.

11.25% Senior Secured Notes due 2013

In January 2011, we purchased the remaining portion of our outstanding 11.25% Senior Secured Notes due 2013 for an aggregate purchase price of $40,376 . A loss from extinguishment of debt of $4,915 associated with this purchase was recorded during the three months ended March 31, 2011 .

Covenants and Restrictions

Our debt generally requires compliance with certain covenants that restrict our ability to, among other things, (i) incur additional indebtedness unless our consolidated leverage would be no greater than 6.0 times consolidated operating cash flow after the incurrence of the indebtedness, (ii) incur liens, (iii) pay dividends or make certain other restricted payments, investments or acquisitions, (iv) enter into certain transactions with affiliates, (v) merge or consolidate with another person, (vi) sell, assign, lease or otherwise dispose of all or substantially all of our assets, and (vii) make voluntary prepayments of certain debt, in each case subject to exceptions.

Under our debt agreements, the following generally constitute an event of default: (i) a default in the payment of

rest; (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 March 31, 2012 , we were in compliance with our debt covenants.

(14) Stockholders' Equity

Common Stock, par value $0.001 per share

We were authorized to issue up to 9,000,000,000 shares of common stock as of March 31, 2012 and December 31, 2011 . There were 3,788,755,725 and 3,753,201,929 shares of common stock issued and outstanding as of March 31, 2012 and December 31, 2011 , respectively.

As of March 31, 2012 , approximately 3,303,857,000 shares of common stock were reserved for issuance in connection with outstanding convertible debt, preferred stock, warrants, incentive stock awards and common stock to be granted to third parties upon satisfaction of performance targets.

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

We recorded interest expense related to the amortization of the costs associated with the share lending arrangement and other issuance costs of $2,982 and $2,690 , respectively, for the three months ended March 31, 2012 and 2011 . As of March 31, 2012 , the unamortized balance of the debt issuance costs was $37,072 , with $36,331 recorded in deferred financing fees, net, and $741 recorded in Long-term related party assets. As of December 31, 2011 , the unamortized balance of the debt issuance costs was $40,054 , with $39,253 recorded in deferred financing fees, net, and $801 recorded in Long-term related party assets. These costs will continue to be amortized until the debt is terminated.

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

Preferred Stock, par value $0.001 per share

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

There were 12,500,000 shares of Series B Preferred Stock issued and outstanding as of March 31, 2012 and December 31, 2011 . The Series B Preferred Stock is convertible into shares of our common stock at the rate of 206.9581409 shares of common stock for each share of Series B Preferred Stock, representing approximately 40% of our outstanding shares of common stock (after giving effect to such conversion). As the holder of the Series B Preferred Stock, Liberty Radio LLC is entitled to a number of votes equal to the number of shares of our common stock into which such shares of Series B Preferred Stock are convertible. Liberty Radio LLC will also receive dividends and distributions ratably with our common stock, on an as-converted basis. With respect to dividend rights, the Series B Preferred Stock ranks evenly with our common stock and each other class or series of our equity securities not expressly provided as ranking senior to the Series B Preferred Stock. With respect to liquidation rights, the Series B Preferred Stock ranks evenly with each other class or series of our equity securities not expressly provided as ranking senior to the Series B Preferred Stock, and ranks senior to our common stock.

Warrants

We have issued warrants to purchase shares of common stock in connection with distribution, programming and satellite purchase agreements. As of March 31, 2012 and December 31, 2011 , approximately 22,506,000 warrants to acquire an equal number of shares of common stock were outstanding and fully vested. These warrants expire at various times through 2015. At March 31, 2012 and December 31, 2011 , the weighted average exercise price of outstanding warrants was $2.63 per share. We did not incur warrant related expenses during the three months ended March 31, 2012 and 2011 .

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

(15) Benefits Plans

We recognized share-based payment expense of $14,951 and $11,288 for the three months ended March 31, 2012 and 2011 , respectively. We did not realize any income tax benefits from share-based benefits plans during the three months ended March 31, 2012 and 2011 as a result of the full valuation allowance that is maintained for substantially all net deferred tax assets.

2009 Long-Term Stock Incentive Plan

In May 2009, our stockholders approved the Sirius XM Radio Inc. 2009 Long-Term Stock Incentive Plan (the "2009 Plan"). Employees, consultants and members of our board of directors are eligible to receive awards under the 2009 Plan. The 2009 Plan provides for the grant of stock options, restricted stock, restricted stock units and other stock-based awards that the compensation committee of our board of directors may deem appropriate. Vesting and other terms of stock-based awards are set forth in the agreements with the individuals receiving the awards. Stock-based awards granted under the 2009 Plan are generally subject to a vesting requirement. Stock-based awards generally expire ten years from the date of grant. Each restricted stock unit entitles the holder to receive one share of common stock upon vesting. As of March 31, 2012 , approximately 199,061,000 shares of common stock were available for future grants under the 2009 Plan.

Other Plans

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

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 Three Months Ended March 31, 2012
Risk-free interest rate	0.8%
Expected life of options — years	5.34
Expected stock price volatility	57%
Expected dividend yield	0%

There were no options granted to employees and members of our board of directors during the three months ended March 31, 2011 .

There were no options granted to third parties during the three months ended March 31, 2012 and 2011 .

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The following table summarizes stock option activity under our share-based payment plans for the three months ended March 31, 2012 (options in thousands):

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding as of December 31, 2011	439,580	$ 1.25		
Granted	275	$ 2.04		
Exercised	(34,955)	$ 0.65		
Forfeited, cancelled or expired	(4,281)	$ 2.67		
Outstanding as of March 31, 2012	400,619	$ 1.29	6.00	$ 501,494
Exercisable, March 31, 2012	148,585	$ 1.78	4.20	$ 169,371

The weighted average grant date fair value of options granted during the three months ended March 31, 2012 was $1.02 . The total intrinsic value of stock options exercised during the three months ended March 31, 2012 and 2011 was $52,274 and $2,099 , respectively.

We recognized share-based payment expense associated with stock options of $13,643 and $9,977 for the three months ended March 31, 2012 and 2011 , respectively.

The following table summarizes the nonvested restricted stock and restricted stock unit activity under our share-based payment plans for the three months ended March 31, 2012 (awards in thousands):

	Awards	Weighted-Average Grant Date Fair Value
Nonvested, December 31, 2011	421	$ 1.46
Granted	—	$ —
Vested restricted stock	—	$ —
Vested restricted stock units	—	$ —
Forfeited	—	$ —
Nonvested, March 31, 2012	421	$ 1.46

The outstanding nonvested shares of restricted stock represent shares issued to members of the board of directors as part of our former director compensation program. These shares will vest on the first anniversary of the date the person ceases to be a director.

The weighted average grant date fair value of restricted stock units granted during the three months ended March 31, 2012 and 2011 was $0 as no shares were granted in the periods. The total intrinsic value of restricted stock and restricted stock units that vested during the years ended March 31, 2012 and 2011 was $0 and $3,085 , respectively.

We recognized share-based payment expense associated with restricted stock units and shares of restricted stock of $0 and $542 for the three months ended March 31, 2012 and 2011 , respectively.

Total unrecognized compensation costs related to unvested share-based payment awards for stock options and restricted stock units and shares granted to employees and members of our board of directors at March 31, 2012 and December 31, 2011 , net of estimated forfeitures, was $115,786 and $129,983 , respectively. The total unrecognized compensation costs at March 31, 2012 are expected to be recognized over a weighted-average period of three years.

401(k) Savings Plan

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

The Sirius XM Plan allows eligible employees to voluntarily contribute from 1% to 50% of their pre-tax eligible earnings, subject to certain defined limits. We match 50% of an employee's voluntary contributions, up to 6% of an employee's pre-tax salary, in the form of shares of common stock. Employer matching contributions under the Sirius XM Plan vest at a rate of 33.33% for each year of employment and are fully vested after three years of employment for all current and future contributions. Share-based payment expense resulting from the matching contribution to the Sirius XM Plan was $1,308 and $769 for the three months ended March 31, 2012 and 2011 , respectively.

We may also elect to contribute to the profit sharing portion of the Sirius XM Plan based upon the total eligible compensation of eligible participants. These additional contributions in the form of shares of common stock are determined by the compensation committee of our board of directors. Employees are only eligible to receive profit-sharing contributions during any year in which they are employed on the last day of the year. Currently, we do not plan to contribute to the profit sharing portion of the Sirius XM Plan in 2012. We did not contribute to the profit sharing portion of the Sirius XM Plan in 2011.

(16) Commitments and Contingencies

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

	2012	2013	2014	2015	2016	Thereafter	Total
Long-term debt obligations	$ 1,191	$ 745,382	$ 550,182	$ 1,024,428	$ —	$ 700,000	$ 3,021,183
Cash interest payments	221,328	280,579	183,759	110,257	53,375	106,750	956,048
Satellite and transmission	5,624	57,257	13,311	13,157	3,597	18,693	111,639
Programming and content	135,602	191,616	163,131	156,244	13,388	1,125	661,106
Marketing and distribution	35,957	22,692	17,450	12,129	8,685	3,192	100,105
Satellite incentive payments	7,758	11,864	12,607	11,728	12,604	78,591	135,152
Operating lease obligations	26,501	32,333	27,005	29,378	19,033	195,416	329,666
Other	23,268	14,283	2,712	419	182	—	40,86[illegible]
Total(1)	$ 457,229	$ 1,356,006	$ 970,157	$ 1,357,740	$ 110,864	$ 1,103,767	$ 5,355,76[illegible]

(1) The table does not include our reserve for uncertain tax positions, which at March 31, 2012 totaled $1,537 , as the specific timing of any cash payments cannot be projected with reasonable certainty.

Long-term debt obligations. Long-term debt obligations include principal payments on outstanding debt and capital lease obligations. The chart above does not give effect to the purchase of $62,729 of our 13% Notes in April 2012 . Refer to Note 17.

Cash interest payments. Cash interest payments include interest due on outstanding debt and capital lease payments through maturity. The chart above does not give effect to the purchase of $62,729 of our 13% Notes in April 2012 . Refer to Note 17.

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

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

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

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(Dollar amounts in thousands, unless otherwise stated)

Satellite incentive payments. Boeing Satellite Systems International, Inc., the manufacturer of four of XM's in-orbit satellites, may be entitled to future in-orbit performance payments with respect to two of XM's satellites. As of March 31, 2012 , we have accrued $27,812 related to contingent in-orbit performance payments for XM-3 and XM-4 based on expected operating performance over their fifteen year design life. Boeing may also be entitled to an additional $10,000 if XM-4 continues to operate above baseline specifications during the five years beyond the satellite's fifteen -year design life.

Space Systems/Loral, may be entitled to future in-orbit performance payments. As of March 31, 2012 , we have accrued $10,216 and $21,450 related to contingent performance payments for FM-5 and XM-5, respectively, based on expected operating performance over their fifteen-year design life.

Operating lease obligations. We have entered into cancelable and non-cancelable operating leases for office space, equipment and terrestrial repeaters. These leases provide for minimum lease payments, additional operating expense charges, leasehold improvements and rent escalations that have initial terms ranging from one to fifteen years , and certain leases that have options to renew. The effect of the rent holidays and rent concessions are recognized on a straight-line basis over the lease term, including reasonably assured renewal periods.

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

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

Legal Proceedings

In the ordinary course of business, we are a defendant in various lawsuits and arbitration proceedings, including derivative actions; ions filed by subscribers, both on behalf of themselves and on a class action basis, and actions filed by former employees, parties to tracts or leases, and owners of patents, trademarks, copyrights or other intellectual property. Our significant legal proceedings are discussed under Item I, Legal Proceedings, in Part II, Other Information.

(17) Subsequent Events

Repurchase of 13% Senior Notes due 2013

In April 2012 , we purchased $62,729 of the outstanding principal balance of our 13% Notes. The aggregate purchase price of these 13% Notes was $73,616 , which is inclusive of accrued interest. We will recognize a loss on extinguishment of these 13% Notes of approximately $11,600 , consisting primarily of unamortized debt, deferred financing fees and repayment premium, in the second quarter.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(All dollar amounts referenced in this Item 2 are in thousands, unless otherwise stated)

Special Note Regarding Forward-Looking Statements

The following cautionary statements identify important factors that could cause our actual results to differ materially from those projected in forward-looking statements made in this Quarterly Report on Form 10-Q and in other reports and documents published by us from time to time. Any statements about our beliefs, plans, objectives, expectations, assumptions, future events or performance are not historical facts and may be forward-looking. These statements are often, but not always, made through the use of words or phrases such as "will likely result," "are expected to," "will continue," "is anticipated," "estimated," "intend," "plan," "projection" and "outlook." Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this Quarterly Report on Form 10-Q and in other reports and documents published by us from time to time, particularly the risk factors described under "Risk Factors" in Part I, Item 1A of our Annual Report on

Form 10-K for the year ended December 31, 2011 and "Management's Discussion and Analysis of Financial Condition and Results or Operations" herein and in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2011 .

Among the significant factors that could cause our actual results to differ materially from those expressed in the forward-looking statements are:

- we face substantial competition and that competition is likely to increase over time;
- our business depends in large part upon automakers;
- general economic conditions can affect our business;
- failure of our satellites would significantly damage our business;
- our ability to attract and retain subscribers at a profitable level in the future is uncertain;
- royalties for music rights may increase;
- failure to comply with FCC requirements could damage our business;
- the unfavorable outcome of pending or future litigation could have a material adverse effect;
- rapid technological and industry changes could adversely impact our services;
- failure of other third parties to perform could adversely affect our business;
- changes in consumer protection laws and their enforcement could damage our business;
- interruption or failure of our information technology and communication systems could negatively impact our results and brand;
- if we fail to protect the security of personal information about our customers, we could be subject to costly government enforcement actions or private litigation and our reputation could suffer;
- we may from time to time modify our business plan, and these changes could adversely affect us and our financial condition;
- our substantial indebtedness could adversely affect our operations and could limit our ability to react or changes in the economy or our industry;
- our broadcast studios, terrestrial repeater networks, satellite uplink facilities or other ground facilities could be damaged by natural catastrophes or terrorist activities;
- electromagnetic interference from others could damage our business;
- our business may be impaired by third-party intellectual property rights;
- Liberty Media Corporation has significant influence over our business and affairs and its interest may differ from ours; and
- our net operating loss carryforwards could be substantially limited if we experience an ownership change as defined in the Internal Revenue Code.

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

Executive Summary

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

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

As of March 31, 2012 , we had 22,297,420 subscribers of which 18,208,090 were self-pay subscribers and 4,089,330 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 and dealers for subscriptions included in the sale or lease price of a vehicle; activated radios in daily rental fleet vehicles; certain subscribers to our Internet services; and certain subscribers to our Backseat TV, data, traffic, and weather services.

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

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

We also have an equity interest in the satellite radio services offered in Canada. Subscribers to the Sirius XM Canada service are not included in our subscriber count. In June 2011, Canadian Satellite Radio Holdings Inc. ("CSR"), the parent company of XM Canada, and Sirius Canada completed a transaction to combine their operations (the "Canada Merger").

Results of Operations

Set forth below are our results of operations for the three months ended March 31, 2012 compared with the three months ended March 31, 2011 .

	Unaudited			
	For the Three Months Ended March 31,		2012 vs 2011 Change	
	2012	2011	Amount	%
Revenue:				
Subscriber revenue	$ 700,242	$ 622,437	$ 77,805	13 %
Advertising revenue, net of agency fees	18,670	16,558	2,112	13 %
Equipment revenue	16,953	15,867	1,086	7 %
Other revenue	68,857	68,977	(120)	— %
Total revenue	804,722	723,839	80,883	11 %
Operating expenses:				
Cost of services:				
Revenue share and royalties	132,111	106,929	25,182	24 %
Programming and content	70,095	72,959	(2,864)	(4)%
Customer service and billing	66,187	65,836	351	1 %
Satellite and transmission	18,110	18,560	(450)	(2)%
Cost of equipment	5,806	6,405	(599)	(9)%
Subscriber acquisition costs	116,121	105,270	10,851	10 %
Sales and marketing	58,361	47,819	10,542	22 %
Engineering, design and development	12,690	11,135	1,555	14 %
General and administrative	59,886	56,354	3,532	6 %
Depreciation and amortization	66,117	68,400	(2,283)	(3)%
Total operating expenses	605,484	559,667	45,817	8 %
Income from operations	199,238	164,172	35,066	21 %
Other income (expense):				
Interest expense, net of amounts capitalized	(76,971)	(78,218)	1,247	2 %
Loss on extinguishment of debt and credit facilities, net	(9,971)	(5,994)	(3,977)	(66)%
Interest and investment loss	(1,142)	(1,884)	742	39 %
Other (loss) income	(578)	1,617	(2,195)	(136)%
Total other expense	(88,662)	(84,479)	(4,183)	(5)%
Income before income taxes	110,576	79,693	30,883	39 %
Income tax expense	(2,802)	(1,572)	(1,230)	(78)%
Net income	$ 107,774	$ 78,121	$ 29,653	38 %

Total Revenue

Subscriber Revenue includes subscription, activation and other fees.

- For the three months ended March 31, 2012 and 2011 , subscriber revenue was $700,242 and $622,437 , respectively, an increase of 13% , or $77,805 . The increase was primarily attributable to a 9% increase in daily weighted average subscribers, the increase in certain of our subscription rates beginning in January 2012, and an increase in sales of premium services, including Premier packages, data services and streaming. The increase was partially offset by the impact of subscription discounts offered through customer acquisition and retention programs.

The future growth of subscriber revenue will be dependent upon the growth of our subscriber base, promotions, rebates offered to subscribers and corresponding take-rates, plan mix, subscription prices and identification of additional revenue streams from subscribers.

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

- For the three months ended March 31, 2012 and 2011 , advertising revenue was $18,670 and $16,558 , respectively, an increase of 13% , or $2,112 . The increase was primarily due to increases in the number of advertising spots sold as well as the rate charged per spot.

Our advertising revenue is subject to fluctuation based on the effectiveness of our sales efforts and the national economic environment. We expect advertising revenue to grow as advertisers are attracted by the increase in our subscriber base.

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

- For the three months ended March 31, 2012 and 2011 , equipment revenue was $16,953 and $15,867 respectively, an increase of 7% , or $1,086 . The increase was driven by royalties from higher OEM production.

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

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

- For the three months ended March 31, 2012 and 2011 , other revenue was $68,857 and $68,977 , respectively, a decrease of $120 . The decrease was primarily due to the December 2010 reduction in the U.S. Music Royalty Fee rate from 15.3% to 10.8%, partially offset by increased royalty revenue from Sirius XM Canada, an increase in subscribers and the increase in certain subscription rates.

Other revenue is dependent upon the amount of the U.S. Music Royalty Fee and the royalty from our Canadian affiliate. Other revenue will fluctuate as our subscriber base changes, as additional subscribers cycle to the lower rate of the U.S. Music Royalty Fee, as the increase in certain subscription rates cycle through to subscriptions, and based on the performance of our Canadian affiliate.

Operating Expenses

Revenue Share and Royalties include distribution and content provider revenue share, advertising revenue share, residuals and broadcast and web streaming royalties. Residuals are monthly fees paid based upon the number of subscribers using satellite radios purchased from retailers. Advertising revenue share is recognized in revenue share and royalties in the period in which the advertising is broadcast.

- For the three months ended March 31, 2012 and 2011 , revenue share and royalties were $132,111 and $106,929 , respectively, an increase of 24% , or $25,182 and increased as a percentage of total revenue. The increase was primarily attributable to an increase in our revenues subject to royalty and/or revenue sharing arrangements and a 7% increase in the statutory royalty rate for the performance of sound recordings, partially offset by a $4,913 increase in the benefit to earnings from the amortization of deferred credits on executory contracts initially recognized in purchase price accounting associated with the Merger.

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

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

- For the three months ended March 31, 2012 and 2011, programming and content expenses were $70,095 and $72,959 , respectively, a decrease of 4% , or $2,864 , and decreased as a percentage of total revenue. The decrease was primarily due to savings in content agreements, partially offset by increases in personnel costs and a $1,122 reduction in the benefit to earnings from purchase price accounting adjustments associated with the Merger attributable to the amortization of the deferred credit on acquired programming executory contracts.

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

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

- For the three months ended March 31, 2012 and 2011, customer service and billing expenses were $66,187 and $65,836 , respectively, an increase of 1% , or $351 , but decreased as a percentage of total revenue. The increase was primarily due to higher call volume due to the increases in total subscribers, billing and collection costs and personnel costs, partially offset by lower bad debt expense.

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

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

- For the three months ended March 31, 2012 and 2011, satellite and transmission expenses were $18,110 and $18,560 , respectively, a decrease of 2% , or $450 , and decreased as a percentage of total revenue. The decrease was primarily due to a reduction in in-orbit satellite insurance expense, partially offset by increased repeater network costs.

We expect overall satellite and transmission expenses to increase as we add enhanced internet-based features and functionality, while costs associated with our in-orbit satellite fleet remain relatively flat.

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.

- For the three months ended March 31, 2012 and 2011, cost of equipment was $5,806 and $6,405 , respectively, a decrease of 9% , or $599 , and remained flat as a percentage of total revenue but decreased as a percentage of equipment revenue. The decrease was primarily due to lower direct to consumer sales.

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

Subscriber Acquisition Costs include hardware subsidies paid to radio manufacturers, distributors and automakers, including subsidies paid to automakers who include a satellite radio and subscription to our service in the sale or lease price of

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

- For the three months ended March 31, 2012 and 2011, subscriber acquisition costs were $116,121 and $105,270 , respectively, an increase of 10% , or $10,851 , and decreased as a percentage of total revenue. The increase was primarily a result of the 5% increase in gross subscriber additions and subsidies related to increased OEM installations occurring in advance of acquiring the subscriber, partially offset by improved OEM subsidy rates per vehicle and a $2,429 increase in the benefit to earnings from the amortization of the deferred credit for acquired executory contracts recognized in purchase price accounting associated with the Merger.

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

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

- For the three months ended March 31, 2012 and 2011, sales and marketing expenses were $58,361 and $47,819 , respectively, an increase of 22% , or $10,542 , and increased as a percentage of total revenue. The increase was primarily due to additional subscriber communications and retention programs associated with a greater number of subscribers and promotional trials, and higher OEM cooperative marketing.

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

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

- For the three months ended March 31, 2012 and 2011, engineering, design and development expenses were $12,690 and $11,135 , respectively, an increase of 14% or $1,555 , and remained flat as a percentage of total revenue. The increase was due to higher product development costs and costs related to enhanced subscriber features and functionality as well as higher personnel costs.

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

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

- For the three months ended March 31, 2012 and 2011, general and administrative expense was $59,886 and $56,354 , respectively, an increase of 6% or $3,532 , and remained flat as a percentage of total revenue. The increase was primarily due to higher facility and legal costs, partially offset by lower litigation settlement charges.

We expect our general and administrative expenses to increase in future periods primarily as a result of enhanced

information technology and personnel costs to support the growth of our business.

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

- For the three months ended March 31, 2012 and 2011, depreciation and amortization expense was $66,117 and $68,400 , respectively, a decrease of 3% or $2,283 , and decreased as a percentage of total revenue. The decrease was primarily due to a reduction in the amortization of subscriber relationships and depreciation recognized on assets placed in-service as certain assets reach the end of their estimated service lives.

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

Other Income (Expense)

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

- For the three months ended March 31, 2012 and 2011, interest expense was $76,971 and $78,218 , respectively, a decrease of 2% or $1,247 . The decrease was primarily due to higher capitalized interest related to the construction of a satellite and related launch vehicle and by the mix of outstanding debt with lower interest rates.

Following the launch of our FM-6 satellite, the capitalization of interest expense related to the construction of our satellites and related launch vehicles will be eliminated, until we begin replacing satellites in our fleet. As a result, we expect interest expense to increase, offset partially as our outstanding debt declines due to retirements at maturity, redemptions and repurchases.

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

- For the three months ended March 31, 2012 and 2011, loss on extinguishment of debt and credit facilities, net was $9,971 and $5,994 , respectively, an increase of 66% or $3,977 . During the three months ended March 31, 2012, a $9,971 loss was recorded on the partial repayment of our 13% Senior Notes due 2013 and our 9.75% Senior Secured Notes due 2015. During the three months ended March 31, 2011, a $5,994 loss was incurred on the repayment of our 11.25% Senior Secured Notes due 2013 and the partial repayment of our 3.25% Convertible Notes due 2011.

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

- For the three months ended March 31, 2012 and 2011, interest and investment loss was $1,142 and $1,884 , respectively, a decrease of 39% or $742 . The decrease was primarily attributable to a lower loss on our share of Sirius XM Canada's net loss in the first quarter of 2012 compared to losses at XM Canada and Sirius Canada during the same period in 2011.

Income Taxes

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

- For the three months ended March 31, 2012 and 2011, income tax expense was $2,802 and $1,572 , respectively, an increase of 78% , or $1,230 . The increase was primarily due to an increase in the applicable state effective tax rates and the effect of changes in certain state laws related to the utilization of NOLs.

In assessing the recoverability of our deferred tax assets, management regularly considers whether a portion or all of the deferred tax assets will not be realized based on the recognition threshold and measurement of tax positions. The ultimate realization of deferred tax assets is dependent upon the generation of sufficient projected taxable income within the carryforward periods. Management considers the scheduled reversal of deferred tax assets and liabilities, projected taxable income and tax planning strategies in making this assessment. Management's evaluation of the realizability of deferred tax assets weighs both positive and negative evidence. The weight given to the potential effects of positive and negative evidence is based on the extent to which it can be objectively verified. Our conclusion with regard to maintaining or releasing the valuation allowance gives consideration to a variety of factors including but not limited to: (a) a three-year cumulative pre-tax income, (b) the extent of current period taxable income and an expectation of sufficient and sustainable future taxable income, and (c) our ability to utilize net operating losses within the carryforward period. After weighing this evidence, management concludes whether it is more likely than not that our deferred tax assets will be realized.

We maintained a deferred tax valuation allowance against our deferred tax assets as of March 31, 2012. In 2010, we had our first year of pre-tax earnings for financial reporting purposes, but continued to generate taxable losses for tax reporting purposes. For the year ended December 31, 2011, we continued to report positive earnings and generated taxable income for the first time since our inception. For the quarter ended March 31, 2012, this positive trend continued. However, based on the objective and verifiable negative evidence, such as cumulative losses in recent years, we have concluded as of March 31, 2012 to retain the valuation allowance.

As part of our continuing assessment of the recoverability of our deferred tax assets, we consider the impact of future forecasted taxable income. Depending on our continued positive performance in the second quarter of 2012, together with the emergence from cumulative losses in recent years, as well as projections of sufficient and sustainable taxable income, we may recognize the benefits of all or a significant portion of our net deferred tax assets in the second quarter of 2012 through a reduction of the valuation allowance. This would result in an income tax benefit that would materially and favorably affect net income and stockholders' equity in the period of the reduction. As of December 31, 2011, we had approximately $3,400 million of valuation allowances established against the deferred tax assets.

Subscriber Data

The following table contains subscriber data for the three months ended March 31, 2012 and 2011, respectively:

	Unaudited	
	For the Three Months Ended March 31,	
	2012	2011
Beginning subscribers	21,892,824	20,190,964
Gross subscriber additions	2,161,693	2,052,367
Deactivated subscribers	(1,757,097)	(1,679,303)
Net additions	404,596	373,064
Ending subscribers	22,297,420	20,564,028
Self-pay	18,208,090	16,807,643
Paid promotional	4,089,330	3,756,385
Ending subscribers	22,297,420	20,564,028
Self-pay	299,348	120,844
Paid promotional	105,248	252,220
Net additions	404,596	373,064
Daily weighted average number of subscribers	21,990,863	20,233,144
Average self-pay monthly churn	1.9%	2.0%
New vehicle consumer conversion rate	45%	45%

Note: See pages 36 through 41 for glossary.

Subscribers. At March 31, 2012 , we had 22,297,420 subscribers, an increase of 1,733,392 subscribers, or 8% , from the 20,564,028 subscribers as of March 31, 2011 .

- For the three months ended March 31, 2012 and 2011, net additions were 404,596 and 373,064 , respectively, an increase of 8% , or 31,532 . The improvement was due to the 5% increase in gross subscriber additions, primarily resulting from higher new vehicle shipments and light vehicle sales, as well as an increase in conversions from unpaid promotional trials and returning subscriber activations inclusive of previously owned vehicles. This increase in gross additions was partially offset by the 5% increase in deactivations. The increase in deactivations was primarily due to paid promotional trial deactivations stemming from the growth of paid trials, along with growth in our subscriber base, partially offset by a decline in the self-pay churn rate.

Average Self-pay Monthly Churn is derived by dividing the monthly average of self-pay deactivations for the quarter by the average self-pay subscriber balance for the quarter. (See accompanying glossary on pages 36 through 41 for more details.)

- For the three months ended March 31, 2012 and 2011, our average self-pay monthly churn rate was 1.9% and 2.0% , respectively. The decrease in the churn rate was driven by a reduction in non-pay cancellation rates, as well as a favorable shift in the subscriber mix towards automotive vehicles, which churn at lower rates in comparison to aftermarket subscribers.

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 36 through 41 for more details).

- For the three months ended March 31, 2012 and 2011, the new vehicle consumer conversion rate was 45% .

Adjusted Results of Operations

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

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

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

Free cash flow is a metric that our management and Board of Directors use to evaluate the cash generated by our operations, net of capital expenditures and other investment activity. In a capital intensive business, with significant historical and current investments in satellites, we look at our operating cash flow, net of these investing cash outflows, to determine cash available for future subscriber acquisition and capital expenditures, to repurchase or retire debt, to acquire other companies and to evaluate our ability to return capital to stockholders. We believe free cash flow is an indicator of the long-term financial stability of our business. Free cash flow, which is reconciled to "Net cash provided by (used in) 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 (used in) operating activities" from the consolidated statements of cash flows. Free cash flow should be used in conjunction with other GAAP financial performance measures and may not be comparable to free cash flow measures presented by other companies. Free

cash flow should be viewed as a supplemental measure rather than an alternative measure of cash flows from operating activities, as determined in accordance with GAAP. Free cash flow is limited and does not represent remaining cash flows available for discretionary expenditures due to the fact that the measure does not deduct the payments required for debt maturities. We believe free cash flow provides useful supplemental information to investors regarding our current and projected cash flow, along with other GAAP measures (such as cash flows from operating and investing activities), to determine our financial condition, and to compare our operating performance to other communications, entertainment and media companies.

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

These Non-GAAP financial measures should be viewed in addition to, and not as an alternative for or superior to, our reported results prepared in accordance with GAAP. Please refer to the glossary (pages 36 through 41) for a further discussion of such Non-GAAP financial measures and reconciliations to the most directly comparable GAAP measure.

The following table contains our key operating metrics based on our unaudited adjusted results of operations for the three months ended March 31, 2012 and 2011, respectively:

(in thousands, except for per subscriber amounts)	Unaudited Adjusted For the Three Months Ended March 31, 2012	Unaudited Adjusted For the Three Months Ended March 31, 2011
ARPU	$ 11.77	$ 11.52
SAC, per gross subscriber addition	$ 60	$ 57
Customer service and billing expenses, per average subscriber	$ 1.00	$ 1.08
Free cash flow	$ 14,761	$ (16,874)
Adjusted EBITDA	$ 208,162	$ 181,359

Note: See pages 36 through 41 for glossary.

ARPU is derived from total earned subscriber revenue, net advertising revenue and other subscription-related revenue, net of purchase price accounting adjustments, divided by the number of months in the period, divided by the daily weighted average number of subscribers for the period. (See accompanying glossary on pages 36 through 41 for more details.)

- For the three months ended March 31, 2012 and 2011, ARPU was $11.77 and $11.52 , respectively. The increase was driven primarily by the increase in certain of our subscription rates beginning in January 2012, an increase in sales of premium services, including Premier packages, data services and streaming, partially offset by an increase in subscriber retention programs and in the number of subscribers on promotional plans and a decrease in the revenue from the U.S. Music Royalty Fee due to the December 2010 reduction in the rate from 15.3% to 10.8%.

SAC, Per Gross Subscriber Addition is derived from subscriber acquisition costs and margins from the sale of radios, components and accessories, excluding share-based payment expense and purchase price accounting adjustments, divided by the number of gross subscriber additions for the period. (See accompanying glossary on pages 36 through 41 for more details.)

- For the three months ended March 31, 2012 and 2011, SAC, per gross subscriber addition was $60 and $57 , respectively. The increase was primarily due to higher subsidies related to increased OEM installations occurring in advance of acquiring the subscriber, partially offset by improved OEM subsidy rates per vehicle compared to the three months ended March 31, 2011.

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

on pages 36 through 41 for more details.)

- For the three months ended March 31, 2012 and 2011, customer service and billing expenses, per average subscriber, were $1.00 and $1.08 , respectively. The decrease was primarily due to the 9% increase in daily weighted average number of subscribers for the three months ended March 31, 2012 compared to the same period in 2011, while customer service and billing expenses increased only 1% over the three months ended March 31, 2011.

Free Cash Flow includes the net cash provided by operations, additions to property and equipment, merger related costs and restricted and other investment activity. (See accompanying glossary on pages 36 through 41 for more details.)

- For the three months ended March 31, 2012 and 2011, free cash flow was $14,761 and $(16,874) , respectively, an increase of $31,635 . Net cash provided by operating activities increased $21,839 to $39,948 for the three months ended March 31, 2012 compared to the $18,109 , provided by operations for the three months ended March 31, 2011. Capital expenditures for property and equipment for the three months ended March 31, 2012 decreased $9,796 to $25,187 compared to $34,983 , for the three months ended March 31, 2011. The increase in net cash provided by operating activities was primarily the result of improved operating performance driving higher adjusted EBITDA and higher collections from subscribers and distributors. The decrease in capital expenditures was primarily the result of lower satellite and related launch vehicle construction costs.

Adjusted EBITDA. EBITDA is defined as net income (loss) before interest and investment loss; interest expense, net of amounts capitalized; income tax expense and depreciation and amortization. Adjusted EBITDA removes the impact of other income and expense, losses on extinguishment of debt as well as certain other charges, such as goodwill impairment; restructuring, impairments and related costs; certain purchase price accounting adjustments and share-based payment expense. (See the accompanying glossary on pages 36 through 41 for more details):

- For the three months ended March 31, 2012 and 2011, adjusted EBITDA was $208,162 and $181,359 , respectively, an increase of 15%, or $26,803. The increase was primarily due to an increase of 11% , or $79,041, in adjusted revenues, partially offset by an increase of 10%, or $52,238, in expenses included in adjusted EBITDA. The increase in adjusted revenues was primarily due to the increase in our subscriber base. The increase in expenses was primarily driven by higher revenue share and royalties expenses associated with growth in revenues, higher subscriber acquisition costs related to the 5% increase in gross additions, and higher sales and marketing costs related to subscriber communications and cooperative marketing, partially offset by lower programming and content costs.

Liquidity and Capital Resources

Cash Flows for the Three Months Ended March 31, 2012 Compared with the Three Months Ended March 31, 2011

As of March 31, 2012 and December 31, 2011 , we had $746,576 and $773,990 , respectively, of cash and cash equivalents. The following table presents a summary of our cash flow activity for the periods set forth below:

	For the Three Months Ended March 31,		
	2012	2011	2012 vs. 2011
Net cash provided by operating activities	$ 39,948	$ 18,109	$ 21,839
Net cash used in investing activities	(25,187)	(34,983)	9,796
Net cash used in financing activities	(42,175)	(136,122)	93,947
Net decrease in cash and cash equivalents	(27,414)	(152,996)	125,582
Cash and cash equivalents at beginning of period	773,990	586,691	187,299
Cash and cash equivalents at end of period	$ 746,576	$ 433,695	$ 312,881

Cash Flows Provided by Operating Activities

Cash provided by operating activities increased by $21,839 to $39,948 for the three months ended March 31, 2012 from cash provided by operating activities of $18,109 for the three months ended March 31, 2011 . The primary driver of our operating cash flow growth has been improvements in profitability.

- Our net income was $107,774 and $78,121 for the three months ended March 31, 2012 and 2011, respectively. Our increase in net income was primarily driven by an increase in our subscriber revenues of $77,805 , or 13% , for the three months ended March 31, 2012 , attributable to a 9% increase in daily weighted average subscribers, the increase in certain of our subscriptio rates beginning in January 2012, an increase in sales of premium services, including Premier packages, data services and streaming. Our growth in revenue was partially offset by an increase in our operating expenses of $45,817 , or 8% . The increase in operating expenses was primarily driven by higher revenue share and royalties expenses associated with growth in revenues, higher subscriber acquisition costs related to the 5% increase in gross additions, and higher sales and marketing costs related to subscriber communications and cooperative marketing.

- Net non-cash adjustments to net income were $35,238 and $42,736 for the three months ended March 31, 2012 and 2011, respectively. Significant components of non-cash expenses, and their impact on cash flows from operating activities, include the following:

	For the Three Months Ended March 31,	
	2012	2011
Depreciation and amortization	$ 66,117	$ 68,400
Loss on extinguishment of debt and credit facilities, net	9,971	5,994
Share-based payment expense	14,951	12,856
Other non-cash purchase price adjustments	(73,956)	(66,743)

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

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

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

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

Changes in operating assets and liabilities reduced operating cash flows for the three months ended March 31, 2012 and 2011 by $103,064 and $102,748 , respectively. As we continue to grow our subscriber and revenue base, we expect that deferred revenue and amounts due from customers and distributors will continue to increase. Amounts payable to vendors are also expected to increase as our business grows. The timing of payments to vendors and related parties are based on both contractual commitments and the terms and conditions of our vendors.

Cash Flows Used in Investing Activities

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

- The decrease in cash used for investing activities was primarily due to lower satellite and related launch vehicle construction costs related to our FM-6 satellite.

Cash Flows Provided by (Used in) Financing Activities

Cash flows provided by (used in) financing activities have generally been the result of the issuance and repayment of long-term debt and related party debt and cash proceeds from exercise of stock options. 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.

- The decrease in cash flows used in financing activities was primarily due to the the exercise of stock options in 2012 and the 2011, repayment of the remaining balance of our 11.25% Senior Secured Notes due 2013 and the partial repayment of our 3.25% Convertible Notes due 2011, partially offset by the partial repayment of our 13% Senior Notes due 2013 and our 9.75% Senior Secured Notes due 2015 during the three months ended March 31, 2012 .

Financings and Capital Requirements

We have historically financed our operations through the sale of debt and equity securities. The Certificate of Designations for our Series B-1 Preferred Stock provides that, so long as Liberty Media beneficially owns at least half of its initial equity investment, Liberty Media's consent is required for certain actions, including the grant or issuance of our equity securities and the incurrence of debt (other than, in general, debt incurred to refinance existing debt) in amounts greater than $10,000 in any calendar year.

Future Liquidity and Capital Resource Requirements

We have entered into various agreements to design, construct, and launch our satellites in the normal course of business. As disclosed in Note 16 to our unaudited consolidated financial statements, as of March 31, 2012 , we expect to incur satellite and transmission related expenditures of approximately $5,624 and $57,257 in 2012 and 2013, respectively, the majority of which is attributable to the construction and launch of our FM-6 satellite and related launch vehicle in 2013 and an additional $48,758 thereafter.

Based upon our current business plans, we believe that we have sufficient cash, cash equivalents and marketable securities to cover our estimated short-term and long-term funding needs. We expect to fund operating expenses, capital expenditures, working capital requirements, interest payments, taxes and scheduled maturities of our debt with existing cash and cash flow from operations, and we believe that we will be able to generate sufficient revenues to meet our cash requirements.

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

We regularly evaluate our business plans and strategy. These evaluations often result in changes to our business plans and strategy, some of which may be material and significantly change our cash requirements. These changes in our business plans or strategy may include: the acquisition of unique or compelling programming; the introduction of new features or services; significant new or enhanced distribution arrangements; investments in infrastructure, such as satellites, equipment or radio spectrum; and acquisitions, including acquisitions that are not directly related to our satellite radio business. In addition, our operations are affected by the FCC order approving the Merger, which imposed certain conditions upon, among other things, our program offerings.

Debt Covenants

The indentures governing our debt include restrictive covenants. As of March 31, 2012 , we were in compliance with our debt covenants. For a discussion of our "Debt Covenants", refer to Note 13 to our unaudited consolidated financial statements in Item 1 of this Quarterly Report on Form 10-Q.

Off-Balance Sheet Arrangements

We do not have any significant off-balance sheet arrangements other than those disclosed in Note 16 to our unaudited consolidated financial statements in Item 1 of this Quarterly Report on Form 10-Q 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 16 to our unaudited consolidated financial statements in Item 1 of this Quarterly Report on Form 10-Q.

Related Party Transactions

For a discussion of "Related Party Transactions," refer to Note 11 to our unaudited consolidated financial statements in Item 1 of this Quarterly Report on Form 10-Q.

Critical Accounting Policies and Estimates

For a discussion of our "Critical Accounting Policies and Estimates," refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2011 and Note 2 to our unaudited consolidated financial statements in Item 1 of this Quarterly Report on Form 10-Q. There have been no material changes to our critical accounting policies and estimates since December 31, 2011 .

Glossary

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

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

	Unaudited For the Three Months Ended March 31, 2012	2011
Net income (GAAP):	$ 107,774	$ 78,121
Add back items excluded from Adjusted EBITDA:		
Purchase price accounting adjustments:		
Revenues (see pages 38-39)	1,880	3,722
Operating expenses (see pages 38-39)	(74,024)	(67,972)
Share-based payment expense, net of purchase price accounting adjustments	14,951	13,037
Depreciation and amortization (GAAP)	66,117	68,400
Interest expense, net of amounts capitalized (GAAP)	76,971	78,218
Loss on extinguishment of debt and credit facilities, net (GAAP)	9,971	5,994
Interest and investment loss (GAAP)	1,142	1,884
Other loss (income) (GAAP)	578	(1,617)
Income tax expense (GAAP)	2,802	1,572
Adjusted EBITDA	$ 208,162	$ 181,359

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

(in thousands)	Unaudited For the Three Months Ended March 31, 2012			
	As Reported	Purchase Price Accounting Adjustments	Allocation of Share-based Payment Expense	Adjusted
Revenue:				
Subscriber revenue	$ 700,242	$ 67	$ —	$ 700,309
Advertising revenue, net of agency fees	18,670	—	—	18,670
Equipment revenue	16,953	—	—	16,953
Other revenue	68,857	1,813	—	70,670
Total revenue	$ 804,722	$ 1,880	$ —	$ 806,602
Operating expenses				
Cost of services:				
Revenue share and royalties	132,111	34,846	—	166,957
Programming and content	70,095	11,702	(1,374)	80,423
Customer service and billing	66,187	—	(427)	65,760
Satellite and transmission	18,110	—	(785)	17,325
Cost of equipment	5,806	—	—	5,806
Subscriber acquisition costs	116,121	24,085	—	140,206
Sales and marketing	58,361	3,391	(2,360)	59,392
Engineering, design and development	12,690	—	(1,432)	11,258
General and administrative	59,886	—	(8,573)	51,313
Depreciation and amortization (a)	66,117	—	—	66,117
Share-based payment expense	—	—	14,951	14,951
Total operating expenses	$ 605,484	$ 74,024	$ —	$ 679,508

(a) Purchase price accounting adjustments included above exclude the incremental depreciation and amortization associated with the $785,000 stepped up basis in property, equipment and intangible assets as a result of the Merger. The increased depreciation and amortization for the three months ended March 31, 2012 was $14,000.

(in thousands)	Unaudited For the Three Months Ended March 31, 2011			
	As Reported	Purchase Price Accounting Adjustments	Allocation of Share-based Payment Expense	Adjusted
Revenue:				
Subscriber revenue	$ 622,437	$ 1,909	$ —	$ 624,346
Advertising revenue, net of agency fees	16,558	—	—	16,558
Equipment revenue	15,867	—	—	15,867
Other revenue	68,977	1,813	—	70,790
Total revenue	$ 723,839	$ 3,722	$ —	$ 727,561
Operating expenses				
Cost of services:				
Revenue share and royalties	106,929	29,933	—	136,862
Programming and content	72,959	12,824	(2,510)	83,273
Customer service and billing	65,836	18	(367)	65,487
Satellite and transmission	18,560	239	(567)	18,232
Cost of equipment	6,405	—	—	6,405
Subscriber acquisition costs	105,270	21,656	—	126,926
Sales and marketing	47,819	3,212	(1,875)	49,156
Engineering, design and development	11,135	31	(1,142)	10,024
General and administrative	56,354	59	(6,576)	49,837
Depreciation and amortization (a)	68,400	—	—	68,400
Share-based payment expense (b)	—	—	13,037	13,037
Total operating expenses	$ 559,667	$ 67,972	$ —	$ 627,639

(a) Purchase price accounting adjustments included above exclude the incremental depreciation and amortization associated with the $785,000 stepped up basis in property, equipment and intangible assets as a result of the Merger. The increased depreciation and amortization for the three months ended March 31, 2011 was $15,000.

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

Programming and content	$ 2,483	$ 27	$ —	$ 2,510
Customer service and billing	349	18	—	367
Satellite and transmission	548	19	—	567
Sales and marketing	1,848	27	—	1,875
Engineering, design and development	1,111	31	—	1,142
General and administrative	6,517	59	—	6,576
Total share-based payment expense	$ 12,856	$ 181	$ —	$ 13,037

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

	Unaudited	
	For the Three Months Ended March 31,	
	2012	2011
Subscriber revenue (GAAP)	$ 700,242	$ 622,437
Add: net advertising revenue (GAAP)	18,670	16,558
Add: other subscription-related revenue (GAAP)	57,721	58,531
Add: purchase price accounting adjustments	67	1,909
	$ 776,700	$ 699,435
Daily weighted average number of subscribers	21,990,863	20,233,144
ARPU	$ 11.77	$ 11.52

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

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

	Unaudited	
	For the Three Months Ended March 31,	
	2012	2011
Customer service and billing expenses (GAAP)	$ 66,187	$ 65,836
Less: share-based payment expense, net of purchase price accounting adjustments	(427)	(367)
Add: purchase price accounting adjustments	—	18
	65,760	65,487
Daily weighted average number of subscribers	21,990,863	20,233,144
Customer service and billing expenses, per average subscriber	$ 1.00	$ 1.08

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

	Unaudited	
	For the Three Months Ended March 31,	
	2012	2011
Cash Flow information		
Net cash provided by operating activities	$ 39,948	$ 18,109
Net cash used in investing activities	(25,187)	(34,983)
Net cash used in financing activities	(42,175)	(136,122)
Free Cash Flow		
Net cash provided by operating activities	$ 39,948	$ 18,109
Additions to property and equipment	(25,187)	(34,983)
Free cash flow	$ 14,761	$ (16,874)

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

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

	Unaudited	
	For the Three Months Ended March 31,	
	2012	2011
Subscriber acquisition costs (GAAP)	$ 116,121	$ 105,270
Less: margin from direct sales of radios and accessories (GAAP)	(11,147)	(9,462)
Add: purchase price accounting adjustments	24,085	21,656
	$ 129,059	$ 117,464
Gross subscriber additions	2,161,693	2,052,367
SAC, per gross subscriber addition	$ 60	$ 57

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISKS

As of March 31, 2012 , we did not have any derivative financial instruments. We do not hold or issue any free-standing derivatives. We hold investments in marketable securities consisting of money market funds, and we also hold certificates of deposit and investments in debt and equity securities of other entities. We classify our investments in marketable securities as available-for-sale. These securities are consistent with the objectives in our investment policy. The basic objectives of our investment policy are the preservation of capital, maintaining sufficient liquidity to meet operating requirements and maximizing yield.

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

M 4. CONTROLS AND PROCEDURES

Controls and Procedures

As of March 31, 2012 , an evaluation was performed under the supervision and with the participation of our management, including Mel Karmazin, our Chief Executive Officer, and David J. Frear, our 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 Securities Exchange Act). 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 March 31, 2012 .

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 Securities Exchange Act) during the quarter ended March 31, 2012 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

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

Carl Blessing et al. v. Sirius XM Radio Inc . We have settled the case titled Carl Blessing et al. v. Sirius XM Radio Inc. and the lement has been approved by the United States District Court for the Southern District of New York. Appeals have been filed by 11 ividuals seeking to overturn the settlement.

In December 2009, Carl Blessing, a subscriber, filed a lawsuit against us in the United States District Court for the Southern District of New York. Mr. Blessing and several other plaintiffs purported to represent all subscribers who were subject to: an increase in the price for additional-radio subscriptions from $6.99 to $8.99; the imposition of the US Music Royalty Fee; and the elimination of our free Internet service. The suit claimed that the pricing changes showed that our merger with XM lessened competition or led to a monopoly in violation of the Clayton Act and that the merger led to monopolization in violation of the Sherman Act. Earlier the Court dismissed the plaintiffs' claims for breach of contract and granted our motion for summary judgment as to various state law claims.

As part of the settlement, we agreed to: not raise the price of our basic satellite radio service or other programming packages or our Internet services; not increase our US Music Royalty Fee; and not decrease our multi-radio discount prior to January 1, 2012. Existing subscribers were also permitted to renew their current subscription plans at current rates prior to December 31, 2011. Former subscribers who terminated their subscriptions after July 29, 2009 are entitled to receive, at their election, either: one month of our basic satellite radio service or one month of our Internet service, at no charge. We also paid the costs of providing notice to the plaintiff class and reimbursed counsel for the plaintiffs for $13 million of their fees and expenses.

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

Other Matters . In the ordinary course of business, we are a defendant in various lawsuits and arbitration proceedings, including derivative actions; actions filed by subscribers, both on behalf of themselves and on a class action basis, actions filed

by former employees, parties to contracts or leases, and owners of patents, trademarks, copyrights or other intellectual property. None of these other actions are, in our opinion, likely to have a material adverse effect on our business, financial condition or results of operations.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors previously disclosed in response to Part I, Item 1A, of our Annual Report on Form 10-K for the year ended December 31, 2011 .

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

See Exhibit Index attached hereto.

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 [illegible]e signed on its behalf by the undersigned, thereunto duly authorized on this 1st day of May 2012.

SIRIUS XM RADIO INC.

By: /s/ David J. Frear

David J. Frear

Executive Vice President and
Chief Financial Officer
(Duly Authorized Officer and
Principal Financial Officer)

EXHIBIT INDEX

Exhibit	Description
*10.1	Second Amendment, dated as of March 5, 2012, to the Employee Agreement, dated as of October 14, 2009, between the Company and James E. Meyer (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 5, 2012).
31.1	Certificate of Mel Karmazin, Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certificate of David J. Frear, Executive Vice President and Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certificate of Mel Karmazin, 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, 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).
101.1**	The following financial information from our Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 formatted in eXtensible Business Reporting Language (XBRL): (i) Unaudited Consolidated Statements of Comprehensive Income for the three months ended March 31, 2012 and 2011; (ii) Consolidated Balance Sheets as of March 31, 2012 (Unaudited) and December 31, 2011; (iii) Unaudited Consolidated Statements of Stockholder's Equity as of March 31, 2012; (iv) Unaudited Consolidated Statements of Cash Flows for the three months ended March 31, 2012 and 2011; and (v) Notes to Unaudited Consolidated Financial Statements.

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

** In accordance with Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101.1 to this Quarterly Report on Form 10-Q shall not be deemed to be "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be part of any registration statement or other document filed under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

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 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.

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Mel Karmazin, the Chief Executive Officer of Sirius XM Radio Inc., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended March 31, 2012 of Sirius XM Radio 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 changes in the registrant's internal controls over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth 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/ Mel Karmazin

Mel Karmazin
Chief Executive Officer
(Principal Executive Officer)

May 1, 2012

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, David J. Frear, the Executive Vice President and Chief Financial Officer of Sirius XM Radio Inc., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended March 31, 2012 of Sirius XM Radio 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 changes in the registrant's internal controls over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth 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
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

May 1, 2012

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY
ACT OF 2002

In connection with the Quarterly Report of Sirius XM Radio Inc. (the "Company") on Form 10-Q for the period ended March 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mel Karmazin, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Mel Karmazin

Mel Karmazin
Chief Executive Officer
(Principal Executive Officer)

May 1, 2012

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 3

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY
ACT OF 2002

In connection with the Quarterly Report of Sirius XM Radio Inc. (the "Company") on Form 10-Q for the period ended March 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David J. Frear, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ David J. Frear

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

May 1, 2012

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Mel Karmazin, the Chief Executive Officer of Sirius XM Radio Inc., certify that:

I have reviewed this Quarterly Report on Form 10-Q for the period ended March 31, 2011 of Sirius XM Radio 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 changes in the registrant's internal controls over financial reporting that occurred during the registrant's most recent fiscal quarter (the Company's fourth 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

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/ Mel Karmazin

Mel Karmazin
Chief Executive Officer
(Principal Executive Officer)

May 3, 2011

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, David J. Frear, the Executive Vice President and Chief Financial Officer of Sirius XM Radio Inc., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended March 31, 2011 of Sirius XM Radio 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 changes in the registrant's internal controls over financial reporting that occurred during the registrant's most recent fiscal quarter (the Company's fourth 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
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

May 3, 2011

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY
ACT OF 2002

In connection with the Quarterly Report of Sirius XM Radio Inc. (the "Company") on Form 10-Q for the period ended March 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mel Karmazin, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Mel Karmazin

Mel Karmazin
Chief Executive Officer
(Principal Executive Officer)

May 3, 2011

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY
ACT OF 2002

In connection with the Quarterly Report of Sirius XM Radio Inc. (the "Company") on Form 10-Q for the period ended March 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David J. Frear, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ David J. Frear

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

May 3, 2011

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

RESTRICTED EXHIBIT - NOT AVAILABLE

The following restricted exhibits are not available in the public version:

SX Ex. 201-RR - SX Ex. 205-RR
SX Ex. 212-RR
SX Ex. 233-RR - SX Ex. 237-RR
SX Ex. 239-RR - SX Ex. 242-RR
SX Ex. 301-RR - SX Ex. 315-RR
SX Ex. 316-RR - SX Ex. 342-RR
SX Ex. 347-RR
SX Ex. 355-RR - SX Ex. 362-RR

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