

A blue-tinted photograph of a person sitting in the driver's seat of a car, making a hand gesture (the "rock on" or "devil horns" sign) out of the window. The car is on a road with trees and a mountain in the background. The image is overlaid with a semi-transparent blue filter.

Proxy Statement
& **2015 Annual Report**

LETTER TO STOCKHOLDERS



Jim Meyer
Chief Executive Officer
SiriusXM



Dear Fellow Stockholders,

In 2015, we continued to attract more subscribers than ever by building on our core strengths of unparalleled content, leading technology, and close long-term relationships with automakers. That focus showed results. We exceeded our goals and achieved record operational and financial results. We have:

- **Reached an all-time high subscriber base:** With 2.3 million new subscribers in 2015, we produced our best subscriber growth since the merger of Sirius and XM, expanding our total subscriber base to approximately 29.6 million.
- **Delivered record financial results:** We exceeded our guidance across the board, and achieved record revenues of \$4.6 billion, record adjusted EBITDA of \$1.66 billion and record free cash flow of \$1.3 billion.
- **Returned capital to stockholders:** We continued our capital return program. In 2015, we purchased 524 million shares of common stock, or nearly 10% of the Company's outstanding shares, for \$2 billion. As of the end of January 2016, our stock repurchase plan has delivered \$6.5 billion into the hands of our stockholders in just three years.
- **Refreshed, expanded, evolved our program offering:** We renewed key, vital high-profile programming deals with top talent, renewed major live sports agreements, expanded our music and comedy channels, and added new voices to radio to produce compelling, world-class content.

In short, 2015 was a remarkable year for SiriusXM and we expect to maintain our performance going forward.

Our Subscribers Pay Because They Love Our Content

Our best-in-class content offering continues to be a major differentiator for SiriusXM. In 2015, we continued to bring new voices to radio, expanded our lineup of exclusive music, comedy, sports, news, and talk programming, and renewed several big programming agreements at the core of our offering.

We signed a new far-reaching deal with Howard Stern that expanded our relationship with him. As part of the agreement, we secured the exclusive rights to all of his archives in audio and video for the next twelve years. We are working closely with Howard and look forward to announcing plans to leverage new content in the future.

We also extended our agreement with the NFL through the Super Bowl in 2022, providing subscribers access to every NFL game plus our popular NFL Radio channel. With the renewals of Howard and the NFL, coupled with long-term renewals of NHL, Major League Baseball, NBA and FOX News, we have secured a "critical mass" of our content at a fixed rate for many years to come.

SiriusXM continues to be the leader in exclusive radio programming, launching several new curated commercial-free music channels, and new comedy and news channels, including Pitbull's Globalization, Tom Petty Radio, FOX News Headlines 24/7, Radio Andy, and SiriusXM Comedy Greats.

SiriusXM also continues to be the "go-to destination" for the world biggest music stars as well as its most promising newcomers. SiriusXM broadcast many of the year's top concerts and music festival performances, including those from Coachella and Lollapalooza, and all the historic reunion concerts of the Grateful Dead from Chicago. SiriusXM's music channels also continued to lead the industry in music discovery. In 2015, we were credited with breaking artists such as Elle King, Andy Grammer, Old Dominion, and Nathaniel Rateliff, all of whom went on to have #1 songs after being heard first on SiriusXM.

Looking ahead to 2016, we will provide our listeners every side of the U.S. presidential election, continue to cover every major sporting event, and offer commercial-free music, plus talk, entertainment, comedy and lifestyle radio that is the best in audio entertainment.

Increasing Our Presence in New and Used Cars

SiriusXM continues to increase its presence in the car, with our penetration rates increasing in both new and used cars. In 2015, SiriusXM radios were available in approximately 75% of all new cars—a 4 percentage point increase from the prior year and a reflection of the value automakers see in our product. We ended 2015 with approximately 82 million enabled vehicles on the road, meaning that approximately one-third of the car fleet in America has a factory-installed satellite radio.

As the fleet of satellite radio-enabled cars continues to grow, our used car business becomes an even more important channel. We estimate that our radios were in approximately 28% of the used cars sold in 2015—a 4 percentage point increase from the prior year—and we expect that the used car market will yield a predictable arc of subscriber growth for many years to come.

We are proactively working to capitalize on this opportunity by focusing on lead generation, offering trials, and marketing our paid subscription to owners of pre-owned cars. To that end, we now offer used car trials to our services at approximately 19,000 franchised and independent dealers. We are also looking to increase our penetration in the private sale arena with new and innovative approaches, including affinity marketing and even working with startup companies in the field.

Investing In Technology to Stay Ahead of the Curve

We are continuing to expand our offerings and deepen our relationships with auto dealers as the auto industry continues to evolve. First, we are continuing to invest in our connected vehicle services business, which we have built into a leading provider of safety, security and convenience. Our connected vehicle services are featured across a growing number of vehicle brands, including Acura, Audi, Honda, Hyundai, Infiniti, Jaguar, Land Rover, Lexus, Nissan, Subaru, and Toyota.

We are also developing new technologies, including SXM17—a next-generation platform for audio services that combines the benefit of satellite radio with two-way cellular connectivity. This technology will make our acclaimed content even more discoverable and accessible in the car while maintaining ease-of-use.

We recognize that change in the auto business takes a long time. However, the connected transition is underway and we believe we are making the right investments to capture future growth opportunities.

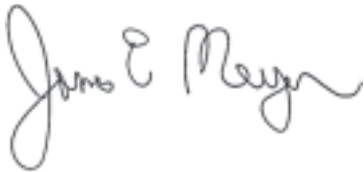
Well Positioned for Continued Growth as We Deliver Value to Stockholders

Our success is simple to explain: it is a direct function of our diligent focus and execution on our core business and the prudent investments we continue to make to extend our leadership position. In 2016, we expect to grow to approximately 31 million subscribers and generate approximately \$4.9 billion of revenue. We also expect to produce approximately \$1.78 billion of adjusted EBITDA and \$1.4 billion of free cash flow. We also expect to continue to deliver value to stockholders by returning capital through share repurchases.

If you are a subscriber, thank you for your loyalty. If you are a stockholder, thank you for your investment and trust in us. The best is yet to come—your company is energized and focused on delivering the best audio entertainment experience in the world. It is hard to make guarantees, but there is one thing I am sure of: we will continue to deliver to our subscribers the best radio on radio.

I look forward to updating you as we progress through 2016. Thank you for your investment in SiriusXM.

Sincerely,

A handwritten signature in cursive script that reads "Jim E Meyer". The signature is written in black ink and is positioned above the typed name and title.

Jim Meyer
Chief Executive Officer
SiriusXM



NOTICE OF 2016 ANNUAL MEETING OF STOCKHOLDERS

- Time and Date:** 9:00 a.m., New York City time, on Tuesday, May 24, 2016
- Place:** The Auditorium
The AXA Equitable Center
787 Seventh Avenue
New York, New York 10019
- Items of Business:**
1. To elect the twelve director nominees listed herein;
 2. To ratify the appointment of KPMG LLP as our independent registered public accountants for 2016; and
 3. To transact any other business properly coming before the annual meeting and any adjournments or postponements thereof.
- Who may Vote:** Stockholders of record at the close of business on Tuesday, March 29, 2016.
- Important Notice Regarding the Date of Availability of Proxy Materials for the Stockholder Meeting to be Held on Tuesday, May 24, 2016:** We are pleased to be using the Securities and Exchange Commission's rules that allow companies to furnish proxy materials to their stockholders over the Internet. In accordance with these rules, we first sent stockholders of record at the close of business on or about April 8, 2016, a Notice of Internet Availability of Proxy Materials (Notice). The Notice contains instructions on how to access our proxy statement and annual report for the fiscal year ended December 31, 2015 over the Internet and how to vote.

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

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

By Order of the Board of Directors,

A handwritten signature in black ink that reads "Patrick L. Donnelly". The signature is written in a cursive, flowing style.

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

New York, New York
April 8, 2016

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1221 Avenue of the Americas
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New York, New York 10020

PROXY STATEMENT

This proxy statement contains information related to the annual meeting of stockholders of Sirius XM Holdings Inc. to be held on Tuesday, May 24, 2016, beginning at 9:00 a.m., New York City time, in the Auditorium at The AXA Equitable Center, 787 Seventh Avenue, New York, New York 10019, and at any adjournments or postponements thereof. This proxy statement is first being distributed or made available, as the case may be, to stockholders on or about April 8, 2016.

ABOUT THE MEETING

What is the purpose of the annual meeting?

At our annual meeting, stockholders will act upon the following matters outlined in the Notice of 2016 Annual Meeting of Stockholders, including:

- Item 1—the election of twelve director nominees to our board (Joan L. Amble, George W. Bodenheimer, Mark D. Carleton, Eddy W. Hartenstein, James P. Holden, Gregory B. Maffei, Evan D. Malone, James E. Meyer, James F. Mooney, Carl E. Vogel, Vanessa A. Wittman and David M. Zaslav);
- Item 2—the ratification of the appointment of KPMG LLP as our independent registered public accountants for 2016; and
- such other business that may properly be conducted at the annual meeting or any adjournments or postponements thereof.

At the annual meeting, management will also report on our performance and respond to appropriate questions from stockholders. On March 29, 2016 (the “Record Date”), 4,992,482,371 shares of our common stock were outstanding.

Is Sirius XM Holdings Inc. different from Sirius XM Radio Inc.?

In November 2013, we reorganized our corporate structure (the “Reorganization”). As a result of the Reorganization, Sirius XM Radio Inc. became a direct, wholly-owned subsidiary of Sirius XM Holdings Inc. The terms “Sirius XM,” “we,” “us,” “our,” and the “company” as used herein and unless otherwise stated or indicated by context, refer to Sirius XM Radio Inc. and its consolidated subsidiaries prior to the Reorganization and to Sirius XM Holdings Inc. and its consolidated subsidiaries after the Reorganization.

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

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

What vote is required to approve each item?

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

The affirmative vote of the holders of a majority of the voting power of our common stock, present in person or represented by proxy, and entitled to vote on the matter is required for Item 2 (the ratification of the appointment of KPMG LLP as our independent registered public accountants for 2016). You may vote "For," "Against" or "Abstain" with respect to Item 2. Abstentions will have the effect as a vote against this proposal, and there will be no broker non-votes with respect to this proposal, as brokers may vote shares with respect to this proposal in the absence of client instructions. Item 2 is not binding on our board of directors or the Company.

When will voting results be available?

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

Who can attend the annual meeting?

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

What constitutes a quorum?

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

What is a broker non-vote?

A broker non-vote occurs if you hold shares in "street name" (that is, your shares are held on your behalf by a bank, broker or other nominee) and do not provide voting instructions to your broker on a proposal and your broker does not have the discretionary authority to vote on such proposal. A broker is entitled to vote shares held for a beneficial holder on routine matters, such as Item 2 (the ratification of the appointment of KPMG LLP as our independent registered public accountants for 2016), without instructions from the beneficial holder of those shares. On the other hand, absent instructions from the beneficial holders of such shares, a broker will not be entitled to vote shares held for a beneficial holder on non-routine items, such as Item 1 (the election of directors). **It is therefore important that you provide instructions to your broker if your shares are held by a broker so that your vote with respect to Item 1 is counted.**

Broker non-votes will be counted for purposes of determining whether a quorum is present to hold the annual meeting.

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

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

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

How do I vote?

Stockholders of record can vote as follows:

- *By Internet:* Stockholders may vote over the Internet at www.envisionreports.com/SIRI by following the instructions included on your Notice. You will need the 15-digit Control Number included on the Notice to obtain your records and to create an electronic voting instruction form.
- *By Telephone:* Stockholders may vote by telephone 1-800-652-VOTE (8683) by following the instructions included with your Notice. You will need the 15-digit Control Number included on the Notice in order to vote by telephone.
- *At the Meeting:* If you attend the annual meeting, you may vote in person by ballot, even if you have previously returned a proxy card or otherwise voted.

Only your latest executed vote will count.

If your shares are held in "street name," you may also submit voting instructions to your bank, broker or other nominee. In most instances, you will be able to do this over the Internet, by telephone or by mail. Please refer to information from your bank, broker or other nominee on how to submit voting instructions. The deadline for voting by telephone or electronically is 11:59 p.m., New York City time, on Monday, May 23, 2016. "Street name" stockholders who wish to vote in person at the meeting will need to obtain a proxy form from the institution that holds their shares and those institutions will likely require your instructions to be submitted before the deadline.

What is householding?

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

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

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

How can I obtain a printed copy of the proxy materials?

To receive free of charge a separate copy of the Notice and, if applicable, this proxy statement and our annual report, stockholders may write or call us at the following:

Investor Relations
Sirius XM Holdings Inc.
1221 Avenue of the Americas
36th Floor
New York, New York 10020
(212) 584-5100

Can I change my vote or revoke my proxy?

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

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

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

Who will count the votes?

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

What is a proxy?

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

Whom am I designating as my proxy?

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

How will my proxy vote my shares?

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

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

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

employees may solicit proxies on our behalf by telephone or in writing but will receive no additional compensation for their services.

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

Under the SEC's rules and regulations, any stockholder desiring to submit a proposal to be included in our 2017 proxy statement must submit such proposal to us in writing at our principal executive offices located at: 1221 Avenue of the Americas, 36th Floor, New York, New York 10020, to the attention of the Corporate Secretary, no later than the close of business on December 6, 2016.

Our By-laws provide for advance notice provisions. The By-laws require the timely notice of certain information to be provided by any stockholder who proposes director nominations or any other business for consideration at a stockholders' meeting. Failure to deliver a proposal in accordance with the procedures discussed above and in the By-laws may result in the proposal not being deemed timely received. To be timely, notice of a director nomination or any other business for consideration at a stockholders' meeting must be received by our Corporate Secretary at our principal executive offices not less than 70 days nor more than 90 days prior to the first anniversary of the preceding year's annual meeting. Therefore, to be presented at our 2017 Annual Meeting of Stockholders, such a proposal must be received by the Corporate Secretary on or after February 23, 2017 but no later than March 15, 2017. In the event that the date of the 2017 Annual Meeting is advanced by more than 20 days, or delayed by more than 70 days, from the anniversary date of the 2016 Annual Meeting of Stockholders, notice must be delivered no earlier than the 90th day prior to the 2017 Annual Meeting and not later than the close of business on the later of the 70th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of the 2017 Annual Meeting of Stockholders is first made. In addition, for the purposes of the application of Rule 14a-4(c) of the Exchange Act, the date for timely notice specified in this paragraph shall be the earlier of the date calculated above or the date specified in paragraph (c)(1) of Rule 14a-4 of the Exchange Act.

ITEM 1—ELECTION OF DIRECTORS

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

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

Set forth below are the nominees proposed to be elected to serve until the 2017 annual meeting of stockholders or until their respective successors have been duly elected and qualified.

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

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

Biographical information about this year’s nominees:

<u>Name</u>	<u>Age</u>	<u>Position, Principal Occupation, Business Experience and Directorships</u>
Joan L. Amble.....	62	<p>Ms. Amble has been a director since July 2008. From December 2006 until the closing of our merger with XM Satellite Radio Holdings Inc. (“XM”) in July 2008, Ms. Amble served as a director of XM.</p> <p>From May 2011 to December 2011, Ms. Amble was the Executive Vice President, Finance, of the American Express Company and also served as its Executive Vice President and Corporate Comptroller from December 2003 until May 2011. Prior to joining American Express, Ms. Amble served as Chief Operating Officer and Chief Financial Officer of GE Capital Markets, a service business within GE Capital Services, Inc., overseeing securitizations, debt placement and syndication, as well as structured equity transactions. From 1994 to March 2003, Ms. Amble served as Vice President and Controller of GE Capital. Ms. Amble serves as a member of the board of directors of Booz Allen Hamilton Holding Corporation, Brown-Forman Corporation and Zurich Insurance Group. Ms. Amble also served as a director at Broadcom Limited during the last five years.</p> <p><i>Key Attributes, Experience and Skills:</i></p> <p>Ms. Amble has extensive experience in financial reporting, including experience with the rules and regulations of the SEC, based, in part, on her experience at Ernst & Young, the Financial Accounting Standards Board, the General Electric Company and American Express. Ms. Amble also has experience in the areas of financial controls; Sarbanes-Oxley Act compliance; operations; risk management; six sigma quality; and corporate governance.</p>

<u>Name</u>	<u>Age</u>	<u>Position, Principal Occupation, Business Experience and Directorships</u>
George W. Bodenheimer . . .	57	<p>Mr. Bodenheimer has been a director since September 2013.</p> <p>Mr. Bodenheimer retired in May 2014 as Executive Chairman of ESPN, Inc., a multimedia, multinational sports entertainment company. He was Executive Chairman of ESPN, Inc. from January 2012 until May 2014. He served as Co-Chairman of Disney Media Networks from April 2004 until January 2012 and as President of ABC Sports from March 2003 until January 2012. Mr. Bodenheimer was named President of ESPN in November 1998, a position he held until January 2012.</p> <p>Mr. Bodenheimer joined ESPN in 1981 and served in a variety of senior sales and marketing positions prior to his appointment as President. Mr. Bodenheimer serves as a member of the board of directors of Under Armour, Inc.</p> <p><i>Key Attributes, Experience and Skills:</i></p> <p>Mr. Bodenheimer has extensive experience in: marketing, promoting and producing sports and entertainment programming, including live major sporting events; identifying emerging sports properties; and assessing on-air and executive talent.</p> <p>Mr. Bodenheimer also has unique experience in evaluating and assessing the desirability of sports properties that are likely to be attractive to both the core demographics of our subscriber base and other segments of our existing and targeted customer base. The board of directors believes this experience is a significant asset to our company.</p>

<u>Name</u>	<u>Age</u>	<u>Position, Principal Occupation, Business Experience and Directorships</u>
Mark D. Carleton	55	<p>Mr. Carleton has been a director since December 2014.</p> <p>Mr. Carleton has been Chief Development Officer of Liberty Media Corporation (“Liberty Media”) since January 2016 and Senior Vice President of Liberty Media (including its predecessor) from December 2003 to December 2015. Prior to joining Liberty Media, Mr. Carleton was a partner at KPMG LLP from 1993 to 2003, where he also served as a member of KPMG LLP’s Board of Directors. Mr. Carleton previously served as a director of Sirius XM Radio Inc. from January 2013 to September 2013. Mr. Carleton currently serves as a director of Live Nation Entertainment, Inc., Barnes & Noble, Inc., Mobile Streams, Inc. and Air Methods Corporation. Mr. Carleton also served on the board of directors of Ideiasnet during the last five years.</p>

Key Attributes, Experience and Skills:

Mr. Carleton has extensive experience in the media, telecommunications and entertainment industries; this experience is very valuable in assessing and evaluating opportunities and our plans from both a short- and long-term perspective. He also brings to the board, among his other skills and qualifications, financial and accounting expertise acquired as a partner at KPMG LLP. In addition, Mr. Carleton’s service on other public company boards has provided him with a number of skills, including experience in the areas of leadership development and succession planning, risk assessment, and stockholder and government relations.

<u>Name</u>	<u>Age</u>	<u>Position, Principal Occupation, Business Experience and Directorships</u>
Eddy W. Hartenstein	65	Mr. Hartenstein has been a director since July 2008, has served as our lead independent director since April 2013 and served as the chairman of our board from November 2009 to April 2013. From May 2005 until the closing of the merger with XM in July 2008, Mr. Hartenstein served as a director of XM.

Mr. Hartenstein was the non-executive Chairman of the Board of Tribune Publishing, a leading diversified media company that includes the Los Angeles Times, from August 2014 through January 2016. Mr. Hartenstein retired as the Publisher and Chief Executive Officer of the Los Angeles Times in August 2014, a position he held since August 2008. In addition, Mr. Hartenstein served as Co-President of the Tribune Company from October 2010 to May 2011 and as President and Chief Executive Officer from May 2011 until January 2013. In December 2008, the Tribune Company filed for Chapter 11 bankruptcy protection and, under his leadership, emerged in December 2012.

Mr. Hartenstein was Vice Chairman and a member of the board of directors of The DIRECTV Group, Inc. (formerly Hughes Electronics Corporation), a television service provider, from December 2003 until his retirement in December 2004. He served as Chairman and Chief Executive Officer of DIRECTV, Inc. from late 2001 through 2004 and as President of DIRECTV, Inc. from its inception in 1990 to 2001. Previously, Mr. Hartenstein served in various capacities for Hughes Communications, Inc., a provider of satellite-based communications, Equatorial Communications Services Company, a provider of telephony and data distribution services, and NASA's Jet Propulsion Laboratory, the lead U.S. center for robotic exploration of the solar system. Mr. Hartenstein also serves as a member of the board of directors of Tribune Publishing, SanDisk Corporation, Broadcom Limited, ROVI Corporation and The City of Hope.

Key Attributes, Experience and Skills:

As the former Chief Executive Officer of DIRECTV, Inc., Mr. Hartenstein has extensive experience in building, managing, marketing and operating a satellite service. He brings direct and highly relevant expertise to the board in such areas as the construction and procurement of satellites, managing a large consumer subscriber base, consumer marketing, and the design and implementation of systems necessary to support a growing and dynamic consumer-oriented business.

<u>Name</u>	<u>Age</u>	<u>Position, Principal Occupation, Business Experience and Directorships</u>
James P. Holden	64	<p>Mr. Holden has been a director since August 2001.</p> <p>From October 1999 until November 2000, Mr. Holden was the President and Chief Executive Officer of DaimlerChrysler Corporation, one of the world's largest automakers. Prior to being appointed President in 1999, Mr. Holden held numerous senior positions within Chrysler Corporation during his 19-year career at that company. Mr. Holden is the Lead Director of Speedway MotorSports, Inc. and the Lead Director of Snap-On Incorporated. Mr. Holden also served as a director at Motors Liquidation Corporation and Meridian Automotive during the last five years.</p> <p><i>Key Attributes, Experience and Skills:</i></p> <p>Mr. Holden has spent his career in the automotive business, a key market for our services. Mr. Holden's perspective on, and knowledge of, the inner workings, business and product planning processes in the automotive industry are significant assets to the board.</p>

<u>Name</u>	<u>Age</u>	<u>Position, Principal Occupation, Business Experience and Directorships</u>
Gregory B. Maffei.....	55	<p>Mr. Maffei has been a director since March 2009 and has served as the chairman of our board since April 2013.</p> <p>He has served as a director and the President and Chief Executive Officer of Liberty Media Corporation (including its predecessor) since May 2007, Liberty Broadband Corporation since June 2014 and Liberty TripAdvisor Holdings Inc. since July 2013 and has served as Chairman of the Board of Liberty TripAdvisor Holdings, Inc. since June 2015. Mr. Maffei has served as the President and Chief Executive Officer of Liberty Interactive Corporation since February 2006 and as a director since November 2005. He also served as its CEO-Elect from November 2005 through February 2006. Prior thereto, Mr. Maffei served as President and Chief Financial Officer of Oracle Corporation, as Chairman, Chief Executive Officer and President of 360networks Corporation and the Chief Financial Officer of Microsoft Corporation. Mr. Maffei has served as (i) the Chairman of the Board of Starz since January 2013, (ii) the Chairman of the Board of TripAdvisor, Inc. since February 2013, (iii) the Chairman of the Board of Live Nation Entertainment, Inc. since March 2013 and a director since February 2011, (iv) a director of Charter Communications, Inc. since May 2013, and (v) a director of Zillow Group, Inc. since February 2015, having previously served as a director of its predecessor, Zillow Inc., from May 2005 to February 2015. Mr. Maffei served as a director of Barnes & Noble, Inc. from September 2011 to April 2014 and as a director of Electronics Arts, Inc. from June 2003 to July 2013.</p>

Key Attributes, Experience and Skills:

Mr. Maffei brings to the board significant financial and operational experience based on his senior policy-making positions at Liberty Media, Liberty Interactive Corporation, Liberty TripAdvisor Holdings, Inc., Liberty Broadband Corporation, Oracle, 360networks and Microsoft. He also provides the board with executive leadership perspective on the operations and management of large public companies, including companies in the technology, media and telecommunications space. The board also benefits from his extensive public company board experience.

<u>Name</u>	<u>Age</u>	<u>Position, Principal Occupation, Business Experience and Directorships</u>
Evan D. Malone	45	<p data-bbox="612 161 1206 186">Dr. Malone has been a director since May 2013.</p> <p data-bbox="612 213 1401 880">Dr. Malone has served as President of NextFab Studio, LLC, a high-tech workshop offering technical training, consulting, and product design and prototyping services, since June 2009 and has been an engineering consultant for over five years. Since January 2008, Dr. Malone has served as the owner and manager of a real estate property and management company, 1525 South Street LLC. During 2008, Dr. Malone also served as a post-doctoral research assistant at Cornell University and an engineering consultant with Rich Food Products, a food processing company. Dr. Malone has served as co-owner and director of Drive Passion PC Services, CC, an Internet café, telecommunications and document services company, in South Africa since 2007 and served as an applied physics technician for Fermi National Accelerator Laboratory, part of the national laboratory system of the Office of Science, U.S. Department of Energy, from 1999 until 2001. He also is a founding member of Jet Wine Bar, LLC, a wine bar, and Rex 1516, a restaurant, both in Philadelphia. Dr. Malone has served as a director of Liberty Media Corporation since September 2011. Dr. Malone has served as a director of Liberty Interactive Corporation since August 2008.</p>

Key Attributes, Experience and Skills:

Dr. Malone brings an applied science and engineering perspective to the board. Dr. Malone's unique perspectives assist the board in adapting to technological changes facing the audio entertainment industry. His entrepreneurial experience also provides the board valuable insights in evaluating opportunities in existing, new and emerging technologies.

<u>Name</u>	<u>Age</u>	<u>Position, Principal Occupation, Business Experience and Directorships</u>
James E. Meyer	61	<p>Mr. Meyer has served as our Chief Executive Officer since December 2012 and has been a director since January 2013.</p> <p>Previously, Mr. Meyer was our President, Operations and Sales. Prior to joining us in May 2004, Mr. Meyer was the President of Aegis Ventures, a general management consulting company. Before Aegis, he held a number of senior management positions in consumer electronics over a 25 year period, including as the Senior Executive Vice President of Digital Media Solutions of Thomson, a worldwide leader in consumer electronics. Prior to joining Thomson, Mr. Meyer held several senior management positions at General Electric and RCA. Mr. Meyer serves on the board of ROVI Corporation.</p>

Key Attributes, Experience and Skills:

As our Chief Executive Officer, Mr. Meyer is responsible for setting and executing our goals and strategies related to our business. Mr. Meyer provides the board not only with a knowledge of our day-to-day operations, but also with the essential experience, insight and expertise that can be provided only by a person who is intimately involved in running our business. His ability as a director to share his views during the board's deliberations is of significant benefit to the other members of the board of directors.

<u>Name</u>	<u>Age</u>	<u>Position, Principal Occupation, Business Experience and Directorships</u>
James F. Mooney	61	<p>Mr. Mooney has been a director since July 2003.</p> <p>Mr. Mooney is the Chief Executive Officer of Four Horsemen Consulting Group. Mr. Mooney was a director and chairman of the board of directors of Virgin Media Inc., a U.K. entertainment and communications business, from March 2003 until June 2013. From December 2004 to December 2007, Mr. Mooney was the chairman of the board of directors of RCN Corporation, a provider of bundled telephone, cable and high speed internet services. From April 2001 to September 2002, Mr. Mooney was the Executive Vice President and Chief Operating Officer of Nextel Communications Inc., a provider of wireless communications services. From January 2000 to January 2001, Mr. Mooney was the Chief Executive Officer and Chief Operating Officer of Tradeout Inc., an asset management firm owned jointly by General Electric Capital, Ebay Inc. and Benchmark Capital. From March 1999 to January 2000, Mr. Mooney was the Chief Financial Officer/Chief Operating Officer at Baan Company, a business management software provider. From 1980 until 1999, Mr. Mooney held a number of positions with IBM Corporation, including Chief Financial Officer of the Americas. Mr. Mooney is the Chairman of the Archdiocese of New York for Central Westchester, a member of the board of St. Thomas Aquinas College and a member of the Board of Advisors for the University of Notre Dame. Mr. Mooney was previously a member of the board of directors of Sidera Networks, LLC, a provider of high capacity communications services to carrier and enterprise customers.</p>

Key Attributes, Experience and Skills:

Mr. Mooney has had a varied career in industries ranging from computer products to telecommunications, including relevant experience in subscriber-based businesses. His diverse experience is useful in our business planning process, and in analyzing subscriber trends, marketing opportunities, personnel, financing alternatives, and our long-term business plans.

<u>Name</u>	<u>Age</u>	<u>Position, Principal Occupation, Business Experience and Directorships</u>
Carl E. Vogel.....	58	<p data-bbox="612 161 1193 188">Mr. Vogel has been a director since April 2011.</p> <p data-bbox="612 213 1410 1197">Mr. Vogel is a private investor and an industry advisor for Kohlberg Kravis Roberts & Co. LP. Mr. Vogel is also a member of the board of directors of Dish Network Corporation, a satellite television provider, and a senior advisor to its Chairman. He served as President of Dish Network Corporation from September 2006 until February 2008 and served as its Vice Chairman from June 2005 until March 2009. From October 2007 until March 2009, Mr. Vogel served as the Vice Chairman of the board of directors of, and as a Senior Advisor to, EchoStar Communications Corporation. From 2001 until 2005, Mr. Vogel served as the President and Chief Executive Officer of Charter Communications Inc., a cable television and broadband services provider. Prior to joining Charter, Mr. Vogel worked as an executive officer in various capacities for companies affiliated with Liberty Media. Mr. Vogel is a member of the board of directors and corporate governance committee of Shaw Communications, Inc., a diversified communications company providing broadband cable and direct-to-home satellite services in Canada, a member of the board of directors and audit committee of Universal Electronics, Inc., a provider of wireless control technology for connected homes, and is a member of the board of directors, audit committee, corporate governance and nominating committee and executive committee of Ascent Media Corporation. He is also a member of the board of directors, chairman of the audit committee, and a member of the compensation committee of AMC Networks, Inc., a provider of cable television programming. Mr. Vogel served on the board of directors of NextWave Wireless Inc., a wireless technology company that developed, produced and marketed mobile multimedia and consumer electronics solutions, during the past five years.</p> <p data-bbox="612 1220 1070 1247"><i>Key Attributes, Experience and Skills:</i></p> <p data-bbox="612 1270 1410 1487">Mr. Vogel brings executive level leadership experience in the communications industry as a result of his high level executive roles at Dish Network Corporation, Charter Communications Inc. and Liberty Media. Mr. Vogel also has extensive experience in reviewing financial statements as a result of his background as a certified public accountant and his role as a chief executive and senior finance executive of public companies.</p>

<u>Name</u>	<u>Age</u>	<u>Position, Principal Occupation, Business Experience and Directorships</u>
Vanessa A. Wittman	48	<p>Ms. Wittman has been a director since April 2011.</p> <p>Ms. Wittman is the Chief Financial Officer of Dropbox, a cloud based storage and collaboration company. From March 2012 to February 2015, Ms. Wittman was the Senior Vice President and Chief Financial Officer of Motorola Mobility, a subsidiary of Google. From September 2008 to March 2012, she served as Executive Vice President and Chief Financial Officer of Marsh & McLennan Companies, Inc., a professional services company providing advice and solutions in the areas of risk, strategy, and human capital. Prior to joining Marsh & McLennan, Ms. Wittman was Chief Financial Officer and Executive Vice President of Adelphia Communications Corp., a cable television company, from 2003 to 2007. Prior to Adelphia, Ms. Wittman served as Chief Financial Officer of 360networks, a wholesale provider of telecommunications services. She also has held positions with Microsoft, Metricom Inc. and Morgan Stanley & Co. Incorporated. Ms. Wittman also serves on the board of directors of Ulta Salon, Beauty & Fragrance, Inc., a beauty products retailer. During the last five years, Ms. Wittman served as a director of kgb, an independent provider of directory assistance and enhanced information services, and Infospace, an internet search services company.</p>

Key Attributes, Experience and Skills:

Ms. Wittman has been the chief financial officer of various public and private companies and has held senior positions in multi-national companies during her career. She also has been a director at several companies, including serving as audit committee chair for a public company.

<u>Name</u>	<u>Age</u>	<u>Position, Principal Occupation, Business Experience and Directorships</u>
David M. Zaslav	56	Mr. Zaslav has been a director since May 2013. Mr. Zaslav has been the President and Chief Executive Officer of Discovery Communications, Inc., one of the largest nonfiction media companies in the world, since January 2007 and a director since September 2008. Mr. Zaslav served as President, Cable & Domestic Television and New Media Distribution of NBC Universal, Inc., a media and entertainment company, from May 2006 to December 2006. Mr. Zaslav served as Executive Vice President of NBC and President of NBC Cable, a division of NBC, from October 1999 to May 2006. Mr. Zaslav also serves on the boards of Lions Gate Entertainment, the National Cable & Telecommunications Association, The Cable Center, Center for Communication, Skills For America's Future, Grupo Televisa, Partnership for New York City and USC Shoah Foundation. He is also a member of the Board of trustees for the Paley Center for Media and the Mt. Sinai Medical Center.

Key Attributes, Experience and Skills:

Mr. Zaslav, as the Chief Executive Officer of Discovery Communications and through his prior work in television, has developed a deep understanding of the media and entertainment industry. This experience, together with his general management expertise, positions him as a valued presence on our board of directors to assist us in evaluating programming and marketing opportunities and further understanding our diverse and growing subscriber base, including trends in the audio entertainment industry.

The board of directors recommends a vote “FOR” the election of each of the nominees named above.

What are the responsibilities of the board of directors?

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

How are nominees for the board of directors selected?

Our Nominating and Corporate Governance Committee reviews possible candidates to be directors and is responsible for overseeing matters of corporate governance, including the evaluation of performance and practices of the board of directors, the board's committees, management succession plans and executive resources. The Nominating and Corporate Governance Committee considers suggestions from many sources, including stockholders, for potential director nominees. Such suggestions, together with appropriate biographical and other information required pursuant to our By-laws, should be submitted to our Corporate Secretary, Sirius XM Holdings Inc., 1221 Avenue of the Americas, 36th Floor, New York, New York 10020. Candidates who are suggested by our stockholders are evaluated by the Nominating and Corporate Governance Committee in the same manner as are other potential candidates to be directors.

In its assessment of each potential candidate, including those recommended by stockholders, the Nominating and Corporate Governance Committee takes into account all factors it considers appropriate, which may include (a) ensuring that the board of directors, as a whole, is diverse and consists of individuals with various and relevant career experience, relevant technical skills, industry

knowledge and experience, financial expertise (including expertise that could qualify a director as a “financial expert,” as that term is defined by the rules of the SEC), local or community ties, and (b) minimum individual qualifications, including strength of character, mature judgment, familiarity with our business and related industries, independence of thought and ability to work collegially. The Nominating and Corporate Governance Committee also may consider the extent to which a candidate would fill a present need on the board of directors. After conducting an initial evaluation of a candidate, the Nominating and Corporate Governance Committee will interview that candidate if it believes the candidate might be qualified to be a director and may ask the candidate to meet with other directors and management. If the Nominating and Corporate Governance Committee believes a candidate would be a valuable addition to the board of directors, it will recommend to the board that candidate’s nomination as a director.

What is the board’s leadership structure?

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

Does the board have a lead independent director?

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

Are all of the directors required to be independent?

Liberty Media beneficially owns, directly and indirectly, over 50% of our outstanding common stock entitled to vote for the election of directors. As a result, we are considered a “controlled company” and are accordingly exempt from certain corporate governance requirements of The NASDAQ Global Select Market (“NASDAQ”) Rules including, among other items, the requirement that our board of directors be comprised of a majority of independent directors and that we have a compensation committee comprised of independent directors and that director nominations are recommended by the independent members of the board of directors or a nominating committee composed of independent directors. We rely on these exemptions available to a controlled company with respect to the independence requirement of our compensation committee and our nominating committee.

The controlled company exemption does not extend to the audit committee independence requirements. Accordingly, our audit committee will continue to be comprised solely of directors meeting the independence standards under the applicable NASDAQ listing standards, Section 10A(m)(3) of the Exchange Act and our *Guidelines*. References to Liberty Media in this

proxy statement include Liberty Media Corporation and its predecessors, unless the context otherwise requires.

How does the board determine which directors are considered independent?

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

The Nominating and Corporate Governance Committee undertook a review of director independence in March 2016. As part of this review, the committee reviewed with our Corporate Secretary questionnaires submitted by directors. These questionnaires disclose transactions and relationships between each director or members of his or her immediate family, on one hand, and us, other directors, members of our senior management and our affiliates, on the other hand.

Based on this review, the Nominating and Corporate Governance Committee determined that all of our directors and nominees are independent under the standards set forth in our *Guidelines* and the applicable NASDAQ listing standards, with the exception of James E. Meyer, our Chief Executive Officer, Gregory B. Maffei and Mark D. Carleton, each of whom is an employee of Liberty Media, and Evan D. Malone, whose father is the Chairman of Liberty Media. With respect to George W. Bodenheimer, the board evaluated the ordinary course transactions during the last three fiscal years between us and ESPN, for which he served as an executive officer during the last three years, and found that the amounts paid by us to ESPN were not material.

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

The board has also determined that all of the members of the Audit Committee are financially literate and meet the independence requirements mandated by the applicable NASDAQ listing standards, Section 10A(m)(3) of the Exchange Act and our *Guidelines*.

Our independent directors meet regularly in executive sessions.

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

Our board of directors has three standing committees: the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee. From time to time the board may also form ad hoc committees.

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

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

Committee	Functions
Audit	
Members: Joan L. Amble* Eddy W. Hartenstein Vanessa A. Wittman	<ul style="list-style-type: none"> • Selects our independent registered public accounting firm • Reviews reports of our independent registered public accounting firm • Reviews and approves the scope and cost of all services, including all non-audit services, provided by the firm selected to conduct the audit • Monitors the effectiveness of the audit process • Reviews the adequacy of financial and operating controls • Monitors our corporate compliance program • Monitors our policies and procedures for enterprise risks
Compensation	
Members: George W. Bodenheimer Mark D. Carleton James P. Holden Carl E. Vogel*	<ul style="list-style-type: none"> • Reviews our executive compensation policies and strategies • Oversees and evaluates our overall compensation structure and programs
Nominating and Corporate Governance	
Members: Gregory B. Maffei James F. Mooney* Carl E. Vogel David M. Zaslav	<ul style="list-style-type: none"> • Develops and implements policies and practices relating to corporate governance • Reviews and monitors implementation of our policies and procedures related to the selection of director candidates • Assists in developing criteria for open positions as directors on the board of directors • Reviews background information on potential candidates for directors and makes recommendations to the board of directors • Makes recommendations to the board of directors with respect to committee assignments

* Chair

How often did the board and its committees meet during 2015?

During 2015, there were six meetings of our board of directors, six Audit Committee meetings, four Compensation Committee meetings and two Nominating and Corporate Governance Committee meetings. Each director nominee attended 75% or more of the total number of meetings of the board and meetings held by committees on which he or she served.

Directors are also encouraged to attend the annual meeting of stockholders. Messrs. Carleton, Maffei, Meyer and Vogel attended our 2015 annual meeting of stockholders.

How can stockholders communicate with the board of directors?

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

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

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

Compensation Committee Interlocks and Insider Participation

Mr. Bodenheimer, Mr. Carleton, Mr. Holden, and Mr. Vogel served as members of the Compensation Committee during 2015. None of the members of the Compensation Committee is or has been an executive officer of our company, and no director who served on the Compensation Committee during 2015 had any relationships requiring disclosure by us under the SEC's rules requiring disclosure of certain relationships and related-party transactions. None of our executive officers served as a director or a member of a compensation committee (or other committee serving an equivalent function) of any other entity, the executive officers of which served as a director of our company or as a member of the Compensation Committee during 2015.

Director Compensation Table for 2015

The following table provides compensation information for the year ended December 31, 2015 for each of our non-employee directors. Directors who are employees do not receive compensation for their services as directors.

Name	Fee Earned or Paid in Cash (\$)	Stock Awards ⁽²⁾ (\$)	Option Awards ⁽³⁾⁽⁴⁾ (\$)	All Other Compensation (\$)	Total (\$)
Joan L. Amble	130,000	24,999	75,010	—	230,009
Anthony J. Bates ⁽¹⁾	100,000	24,999	75,010	—	200,009
George W. Bodenheimer	100,000	24,999	75,010	—	200,009
Mark D. Carleton	100,000	24,999	75,010	—	200,009
Eddy W. Hartenstein	150,000	24,999	75,010	—	250,009
James P. Holden	100,000	24,999	75,010	—	200,009
Gregory B. Maffei	150,000	24,999	75,010	—	250,009
Evan D. Malone	100,000	24,999	75,010	—	200,009
James F. Mooney	110,000	24,999	75,010	—	210,009
Carl E. Vogel	120,000	24,999	75,010	—	220,009
Vanessa A. Wittman	100,000	24,999	75,010	—	200,009
David M. Zaslav	100,000	24,999	75,010	—	200,009

(1) In February 2016, Anthony J. Bates resigned from our board.

(2) On May 20, 2015, non-employee directors, were each awarded 6,410 shares of common stock with a grant date value of \$24,999. At December 31, 2015, the aggregate number of unvested restricted stock units outstanding for Mr. Holden was 143,235 and for Mr. Mooney was 93,748.

(3) The aggregate grant date fair values of stock option awards were computed in accordance with FASB ASC Topic 718 (excluding estimated forfeitures). The assumptions used in the valuation are discussed in Note 15 to our audited consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2015. On May 20, 2015, non-employee directors, were each awarded 76,100 options at an exercise price of \$3.90 per share with a grant date fair value of \$75,010.

(4) At December 31, 2015, the aggregate number of option awards outstanding for each non-employee director was as follows: Ms. Amble—1,293,718; Mr. Bates—166,274; Mr. Bodenheimer—166,274; Mr. Carleton—112,634; Mr. Hartenstein—1,635,955; Mr. Holden—483,865; Mr. Maffei—693,718; Mr. Malone—186,793; Mr. Mooney—311,170; Mr. Vogel—323,493; Ms. Wittman—323,493; and Mr. Zaslav—186,793.

As Chairman of the board of directors, in 2015, Mr. Maffei received an annual cash retainer of \$150,000. Mr. Hartenstein, our lead independent director, also received an annual cash retainer of \$150,000. The other non-employee members of our board of directors each received an annual cash retainer of \$100,000. Each director who served as chair of a committee of the board of directors in 2015 received an additional annual cash retainer as follows: the Audit Committee chairwoman received \$30,000; the Compensation Committee chairman received \$20,000; and the Nominating and Corporate Governance Committee chairman received \$10,000.

In addition, each member received an equity-based award with a grant date value equal to approximately \$75,000 in the form of options to purchase our common stock. The options were granted on the business day following the 2015 annual meeting of stockholders. All options to purchase our common stock awarded to our non-employee directors vest over a four-year period, with 25% vesting on each anniversary of the date of grant. Each member also received unrestricted shares of our common stock which immediately vested with a grant date value of approximately \$25,000 on the business day following the 2015 annual meeting of stockholders.

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

STOCK OWNERSHIP

Who are the principal owners of our stock?

The following table sets forth information regarding beneficial ownership of our common stock as of February 29, 2016 by each person known by us to be the beneficial owner of more than 5% of our outstanding common stock. “Beneficial ownership” includes those shares a person has or shares the power to vote or transfer or has the right to acquire within 60 days of the measurement date. Based upon a Schedule 13D/A filed on November 3, 2014 by Liberty Media Corporation, the beneficial owner of the common stock listed below has sole investment and voting power with respect to these shares.

<u>Name and Address of Beneficial Owner of Common Stock</u>	<u>Shares Beneficially Owned as of February 29, 2016</u>	
	<u>Number</u>	<u>Percent</u>
Liberty Media Corporation ⁽¹⁾ 12300 Liberty Boulevard Englewood, CO 80112	3,162,173,996	62.86%

⁽¹⁾ The ownership percentage is based upon the information contained in a Schedule 13D/A filed on November 3, 2014 and a Form 4 filed on December 9, 2014 by Liberty Media Corporation and the actual number of shares outstanding, 5,030,502,004, as of February 29, 2016.

How much stock do our directors and executive officers own?

The following table shows the number of shares of common stock beneficially owned as of February 29, 2016 by each of our directors, each of our named executive officers and all of our directors and executive officers as a group.

<u>Name of Beneficial Owner</u>	<u>Number of Shares of Common Stock Beneficially Owned⁽¹⁾</u>	<u>Percent of Class</u>
Joan L. Amble	1,134,076	*
George W. Bodenheimer	36,089	*
Mark D. Carleton ⁽²⁾	15,544	*
Eddy W. Hartenstein	1,476,313	*
James P. Holden	324,223	*
Gregory B. Maffei ⁽²⁾	534,076	*
Evan D. Malone ⁽²⁾	46,349	*
James F. Mooney ⁽³⁾	160,628	*
Carl E. Vogel	163,851	*
Vanessa A. Wittman	163,851	*
David M. Zaslav	46,349	*
James E. Meyer	13,463,846	*
David J. Frear ⁽⁴⁾	8,377,946	*
Dara F. Altman	1,929,021	*
James A. Cady	567,897	*
Joseph A. Verbrugge	396,285	*
All Executive Officers and Directors as a Group (20 persons)	44,830,435	0.9%

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

⁽¹⁾ These amounts include shares of common stock, restricted shares of common stock, unexercised stock options and RSUs that the individuals hold or have the right to acquire within sixty days of February 29, 2016. Also included are the following numbers of shares of common stock acquired under and held in the Sirius XM Radio Inc. 401(k) Savings Plan as of February 29, 2016: Mr. Meyer—5,355 shares; Mr. Frear—85,046 shares; Ms. Altman—54,021 shares;

Mr. Cady—0 shares; Mr. Verbrugge—0 shares; and all other executive officers not shown above—101,793 shares.

- (2) Messrs. Carleton and Maffei are employees of Liberty Media, which beneficially owns 3,162,173,996 shares (or 62.86%) of our common stock as of February 29, 2016, and they disclaim beneficial ownership of the shares owned by Liberty Media and its affiliates. Dr. Malone is a member of the board of directors of Liberty Media and also disclaims beneficial ownership of the shares owned by Liberty Media and its affiliates.
- (3) Includes 9,100 shares held as custodian for Mr. Mooney's child.
- (4) Includes 1,900 shares held by Mr. Frear's spouse.

Section 16(a) Beneficial Ownership Reporting Compliance

Based solely upon a review of reports filed pursuant to Section 16(a) of the Exchange Act and written representations furnished to us during our most recent fiscal year, we know of no director, executive officer or beneficial owner of more than 10% of our common stock who failed to file on a timely basis reports of beneficial ownership of our common stock as required by Section 16(a) of the Exchange Act.

GOVERNANCE OF THE COMPANY

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

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

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

among many others. The board is informed about and regularly discusses our risk profile, including legal, regulatory and operational risks to our business.

What are our policies and procedures for related party transactions?

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

Our related person transaction policy requires:

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

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

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

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

Since the beginning of fiscal 2015, there were no related party transactions that are required to be disclosed pursuant to the SEC rules and regulations.

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

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

As part of the transactions with Liberty Media, in February 2009, we entered into an investment agreement (the “Investment Agreement”) with Liberty Radio, LLC, an indirect wholly-owned subsidiary of Liberty Media. Pursuant to the Investment Agreement, we issued to Liberty Radio, LLC 12,500,000 shares of convertible preferred stock in partial consideration for the loan

investments. The preferred stock was convertible into approximately 40% of our outstanding shares of common stock (after giving effect to such conversion).

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

Three individuals who are affiliated with Liberty Media, either as executives or members of the board of directors of Liberty Media, are members of our board of directors. Gregory B. Maffei, the President and Chief Executive Officer of Liberty Media, is the Chairman of our board of directors.

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

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

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

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

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

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Introduction

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

Executive Summary

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

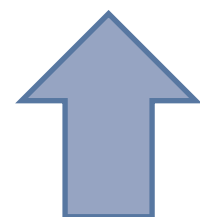
<i>What our Executive Compensation Program Primarily Consists of and What it Aims to Achieve:</i>	<ul style="list-style-type: none">• Consists primarily of three elements: (1) base salary; (2) performance-based annual bonus; and (3) long-term equity compensation.• Provides a mix of fixed compensation and short- and long-term incentives.• Serves as an effective means of attracting, retaining, rewarding, and motivating a talented, entrepreneurial and creative team of executives with the skills and experience necessary to achieve our business goals and enhance stockholder value.
<i>Steps We Took to Better Align Executive Compensation with Stockholder Interests:</i>	In connection with extending the terms of our executive agreements, we have (among other things): <ul style="list-style-type: none">• eliminated golden parachute excise tax gross ups; and• added clawback provisions to our executive employment agreements

At our annual meeting in 2014 we held an advisory “say on pay” vote on the compensation of our named executive officers. Our stockholders overwhelmingly approved the compensation of our named executive officers, with over 84% of our common stock casting votes in favor of our say-on-pay resolution. The Compensation Committee considered the strong support our stockholders expressed for our pay for performance compensation philosophy and has not made any changes to the core elements of our compensation programs since that vote. We intend to conduct such advisory vote every three years. The next such vote will be held at our 2017 annual meeting of stockholders.

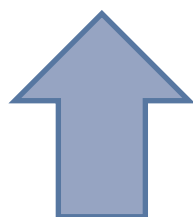
Fiscal Year 2015 Business Highlights

We believe that our compensation program for the named executive officers was instrumental in helping us deliver strong financial performance, strengthen our business and create value for our stockholders in 2015. In the face of intense competition for our services, our financial results exceeded our public guidance and our internal budget and business plan. Further, we believe that

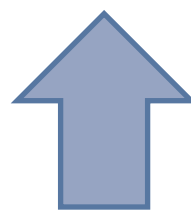
we remain well positioned to capitalize on opportunities and successfully address future challenges. The following description highlights our financial and operating results for 2015:



Increased revenues by 9% to \$4.6 billion



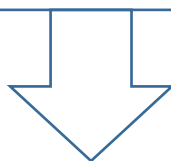
Increased free cash flow⁽¹⁾ by 14% to \$1.3 billion



Realized Adjusted EBITDA⁽¹⁾ growth of 13% to \$1.7 billion

Purchased over 524 million shares of our stock in 2015 under our \$8 billion stock buyback program

Key Subscriber and Content-Based Achievements in 2015



Added approximately 2.3 million net new subscribers, resulting in a total of approximately 29.6 million subscribers, an increase of over 8% as compared to 2014;

Entered into a new twelve-year agreement with Howard Stern under which Mr. Stern will continue to produce and host his show on Sirius XM for the next five years and license us the exclusive use of his entire audio and video library for twelve years;

Renewed our agreements with the National Football League, the National Hockey League, and the PGA Tour, ensuring that our subscribers continue to have access to comprehensive coverage of these major sports; and

Entered into agreements with Toyota and Nissan to provide connected vehicle services for their vehicles, and with Audi, Jaguar, Land Rover and Subaru to provide support for their new vehicle safety and security services.

⁽¹⁾ In this CD&A, we use certain financial performance measures that are not calculated and presented in accordance with generally accepted accounting principles in the United States of America (“Non-GAAP”). These Non-GAAP financial measures include adjusted EBITDA and free cash flow. We use these Non-GAAP financial measures and other performance metrics to manage our business, set operational goals and, in certain cases, as a basis for determining compensation for our employees. Please refer to the glossary contained in our annual report for the fiscal year ended December 31, 2015 which accompanies this proxy statement for a discussion of such Non-GAAP financial measures, reconciliations to the most directly comparable GAAP measure and a discussion of these other performance metrics.

Primary Objectives of our Compensation Programs

Program Objectives

We strive to attract, motivate, reward and retain highly qualified executives with the skills and experience necessary to provide leadership for our success in dynamic and competitive markets and enhance stockholder value by providing compensation that is largely “at risk” and competitive with the various markets and industries in which we compete for talent. We also endeavor to develop executive compensation programs that are consistent with, explicitly linked to, and support our strategic objectives—growing our business while enhancing stockholder value.

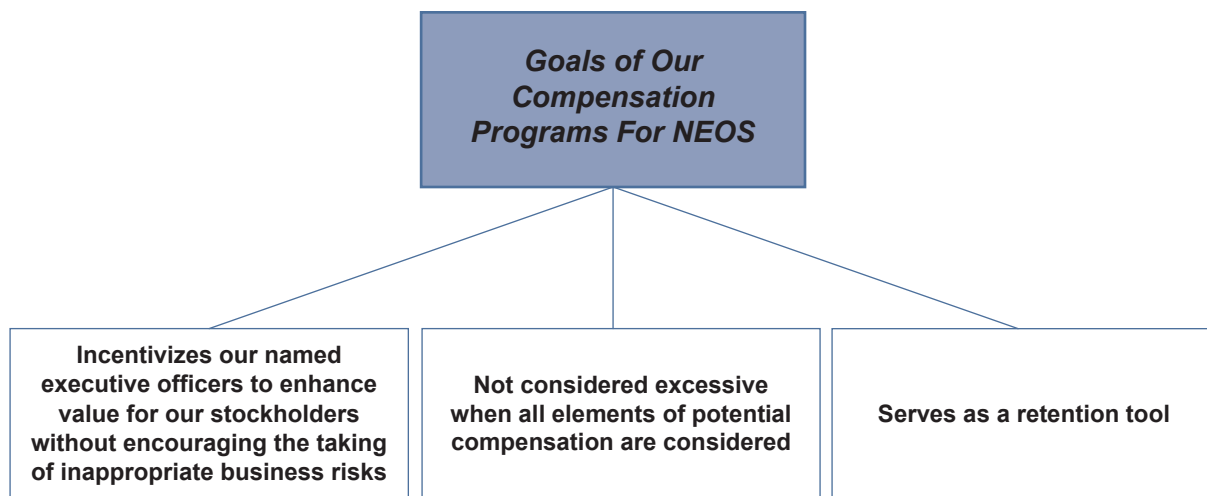
We achieve these objectives through three primary compensation elements:

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

The value of equity-based compensation represents a significant portion of our executives’ compensation.

<p style="text-align: center;"><i>Competitive Compensation Levels</i></p>	<ul style="list-style-type: none"> • The Compensation Committee believes that a program comprised principally of the above-described three elements is consistent with programs adopted by companies with which we compete for executive talent. • The program is structured to meet the requirements of the intensely competitive and rapidly changing environment in which we operate, while ensuring that we maintain continuity in our senior management. • The program ensures executive officers are compensated in a manner that advances both the short- and long-term interests of our stockholders while not encouraging excessive risk-taking.
<p style="text-align: center;"><i>Compensation Mix</i></p>	<ul style="list-style-type: none"> • A significant proportion of the compensation for our named executive officers is "at risk"—namely, the annual bonus and equity-based awards. • We believe this pay mix motivates the named executive officers to achieve goals and objectives that support our business plan and align our executives’ interests with those of our stockholders. • Compensation in the form of, or based on the value of, our common stock incentivizes executives to enhance stockholder value.

Compensation for Named Executive Officers



In making decisions with respect to any single element of a named executive officer's compensation, the Compensation Committee considers the officer's level of responsibility, experience and contributions, internal pay equity and the compensation that may be awarded to the officer, including salary, annual bonus, long-term incentives, perquisites and other benefits. In addition, the Compensation Committee considers the other benefits to which the officer is entitled under the officer's employment agreement, including compensation payable upon termination of employment. (Each named executive officer is employed pursuant to agreements described under "Potential Payments upon Termination or Change in Control—Employment Agreements" below.)

How We Determine Executive Compensation

Processes and Compensation Decisions

The Compensation Committee does not attempt to set compensation levels for each named executive officer within a particular range related to levels provided by peers. The Compensation Committee attempts to monitor "best practices" and emerging trends in executive compensation, relies on the general business and industry knowledge and experience of its members and occasionally uses general market comparisons as one of many factors in making compensation decisions. Other factors considered when making individual executive compensation decisions include individual contribution and performance, reporting structure, historical compensation, internal pay equity, complexity and importance of roles and responsibilities, expected future contributions, leadership and growth potential, retention considerations and our performance. The Compensation Committee also believes that it is in our stockholders' interests, and consistent with industry practice, to enter into arrangements with our named executive officers in order to provide management stability and ensure that we have access to their services while striving to achieve our strategic objectives. Further, any compensation or equity awards provided to the named executive officers are subject to clawback as may be required pursuant to any law or regulation.

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

Each Element of Our Executive Compensation Program and How it Works

Our practices with respect to the key compensation elements identified above, as well as other elements of compensation, are described below, followed by a discussion of the specific factors considered in determining the levels of these compensation elements for the named executive officers for 2015.

Base Salary

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

Factors Affecting Base Salary Considerations	<ul style="list-style-type: none">• The nature and responsibility of the executive's position and, to the extent available and deemed relevant, salary trends for persons in similar positions at comparable companies
	<ul style="list-style-type: none">• The expertise, demonstrated leadership and management ability, and past performance of the individual executive
	<ul style="list-style-type: none">• The executive's salary history and total compensation, including other cash bonus and stock-based awards
	<ul style="list-style-type: none">• The competitiveness of the market for the executive's services

The Compensation Committee also considers the recommendations of our Chief Executive Officer (except as to his own compensation). In setting base salaries, the Compensation Committee also believes that the amount of base salary should be a relatively smaller portion of each named executive officer's overall compensation package, thereby aligning the interests of our executives more closely with those of our stockholders.

Annual Incentives

Annual Incentives – Annual Cash Bonus Awards	<ul style="list-style-type: none">• Annual bonuses take into consideration all factors relevant to the company's and an executive's performance, including numerous financial and operational metrics, without being limited by a purely formulaic approach.
	<ul style="list-style-type: none">• The Compensation Committee has awarded annual bonuses in cash, but may award bonuses in cash, restricted stock, RSUs, stock options or a combination thereof.
	<ul style="list-style-type: none">• None of our named executive officers are entitled to a guaranteed or minimum bonus.
	<ul style="list-style-type: none">• Annual bonuses approved by the Compensation Committee for 2015 were intended to achieve two principal objectives: (1) link compensation with corporate performance; and (2) reward our named executive officers based on individual performance and contributions to our success.

To guide the Compensation Committee in determining annual bonus amounts for the named executive officers, in 2015 the Compensation Committee adopted a bonus plan that measures our performance using various criteria, such as increases in subscribers, revenue, adjusted EBITDA and free cash flow. This plan is used by the Compensation Committee as one set of factors, along with other financial and operational metrics that the Compensation Committee deems relevant, in evaluating and benchmarking bonus amounts for the named executive officers. A more detailed description of the methodologies used by the Compensation Committee to determine the bonus

amounts, and the amount of the bonus awards to our named executive officers, is discussed below under the heading “Fiscal Year 2015 Pay Results—Payment of Performance-Based Discretionary Annual Bonuses for 2015” and are reflected in the Summary Compensation Table.

Long-term Incentive Compensation

The Compensation Committee determines the level of long-term incentive compensation in conjunction with total compensation provided to named executive officers and the objectives of the above-described compensation program.

Why Long-Term Incentives Are a Key Aspect of Our Executive Compensation Program

Long-term incentive awards have historically represented a significant portion of our named executive officers’ compensation, thus ensuring that our executives, through their equity-based compensation, have a continuing stake in our success, aligning their interests with that of our stockholders and supporting the goal of retention through vesting requirements and forfeiture provisions.

The Compensation Committee grants long-term incentive awards to directly align compensation for our named executive officers over a multi-year period with the interests of our stockholders by motivating and rewarding actions that enhance long-term stockholder value, while also ensuring the continued retention of our named executive officers.

Consistent with the past few years, in 2015 the Compensation Committee determined that long-term incentive compensation for our named executive officers would consist of both stock options and RSUs. A summary of the terms applicable to grants of stock options and RSUs is set forth below.

<i>Stock Options</i>	<i>Restricted Stock Units</i>
Stock options have an exercise price equal to the fair market value of our common stock on the date of grant, and therefore reward the executives only if the price of our stock increases after the date of grant	The Compensation Committee believes that the use of RSUs, as a form of equity-based compensation, provides predictable retention value and alignment of executive interests with stockholder interests, particularly in volatile equity markets
Generally vest over a period of three or four years in equal annual installments	Vest on varying schedules
Generally vest subject to the executive’s continued employment, incentivizing executives to remain with the Company and sustain increases in stockholder value over extended periods of time	Generally vest subject to the executive’s continued employment, incentivizing executives to remain with the Company and sustain increases in stockholder value over extended periods of time

The specific number of options and RSUs granted is determined either as part of an employment agreement or by the Compensation Committee with the assistance of our Chief Executive Officer (other than in the case of any equity awards to himself) and by using their

informed judgment, taking into account the executive's role and responsibilities and our overall performance and the performance of our common stock, and is not based on any specific quantitative or qualitative factors.

Fiscal Year 2015 Pay Results

2015 Base Salary Decisions

We have entered into employment agreements with each of our named executive officers. During 2015, the Compensation Committee approved increases to each of our named executive officers' base salaries. Such increases were approved in connection with the extension of three executive's employment agreements and two executives' promotions in 2015.

Mr. Meyer	Increased from \$1,550,000 to \$1,800,000 in August 2015
Mr. Frear	Increased from \$850,000 to \$1,200,000 in July 2015
Ms. Altman	Increased from \$500,000 to \$600,000 in June 2015
Mr. Cady	Increased from \$400,000 to \$600,000 in June 2015
Mr. Verbrugge	Increased from \$355,000 to \$500,000 in December 2015

Payment of Performance-Based Discretionary Annual Bonuses for 2015

In 2015, the Compensation Committee again adopted, under the Sirius XM Holdings Inc. 2015 Long-Term Stock Incentive Plan, a bonus program designed to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Internal Revenue Code (the "NEO Bonus Plan"). Pursuant to the NEO Bonus Plan, a bonus pool was established for our Chief Executive Officer and the other named executive officers, other than our Chief Financial Officer, consisting of 2.75% of our EBITDA for 2015. The maximum bonus that a named executive officer could receive under the NEO Bonus Plan was limited to a percentage of the bonus pool (which percentages were not changed during the performance year) and could not exceed the cash equivalent of 75 million shares of our common stock (based on the closing price of our common stock as of the last trading day of 2015). In addition, no amounts could be paid under the NEO Bonus Plan unless a threshold amount of EBITDA was achieved for 2015.

In 2016, the Compensation Committee met to consider bonuses for our named executive officers with respect to 2015 and whether to award bonuses for other employees. The Compensation Committee carefully reviewed our performance against key metrics in our budget and bonus plan, including the generation of EBITDA, as required by the NEO Bonus Plan, and our efforts to increase subscribers, revenue, adjusted EBITDA and free cash flow.

Following its review of our 2015 performance, the Compensation Committee:

- approved a cash bonus pool to be divided among our employees, other than the named executive officers;
- reviewed the NEO Bonus Plan pool and exercised negative discretion, approving the individual bonus amounts awarded to each of the named executive officers under the NEO Bonus Plan; and
- reviewed and approved the payment to our Chief Financial Officer whose bonus, pursuant to Section 162(m) of the Internal Revenue Code, is not included in the NEO Bonus Plan.

The actual amount of the bonus paid to each named executive officer was based on a combination of factors, including our 2015 corporate performance, their individual contributions and performance in their functional areas of responsibility and, with respect to all named executive officers other than himself, recommendations made by Mr. Meyer. Various specific factors taken into consideration in determining the bonus amounts for the named executive officers are set forth

below. The annual bonus for Mr. Meyer is discussed below under the heading “2015 Compensation Snapshot: Compensation of our Chief Executive Officer.”

Mr. Frear was awarded a bonus for his contributions during the year, including:

- his regular on-going contributions as our Chief Financial Officer and his role in managing our fixed and variable costs;
- overseeing our investor relations efforts;
- managing our stock buyback program which increased during the year from \$6 billion to \$8 billion;
- supervising our satellite procurement efforts;
- overseeing our investment in Sirius XM Canada; and
- his efforts in the continued development of our information technology systems.

Ms. Altman was awarded a bonus for her contributions during the year, including:

- her regular on-going contributions as our Chief Administrative Officer;
- her role in managing our human resources function, including our employee development, diversity and inclusion initiatives;
- managing our facilities and security operations; and
- supervising the evaluation and management of our real estate holdings.

Mr. Cady was awarded a bonus for his contributions during the year, including:

- overseeing the development of our transmission and radio technology;
- managing our engineering and streaming operations;
- expanding our relationships with automakers in the connected vehicle services area; and
- his role in the continued integration of our connected vehicle services business.

Mr. Verbrugge was awarded a bonus for his contributions during the year, including:

- driving subscriber growth in our automotive remarketing sales channel;
- expanding our relationships with franchise and independent auto dealers;
- developing new business opportunities with auto insurers, lenders and service providers;
- leading our aftermarket product development, distribution and retail sales; and
- overseeing our commercial, aviation, marine and fleet businesses.

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

Long-Term Equity Grants for 2015

Our historical practice has generally been to grant equity incentive awards in connection with an executive’s decision to enter into a new employment agreement with us or extend his/her existing employment agreement. We make such grants in order to incentivize our top-performing executives to continue providing service to the Company. Further, the long-term nature of the awards serves as a retention tool. The number of stock options granted was equal to the total value of the executive’s individual grant divided by the grant date fair value calculated under the Black-Scholes-Merton model. The number of RSUs granted was equal to the total value of the executive’s individual grant divided by the per share closing price of our common stock reported on NASDAQ on the grant date of the executive’s award.

During 2015, our long-term equity grants consisted of stock options and RSUs. The specific value of the options and RSUs granted was determined by the Compensation Committee (and, other than with respect to the grants made to Mr. Meyer, with the assistance of our Chief Executive Officer). The grant date fair value of the awards is identified in the Summary Compensation Table

under the “Stock Awards” and the “Option Awards” columns, and in the “Grants of Plan-Based Awards in 2015” table. The specific grants made to each executive are described in more detail below.

In August 2015, we entered into a new employment agreement with Mr. Meyer to continue to serve as our Chief Executive Officer. In connection with his new agreement, we granted Mr. Meyer stock options and RSUs in an amount equal to \$10,000,000 and \$10,000,000, respectively. The vesting of the stock options and RSUs is generally subject to Mr. Meyer’s continued employment through the applicable vesting period and is described under “Outstanding Equity Awards at Fiscal Year-End 2015.”

In July 2015, we entered into a new employment agreement with Mr. Frear to continue to serve as our Chief Financial Officer. In connection with his new agreement, we granted Mr. Frear stock options in an amount equal to \$11,102,218. The vesting of the stock options is generally subject to Mr. Frear’s continued employment through the applicable vesting period and is described under “Outstanding Equity Awards at Fiscal Year-End 2015.”

In June 2015, we entered into a new employment agreement with Ms. Altman to continue to serve as our Chief Administrative Officer. In connection with her new agreement, we granted Ms. Altman stock options and RSUs in an amount equal to \$4,125,000 and \$1,375,000, respectively. The vesting of the stock options and RSUs is generally subject to Ms. Altman’s continued employment through the applicable vesting period and is described under “Outstanding Equity Awards at Fiscal Year-End 2015.”

In June 2015, we entered into a new employment agreement with Mr. Cady upon his appointment as our Executive Vice President, Operations, Products and Connected Vehicle. In connection with his new agreement, we granted Mr. Cady stock options and RSUs in an amount equal to \$1,500,000 and \$500,000, respectively. The vesting of the stock options and RSUs is generally subject to Mr. Cady’s continued employment through the applicable vesting period and is described under “Outstanding Equity Awards at Fiscal Year-End 2015.”

In December 2015, we entered into a new employment agreement with Mr. Verbrugge upon his appointment as our Executive Vice President, Sales and Development. In connection with his new agreement, we granted Mr. Verbrugge stock options and RSUs in an amount equal to \$3,750,000 and \$1,250,000, respectively. In connection with our long-term incentive program, in August 2015, we also granted Mr. Verbrugge stock options and RSUs in an amount equal to \$937,514 and \$312,502, respectively. The vesting of the stock options and RSUs is generally subject to Mr. Verbrugge’s continued employment through the applicable vesting period and is described under “Outstanding Equity Awards at Fiscal Year-End 2015.”

2015 Compensation Snapshot: Compensation of Our Chief Executive Officer

The material terms of Mr. Meyer’s employment agreement are described below under “Potential Payments or Benefits Upon Termination or Change in Control—Employment Agreements—James E. Meyer.”

The terms of Mr. Meyer’s employment were established by negotiations between Mr. Meyer and the Chairman of our board of directors in consultation with the Compensation Committee. The Compensation Committee believes that Mr. Meyer’s qualifications and experience are well suited to our needs, and that his compensation, including the base salary and equity components, is, taken as a whole, appropriate under the circumstances.

In February 2016, Mr. Meyer was awarded a cash bonus of \$7.5 million in recognition of his notable performance and contribution to our corporate performance in 2015, including:

✓	<i>Increasing our net subscribers by approximately 2.3 million, resulting in a total of approximately 29.6 million subscribers, an increase of over 8% as compared to 2014</i>
✓	<i>Achieving adjusted EBITDA growth of 13% to \$1.7 billion</i>
✓	<i>Increasing our 2015 revenue by 9% to \$4.6 billion and increasing free cash flow by 14% to \$1.3 billion</i>
✓	<i>Overseeing \$2 billion of stock repurchases through our buyback program</i>
✓	<i>Continuing to establish Sirius XM as a leading provider of telematics services by entering into agreements with Toyota, Nissan, Audi, Jaguar, Land Rover and Subaru to provide connected vehicles services and/or support for their new vehicle safety and security services</i>
✓	<i>Managing our significant investments in research and development</i>
✓	<i>Continuing to expand our ability to identify and acquire subscribers in certified pre-owned and used vehicles and managing our investment in infrastructure in this area</i>
✓	<i>Entering into a long-term agreement with Howard Stern, renewing our agreements with the National Football League, the National Hockey League, and the PGA Tour, and adding other compelling content to our services while managing programming expenses</i>
✓	<i>Continuing to improve our customer care experience, including through further enhancements to our Internet-based self-care functionality and chat services</i>
✓	<i>Fostering a corporate culture based on quality, creativity, diversity, integrity and innovation</i>
✓	<i>Maintaining Sirius XM as one of the largest subscription-based media companies in the United States</i>

Other Benefits Provided to Named Executive Officers

Retirement and Other Employee Benefits

We maintain broad-based benefits for all employees, including health and dental insurance, life and disability insurance and a 401(k) savings plan, including a matching component for that plan. Our named executive officers are eligible to participate in all of our employee benefit plans on the same basis as other employees.

Our 401(k) savings plan allows eligible employees to voluntarily contribute from 1% to 50% of their pre-tax eligible earnings, subject to certain defined limits. We match 50% of an employee's voluntary contributions per pay period on the first 6% of an employee's pre-tax salary up to a maximum of 3% of eligible compensation. Employer matching contributions under the 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.

Deferred Compensation Plan

In 2015, the Compensation Committee approved and adopted the Sirius XM Holdings Inc. Deferred Compensation Plan (the "Deferred Compensation Plan") to provide a tax-efficient method for participants to defer certain portions of their compensation. Participation in the Deferred Compensation Plan is available to certain of our senior officers, including our named executive officers, and members of our board of directors, and we believe this enhances our ability to attract and retain senior management.

Eligible employees may defer a portion of their annual base salary and/or annual bonus, as applicable, each plan year. Our named executive officers are eligible to participate on the same terms as other eligible employees. Although our Compensation Committee deemed the Deferred

Compensation Plan to be an important benefit to participants, it is not included in any quantitative valuation with respect to the three main components of our executive compensation packages, because participation in the Deferred Compensation Plan, and to what extent, is at each participant's discretion and there is no matching contribution from us at this time.

Pursuant to the Deferred Compensation Plan, eligible employees may elect to defer up to (i) 50% of his or her cash-paid base salary; and (ii) 75% of his or her annual cash bonus. We may elect to make additional contributions beyond amounts deferred by participants, but we are under no obligation to do so. At the time of making a deferral election, participants designate the time and form of the distribution of deferrals to be made for the year to which that election relates. Distributions may occur earlier upon a change in control or a termination of employment, subject to certain conditions provided for under the Deferred Compensation Plan and Section 409A of the Internal Revenue Code. Participants have the opportunity to designate the investment funds to which the deferred amounts are to be credited. All investment gains and losses in a participant's account under the Deferred Compensation Plan are entirely based upon the investment selections made by the participant. We have established a grantor (or "rabbi") trust to facilitate payment of our obligations under the Deferred Compensation Plan.

The contributions, earnings and account balances for the named executive officers in the Deferred Compensation Plan are described in the "Non-Qualified Deferred Compensation" table.

Perquisites and Other Benefits for Named Executive Officers

The Compensation Committee supports providing other benefits to named executive officers that are almost identical to those offered to our other full time employees and are provided to similarly situated executives at companies with which we compete for executive talent.

In limited circumstances, a named executive officer may receive certain tailored benefits. For example, in 2015, Mr. Cady, due to his principal residence being in the State of Oregon, was reimbursed for the reasonable costs of coach class airfare from his home to our various offices, along with reasonable hotel and meal expenses. The costs of these benefits for Mr. Cady constituted less than 10% of his compensation in 2015.

Payments to Named Executive Officers Upon Termination or Change in Control

The employment agreements with our named executive officers provide for severance payments upon an involuntary termination of employment without "cause" or for "good reason" (as each term is defined in their employment agreement). These arrangements vary among executives due to individual negotiations. The material terms of these arrangements are described under "Potential Payments or Benefits Upon Termination or Change in Control—Employment Agreements." None of the employment agreements for the named executive officers provide for any special payments solely due to a change in control. Under the terms of both the Sirius XM Radio Inc. 2009 Long-Term Stock Incentive Plan and the Sirius XM Holdings Inc. 2015 Long-Term Stock Incentive Plan (collectively, the "Plans"), if the employment of any of our named executive officers is terminated by us without cause, or by the executive for good reason, within two years following a change in control, then in accordance with the Plans, their equity awards are subject to accelerated vesting.

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

Fiscal Year 2016 Compensation Considerations

The Compensation Committee plans to review our executive compensation program in 2016 with a view to ensuring that it continues to provide the correct incentives and is properly sized given the scope and complexity of our business and the competition we face.

The Compensation Committee has again adopted a bonus program which is intended to comply with Section 162(m) of the Internal Revenue Code for our Chief Executive Officer and the other three most highly compensated executive officers (except for our Chief Financial Officer). That bonus program is designed to promote the achievement of our key financial goals for 2016.

The Compensation Committee does not believe that any risks that may arise from our compensation policies and practices are reasonably likely to have a material adverse effect on our Company. The Compensation Committee considered various factors that have the effect of mitigating compensation-related risks and have reviewed our compensation policies and practices for our employees, including the elements of our executive compensation programs, to determine whether any portion of such compensation encourages excessive risk taking.

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

As described above, in 2016 the Compensation Committee again adopted a bonus plan which is intended to comply with Section 162(m) of the Internal Revenue Code for our Chief Executive Officer and the other three most highly compensated executive officers, except for our Chief Financial Officer. The Compensation Committee anticipates that this plan will result in tax deductibility for any compensation we pay to such executive officers that exceeds \$1 million with respect to 2016. However, the Compensation Committee may from time to time approve compensation that is not deductible under Section 162(m) of the Internal Revenue Code if it determines that it is in our best interest to do so.

Compensation Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management. Based on such review and discussion, the Compensation Committee recommended to the board of directors that the Compensation Discussion and Analysis be included in this proxy statement and incorporated by reference into our Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

Compensation Committee
CARL E. VOGEL, *Chairman*
GEORGE W. BODENHEIMER
MARK D. CARLETON
JAMES P. HOLDEN

Summary Compensation Table

The following table provides information concerning total compensation earned or paid to our Chief Executive Officer, our Chief Financial Officer and our three other most highly compensated executive officers who served in such capacities as of December 31, 2015 for services rendered to us during each of the past three fiscal years. These five officers are referred to herein as the “named executive officers.”

Name and Principal Position	Year	Salary \$	Bonus \$	Stock Awards ⁽¹⁾ \$	Option Awards ⁽¹⁾ \$	All Other Compensation ⁽²⁾ \$	Total \$
James E. Meyer Chief Executive Officer	2015	1,650,000	7,500,000	10,000,000	10,000,000	7,950	29,157,950
	2014	1,550,000	6,000,000	—	—	7,800	7,557,800
	2013	1,468,590	4,720,000	3,249,998	13,568,656	58,063	23,065,307
David J. Frear Senior Executive Vice President and Chief Financial Officer	2015	1,026,346	1,950,000	—	11,102,218	7,950	14,086,514
	2014	850,000	1,600,000	—	—	7,800	2,457,800
	2013	850,000	1,450,000	—	—	7,650	2,307,650
Dara F. Altman Executive Vice President and Chief Administrative Officer	2015	554,231	1,200,000	1,375,000	4,125,000	7,950	7,262,181
	2014	500,000	1,050,000	—	—	7,800	1,557,800
	2013	500,000	975,000	—	—	7,650	1,482,650
James A. Cady Executive Vice President, Operations, Products and Connected Vehicle	2015	503,846	1,200,000	500,000	1,500,000	7,950	3,711,796
	2014	366,667	450,000	125,023	1,375,021	7,800	2,324,511
	2013	—	—	—	—	—	—
Joseph A. Verbrugge Executive Vice President, Sales and Development	2015	365,596	575,000	1,562,502	4,687,514	7,950	7,198,562
	2014	355,000	425,000	250,047	750,021	7,800	1,787,868
	2013	353,750	360,000	225,047	675,030	7,650	1,621,477

(1) The aggregate grant date fair value of stock option and RSU awards were computed in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standard Codification (“ASC”) Topic 718. The assumptions used in the valuation of the stock options are discussed in Note 15 to our audited consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

(2) For each named executive officer, the amount in the “All Other Compensation” column for 2015 reflects matching contributions by us under our 401(k) savings plan.

Grants of Plan-Based Awards in 2015

The following table provides information with respect to equity grants made during fiscal year 2015 to the named executive officers.

Name	Grant Date	All Other Stock Awards Number of Shares Of Stock or Units (#) ⁽¹⁾	All Other Option Awards: Number of Securities Underlying Options (#) ⁽¹⁾	Exercise or Base Price of Option Awards (\$/Sh) ⁽²⁾	Grant Date Fair Value of Stock and Option Awards (\$) ⁽³⁾
James E. Meyer	8/11/2015	—	13,279,313	3.90	10,000,000
	8/11/2015	2,564,103	—	—	10,000,000
David J. Frear	7/29/2015	—	14,250,000	3.95	11,102,218
Dara F. Altman	6/19/2015	—	5,100,962	3.87	4,125,000
	6/19/2015	355,297	—	—	1,375,000
James A. Cady	7/29/2015	—	1,862,623	3.95	1,500,000
	7/29/2015	126,582	—	—	500,000
Joseph A. Verbrugge	8/5/2015	—	958,900	3.92	937,514
	8/5/2015	79,720	—	—	312,502
	12/11/2015	—	4,095,724	4.01	3,750,000
	12/11/2015	311,721	—	—	1,250,000

- (1) Grants were made under the Sirius XM Holdings Inc. 2015 Long-Term Stock Incentive Plan. The stock option and RSU awards granted to Mr. Meyer on August 11, 2015 were in connection with his employment agreement dated August 11, 2015. The stock option awards granted to Mr. Frear on July 29, 2015 were in connection with his employment agreement dated July 3, 2015. The stock option and RSU awards granted to Ms. Altman on June 19, 2015 were in connection with her employment agreement dated June 19, 2015. The stock option and RSU awards granted to Mr. Cady on July 29, 2015 were in connection with his employment agreement dated June 29, 2015. The stock option and RSU awards granted to Mr. Verbrugge on August 5, 2015 were in connection with our long-term incentive program, and the stock option and RSU awards granted to Mr. Verbrugge on December 11, 2015 were in connection with his employment agreement dated December 11, 2015.
- (2) The exercise price of the options granted to each the named executive officers is equal to the closing price of our common stock reported on NASDAQ on the dates of grant.
- (3) The aggregate grant date fair value of stock option and RSU awards were computed in accordance with FASB ASC Topic 718. The assumptions used in the valuation of the stock options are discussed in Note 15 to our audited consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

Outstanding Equity Awards at Fiscal Year-End 2015

The following table provides information with respect to the status at December 31, 2015 of all unvested RSUs and exercisable and unexercisable stock options awarded to each of the named executive officers.

Name	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units that have not Vested #	Market Value of Shares or Units of Stock that have not Vested ⁽¹⁾ \$
	Exercisable	Unexercisable				
James E. Meyer ⁽²⁾	1,350,000	—	5.4900	2/2/2016	—	—
	512,000	—	3.6500	2/1/2017	—	—
	707,000	—	2.8200	1/23/2018	—	—
	830,500	—	0.6235	8/31/2019	—	—
	10,128,894	—	3.3000	5/02/2023	—	—
	—	13,279,313	3.9000	8/11/2025	—	—
	—	—	—	—	2,564,103	10,435,899
David J. Frear ⁽³⁾	307,000	—	3.6500	2/1/2017	—	—
	483,000	—	2.8200	1/23/2018	—	—
	1,500,000	—	3.0500	2/12/2018	—	—
	6,000,000	—	2.1300	7/21/2021	—	—
	—	14,250,000	3.9500	7/2/2025	—	—
Dara F. Altman ⁽⁴⁾	1,875,000	—	1.6400	8/23/2021	—	—
	—	5,100,962	3.8700	6/19/2025	—	—
	—	—	—	—	355,297	1,446,059
James A. Cady ⁽⁵⁾	235,797	707,389	3.5500	2/3/2024	—	—
	89,565	268,695	3.3699	8/5/2024	—	—
	—	1,862,623	3.9500	7/29/2025	—	—
	—	—	—	—	154,407	628,436
Joseph A. Verbrugge ⁽⁶⁾	—	187,500	2.4800	8/14/2022	—	—
	217,160	217,160	3.6100	8/19/2023	—	—
	179,125	537,375	3.3699	8/5/2024	—	—
	—	958,900	3.9200	8/5/2025	—	—
	—	4,095,724	4.0100	12/11/2025	—	—
	—	—	—	—	478,261	1,946,522

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- (1) Amounts under “Market Value of Shares or Units of Stock that have not Vested” were calculated based on the closing price on NASDAQ of our common stock on December 31, 2015 of \$4.07. The RSUs are valued at (a) the closing price of the stock at December 31, 2015 multiplied by (b) the number of RSUs that have not vested.
- (2) Outstanding equity awards for Mr. Meyer vest as follows: options granted at an exercise price of \$5.49 vested in four equal annual instalments from the date of grant on February 2, 2006; options granted at an exercise price of \$3.65 vested in four equal annual instalments from the date of grant on February 1, 2007; options granted at an exercise price of \$2.82 vested in four equal annual instalments from the date of grant on January 23, 2008; options granted at an exercise price of \$0.6235 vested in four equal annual instalments from the date of grant on August 31, 2009; options granted at an exercise price of \$3.30 vested on October 30, 2015; and options granted at an exercise price of \$3.90 vest on April 30, 2018. The RSUs granted to Mr. Meyer vest on April 30, 2018.
- (3) Outstanding equity awards for Mr. Frear vest as follows: options granted at an exercise price of \$3.65 vested in four equal annual instalments from the date of grant on February 1, 2007; options granted at an exercise price of \$2.82 vested in four equal annual instalments from the date of grant on January 23, 2008; options granted at an exercise price of \$3.05 vested in three equal annual instalments from the date of grant on February 12, 2008; options granted at an exercise price of \$2.13 vested in four equal annual instalments from the date of grant on July 21, 2011; and options granted at an exercise price of \$3.95 vest in three equal instalments on July 2, 2016, July 2, 2017 and May 30, 2018.
- (4) Outstanding equity awards for Ms. Altman vest as follows: options granted at an exercise price of \$1.64 vested in four equal annual instalments from the date of grant on August 23, 2011; and options granted at an exercise price of \$3.87 vest in three equal annual instalments from the date of grant on June 19, 2015. The RSUs granted to Ms. Altman vest in three equal annual instalments from the date of grant on June 19, 2015.
- (5) Outstanding equity awards for Mr. Cady vest as follows: options granted at an exercise price of \$3.55 vest in four equal annual instalments from the date of grant on February 3, 2014; options granted at an exercise price of \$3.3699 vest in four equal annual instalments from the date of grant on August 5, 2014; and options granted at an exercise price of \$3.95 vest in three equal annual instalments from the date of grant on July 29, 2015. The RSUs granted to Mr. Cady vest as follows: 42,194 RSUs vest on July 29, 2016; 9,275 RSUs vest on August 5, 2016; 42,194 RSUs vest on July 31, 2017; 9,275 RSUs vest on August 7, 2017; 42,194 RSUs vest on July 30, 2018; and 9,275 RSUs vest on August 6, 2018.
- (6) Outstanding equity awards for Mr. Verbrugge vest as follows: options granted at an exercise price of \$2.48 vest in four equal instalments from the date of grant on August 14, 2012; options granted at an exercise price of \$3.61 vest in four equal annual instalments from the date of grant on August 19, 2013; options granted at an exercise price of \$3.3699 vest in four equal annual instalments from the date of grant on August 5, 2014; options granted at an exercise price of \$3.92 vest in four equal annual instalments from the date of grant on August 5, 2015; and options granted at an exercise price of \$4.01 vest in three equal annual instalments from the date of grant on December 11, 2015. The RSUs granted to Mr. Verbrugge vest as follows: 38,480 RSUs vest on August 5, 2016; 15,585 RSUs vest on August 19, 2016; 103,907 RSUs vest on December 12, 2016; 38,480 RSUs vest on August 7, 2017; 15,585 RSUs vest on August 21, 2017; 103,907 RSUs vest on December 11, 2017; 38,480 RSUs vest on August 6, 2018; 103,907 RSUs vest on December 11, 2018; and 19,930 RSUs vest on August 5, 2019.

All equity awards vest subject to the named executive officer’s continued employment through the applicable vesting date and are subject to earlier vesting upon certain qualifying terminations of employment. See “Potential Payments or Benefits Upon Termination or Change in Control.”

Option Exercises and Stock Vested in 2015

The following table provides information with respect to option exercises and restricted stock and RSUs that vested during 2015.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$) ⁽¹⁾	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$) ⁽²⁾
James E. Meyer	6,296,246	21,752,271	984,848	4,067,422
David J. Frear	2,000,000	3,780,000	—	—
Dara F. Altman	2,816,400	6,537,719	—	—
James A. Cady	—	—	9,275	36,636
Joseph A. Verbrugge.....	1,045,350	1,986,884	34,135	134,599

(1) Value realized on exercise is the amount equal to the difference between (a) the price on NASDAQ of the stock acquired upon exercise on the exercise date less (b) the exercise price, multiplied by the number of options exercised.

(2) Value realized on vesting is the amount equal to (a) the closing price on NASDAQ on the day prior to the vesting dated multiplied by (b) the number of shares vesting.

Non-Qualified Deferred Compensation

The following table provides information with respect to the nonqualified deferred compensation plan for 2015.

Name	Executive Contributions ⁽¹⁾ \$	Employer Contributions \$	Aggregate Earnings \$	Aggregate Withdrawals/ Distributions \$	Aggregate Balance at Last Year-End \$
James E. Meyer	1,509,041	—	—	—	1,509,041
David J. Frear	613,048	—	—	—	613,048
Dara F. Altman	—	—	—	—	—
James A. Cady	—	—	—	—	—
Joseph A. Verbrugge	180,771	—	—	—	180,771

(1) Employee contributions included in this column are also included in the Summary Compensation Table in the column labelled "Bonus" for 2015.

Participation in the Deferred Compensation Plan is available to certain of our senior officers, including our named executive officers. Eligible employees may defer a portion of their annual base salary and/or annual bonus, as applicable, each plan year. Our named executive officers are eligible to participate on the same terms as other eligible employees. Eligible employees may elect to defer up to (i) 50% of his or her cash-paid base salary; and (ii) 75% of his or her annual cash bonus. We may elect to make additional contributions beyond amounts deferred by participants, but we are under no obligation to do so. At the time of making a deferral election, participants designate the time and form of the distribution of deferrals to be made for the year to which that election relates. Distributions may occur earlier upon a change in control or a termination of employment, subject to certain conditions provided for under the Deferred Compensation Plan and Section 409A of the Internal Revenue Code. Participants have the opportunity to designate the investment funds to which the deferred amounts are to be credited. All investment gains and losses in a participant's account under the Deferred Compensation Plan are entirely based upon the investment selections made by the participant. We have established a grantor (or "rabbi") trust to facilitate payment of our obligations under the Deferred Compensation Plan.

Potential Payments or Benefits Upon Termination or Change in Control

Employment Agreements

We have entered into employment agreements with each of our named executive officers that contain provisions regarding payments or benefits upon a termination of employment. We do not have any provisions in any of our employment agreements for the named executive officers that provide for any payments solely in the event of a change in control.

None of the employment agreements with our named executive officers provides for a so-called “golden parachute” excise tax gross up. Each of the employment agreements with our executive officers includes a compensation clawback provision, pursuant to which any incentive-based or other compensation paid to an executive officer by us or any of our affiliates is subject to deductions and clawback as required by applicable law, regulation or stock exchange listing requirement.

James E. Meyer

In August 2015, we entered into a new employment agreement with Mr. Meyer to continue to serve as our Chief Executive Officer through April 30, 2018. The employment agreement provides for an increase in Mr. Meyer’s base salary from \$1,550,000 to \$1,800,000, subject to increases approved by the Compensation Committee, and obligates us to offer Mr. Meyer a three-year consulting agreement upon the expiration of his employment agreement on April 30, 2018. Mr. Meyer is also entitled to participate in any bonus plans generally offered to our executive officers, with an annual target bonus opportunity of 250% of his annual base salary.

If Mr. Meyer’s employment is terminated by us without “cause” or he terminates his employment for “good reason” (each as described in his employment agreement), then, subject to his execution of a release of claims and his compliance with certain restrictive covenants, we are obligated to (i) continue his health benefits for eighteen months and his life insurance benefits for one year, (ii) pay him a lump sum equal to his annual base salary plus the amount of \$6,600,000, as consideration for a loss of three-year consulting agreement, and (iii) pay him a lump sum equal to the greater of (x) a bonus equal to 60% of his then annual base salary or (y) the prior year’s bonus actually paid to him. We are also obligated to pay Mr. Meyer any earned but unpaid bonus for the year prior to the year of his termination, and a prorated bonus for the year in which his employment is terminated. Further, Mr. Meyer’s equity awards are subject to accelerated vesting.

David J. Frear

In July 2015, we entered into a new employment agreement with David J. Frear to continue to serve as our Senior Executive Vice President and Chief Financial Officer through May 31, 2018. The employment agreement provides for an annual base salary of \$1,200,000, subject to increases approved by the Compensation Committee. Mr. Frear is also entitled to participate in any bonus plans generally offered to our executive officers.

If Mr. Frear’s employment is terminated by us without “cause” or he terminates his employment for “good reason” (each as described in his employment agreement), subject to his execution of a release of claims, we are obligated to pay him a lump sum equal to his annual salary as of the date of the termination and the cash value of the bonus last paid or payable to him in respect of the preceding calendar year and to continue his health and life insurance benefits for one year. Further, Mr. Frear’s equity awards are subject to accelerated vesting.

Dara F. Altman

In June 2015, we entered into a new employment agreement with Dara F. Altman to continue to serve as our Executive Vice President and Chief Administrative Officer through June 18, 2018. The agreement provides for an annual base salary of \$600,000, subject to increases approved by the Compensation Committee. Ms. Altman is also entitled to participate in any bonus plans generally offered to our executive officers.

If Ms. Altman's employment is terminated by us without "cause" or she terminates her employment for "good reason" (each as described in her employment agreement), subject to an execution of a release of claims, we are obligated to pay her a lump sum payment equal to her then annual base salary and the cash value of the bonus last paid or payable to her in respect of the preceding calendar year and to continue her health insurance benefits for eighteen months and her life insurance benefits for one year. Further, Ms. Altman's equity awards are subject to accelerated vesting.

James A. Cady

In June 2015, we entered into an employment agreement with James A. Cady to serve as our Executive Vice President, Operations, Products and Connected Vehicle, with an annual base salary of \$600,000, subject to increases approved by the Compensation Committee. Mr. Cady is also entitled to participate in any bonus plans generally offered to our executive officers, with an annual target bonus opportunity of 150% of his annual base salary.

In February 2016, we entered into an amendment to Mr. Cady's employment agreement. This amendment: increased his entitlement to severance from six months to twelve months of base salary; and extended our obligation to provide health benefits after termination from six months to twelve months. In addition, this amendment required us to pay him an amount equal to the bonus last paid to him in respect of the calendar year immediately preceding the calendar year in which a qualifying termination occurs. In consideration for this amendment, Mr. Cady extended the length of time that he is subject to the restrictive covenants in his employment agreement from six months to twelve months.

As a result, in the event Mr. Cady's employment is terminated by us without "cause" or he terminates his employment for "good reason" (each as described in his employment agreement), subject to his execution of a release of claims, we are obligated to pay him for one year his annual base salary and an amount equal to the bonus last paid to him in respect of the calendar year immediately preceding the calendar year in which the termination occurs, and to continue his health insurance benefits for one year. Further, Mr. Cady's equity awards are subject to accelerated vesting.

Joseph A. Verbrugge

In December 2015, we entered into a new employment agreement with Joseph A. Verbrugge to serve as our Executive Vice President, Sales and Development, with an annual base salary of \$500,000, subject to increases approved by the Compensation Committee. Mr. Verbrugge is also entitled to participate in any bonus plans generally offered to our executive officers.

In the event Mr. Verbrugge's employment is terminated by us without "cause" or he terminates his employment for "good reason" (each as described in his employment agreement), subject to his execution of a release of claims, we are obligated to pay him for one year his annual base salary and an amount equal to the bonus last paid to him in respect of the calendar year immediately preceding the calendar year in which the termination occurs and to continue his health insurance benefits for one year. Further, Mr. Verbrugge's equity awards are subject to accelerated vesting.

2003 Long-Term Stock Incentive Plan

Messrs. Meyer and Frear also have outstanding options as of December 31, 2015 that were granted under our 2003 Long-Term Stock Incentive Plan. Under the 2003 Long-Term Stock Incentive Plan, the outstanding equity awards granted to these named executive officers are subject to potential accelerated vesting upon a change of control. All of the outstanding options granted under the 2003 plan were vested as of December 31, 2015, and, therefore, are not included in the table of potential payments and benefits below.

2009 Sirius XM Radio Inc. Long-Term Stock Incentive Plan and 2015 Sirius XM Holdings Inc. Long-Term Stock Incentive Plan

All of our named executive officers had outstanding equity awards as of December 31, 2015 that were granted under the 2009 Sirius XM Radio Inc. Long-Term Stock Incentive Plan and the

2015 Sirius XM Holdings Inc. Long-Term Stock Incentive Plan. Under the terms of these Plans, the outstanding unvested equity awards granted to the named executive officers are subject to potential accelerated vesting upon termination without “cause” by the company or termination by the executive for “good reason” during a two year period following a “change of control” (each as defined in the Plans), to the extent outstanding awards granted under these Plans are either assumed, converted or replaced by the resulting entity in the event of a change of control.

Potential Payments and Benefits

The following table describes the potential payments and benefits under the named executive officers’ agreements and our stock incentive plans to which they would have been entitled if a termination of employment or change in control had occurred as of December 31, 2015:

<u>Name</u>	<u>Triggering Event</u>	<u>Severance Payment⁽¹⁾ (\$)</u>	<u>Accelerated Equity Vesting⁽²⁾ (\$)</u>	<u>Continuation of Insurance Benefits (\$)⁽³⁾</u>	<u>Total (\$)</u>
James E. Meyer ⁽⁴⁾	Termination due to death or disability	6,600,000	12,693,382	—	19,293,382
	Termination without cause or for good reason	14,400,000	12,693,382	28,072	27,121,454
	Termination without cause or for good reason following a change in control	14,400,000	12,693,382	28,072	27,121,454
David J. Frear	Termination due to death or disability	—	1,710,000	—	1,710,000
	Termination without cause or for good reason	2,800,000	1,710,000	27,395	4,537,395
	Termination without cause or for good reason following a change in control	2,800,000	1,710,000	27,395	4,537,395
Dara F. Altman	Termination due to death or disability	—	2,466,251	—	2,466,251
	Termination without cause or for good reason	1,650,000	2,466,251	40,612	4,156,863
	Termination without cause or for good reason following a change in control	1,650,000	2,466,251	40,612	4,156,863
James A. Cady ⁽⁵⁾	Termination due to death or disability	—	738,704	—	738,704
	Termination without cause or for good reason	300,000	738,704	9,104	1,047,808
	Termination without cause or for good reason following change-in-control	300,000	1,407,907	9,104	1,717,011
Joseph A. Verbrugge	Termination due to death or disability	—	1,514,448	—	1,514,448
	Termination without cause or for good reason	925,000	1,514,448	26,568	2,466,016
	Termination without cause or for good reason following a change in control	925,000	3,110,336	26,568	4,061,904

(1) Any severance payments dues to Messrs. Meyer and Frear and Ms. Altman are required to be paid in a lump sum. The employment agreements with Messrs. Cady and Verbrugge require us to pay any severance in the form of salary continuation and to pay any amounts due on account of their bonus on the date that bonuses are customarily paid to other employees.

(2) Amounts were calculated based on the closing price on NASDAQ of our common stock on December 31, 2015 of \$4.07. The accelerated vesting of options is valued at (a) the difference between the closing price and the exercise price of the options multiplied by (b) the number of shares of common stock underlying the options. The accelerated vesting of RSUs is valued at the closing price multiplied by the number of shares of RSUs.

(3) Assumes that health benefits would be continued under COBRA for eighteen months for Mr. Meyer and Ms. Altman, twelve months for Messrs. Frear and Verbrugge and six months for Mr. Cady.

(4) Mr. Meyer is also eligible to receive a prorated bonus for the year in which his employment is terminated. Payment is based on actual performance for such year and payable at such time as

the bonuses for such year are paid to other senior executives of the Company. This potential payment is not determinable and is not reflected in the table above.

- ⁽⁵⁾ The amounts do not give effect to the February 2016 amendment to Mr. Cady's employment agreement which is described under "Potential Payments or Benefits Upon Termination or Change in Control—Employment Agreements—James A. Cady."

ITEM 2—RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

The Audit Committee is directly responsible for the appointment, compensation (including approval of the audit fee), retention and oversight of the independent registered public accounting firm that audits our financial statements and our internal control over financial reporting. In addition, the Audit Committee assists the board of directors in its oversight of:

- The integrity of our financial statements and our accounting and financial reporting processes and systems of internal control over financial reporting;
- Our compliance with legal and regulatory requirements;
- Our independent auditors' qualifications, independence and performance;
- The performance of our internal audit function; and
- Our assessment of risks and risk management guidelines and policies.

The Audit Committee is composed solely of independent directors meeting the requirements of applicable SEC and NASDAQ rules. Each member is financially literate for audit committee purposes under the NASDAQ rules. The key responsibilities of the Audit Committee are set forth in its charter, which was adopted by us and approved by the board of directors and is posted under "Corporate Governance" in the Investor Relations section of our website at www.siriusxm.com.

The Audit Committee has selected KPMG LLP ("KPMG") as our independent registered public accountants for 2016. KPMG has served as our independent registered public accountants since 2008. The Audit Committee regularly reviews KPMG's independence and performance in deciding whether to retain KPMG or engage another firm as our independent registered public accountants. In the course of these reviews, the Audit Committee considers, among other things:

- KPMG's historical and recent performance on our audit;
- KPMG's capability and expertise in handling the breadth and complexity of our operations;
- KPMG's known legal risks and any significant legal or regulatory proceedings in which it is involved;
- data on audit quality and performance, including recent Public Company Accounting Oversight Board reports on KPMG and its peer firms;
- the appropriateness of KPMG's fees for audit and non-audit services, on both an absolute basis and as compared to its peer firms;
- KPMG's independence; and
- KPMG's tenure as our independent registered public accountants, including the benefits of having an independent registered public accountant that is familiar with us, and the controls and processes that help ensure KPMG's independence.

In accordance with SEC rules and KPMG policies, audit partners are subject to rotation requirements to limit the number of consecutive years an individual partner may provide service to us. For lead and concurring audit partners, the maximum number of consecutive years of service in that capacity is five years. The process for selection of our lead audit partner pursuant to this rotation policy involves a meeting between the Chair of the Audit Committee and the candidate for the role, as well as discussion by the full Audit Committee and with management.

The Audit Committee and the board of directors believe that the continued retention of KPMG as our independent registered public accounting firm is in the best interest of our stockholders, and we are asking stockholders to ratify the selection of KPMG as our independent registered public accounting firm for 2016. Although ratification is not required by our By-laws, applicable law or otherwise, the board of directors is submitting the selection of KPMG to stockholders for ratification because we value our stockholders' views on our independent registered public accounting firm and as a matter of good corporate practice. In the event that our stockholders do not ratify the selection, it will be considered a recommendation to the board of directors and the Audit Committee to consider the selection of a different firm. Even if the selection is ratified, the Audit Committee

may in its discretion select a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of the Company and its stockholders. Representatives of KPMG are expected to be present at the annual meeting to answer questions. They also will have the opportunity to make a statement if they desire to do so.

The board of directors recommends a vote “FOR” the ratification of KPMG LLP as our independent registered public accountants for 2016.

Principal Accountant Fees and Services

The following table sets forth the fees billed to us by KPMG as of and for the years ended December 31, 2015 and 2014:

	For the Years Ended December 31,	
	2015	2014
Audit fees ⁽¹⁾	\$1,972,700	\$1,914,308
Audit-related fees ⁽²⁾	189,750	89,000
Tax fees ⁽³⁾	—	1,435
All other fees ⁽⁴⁾	—	—
	<u>\$2,162,450</u>	<u>\$2,004,743</u>

(1) Audit fees consists of fees for services related to the financial statement audit, quarterly reviews, audit of internal control over financial reporting, accounting consultations with KPMG’s National Office, comfort letters, audit services that are normally provided by independent auditors in connection with regulatory filings or engagements, and statutory audits. The amount also includes reimbursement for direct out-of-pocket travel and other sundry expenses.

(2) Audit-related fees related to audits of employee benefit plans, internal control compliance, and other attestation services required by contract.

(3) Tax services consist of services relating to state and local tax compliance services.

(4) All other services are fees for any products or service not included in the first three categories.

Pre-Approval Policy for Services of Independent Auditor

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

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

- The Audit Committee pre-approves each proposed engagement to provide services not previously included in the approved list of audit and non-audit services and for fees in excess of amounts previously pre-approved.

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

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

Who is the Audit Committee’s financial expert?

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

REPORT OF THE AUDIT COMMITTEE

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

In this context, the Audit Committee has met and held discussions with management and the independent registered public accounting firm regarding the fair and complete presentation of our results and the assessment of our internal control over financial reporting. The Audit Committee has discussed significant accounting policies applied by us in our financial statements, as well as, when applicable, alternative accounting treatments. Management has represented to the Audit Committee that our consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America, and the Audit Committee has reviewed and discussed the consolidated financial statements with management and KPMG.

The Audit Committee also reviewed and discussed our compliance with Section 404 of the Sarbanes-Oxley Act of 2002. In this regard, the Audit Committee reviewed and discussed, with management and our independent registered public accounting firm, management’s annual report on the effectiveness of internal control over financial reporting as of December 31, 2015 and KPMG’s related attestation report.

The Audit Committee has discussed with KPMG the matters that are required to be discussed under PCAOB standards. The Audit Committee discussed with KPMG matters required to be discussed by Auditing Standard No. 16, Communications with Audit Committees, as adopted by the PCAOB, and Rule 2-07, Communication with Audit Committees, of Regulation S-X. The Audit Committee has concluded that KPMG’s provision of audit and non-audit services to us and our affiliates is compatible with KPMG’s independence.

At each regularly scheduled meeting, the Audit Committee met and held discussions with management, our internal auditors and KPMG. Prior to their issuance, the Audit Committee reviewed and discussed our quarterly and annual consolidated financial statements (including the presentation of non-GAAP financial information) and disclosures under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” (including significant accounting policies and judgments) with management, our internal auditors and KPMG. The Audit Committee also reviewed our policies and practices with respect to financial risk assessment, as well as

processes and practices with respect to enterprise risk assessment and management, including discussions of individual risk areas, as well as an annual summary of the overall process.

The Audit Committee discussed with KPMG the overall scope and plans for their audit and approved the terms of their engagement letter. The Audit Committee has also discussed with our Senior Vice President, Internal Audit, the overall scope of and plans for our internal audits. The Audit Committee met with KPMG and with our internal auditors, in each case, with and without other members of management present, to discuss the results of their respective examinations, the evaluations of our internal controls and the overall quality and integrity of our financial reporting. Additionally, the Audit Committee reviewed the performance, responsibilities, budget and staffing of our internal audit department. The Audit Committee also has established, and overseen compliance with, procedures for our receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters and our employees' confidential and anonymous submissions of concerns regarding questionable accounting or auditing matters.

The Audit Committee discussed with KPMG their independence from the Company and our management, including the matters, if any, in the written disclosures delivered pursuant to the applicable requirements of the PCAOB. The Audit Committee also reviewed our hiring policies and practices with respect to current and former employees of the independent registered public accounting firm. The Audit Committee preapproved, in accordance with its preapproval policy described above, all services provided by the independent registered public accounting firm and considered whether the provision of such services to us is compatible with maintaining their independence.

Based on the reviews and discussions referred to above, the Audit Committee recommended to the board of directors, and the board approved, that the audited consolidated financial statements be included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015 filed with the SEC.

This report is provided by the following independent directors, who comprise the Audit Committee:

JOAN L. AMBLE, Chairwoman
EDDY W. HARTENSTEIN
VANESSA A. WITTMAN

OTHER MATTERS

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

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON MAY 24, 2016

This proxy statement and our annual report for the fiscal year ended December 31, 2015 are available for you to view online at <http://www.envisionreports.com/SIRI>.

By Order of the Board of Directors,



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

New York, New York
April 8, 2016

We make available, free of charge on our website, all of our filings that are made electronically with the SEC, including Forms 10-K, 10-Q and 8-K. To access these filings, go to our website, www.siriusxm.com, and click on “Reports & Filings” and then on “SEC Filings” under the “Investor Relations” heading. Copies of our Annual Report on Form 10-K for the fiscal year ended December 31, 2015, including financial statements and schedules thereto, are also available without charge to stockholders upon written request addressed to:

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



2015 ANNUAL REPORT

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

Sirius XM Holdings Inc.

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

Special Note About Forward-Looking Statements

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

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

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

Executive Summary

We transmit music, sports, entertainment, comedy, talk, news, traffic and weather channels, as well as infotainment services, in the United States on a subscription fee basis through our two proprietary satellite radio systems. Subscribers can also receive music and other channels, plus features such as SiriusXM On Demand and MySXM, over our Internet radio service, including through applications for mobile devices. We are also a leader in providing connected vehicle services. Our connected vehicle services are designed to enhance the safety, security and driving experience for vehicle operators while providing marketing and operational benefits to automakers and their dealers.

We have agreements with every major automaker (“OEMs”) to offer satellite radios in their vehicles. We also acquire subscribers through marketing to owners and lessees of previously owned vehicles that include factory-installed satellite radios that are not currently subscribing to our services. Additionally, we distribute our satellite radios through retailers online and at locations nationwide and through our website. Satellite radio services are also offered to customers of certain rental car companies.

As of December 31, 2015, we had approximately 29.6 million subscribers of which approximately 24.3 million were self-pay subscribers and approximately 5.3 million were paid promotional subscribers. Our subscriber totals include subscribers under our regular pricing plans; discounted pricing plans; subscribers that have prepaid, including payments either made or due

from automakers for subscriptions included in the sale or lease price of a vehicle; subscribers to our Internet services who do not also have satellite radio subscriptions; and certain subscribers to our weather, traffic, and data services who do not also have satellite radio subscriptions. Subscribers and subscription related revenues and expenses associated with our connected vehicle services are not included in our subscriber count or subscriber-based operating metrics.

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

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

Liberty Media beneficially owns, directly and indirectly, over 50% of the outstanding shares of our common stock. As a result, we are a "controlled company" for the purposes of the NASDAQ corporate governance requirements. Liberty Media owns interests in a range of media, communications and entertainment businesses.

We also have an approximate 37% equity interest in Sirius XM Canada which offers satellite radio services in Canada. Subscribers to the Sirius XM Canada service are not included in our subscriber count.

Results of Operations

Set forth below are our results of operations for the year ended December 31, 2015 compared with the year ended December 31, 2014 and the year ended December 31, 2014 compared with the year ended December 31, 2013.

	For the Years Ended December 31,			2015 vs 2014 Change		2014 vs 2013 Change	
	2015	2014	2013	Amount	%	Amount	%
Revenue:							
Subscriber revenue.....	\$3,824,793	\$3,554,302	\$3,284,660	\$270,491	8%	\$269,642	8%
Advertising revenue.....	122,292	100,982	89,288	21,310	21%	11,694	13%
Equipment revenue.....	110,923	104,661	80,573	6,262	6%	24,088	30%
Other revenue.....	512,050	421,150	344,574	90,900	22%	76,576	22%
Total revenue.....	4,570,058	4,181,095	3,799,095	388,963	9%	382,000	10%
Operating expenses:							
Cost of services:							
Revenue share and royalties.....	1,034,832	810,028	677,642	224,804	28%	132,386	20%
Programming and content	293,091	297,313	290,323	(4,222)	(1)%	6,990	2%
Customer service and billing.....	377,908	370,585	320,755	7,323	2%	49,830	16%
Satellite and transmission.	94,609	86,013	79,292	8,596	10%	6,721	8%
Cost of equipment.....	42,724	44,397	26,478	(1,673)	(4)%	17,919	68%
Subscriber acquisition costs.....	532,599	493,464	495,610	39,135	8%	(2,146)	0%
Sales and marketing.....	354,189	336,480	291,024	17,709	5%	45,456	16%

	For the Years Ended December 31,			2015 vs 2014 Change		2014 vs 2013 Change	
	2015	2014	2013	Amount	%	Amount	%
Engineering, design and development	\$ 64,403	\$ 62,784	\$ 57,969	\$ 1,619	3%	\$ 4,815	8%
General and administrative	324,801	293,938	262,135	30,863	10%	31,803	12%
Depreciation and amortization	272,214	266,423	253,314	5,791	2%	13,109	5%
Total operating expenses	<u>3,391,370</u>	<u>3,061,425</u>	<u>2,754,542</u>	<u>329,945</u>	11%	<u>306,883</u>	11%
Income from operations	1,178,688	1,119,670	1,044,553	59,018	5%	75,117	7%
Other income (expense):							
Interest expense, net of amounts capitalized	(299,103)	(269,010)	(204,671)	(30,093)	(11)%	(64,339)	(31)%
Loss on extinguishment of debt and credit facilities, net	—	—	(190,577)	—	0%	190,577	100%
Loss on change in value of derivatives	—	(34,485)	(20,393)	34,485	100%	(14,092)	(69)%
Other income	12,379	14,611	8,180	(2,232)	(15)%	6,431	79%
Total other expense	<u>(286,724)</u>	<u>(288,884)</u>	<u>(407,461)</u>	<u>2,160</u>	1%	<u>118,577</u>	29%
Income before income taxes	891,964	830,786	637,092	61,178	7%	193,694	30%
Income tax expense	<u>(382,240)</u>	<u>(337,545)</u>	<u>(259,877)</u>	<u>(44,695)</u>	(13)%	<u>(77,668)</u>	(30)%
Net income	<u>\$ 509,724</u>	<u>\$ 493,241</u>	<u>\$ 377,215</u>	<u>\$ 16,483</u>	3%	<u>\$116,026</u>	31%

Our results of operations discussed below include the impact of purchase price accounting adjustments associated with the July 2008 merger between our wholly owned subsidiary, Vernon Merger Corporation, and XM Satellite Radio Holdings Inc. (the "Merger"). The purchase price accounting adjustments related to the Merger, include the: (i) 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. The deferred credits on executory contracts attributable to third party arrangements with an OEM included in revenue share and royalties, subscriber acquisition costs, and sales and marketing concluded with the expiration of the acquired contract during 2013. The purchase price accounting adjustments related to programming providers concluded with the expiration of the acquired contract in June 2015. The impact of these purchase price accounting adjustments is detailed in our Adjusted Revenues and Operating Expenses tables on pages 20 through 21 of our glossary.

Total Revenue

Subscriber Revenue includes subscription, activation and other fees.

- **2015 vs. 2014:** For the years ended December 31, 2015 and 2014, subscriber revenue was \$3,824,793 and \$3,554,302, respectively, an increase of 8%, or \$270,491. The increase was primarily attributable to an 8% increase in the daily weighted average number of subscribers and increases in certain of our self-pay subscription rates, partially offset by subscription discounts and limited channel plans offered in customer acquisition and retention programs.
- **2014 vs. 2013:** For the years ended December 31, 2014 and 2013, subscriber revenue was \$3,554,302 and \$3,284,660, respectively, an increase of 8%, or \$269,642. The increase was primarily attributable to a 6% increase in the daily weighted average number of subscribers, the inclusion of a full year of subscription revenue generated by our connected vehicle business and the increase in certain of our subscription rates beginning in January 2014. These increases were partially offset by subscription discounts and limited channel plans offered in customer acquisition and retention programs, a change in an agreement with an automaker and a rental car company, and an increasing number of lifetime subscription plans that had reached full revenue recognition.

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

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

- *2015 vs. 2014:* For the years ended December 31, 2015 and 2014, advertising revenue was \$122,292 and \$100,982, respectively, an increase of 21%, or \$21,310. The increase was primarily due to a greater number of advertising spots sold and transmitted as well as increases in rates charged per spot.
- *2014 vs. 2013:* For the years ended December 31, 2014 and 2013, advertising revenue was \$100,982 and \$89,288, respectively, an increase of 13%, or \$11,694. The increase was primarily due to a greater number of advertising spots sold and transmitted, as well as increases in rates charged per spot.

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

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

- *2015 vs. 2014:* For the years ended December 31, 2015 and 2014, equipment revenue was \$110,923 and \$104,661, respectively, an increase of 6%, or \$6,262. The increase was driven by royalties from higher OEM production and sales to distributors, partially offset by lower direct to consumer sales.
- *2014 vs. 2013:* For the years ended December 31, 2014 and 2013, equipment revenue was \$104,661 and \$80,573, respectively, an increase of 30%, or \$24,088. The increase was driven by higher sales to distributors and royalties from OEM production, partially offset by lower per unit revenue on direct to consumer sales.

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 of equipment sales in our aftermarket and direct to consumer business.

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

- *2015 vs. 2014:* For the years ended December 31, 2015 and 2014, other revenue was \$512,050 and \$421,150, respectively, an increase of 22%, or \$90,900. The increase was driven by revenues from the U.S. Music Royalty Fee as the number of subscribers subject to the 13.9% rate increased along with an overall increase in subscribers, higher revenue generated from our connected vehicle business, and increased revenue from our Canadian affiliate.
- *2014 vs. 2013:* For the years ended December 31, 2014 and 2013, other revenue was \$421,150 and \$344,574, respectively, an increase of 22%, or \$76,576. The increase was driven by revenues from the U.S. Music Royalty Fee as the number of subscribers subject to the 12.5% rate increased along with an overall increase in subscribers, by a change in an agreement with a rental car company and the inclusion of a full year of revenue generated by our connected vehicle business.

We expect other revenue to increase as our growing subscriber base drives higher U.S. Music Royalty Fees.

Operating Expenses

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

- *2015 vs. 2014:* For the years ended December 31, 2015 and 2014, revenue share and royalties were \$1,034,832 and \$810,028, respectively, an increase of 28%, or \$224,804, and increased as a percentage of total revenue. The increase was primarily due to \$128,256 in expense recorded during the year ended December 31, 2015 related to our settlements

associated with our use of certain pre-1972 sound recordings through December 31, 2015. Revenue share and royalties also increased due to greater revenues subject to royalty and revenue sharing arrangements and a 5.3% increase in the statutory royalty rate for the performance of post-1972 sound recordings.

- *2014 vs. 2013:* For the years ended December 31, 2014 and 2013, revenue share and royalties were \$810,028 and \$677,642, respectively, an increase of 20%, or \$132,386, and increased as a percentage of total revenue. The increase was primarily attributable to the elimination of the benefit to earnings from the amortization of deferred credits on executory contracts initially recognized in purchase price accounting associated with the Merger, greater revenues subject to royalty and/or revenue sharing arrangements, and a 5.6% increase in the statutory royalty rate for the performance of post-1972 sound recordings. For the year ended December 31, 2013, revenue share and royalties was positively impacted by a benefit of \$122,534 to earnings from the amortization of deferred credits on executory contracts associated with the Merger.

We expect our revenue share and royalty costs to increase as a result of the Capitol Records settlement and as our revenues grow and our post-1972 royalty rates increase. We expect to recognize \$83,250 in expense related to the Capitol Records settlement for the use of pre-1972 sound recordings for 2016 through 2017. As determined by the Copyright Royalty Board, we have paid or will pay royalties for the use of certain post-1972 sound recordings on our satellite radio service of 9.0%, 9.5%, 10.0%, 10.5% and 11% in 2013, 2014, 2015, 2016 and 2017, respectively.

Programming and Content includes costs to acquire, create, promote and produce content. We have entered into various agreements with third parties for music and non-music programming that require us to pay license fees and other amounts.

- *2015 vs. 2014:* For the years ended December 31, 2015 and 2014, programming and content expenses were \$293,091 and \$297,313, respectively, a decrease of 1%, or \$4,222, and decreased as a percentage of total revenue. The decrease was primarily due to the termination of certain programming agreements, partially offset by the addition of new programming arrangements and personnel-related costs.
- *2014 vs. 2013:* For the years ended December 31, 2014 and 2013, programming and content expenses were \$297,313 and \$290,323, respectively, an increase of 2%, or \$6,990, but decreased as a percentage of total revenue. The increase was primarily due to higher personnel costs, the reduction in the benefit to earnings from the purchase price accounting adjustments associated with the Merger and the early termination of certain programming agreements, partially offset by the renewal of certain licensing agreements at more cost effective terms.

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

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

- *2015 vs. 2014:* For the years ended December 31, 2015 and 2014, customer service and billing expenses were \$377,908 and \$370,585, respectively, an increase of 2%, or \$7,323, but decreased as a percentage of total revenue. The increase was primarily due to a higher subscriber base driving increased transaction fees, bad debt expense and personnel related costs, partially offset by efficiencies achieved from management's strategic initiatives implemented at our call centers operated by our vendors.
- *2014 vs. 2013:* For the years ended December 31, 2014 and 2013, customer service and billing expenses were \$370,585 and \$320,755, respectively, an increase of 16%, or \$49,830, but increased as a percentage of total revenue. The increase was primarily due to the inclusion of a full year of costs associated with our connected vehicle services business, higher subscriber volume driving increased subscriber contacts and 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 terrestrial repeater networks; satellites; satellite telemetry, tracking and control systems; satellite uplink facilities; studios; and delivery of our Internet streaming service.

- *2015 vs. 2014:* For the years ended December 31, 2015 and 2014, satellite and transmission expenses were \$94,609 and \$86,013, respectively, an increase of 10%, or \$8,596, and remained flat as a percentage of total revenue. The increase was primarily due to the loss on disposal of certain obsolete terrestrial repeaters and related parts of \$7,384, and higher costs associated with our Internet streaming operations, partially offset by lower satellite insurance costs.
- *2014 vs. 2013:* For the years ended December 31, 2014 and 2013, satellite and transmission expenses were \$86,013 and \$79,292, respectively, an increase of 8%, or \$6,721, and remained flat as a percentage of total revenue. The increase was primarily due to increased personnel costs, costs associated with our Internet streaming operations, satellite insurance expense, and terrestrial repeater network costs.

We expect satellite and transmission expenses, excluding losses from disposal of assets, to remain relatively unchanged as decreases in Internet streaming costs are offset by increases in terrestrial repeater network costs.

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.

- *2015 vs. 2014:* For the years ended December 31, 2015 and 2014, cost of equipment was \$42,724 and \$44,397, respectively, a decrease of 4%, or \$1,673, and decreased as a percentage of equipment revenue. The decrease was primarily due to lower direct to consumer sales, partially offset by higher sales to distributors.
- *2014 vs. 2013:* For the years ended December 31, 2014 and 2013, cost of equipment was \$44,397 and \$26,478, respectively, an increase of 68%, or \$17,919, and increased as a percentage of equipment revenue. The increase was primarily due to higher sales to distributors, partially offset by lower costs per unit on direct to consumer sales.

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

Subscriber Acquisition Costs include hardware subsidies paid to radio manufacturers, distributors and automakers; subsidies paid for chipsets and certain other components used in manufacturing radios; device royalties for certain radios and chipsets; commissions paid to automakers and retailers; product warranty obligations; freight; and provisions for inventory allowances attributable to inventory consumed in our OEM and retail distribution channels. The majority of subscriber acquisition costs are incurred and expensed in advance of, or concurrent with, acquiring a subscriber. Subscriber acquisition costs do not include advertising costs, marketing, loyalty payments to distributors and dealers of satellite radios or revenue share payments to automakers and retailers of satellite radios.

- *2015 vs. 2014:* For the years ended December 31, 2015 and 2014, subscriber acquisition costs were \$532,599 and \$493,464, respectively, an increase of 8%, or \$39,135, and remained flat as a percentage of total revenue. Increased costs related to a larger number of satellite radio installations in new vehicles were partially offset by improved OEM and chipset subsidy rates per vehicle.
- *2014 vs. 2013:* For the years ended December 31, 2014 and 2013, subscriber acquisition costs were \$493,464 and \$495,610, respectively, a decrease of less than 1%, or \$2,146, and decreased as a percentage of total revenue. Improved OEM subsidy rates per vehicle and a change in a contract with an automaker decreased subscriber acquisition costs. The decrease was partially offset by the elimination of the benefit to earnings in 2014 from the amortization of deferred credits on executory contracts initially recognized in purchase price accounting associated with the Merger and increased subsidy costs related to a larger number of satellite radio installations in new vehicles. For the year ended December 31, 2013, the benefit to earnings from amortization of deferred credits was \$64,365.

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

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

- *2015 vs. 2014:* For the years ended December 31, 2015 and 2014, sales and marketing expenses were \$354,189 and \$336,480, respectively, an increase of 5%, or \$17,709, but decreased as a percentage of total revenue. The increase was primarily due to additional subscriber communications and retention programs associated with a greater number of subscribers and promotional trials and higher personnel-related costs.
- *2014 vs. 2013:* For the years ended December 31, 2014 and 2013, sales and marketing expenses were \$336,480 and \$291,024, respectively, an increase of 16%, or \$45,456, 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, the inclusion of a full year of costs associated with our connected vehicle services business, increased personnel costs, and the elimination of the benefit to earnings in 2014 from the amortization of the deferred credit for acquired executory contracts recognized in purchase price accounting associated with the Merger; partially offset by lower loyalty costs due to a change in a contract with an automaker. The benefit to earnings from the amortization of the deferred credit for acquired executory contracts for the year ended December 31, 2013 was \$12,922.

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

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

- *2015 vs. 2014:* For the years ended December 31, 2015 and 2014, engineering, design and development expenses were \$64,403 and \$62,784, respectively, an increase of 3%, or \$1,619, and remained flat as a percentage of total revenue. The increase was driven primarily by additional costs associated with streaming development, partially offset by lower personnel costs.
- *2014 vs. 2013:* For the years ended December 31, 2014 and 2013, engineering, design and development expenses were \$62,784 and \$57,969, respectively, an increase of 8%, or \$4,815, and remained flat as a percentage of total revenue. The increase was driven primarily by the inclusion of a full year of costs associated with our connected vehicle services business and higher personnel costs.

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

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

- *2015 vs. 2014:* For the years ended December 31, 2015 and 2014, general and administrative expenses were \$324,801 and \$293,938, respectively, an increase of 10%, or \$30,863, and remained flat as a percentage of total revenue. The increase was driven primarily by higher personnel costs, reserves for consumer legal settlements and facilities costs, partially offset by insurance recoveries and lower professional fees related to the proposal made in January 2014 by Liberty Media to acquire the balance of our common stock not already owned by it.
- *2014 vs. 2013:* For the years ended December 31, 2014 and 2013, general and administrative expenses were \$293,938 and \$262,135, respectively, an increase of 12%, or

\$31,803, and remained flat as a percentage of total revenue. The increase was primarily driven by the inclusion of a full year of costs associated with our connected vehicle services business, as well as higher legal, personnel and facilities costs.

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

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

- *2015 vs. 2014:* For the years ended December 31, 2015 and 2014, depreciation and amortization expense was \$272,214 and \$266,423, respectively, an increase of 2%, or \$5,791, but decreased as a percentage of total revenue. The increase was driven by additional software placed in-service, partially offset by a reduction of amortization associated with the stepped-up basis in assets acquired in the Merger (including intangible assets, property and equipment) through the end of their estimated service lives and certain satellites reaching the end of their estimated service lives.
- *2014 vs. 2013:* For the years ended December 31, 2014 and 2013, depreciation and amortization expense was \$266,423 and \$253,314, respectively, an increase of 5%, or \$13,109, but decreased as a percentage of total revenue. Depreciation and amortization expense increased as a result of the inclusion of costs associated with our connected vehicle services business and additional assets placed in-service, including our FM-6 satellite which was placed in-service in late 2013. The increase was offset by a reduction of 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 useful lives and certain satellites reaching the end of their estimated useful lives.

Other Income (Expense)

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

- *2015 vs. 2014:* For the years ended December 31, 2015 and 2014, interest expense was \$299,103 and \$269,010, respectively, an increase of 11%, or \$30,093. The increase was primarily due to higher average debt during the year ended December 31, 2015 compared to the year ended December 31, 2014. The increase was partially offset by lower average interest rates resulting from the redemption and conversion of higher interest rate debt during 2014.
- *2014 vs. 2013:* For the years ended December 31, 2014 and 2013, interest expense was \$269,010 and \$204,671, respectively, an increase of 31%, or \$64,339. The increase was primarily due to higher average debt and a reduction in interest capitalized following the launch of our FM-6 satellite. The increase was partially offset by lower average interest rates resulting from the redemption or repayment of higher interest rate debt throughout 2013.

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

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

- *2015 vs. 2014:* There was no loss on extinguishment of debt and credit facilities for the years ended December 31, 2015 and 2014.
- *2014 vs. 2013:* For the years ended December 31, 2014 and 2013, loss on extinguishment of debt and credit facilities, net, was \$0 and \$190,577, respectively. During the year ended December 31, 2013, a loss was recorded on the extinguishment of our then outstanding 7.625% Senior Notes due 2018 and 8.75% Senior Notes due 2015.

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

- *2015 vs. 2014:* For the years ended December 31, 2015 and 2014, the loss on change in value of derivatives was \$0 and \$34,485, respectively. The loss in 2014 resulted from a change in the market value of our common stock to be purchased under the share repurchase agreement with Liberty Media. On April 25, 2014, we completed the final purchase installment under this share repurchase agreement and repurchased \$340,000 of our shares of common stock from Liberty Media at a price of \$3.66 per share.
- *2014 vs. 2013:* For the years ended December 31, 2014 and 2013, the loss on change in value of derivatives was \$34,485 and \$20,393, respectively. The loss resulted from a change in the market value of our common stock to be purchased under the share repurchase agreement with Liberty Media. On April 25, 2014, we completed the final purchase installment under this share repurchase agreement and repurchased \$340,000 of our shares of common stock from Liberty Media at a price of \$3.66 per share.

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

- *2015 vs. 2014:* For the years ended December 31, 2015 and 2014, other income was \$12,379 and \$14,611, respectively. Other income for the year ended December 31, 2015 was driven by dividends received from Sirius XM Canada in excess of our investment. Other income for the year ended December 31, 2014 was driven by our share of Sirius XM Canada's net income and gain from the conversion of certain debentures into shares of Sirius XM Canada, partially offset by the amortization expense related to our equity method intangible assets.
- *2014 vs. 2013:* For the years ended December 31, 2014 and 2013, other income was \$14,611 and \$8,180, respectively. The other income for the year ended December 31, 2014 was driven by dividends received from Sirius XM Canada, our share of Sirius XM Canada's net income and income from the conversion of certain debentures into shares of Sirius XM Canada, partially offset by the amortization expense related to our equity method intangible assets. The other income for 2013 was primarily due to the inclusion of our share of Sirius XM Canada's net income, partially offset by the amortization expense related to our equity method intangible assets.

Income Taxes

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

- *2015 vs. 2014:* For the years ended December 31, 2015 and 2014, income tax expense was \$382,240 and \$337,545, respectively. Our annual effective tax rate for the year ended December 31, 2015 was 42.9%, which was impacted by tax law changes in the District of Columbia and New York City. The tax law change in the District of Columbia will reduce our future taxes and use less of certain net operating losses in the future. The District of Columbia tax law change resulted in a \$44,392 increase in our valuation allowance during the year ended December 31, 2015. The tax law change in New York City will increase certain net operating losses to be utilized in the future. The New York City tax law change resulted in a \$14,831 increase in our deferred tax asset during the year ended December 31, 2015. Our effective tax rate for the year ended December 31, 2014 was 40.6% primarily due to the impact of the loss on change in fair value of the derivative related to the share repurchase agreement with Liberty Media.
- *2014 vs. 2013:* For the years ended December 31, 2014 and 2013, income tax expense was \$337,545 and \$259,877, respectively. Our annual effective tax rate for the year ended December 31, 2014 was 40.6% primarily due to the \$34,485 loss on change in fair value of the derivatives related to the share repurchase agreement with Liberty Media. Our annual effective tax rate for the year ended December 31, 2013 was 40.8%, primarily as a result of non-deductible expenses related to the loss on change in value of derivatives.

Key Operating Metrics

In this section, we present certain financial and operating performance measures that are not calculated and presented in accordance with generally accepted accounting principles in the United States (“Non-GAAP”). These metrics include: average monthly revenue per subscriber, or ARPU; customer service and billing expenses, per average subscriber; subscriber acquisition cost, or SAC, per installation; free cash flow; and adjusted EBITDA. These measures exclude the impact of share-based payment expense and certain purchase price accounting adjustments related to the Merger, which include the: (i) 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. Additionally, when applicable, our adjusted EBITDA and free cash flow metrics exclude the effect of any significant items that do not relate to the on-going performance of our business, such as settlements related to our historical use of pre-1972 sound recordings. We use these Non-GAAP financial measures to manage our business, to set operational goals and as a basis for determining performance-based compensation for our employees.

Free cash flow is a metric that our management and board of directors use to evaluate the cash generated by our operations, net of capital expenditures and other investment activity and significant items that do not relate to the on-going performance of our business. In a capital intensive business, with significant investments in satellites, we look at our operating cash flow, net of these investing cash outflows, to determine cash available for future subscriber acquisition and capital expenditures, to repurchase or retire debt, to acquire other companies and to evaluate our ability to return capital to stockholders. We believe free cash flow is an indicator of the long-term financial stability of our business. Free cash flow, which is reconciled to “Net cash provided by operating activities,” is a Non-GAAP financial measure. This measure can be calculated by deducting amounts under the captions “Additions to property and equipment”, deducting or adding Restricted and other investment activity and the return of capital from investment in unconsolidated entity from “Net cash provided by operating activities” from the consolidated statements of cash flows, adjusted for any significant legal settlements. 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 have excluded the \$210,000 payment related to the pre-1972 sound recordings legal settlement from our free cash flow calculation in the year ended December 31, 2015.

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. In addition, these Non-GAAP financial measures may not be comparable to similarly-titled measures by other companies. Please refer to the glossary (pages 18 through 23) for a further discussion of such Non-GAAP financial measures and reconciliations to the most directly comparable GAAP measure. The

following table contains our key operating metrics based on our adjusted results of operations for the years ended December 31, 2015, 2014 and 2013. Subscribers and subscription related revenues and expenses associated with our connected vehicle services are not included in our subscriber count or subscriber-based operating metrics:

	Unaudited		
	For the Years Ended December 31,		
	2015	2014	2013
Self-pay subscribers.....	24,288	22,523	21,082
Paid promotional subscribers.....	5,306	4,788	4,477
Ending subscribers	<u>29,594</u>	<u>27,311</u>	<u>25,559</u>
Self-pay subscribers.....	1,765	1,441	1,512
Paid promotional subscribers.....	517	311	147
Net additions ^(a)	<u>2,283</u>	<u>1,752</u>	<u>1,659</u>
Daily weighted average number of subscribers.....	<u>28,337</u>	<u>26,284</u>	<u>24,886</u>
Average self-pay monthly churn.....	<u>1.8%</u>	<u>1.9%</u>	<u>1.8%</u>
New vehicle consumer conversion rate	<u>40%</u>	<u>41%</u>	<u>44%</u>
ARPU.....	\$ 12.53	\$ 12.38	\$ 12.23
SAC, per installation.....	\$ 33	\$ 34	\$ 43
Customer service and billing expenses, per average subscriber.....	\$ 1.01	\$ 1.07	\$ 1.06
Free cash flow	\$1,315,193	\$1,155,776	\$ 927,496
Adjusted EBITDA.....	\$1,657,617	\$1,467,775	\$1,166,140

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

Subscribers. At December 31, 2015, we had approximately 29.6 million subscribers, an increase of approximately 2.3 million subscribers, or 8%, from the approximate 27.3 million subscribers as of December 31, 2014.

- *2015 vs. 2014:* For the years ended December 31, 2015 and 2014, net additions were 2,283 thousand and 1,752 thousand, respectively, an increase of 30%, or 531 thousand. The increase in subscribers was primarily due to increases in original and subsequent owner trial conversions, as well as increases in shipments by OEMs offering paid trials and activations of inactive radios, partially offset by higher deactivations related to vehicle turnover and non-pay churn resulting from changes in telemarketing practices following the Federal Communications Commission's July 10, 2015 order relating to the Telephone Consumer Protection Act of 1991.
- *2014 vs. 2013:* For the years ended December 31, 2014 and 2013, net additions were 1,752 thousand and 1,659 thousand, respectively, an increase of 6%, or 93 thousand. The increase in subscribers was primarily due to increases in shipments by OEMs offering paid trials as well as increases in trial conversions, offset by higher deactivations related to vehicle turnover as well as voluntary reasons.

Average Self-pay Monthly Churn is derived by dividing the monthly average of self-pay deactivations for the period by the average number of self-pay subscribers for the period. (See accompanying glossary on pages 18 through 23 for more details.)

- *2015 vs. 2014:* For the years ended December 31, 2015 and 2014, our average self-pay monthly churn rate was 1.8% and 1.9%, respectively. The decrease in churn was due to a reduction in the total number of subscribers leaving for voluntary reasons.
- *2014 vs. 2013:* For the years ended December 31, 2014 and 2013, our average self-pay monthly churn rate was 1.9% and 1.8%, respectively. The increase was due to increased vehicle related churn associated with existing self-pay subscribers migrating to unpaid trials, offset by improvements in voluntary churn.

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 18 through 23 for more details).

- *2015 vs. 2014:* For the years ended December 31, 2015 and 2014, the new vehicle consumer conversion rate was 40% and 41%, respectively. The decrease in conversion was primarily due to an increased vehicle penetration rate and the effect of the suspension of certain outbound calling efforts by our vendors as they evaluated the Federal Communications Commission's July 10, 2015 order relating to the Telephone Consumer Protection Act of 1991, partially offset by improvements in converting previously active subscribers during a trial.
- *2014 vs. 2013:* For the years ended December 31, 2014 and 2013, the new vehicle consumer conversion rate was 41% and 44%, respectively. The decrease in the new vehicle consumer conversion rate was primarily due to an increased vehicle penetration rate and lower conversion of first-time satellite enabled car buyers and lessees in lower priced vehicles.

ARPU is derived from total earned subscriber revenue (excluding revenue derived from our connected vehicle services business), 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. (For a reconciliation to GAAP see the accompanying glossary on pages 18 through 23 for more details.)

- *2015 vs. 2014:* For the years ended December 31, 2015 and 2014, ARPU was \$12.53 and \$12.38, respectively. The increase was driven primarily by increases in certain of our subscription rates, partially offset by growth in subscription discounts and limited channel plans offered through customer acquisition and retention programs, and a shift to longer-term promotional data service plans with lower rates.
- *2014 vs. 2013:* For the years ended December 31, 2014 and 2013, ARPU was \$12.38 and \$12.23, respectively. The increase was driven primarily by the contribution of the U.S. Music Royalty Fee, and the impact of the increase in certain of our subscription rates beginning in January 2014. The positive result was partially offset by growth in subscription discounts and limited channel plans offered through our customer acquisition and retention programs, lifetime subscription plans that had reached full revenue recognition and changes in contracts with an automaker and a rental car company.

SAC, Per Installation, is derived from subscriber acquisition costs and margins from the sale of radios, components and accessories, excluding purchase price accounting adjustments, divided by the number of satellite radio installations in new vehicles and shipments of aftermarket radios for the period. (For a reconciliation to GAAP see the accompanying glossary on pages 18 through 23 for more details.)

- *2015 vs. 2014:* For the years ended December 31, 2015 and 2014, SAC, per installation, was \$33 and \$34, respectively. The decrease was primarily due to lower subsidies on chipsets and improvements in contractual OEM rates.
- *2014 vs. 2013:* For the years ended December 31, 2014 and 2013, SAC, per installation, was \$34 and \$43, respectively. The decrease was primarily due to improvements in contractual OEM rates.

Customer Service and Billing Expenses, Per Average Subscriber, is derived from total customer service and billing expenses, excluding connected vehicle customer service and billing expenses and share-based payment expense, divided by the number of months in the period, divided by the daily weighted average number of subscribers for the period. (For a reconciliation to GAAP see the accompanying glossary on pages 18 through 23 for more details.)

- *2015 vs. 2014:* For the years ended December 31, 2015 and 2014, customer service and billing expenses, per average subscriber, were \$1.01 and \$1.07, respectively. The decrease was driven primarily by efficiencies achieved from management's strategic initiatives

implemented at our call centers operated by our vendors, as well as a decrease in the rate at which subscribers call to cancel.

- *2014 vs. 2013:* For the years ended December 31, 2014 and 2013, customer service and billing expenses, per average subscriber, were \$1.07 and \$1.06, respectively. The increase was primarily driven by bad debt expense.

Free Cash Flow includes cash provided by operations, net of additions to property and equipment, restricted and other investment activity, and the return of capital from investment in unconsolidated entity, excluding the \$210,000 pre-1972 sound recordings legal settlement payment. (For a reconciliation to GAAP see the accompanying glossary on pages 18 through 23 for more details.)

- *2015 vs. 2014:* For the years ended December 31, 2015 and 2014, free cash flow was \$1,315,193 and \$1,155,776, respectively, an increase of \$159,417, or 14%. Excluding the \$210,000 pre-1972 sound recordings legal settlement payment, the increase was primarily driven by higher net cash provided by operating activities from improved operating performance, and higher collections from subscribers, partially offset by higher interest payments.
- *2014 vs. 2013:* For the years ended December 31, 2014 and 2013, free cash flow was \$1,155,776 and \$927,496, respectively, an increase of \$228,280, or 25%. The increase was primarily driven by higher net cash provided by operating activities from improved performance, collections from subscribers and distributors, the absence of satellite construction related payments and dividends received from Sirius XM Canada, partially offset by payments related to improvements to our terrestrial repeater network.

Adjusted EBITDA. EBITDA is defined as net income before interest expense, net of amounts capitalized; income tax expense and depreciation and amortization. Adjusted EBITDA excludes the impact of other income, loss on disposal of assets, loss on extinguishment of debt, loss on change in value of derivatives as well as certain other non-cash charges, such as certain purchase price accounting adjustments, share-based payment expense and settlements related to the historical use of pre-1972 sound recordings. (For a reconciliation to GAAP see the accompanying glossary on pages 18 through 23 for more details.)

- *2015 vs. 2014:* For the years ended December 31, 2015 and 2014, adjusted EBITDA was \$1,657,617 and \$1,467,775, respectively, an increase of 13%, or \$189,842. The increase was due to growth in adjusted revenues primarily as a result of the increase in our subscriber base and certain of our subscription rates, partially offset by higher costs associated with the growth in our revenues and subscriber base.
- *2014 vs. 2013:* For the years ended December 31, 2014 and 2013, adjusted EBITDA was \$1,467,775 and \$1,166,140, respectively, an increase of 26%, or \$301,635. The increase was due to growth in adjusted revenues primarily as a result of the increase in our subscriber base and certain of our subscription rates, improved revenue share and OEM subsidy rates per vehicle, and the renewal of certain programming agreements at more cost effective terms; partially offset by higher legal expenses and costs associated with the growth in our revenues and subscriber base.

Liquidity and Capital Resources

Cash Flows for years ended December 31, 2015 compared with the years ended December 31, 2014 and the year ended December 31, 2014 compared with the year ended December 31, 2013.

As of December 31, 2015 and 2014, we had \$111,838 and \$147,724, respectively, of cash and cash equivalents. The following table presents a summary of our cash flow activity for the periods set forth below:

	<u>For the Years Ended December 31,</u>			<u>2015 vs 2014</u>	<u>2014 vs 2013</u>
	<u>2015</u>	<u>2014</u>	<u>2013</u>		
Net cash provided by operating activities	\$ 1,244,051	\$ 1,253,244	\$1,102,832	\$ (9,193)	\$ 150,412
Net cash used in investing activities	(138,858)	(96,324)	(700,688)	(42,534)	604,364
Net cash used in financing activities	<u>(1,141,079)</u>	<u>(1,144,001)</u>	<u>(788,284)</u>	<u>2,922</u>	<u>(355,717)</u>
Net (decrease) increase in cash and cash equivalents ...	(35,886)	12,919	(386,140)	(48,805)	399,059
Cash and cash equivalents at beginning of period	<u>147,724</u>	<u>134,805</u>	<u>520,945</u>	<u>12,919</u>	<u>(386,140)</u>
Cash and cash equivalents at end of period.....	<u>\$ 111,838</u>	<u>\$ 147,724</u>	<u>\$ 134,805</u>	<u>\$(35,886)</u>	<u>\$ 12,919</u>

Cash Flows Provided by Operating Activities

Cash flows provided by operating activities decreased by \$9,193 to \$1,244,051 for the year ended December 31, 2015 from \$1,253,244 for the year ended December 31, 2014. Cash flows provided by operating activities increased by \$150,412 to \$1,253,244 for the year ended December 31, 2014 from \$1,102,832 for the year ended December 31, 2013.

Our largest source of cash provided by operating activities is generated by subscription and subscription-related revenues. We also generate cash from the sale of advertising on certain non-music channels and the sale of satellite radios, components and accessories. Our primary uses of cash from operating activities include revenue share and royalty payments to distributors, programming and content providers, and payments to radio manufacturers, distributors and automakers. In addition, uses of cash from operating activities include payments to vendors to service, maintain and acquire subscribers, general corporate expenditures, and compensation and related costs.

Cash Flows Used in Investing Activities

Cash flows used in investing activities are primarily due to additional spending to improve our terrestrial repeater network and for capitalized software. In 2015, our cash flows used in investing activities also included an increase to our letters of credit issued for the benefit of lessors of certain of our office space. In 2014, our cash flows used in investing activities were primarily due to additional spending to improve our terrestrial repeater network and for capitalized software, partially offset by a special one-time dividend received from our investment in Sirius XM Canada of \$24,178. We expect to continue to incur significant costs to improve our terrestrial repeater network and broadcast and administrative infrastructure. In 2013, our cash flows used in investing activities included \$525,352 related to our acquisition of the connected vehicle business of Agero, Inc.

Cash Flows Used in Financing Activities

Cash flows used in financing activities consists of the issuance and repayment of long-term debt, cash used in our stock option program and the purchase of common stock under our share repurchase program. Proceeds from long-term debt, related party debt and equity issuances have been used to fund our operations, construct and launch new satellites and invest in other infrastructure improvements.

Cash flows provided by financing activities in 2015 were due to the issuance of \$1,000,000 aggregate principal amount of 5.375% Senior Notes due 2025 and borrowings under the Credit Facility. Cash flows used in financing activities in 2015 were primarily due to the purchase and

retirement of shares of our common stock under our repurchase program for \$2,018,254 and repayments under the Credit Facility. Cash flows used in financing activities in 2014 were primarily due to the purchase of shares of our common stock under our repurchase program for \$2,496,799 and repayments under the Credit Facility. In 2014, we issued \$1,500,000 aggregate principal amount of 6.00% Senior Notes due 2024. Cash flows used in financing activities in 2013 were primarily due to the purchase of shares of our common stock under our share repurchase program for \$1,762,360, and the extinguishment of \$800,000 of our then outstanding 8.75% Senior Notes due 2015 and \$700,000 of our then outstanding 7.625% Senior Notes due 2018. In 2013, we issued \$650,000 aggregate principal amount of 5.875% Senior Notes due 2020, \$600,000 aggregate principal amount of 5.75% Senior Notes due 2021, \$500,000 aggregate principal amount of 4.25% Senior Notes due 2020 and \$500,000 aggregate principal amount of 4.625% Senior Notes due 2023.

Future Liquidity and Capital Resource Requirements

Based upon our current business plans, we expect to fund operating expenses, capital expenditures, working capital requirements, legal settlements, interest payments, taxes and scheduled maturities of our debt with existing cash, cash flow from operations and borrowings under our Credit Facility. As of December 31, 2015, \$1,410,000 was available for future borrowing under our Credit Facility. We believe that we have sufficient cash and cash equivalents as well as debt capacity to cover our estimated short-term and long-term funding needs, as well as fund stock repurchases and any strategic opportunities.

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

We regularly evaluate our business plans and strategy. These evaluations often result in changes to our business plans and strategy, some of which may be material and significantly change our cash requirements. These changes in our business plans or strategy may include: the acquisition of unique or compelling programming; the 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.

Stock Repurchase Program

Since December 2012, our board of directors approved for repurchase an aggregate of \$8,000,000 of our common stock. Our board of directors did not establish an end date for this stock repurchase program. Shares of common stock may be purchased from time to time on the open market, pursuant to pre-set trading plans meeting the requirements of Rule 10b5-1 under the Exchange Act, in privately negotiated transactions, including transactions with Liberty Media and its affiliates, or otherwise.

As of December 31, 2015, our cumulative repurchases since December 2012 under our stock repurchase program totaled 1,783,496 shares for \$6,301,140, and \$1,698,860 remained available under our stock repurchase program. We expect to fund future repurchases through a combination of cash on hand, cash generated by operations and future borrowings.

Debt Covenants

The indentures governing Sirius XM's senior notes, and the agreement governing the Credit Facility include restrictive covenants. As of December 31, 2015, we were in compliance with such covenants. For a discussion of our "Debt Covenants," refer to Note 13 to our consolidated financial statements in this Annual Report.

Off-Balance Sheet Arrangements

We do not have any significant off-balance sheet arrangements other than those disclosed in Note 16 to our consolidated financial statements in this Annual Report that are reasonably likely to have a material effect on our financial condition, results of operations, liquidity, capital expenditures or capital resources.

Contractual Cash Commitments

For a discussion of our “Contractual Cash Commitments,” refer to Note 16 to our consolidated financial statements in this Annual Report.

Related Party Transactions

For a discussion of “Related Party Transactions,” refer to Note 11 to our consolidated financial statements this Annual Report.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with GAAP, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods. Accounting estimates require the use of significant management assumptions and judgments as to future events, and the effect of those events cannot be predicted with certainty. The accounting estimates will change as new events occur, more experience is acquired and more information is obtained. We evaluate and update our assumptions and estimates on an ongoing basis and use outside experts to assist in that evaluation when we deem necessary. We have identified all significant accounting policies in Note 3 to our consolidated financial statements in this Annual Report.

Goodwill. Goodwill represents the excess of the purchase price over the estimated fair value of net tangible and identifiable intangible assets acquired in business combinations. Our annual impairment assessment of our single reporting unit is performed as of the fourth quarter of each year. Assessments are performed at other times if events or circumstances indicate it is more likely than not that the asset is impaired. Step one of the impairment assessment compares the fair value of the entity to its carrying value and if the fair value exceeds its carrying value, goodwill is not impaired. If the carrying value exceeds the fair value, the implied fair value of goodwill is compared to the carrying value of goodwill; an impairment loss will be recorded for the amount the carrying value exceeds the implied fair value. Our quantitative assessment is based on our enterprise fair value. At the date of our annual assessment for 2015, the fair value of our single reporting unit substantially exceeded its carrying value and therefore was not at risk of failing step one of Accounting Standards Codification (“ASC”) 350-20, *Goodwill*. ASC 350-35 states that if the carrying amount of the reporting unit is zero or negative, the second step of the impairment test shall be performed to measure the amount of impairment loss, if any, when it is more likely than not that a goodwill impairment exists based on adverse qualitative factors. Subsequent to our annual assessment performed in the fourth quarter of 2015, we were not aware of any adverse qualitative factors that would indicate any impairment to our goodwill as of December 31, 2015. No impairment losses were recorded for goodwill during the years ended December 31, 2015, 2014 and 2013

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

Our annual impairment assessment of indefinite-lived assets, our FCC licenses and XM trademark, is performed as of the fourth quarter of each year and an assessment is made at other times if events or changes in circumstances indicate that it is more likely than not that the

asset is impaired. Accounting Standards Update 2012-02, *Testing Indefinite-Lived Intangible Assets for Impairment*, establishes an option to first perform a qualitative assessment to determine whether it is more likely than not that an asset is impaired. If the qualitative assessment supports that it is more likely than not that the fair value of the asset exceeds its carrying value, a company is not required to perform a quantitative impairment test. If the qualitative assessment does not support the fair value of the asset, then a quantitative assessment is performed. During the fourth quarter of 2015, a qualitative impairment analysis was performed and we determined that the fair value of our FCC licenses and trademark substantially exceeded the carrying value and therefore was not at risk of impairment. Our qualitative assessment includes the consideration of our long-term financial projections, current and historical weighted average cost of capital and liquidity factors, legal and regulatory issues and industry and market pressures. Subsequent to our annual evaluation of the carrying value of our long-lived assets, there were no events or circumstances that triggered the need for an impairment evaluation.

There were no changes in the carrying value of our indefinite life intangible assets during the years ended December 31, 2015 or 2014.

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

We operate five in-orbit Sirius satellites, FM-1, FM-2, FM-3, FM-5 and FM-6. Our FM-1, FM-2 and FM-3 satellites were launched in 2000 and reached the end of their depreciable lives in 2013 and 2015 but are still in operation. We estimate that our FM-5 satellite launched in 2009 will operate effectively through the end of its depreciable life in 2024. Our FM-6 satellite that was launched in 2013, is currently used as an in-orbit spare that is planned to start full-time operation in 2016 and is expected to operate effectively through the end of its depreciable life in 2028.

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

Our satellites have been designed to last fifteen-years. Our in-orbit satellites may experience component failures which could adversely affect their useful life. We monitor the operating condition of our in-orbit satellites and if events or circumstances indicate that the depreciable lives of our in-orbit satellites have changed, we will modify the depreciable life accordingly. If we were to revise our estimates, our depreciation expense would change.

Income Taxes. Deferred income taxes are recognized for the tax consequences related to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for tax purposes, based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. In determining the period in which related tax benefits are realized for book purposes, excess share-based compensation deductions included in net operating losses are realized after regular net operating losses are exhausted; excess tax compensation benefits are recorded off-balance sheet as a memo entry until the period the excess tax benefit is realized through a reduction of taxes payable. Income tax expense is the sum of current income tax plus the change in deferred tax assets and liabilities.

We assess the recoverability of deferred tax assets at each reporting date and, where applicable, a valuation allowance is recognized when, based on the weight of all available evidence, it is considered more likely than not that all, or some portion, of the deferred tax assets will not be realized. Our assessment includes an analysis of whether deferred tax assets will be realized in the ordinary course of operations based on the available positive and negative evidence, including the scheduling of deferred tax liabilities and forecasted income from operations. The underlying assumptions we use in forecasting future taxable income require significant judgment. In the event that actual income from operations differs from forecasted amounts, or if we change our estimates

of forecasted income from operations, we could record additional charges or reduce allowances in order to adjust the carrying value of deferred tax assets to their realizable amount. Such adjustments could be material to our consolidated financial statements.

As of December 31, 2015, we had a valuation allowance of \$49,095 relating to deferred tax assets that are not likely to be realized due to certain state net operating loss limitations and acquired net operating losses that we were not likely to utilize.

ASC 740 requires a company to first determine whether it is more likely than not that a tax position will be sustained based on its technical merits as of the reporting date, assuming that taxing authorities will examine the position and have full knowledge of all relevant information. A tax position that meets this more likely than not threshold is then measured and recognized at the largest amount of benefit that is greater than fifty percent likely to be realized upon effective settlement with a taxing authority. If the tax position is not more likely than not to be sustained, the gross amount of the unrecognized tax position will not be recorded in the financial statements but will be shown in tabular format within the uncertain income tax positions. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs due to the following conditions: (1) the tax position is “more likely than not” to be sustained, (2) the tax position, amount, and/or timing is ultimately settled through negotiation or litigation, or (3) the statute of limitations for the tax position has expired. A number of years may elapse before an uncertain tax position is effectively settled or until there is a lapse in the applicable statute of limitations. We record interest and penalties related to uncertain tax positions in Income tax expense in our consolidated statements of comprehensive income. As of December 31, 2015, the gross liability for income taxes associated with uncertain state tax positions was \$253,277.

Glossary

Adjusted EBITDA—EBITDA is defined as net income before interest expense, net of amounts capitalized; income tax expense and depreciation and amortization. We adjust EBITDA to exclude the impact of other income, loss on disposal of assets, loss on extinguishment of debt, loss on change in value of derivatives 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 on-going core operating results period over period, (ii) base our internal budgets and (iii) compensate management. As such, 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) depreciation and amortization, (iii) share-based payment expense and (iv) other significant operating expense (income) that do not relate to the on-going performance of our business. 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 share-based payment expense and loss on disposal of assets is useful as they are not directly related to the operational conditions of our business. We also believe the exclusion of settlements related only to the historical use of

pre-1972 sound recordings is useful as it does not represent an expense incurred as part of normal operations for the period.

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

	Unaudited		
	For the Years Ended December 31,		
	2015	2014	2013
Net income (GAAP):.....	\$ 509,724	\$ 493,241	\$ 377,215
Add back items excluded from Adjusted EBITDA:			
Purchase price accounting adjustments:			
Revenues (see pages 20-21)	7,251	7,251	7,251
Operating expenses (see pages 20-21).....	(1,394)	(3,781)	(207,854)
Pre-1972 sound recordings historical legal settlements (GAAP).....	109,164	—	—
Loss on disposal of assets (GAAP)	7,384	—	—
Loss on change in value of derivatives (GAAP).....	—	34,485	20,393
Share-based payment expense (GAAP)	84,310	78,212	68,876
Depreciation and amortization (GAAP).....	272,214	266,423	253,314
Interest expense, net of amounts capitalized (GAAP).....	299,103	269,010	204,671
Loss on extinguishment of debt and credit facilities, net (GAAP).....	—	—	190,577
Other income (GAAP)	(12,379)	(14,611)	(8,180)
Income tax expense (GAAP).....	382,240	337,545	259,877
Adjusted EBITDA.....	<u>\$1,657,617</u>	<u>\$1,467,775</u>	<u>\$1,166,140</u>

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 from the Merger and share-based payment expense. We use this Non-GAAP financial measure to manage our business, to set operational goals and as a basis for determining performance-based compensation for our employees. The following tables reconcile our actual revenues and operating expenses to our adjusted revenues and operating expenses for the years ended December 31, 2015, 2014 and 2013:

Unaudited For the Year Ended December 31, 2015

	<u>As Reported</u>	<u>Purchase Price Accounting Adjustments</u>	<u>Allocation of Share-based Payment Expense</u>	<u>Adjusted</u>
Revenue:				
Subscriber revenue.....	\$3,824,793	\$ —	\$ —	\$3,824,793
Advertising revenue	122,292	—	—	122,292
Equipment revenue.....	110,923	—	—	110,923
Other revenue	512,050	7,251	—	519,301
Total revenue	<u>\$4,570,058</u>	<u>\$7,251</u>	<u>\$ —</u>	<u>\$4,577,309</u>
Operating expenses				
Cost of services:				
Revenue share and royalties	\$1,034,832	\$ —	\$ —	\$1,034,832
Programming and content	293,091	1,394	(10,325)	284,160
Customer service and billing	377,908	—	(2,982)	374,926
Satellite and transmission	94,609	—	(4,147)	90,462
Cost of equipment	42,724	—	—	42,724
Subscriber acquisition costs	532,599	—	—	532,599
Sales and marketing	354,189	—	(17,985)	336,204
Engineering, design and development	64,403	—	(9,470)	54,933
General and administrative	324,801	—	(39,401)	285,400
Depreciation and amortization ^(a)	272,214	—	—	272,214
Share-based payment expense	—	—	84,310	84,310
Total operating expenses	<u>\$3,391,370</u>	<u>\$1,394</u>	<u>\$ —</u>	<u>\$3,392,764</u>

(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, 2015 was \$35,000.

Unaudited For the Year Ended December 31, 2014

	<u>As Reported</u>	<u>Purchase Price Accounting Adjustments</u>	<u>Allocation of Share-based Payment Expense</u>	<u>Adjusted</u>
Revenue:				
Subscriber revenue.....	\$3,554,302	\$ —	\$ —	\$3,554,302
Advertising revenue	100,982	—	—	100,982
Equipment revenue.....	104,661	—	—	104,661
Other revenue	421,150	7,251	—	428,401
Total revenue	<u>\$4,181,095</u>	<u>\$7,251</u>	<u>\$ —</u>	<u>\$4,188,346</u>
Operating expenses				
Cost of services:				
Revenue share and royalties	\$ 810,028	\$ —	\$ —	\$ 810,028
Programming and content	297,313	3,781	(9,180)	291,914
Customer service and billing	370,585	—	(2,780)	367,805
Satellite and transmission	86,013	—	(4,091)	81,922
Cost of equipment	44,397	—	—	44,397
Subscriber acquisition costs	493,464	—	—	493,464
Sales and marketing	336,480	—	(15,454)	321,026
Engineering, design and development	62,784	—	(8,675)	54,109
General and administrative	293,938	—	(38,032)	255,906
Depreciation and amortization ^(a)	266,423	—	—	266,423
Share-based payment expense	—	—	78,212	78,212
Total operating expenses	<u>\$3,061,425</u>	<u>\$3,781</u>	<u>\$ —</u>	<u>\$3,065,206</u>

(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, 2014 was \$39,000.

	Unaudited For the Year Ended December 31, 2013			
	As Reported	Purchase Price Accounting Adjustments	Allocation of Share-based Payment Expense	Adjusted
Revenue:				
Subscriber revenue.....	\$3,284,660	\$ —	\$ —	\$3,284,660
Advertising revenue	89,288	—	—	89,288
Equipment revenue.....	80,573	—	—	80,573
Other revenue	344,574	7,251	—	351,825
Total revenue	<u>\$3,799,095</u>	<u>\$ 7,251</u>	<u>\$ —</u>	<u>\$3,806,346</u>
Operating expenses				
Cost of services:				
Revenue share and royalties	\$ 677,642	\$122,534	\$ —	\$ 800,176
Programming and content	290,323	8,033	(7,584)	290,772
Customer service and billing	320,755	—	(2,219)	318,536
Satellite and transmission	79,292	—	(3,714)	75,578
Cost of equipment	26,478	—	—	26,478
Subscriber acquisition costs	495,610	64,365	—	559,975
Sales and marketing	291,024	12,922	(14,792)	289,154
Engineering, design and development	57,969	—	(7,405)	50,564
General and administrative	262,135	—	(33,162)	228,973
Depreciation and amortization ^(a)	253,314	—	—	253,314
Share-based payment expense	—	—	68,876	68,876
Total operating expenses	<u>\$2,754,542</u>	<u>\$207,854</u>	<u>\$ —</u>	<u>\$2,962,396</u>

(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, 2013 was \$47,000.

ARPU—is derived from total earned subscriber revenue, advertising revenue and other subscription-related revenue, excluding revenue associated with our connected vehicle business, divided by the number of months in the period, divided by the daily weighted average number of subscribers for the period. Other subscription-related revenue includes the U.S. Music Royalty Fee. ARPU is calculated as follows:

	Unaudited		
	For the Years Ended December 31,		
	2015	2014	2013
Subscriber revenue, excluding connected vehicle (GAAP) ..	\$3,726,340	\$3,466,050	\$3,272,718
Add: advertising revenue (GAAP)	122,292	100,982	89,288
Add: other subscription-related revenue (GAAP).....	410,644	336,408	290,895
	<u>\$4,259,276</u>	<u>\$3,903,440</u>	<u>\$3,652,901</u>
Daily weighted average number of subscribers.....	<u>28,337</u>	<u>26,284</u>	<u>24,886</u>
ARPU.....	<u>\$ 12.53</u>	<u>\$ 12.38</u>	<u>\$ 12.23</u>

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

Customer service and billing expenses, per average subscriber—is derived from total customer service and billing expenses, excluding connected vehicle customer service and billing expenses and share-based payment expense, divided by the number of months in the period, divided by the daily weighted average number of subscribers for the period. We believe the exclusion of share-based payment expense in our calculation of customer service and billing expenses, per average subscriber, is useful as share-based payment expense is not directly related to the operational conditions that give rise to variations in the components of our customer service and billing expenses. Customer service and billing expenses, per average subscriber, is calculated as follows:

	Unaudited		
	For the Years Ended December 31,		
	2015	2014	2013
Customer service and billing expenses, excluding connected vehicle (GAAP)	\$346,789	\$340,094	\$317,832
Less: share-based payment expense (GAAP)	(2,982)	(2,780)	(2,219)
	<u>\$343,807</u>	<u>\$337,314</u>	<u>\$315,613</u>
Daily weighted average number of subscribers	<u>28,337</u>	<u>26,284</u>	<u>24,886</u>
Customer service and billing expenses, per average subscriber ..	<u>\$ 1.01</u>	<u>\$ 1.07</u>	<u>\$ 1.06</u>

Free cash flow—is derived from cash flow provided by operating activities, net of additions to property and equipment, restricted and other investment activity, and the return of capital from investment in unconsolidated entity, excluding the \$210,000 pre-1972 sound recordings legal settlement payment. Free cash flow is calculated as follows:

	Unaudited		
	For the Years Ended December 31,		
	2015	2014	2013
Cash Flow information			
Net cash provided by operating activities	\$ 1,244,051	\$ 1,253,244	\$1,102,832
Net cash used in investing activities	\$ (138,858)	\$ (96,324)	\$ (700,688)
Net cash used in financing activities	\$(1,141,079)	\$(1,144,001)	\$ (788,284)
Free Cash Flow			
Net cash provided by operating activities	\$ 1,244,051	\$ 1,253,244	\$1,102,832
Additions to property and equipment	(134,892)	(121,646)	(173,617)
Purchases of restricted and other investments	(3,966)	—	(1,719)
Return of capital from investment in unconsolidated entity	—	24,178	—
Pre-1972 sound recordings legal settlement	<u>210,000</u>	<u>—</u>	<u>—</u>
Free cash flow	<u>\$ 1,315,193</u>	<u>\$ 1,155,776</u>	<u>\$ 927,496</u>

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

Subscriber acquisition cost, per installation—or SAC, per installation, is derived from subscriber acquisition costs and margins from the sale of radios and accessories, excluding purchase price accounting adjustments, divided by the number of satellite radio installations in new vehicles and shipments of aftermarket radios 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 installation, is calculated as follows:

	Unaudited		
	For the Years Ended December 31,		
	2015	2014	2013
Subscriber acquisition costs (GAAP)	\$532,599	\$493,464	\$495,610
Less: margin from direct sales of radios and accessories (GAAP)	(68,199)	(60,264)	(54,095)
Add: purchase price accounting adjustments	—	—	64,365
	<u>\$464,400</u>	<u>\$433,200</u>	<u>\$505,880</u>
Installations	<u>14,041</u>	<u>12,788</u>	<u>11,765</u>
SAC, per installation	<u>\$ 33</u>	<u>\$ 34</u>	<u>\$ 43</u>

ISSUER PURCHASES OF EQUITY SECURITIES

Since December 2012, our board of directors approved for repurchase an aggregate of \$8.0 billion of our common stock. Our board of directors did not establish an end date for this stock repurchase program. Shares of common stock may be purchased from time to time on the open market, pursuant to pre-set trading plans meeting the requirements of Rule 10b5-1 under the Exchange Act, in privately negotiated transactions, including transactions with Liberty Media and its affiliates, or otherwise. As of December 31, 2015, our cumulative repurchases since December 2012 under our stock repurchase program totaled 1.8 billion shares for \$6.3 billion, and \$1.7 billion remained available under our stock repurchase program. The size and timing of our repurchases will be based on a number of factors, including price and business and market conditions.

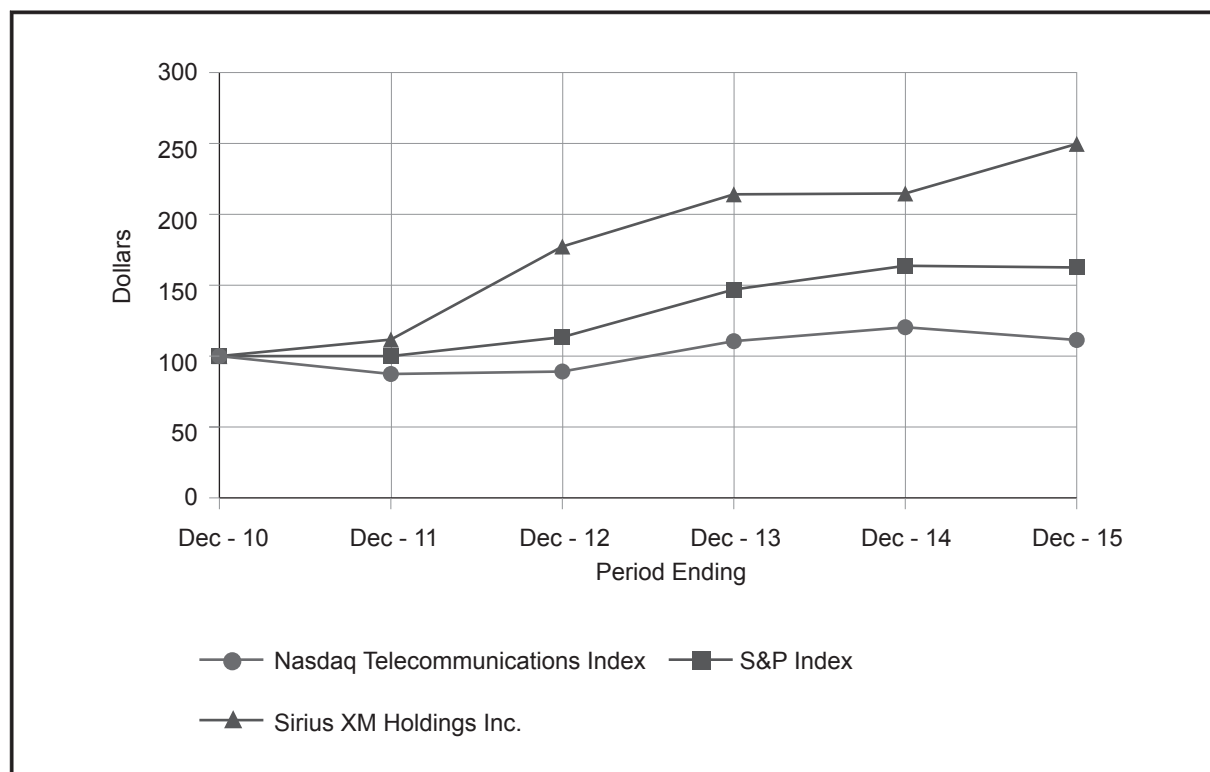
The following table provides information about our purchases of equity securities registered pursuant to Section 12 of the Exchange Act during the quarter ended December 31, 2015:

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid Per Share^(a)</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs^(a)</u>
October 1, 2015 – October 31, 2015	29,667,244	\$3.93	29,667,244	\$1,951,440,398
November 1, 2015 – November 30, 2015	19,121,892	\$4.12	19,121,892	\$1,872,689,142
December 1, 2015 – December 31, 2015	<u>42,816,509</u>	<u>\$4.06</u>	<u>42,816,509</u>	<u>\$1,698,860,143</u>
Total	<u>91,605,645</u>	<u>\$4.03</u>	<u>91,605,645</u>	

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

COMPARISON OF CUMULATIVE TOTAL RETURNS

Set forth below is a graph comparing the cumulative performance of our common stock with the Standard & Poor's Composite-500 Stock Index, or the S&P 500, and the NASDAQ Telecommunications Index from December 31, 2010 to December 31, 2015. The graph assumes that \$100 was invested on December 31, 2010 in each of our common stock, the S&P 500 and the NASDAQ Telecommunications Index. A dividend with respect to our common stock was declared in 2012 only.



Stockholder Return Performance Table

	<u>NASDAQ Telecommunications Index</u>	<u>S&P 500 Index</u>	<u>Sirius XM Holdings Inc.</u>
December 31, 2010.....	\$100.00	\$100.00	\$100.00
December 31, 2011.....	\$ 87.38	\$100.00	\$111.66
December 31, 2012.....	\$ 89.13	\$113.40	\$177.30
December 31, 2013.....	\$110.54	\$146.97	\$214.11
December 31, 2014.....	\$120.38	\$163.71	\$214.72
December 31, 2015.....	\$111.36	\$162.52	\$249.69

SELECTED FINANCIAL DATA

The operating and balance sheet data included in the following selected financial data for 2015 and 2014 have been derived from our audited consolidated financial statements. Historical operating and balance sheet data included within the following selected financial data from 2011 through 2013 is derived from the audited Consolidated Financial Statements of Sirius XM and Holdings. This selected financial data should be read in conjunction with the audited Consolidated Financial Statements and related notes thereto included in this Annual Report and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in this Annual Report.

	As of and for the Years Ended December 31,				
	2015	2014	2013 ⁽¹⁾	2012 ⁽²⁾	2011
<i>(in thousands, except per share data)</i>					
Statements of Comprehensive Income Data:					
Total revenue	\$4,570,058	\$4,181,095	\$3,799,095	\$3,402,040	\$3,014,524
Net income	\$ 509,724	\$ 493,241	\$ 377,215	\$3,472,702	\$ 426,961
Net income per share—basic ...	\$ 0.09	\$ 0.09	\$ 0.06	\$ 0.55	\$ 0.07
Net income per share—diluted..	\$ 0.09	\$ 0.08	\$ 0.06	\$ 0.51	\$ 0.07
Weighted average common shares outstanding—basic....	5,375,707	5,788,944	6,227,646	4,209,073	3,744,606
Weighted average common shares outstanding—diluted...	5,435,166	5,862,020	6,384,791	6,873,786	6,500,822
Cash dividends declared per share.....	\$ —	\$ —	\$ —	\$ 0.05	\$ —
Balance Sheet Data:					
Cash and cash equivalents	\$ 111,838	\$ 147,724	\$ 134,805	\$ 520,945	\$ 773,990
Restricted investments	\$ 9,888	\$ 5,922	\$ 5,718	\$ 3,999	\$ 3,973
Total assets ⁽³⁾	\$8,046,662	\$8,369,065	\$8,826,959	\$9,024,800	\$7,452,738
Long-term debt, net of current portion ⁽³⁾	\$5,443,614	\$4,487,419	\$3,088,701	\$2,400,943	\$2,969,093
Stockholders' (deficit) equity	\$ (166,491)	\$1,309,837	\$2,745,742	\$4,039,565	\$ 704,145

(1) The selected financial data for 2013 includes the balances and approximately two months of activity related to the acquisition of the connected vehicle business of Agero, Inc. in November 2013.

(2) For the year ended December 31, 2012, we had an income tax benefit of \$2,998,234 due to the release of our valuation allowance. A special cash dividend was paid during 2012.

(3) The 2011 – 2015 balances reflect the adoption of Accounting Standards Update 2015-03, *Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*, and Accounting Standards Update 2015-15, *Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Agreements*. As a result of our adoption of these ASUs, Total Assets was reduced by \$7,155, \$6,444, \$17,821, \$30,043 and \$43,258 for the years ended December 31, 2015, 2014, 2013, 2012 and 2011, respectively, and Long-term debt, net of current portion, was reduced by \$7,155, \$6,444, \$5,120, \$30,043 and \$43,258 for the years ended December 31, 2015, 2014, 2013, 2012 and 2011, respectively.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

As of December 31, 2015, we did not hold or issue any free-standing derivatives. We hold investments in money market funds and certificates of deposit. These securities are consistent with the objectives contained within our investment policy. The basic objectives of our investment policy are the preservation of capital, maintaining sufficient liquidity to meet operating requirements and maximizing yield.

Our debt includes fixed rate instruments and the fair market value of our debt is sensitive to changes in interest rates. Sirius XM's borrowings under the Credit Facility carry a variable interest rate based on LIBOR plus an applicable rate based on its debt to operating cash flow ratio. We currently do not use interest rate derivative instruments to manage our exposure to interest rate fluctuations.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Sirius XM Holdings Inc. and subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive income, stockholders' (deficit) equity, and cash flows for each of the years in the three-year period ended December 31, 2015. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule listed in Item 15(2). These consolidated financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and the financial statement schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sirius XM Holdings Inc. and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2015, 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 Holdings Inc. and subsidiaries' internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 2, 2016 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

New York, New York
February 2, 2016

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited Sirius XM Holdings Inc. and subsidiaries' internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Sirius XM Holdings Inc. and subsidiaries' management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report on Internal Control over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, Sirius XM Holdings Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Sirius XM Holdings Inc. and subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive income, stockholders' (deficit) equity, and cash flows for each of the years in the three-year period ended December 31, 2015, and our report dated February 2, 2016 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

New York, New York
February 2, 2016

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

	For the Years Ended December 31,		
	2015	2014	2013
<i>(in thousands, except per share data)</i>			
Revenue:			
Subscriber revenue.....	\$3,824,793	\$3,554,302	\$3,284,660
Advertising revenue	122,292	100,982	89,288
Equipment revenue.....	110,923	104,661	80,573
Other revenue.....	<u>512,050</u>	<u>421,150</u>	<u>344,574</u>
Total revenue	4,570,058	4,181,095	3,799,095
Operating expenses:			
Cost of services:			
Revenue share and royalties.....	1,034,832	810,028	677,642
Programming and content	293,091	297,313	290,323
Customer service and billing.....	377,908	370,585	320,755
Satellite and transmission.....	94,609	86,013	79,292
Cost of equipment.....	42,724	44,397	26,478
Subscriber acquisition costs.....	532,599	493,464	495,610
Sales and marketing.....	354,189	336,480	291,024
Engineering, design and development	64,403	62,784	57,969
General and administrative.....	324,801	293,938	262,135
Depreciation and amortization.....	<u>272,214</u>	<u>266,423</u>	<u>253,314</u>
Total operating expenses	<u>3,391,370</u>	<u>3,061,425</u>	<u>2,754,542</u>
Income from operations.....	1,178,688	1,119,670	1,044,553
Other income (expense):			
Interest expense, net of amounts capitalized.....	(299,103)	(269,010)	(204,671)
Loss on extinguishment of debt and credit facilities, net ..	—	—	(190,577)
Loss on change in value of derivatives	—	(34,485)	(20,393)
Other income	<u>12,379</u>	<u>14,611</u>	<u>8,180</u>
Total other expense	<u>(286,724)</u>	<u>(288,884)</u>	<u>(407,461)</u>
Income before income taxes	891,964	830,786	637,092
Income tax expense	<u>(382,240)</u>	<u>(337,545)</u>	<u>(259,877)</u>
Net income.....	<u>\$ 509,724</u>	<u>\$ 493,241</u>	<u>\$ 377,215</u>
Foreign currency translation adjustment, net of tax.....	<u>(100)</u>	<u>(94)</u>	<u>(428)</u>
Total comprehensive income	<u>\$ 509,624</u>	<u>\$ 493,147</u>	<u>\$ 376,787</u>
Net income per common share:			
Basic	<u>\$ 0.09</u>	<u>\$ 0.09</u>	<u>\$ 0.06</u>
Diluted.....	<u>\$ 0.09</u>	<u>\$ 0.08</u>	<u>\$ 0.06</u>
Weighted average common shares outstanding:			
Basic	<u>5,375,707</u>	<u>5,788,944</u>	<u>6,227,646</u>
Diluted.....	<u>5,435,166</u>	<u>5,862,020</u>	<u>6,384,791</u>

See accompanying notes to the consolidated financial statements.

SIRIUS XM HOLDINGS INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	As of December 31,	
	2015	2014
<i>(in thousands, except per share data)</i>		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 111,838	\$ 147,724
Receivables, net	234,782	220,579
Inventory, net	22,295	19,397
Related party current assets	5,941	4,344
Deferred tax assets	—	1,038,603
Prepaid expenses and other current assets	187,033	119,099
Total current assets	561,889	1,549,746
Property and equipment, net	1,415,401	1,510,112
Long-term restricted investments	9,888	5,922
Intangible assets, net	2,593,346	2,645,046
Goodwill	2,205,107	2,205,107
Related party long-term assets	—	3,000
Deferred tax assets	1,115,731	437,736
Other long-term assets	145,300	12,396
Total assets	\$ 8,046,662	\$ 8,369,065
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 625,313	\$ 587,755
Accrued interest	91,655	80,440
Current portion of deferred revenue	1,771,915	1,632,381
Current portion of deferred credit on executory contracts	—	1,394
Current maturities of long-term debt	4,764	7,482
Related party current liabilities	2,840	4,340
Total current liabilities	2,496,487	2,313,792
Deferred revenue	157,609	151,901
Long-term debt	5,443,614	4,487,419
Related party long-term liabilities	10,795	13,635
Deferred tax liabilities	6,681	—
Other long-term liabilities	97,967	92,481
Total liabilities	8,213,153	7,059,228
Commitments and contingencies (Note 16)		
Stockholders' (deficit) equity:		
Preferred stock, undesignated, par value \$0.001 (liquidation preference of \$0.001 per share); 50,000 shares authorized and 0 shares issued and outstanding at December 31, 2015 and December 31, 2014, respectively	—	—
Common stock, par value \$0.001; 9,000,000 shares authorized; 5,153,451 and 5,653,529 shares issued; 5,147,647 and 5,646,119 outstanding at December 31, 2015 and December 31, 2014, respectively	5,153	5,653
Accumulated other comprehensive loss, net of tax	(502)	(402)
Additional paid-in capital	4,783,795	6,771,554
Treasury stock, at cost; 5,804 and 7,410 shares of common stock at December 31, 2015 and December 31, 2014, respectively	(23,727)	(26,034)
Accumulated deficit	(4,931,210)	(5,440,934)
Total stockholders' (deficit) equity	(166,491)	1,309,837
Total liabilities and stockholders' (deficit) equity	\$ 8,046,662	\$ 8,369,065

See accompanying notes to the consolidated financial statements.

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

	Convertible Perpetual Preferred Stock, Series B-1		Common Stock		Accumulated Other Comprehensive Income (Loss)	Additional Paid-in Capital	Treasury Stock		Accumulated Deficit	Total Stockholders' (Deficit) Equity
	Shares	Amount	Shares	Amount			Shares	Amount		
<i>(in thousands)</i>										
Balance at January 1, 2013	6,250	\$ 6	5,262,440	\$5,263	\$ 120	\$10,345,566	—	\$ —	\$(6,311,390)	\$ 4,039,565
Comprehensive income, net of tax	—	—	—	—	(428)	—	—	—	377,215	376,787
Share-based payment expense	—	—	—	—	—	68,876	—	—	—	68,876
Exercise of options and vesting of restricted stock units	—	—	32,841	32	—	19,396	—	—	—	19,428
Minimum withholding taxes on net share settlement of stock-based compensation	—	—	—	—	—	(46,342)	—	—	—	(46,342)
Conversion of preferred stock to common stock	(6,250)	(6)	1,293,509	1,293	—	(1,287)	—	—	—	—
Conversion of Exchangeable Notes to common stock	—	—	27,688	28	—	45,069	—	—	—	45,097
Common stock repurchased	—	—	—	—	—	—	520,258	(1,764,969)	—	(1,764,969)
Common stock retired	—	—	(520,258)	(520)	—	(1,764,449)	(520,258)	1,764,969	—	—
Initial fair value of forward contract	—	—	—	—	—	7,300	—	—	—	7,300
Balance at December 31, 2013	—	\$—	6,096,220	\$6,096	\$(308)	\$ 8,674,129	—	\$ —	\$(5,934,175)	\$ 2,745,742
Comprehensive income, net of tax	—	—	—	—	(94)	—	—	—	493,241	493,147
Share-based payment expense	—	—	—	—	—	78,212	—	—	—	78,212
Exercise of options and vesting of restricted stock units	—	—	15,960	16	—	315	—	—	—	331
Minimum withholding taxes on net share settlement of stock-based compensation	—	—	—	—	—	(37,320)	—	—	—	(37,320)
Conversion of Exchangeable Notes to common stock	—	—	272,856	273	—	502,097	—	—	—	502,370
Issuance of common stock upon exercise of warrants	—	—	99	—	—	—	—	—	—	—

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

	Convertible Perpetual Preferred Stock, Series B-1		Common Stock		Accumulated Other Comprehensive Income (Loss)	Additional Paid-in Capital	Treasury Stock		Accumulated Deficit	Total Stockholders' (Deficit) Equity
	Shares	Amount	Shares	Amount			Shares	Amount		
<i>(in thousands)</i>										
Common stock repurchased	—	\$—	—	\$ —	\$ —	\$ —	739,016	\$(2,472,645)	\$ —	\$(2,472,645)
Common stock retired	—	—	(731,606)	(732)	—	(2,445,879)	(731,606)	2,446,611	—	—
Balance at December 31, 2014	—	\$—	5,653,529	5,653	\$(402)	\$ 6,771,554	7,410	\$(26,034)	\$(5,440,934)	\$ 1,309,837
Comprehensive income, net of tax	—	—	—	—	(100)	—	—	—	509,724	509,624
Share-based payment expense	—	—	—	—	—	84,310	—	—	—	84,310
Exercise of options and vesting of restricted stock units	—	—	19,740	20	—	240	—	—	—	260
Minimum withholding taxes on net share settlement of stock-based compensation .	—	—	—	—	—	(54,575)	—	—	—	(54,575)
Issuance of common stock upon exercise of warrants	—	—	6,010	6	—	(6)	—	—	—	—
Common stock repurchased	—	—	—	—	—	—	524,222	(2,015,947)	—	(2,015,947)
Common stock retired	—	—	(525,828)	(526)	—	(2,017,728)	(525,828)	2,018,254	—	—
Balance at December 31, 2015	—	\$—	5,153,451	\$5,153	\$(502)	\$ 4,783,795	5,804	\$(23,727)	\$(4,931,210)	\$ (166,491)

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See accompanying notes to the consolidated financial statements.

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

	For the Years Ended December 31,		
	2015	2014	2013
<i>(in thousands)</i>			
Cash flows from operating activities:			
Net income	\$ 509,724	\$ 493,241	\$ 377,215
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	272,214	266,423	253,314
Non-cash interest expense, net of amortization of premium	7,872	21,039	21,698
Provision for doubtful accounts	47,237	44,961	39,016
Amortization of deferred income related to equity method investment	(2,776)	(2,776)	(2,776)
Loss on extinguishment of debt and credit facilities, net	—	—	190,577
Gain on unconsolidated entity investments, net	—	(5,547)	(5,865)
Dividend received from unconsolidated entity investment	14,788	17,019	22,065
Loss on disposal of assets	7,384	—	—
Loss on change in value of derivatives	—	34,485	20,393
Share-based payment expense	84,310	78,212	68,876
Deferred income taxes	365,499	327,461	259,787
Other non-cash purchase price adjustments	(1,394)	(3,781)	(207,854)
Changes in operating assets and liabilities:			
Receivables	(61,440)	(72,628)	(15,245)
Inventory	(2,898)	(5,534)	11,474
Related party, net	(14,953)	(4,303)	40
Prepaid expenses and other current assets	(67,204)	(1,195)	16,788
Other long-term assets	(130,741)	3,393	3,324
Accounts payable and accrued expenses	52,696	(17,191)	(44,009)
Accrued interest	11,215	38,355	8,131
Deferred revenue	145,242	48,645	73,593
Other long-term liabilities	<u>7,276</u>	<u>(7,035)</u>	<u>12,290</u>
Net cash provided by operating activities	1,244,051	1,253,244	1,102,832
Cash flows from investing activities:			
Additions to property and equipment	(134,892)	(121,646)	(173,617)
Purchases of restricted and other investments	(3,966)	—	(1,719)
Acquisition of business, net of cash acquired	—	1,144	(525,352)
Return of capital from investment in unconsolidated entity	<u>—</u>	<u>24,178</u>	<u>—</u>
Net cash used in investing activities	(138,858)	(96,324)	(700,688)

See accompanying notes to the consolidated financial statements.

SIRIUS XM HOLDINGS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS—(Continued)

<i>(in thousands)</i>	For the Years Ended December 31,		
	2015	2014	2013
Cash flows from financing activities:			
Proceeds from exercise of stock options	\$ 260	\$ 331	\$ 21,968
Taxes paid in lieu of shares issued for stock-based compensation	(54,539)	(37,318)	(46,342)
Proceeds from long-term borrowings and revolving credit facility, net of costs	1,728,571	2,406,205	3,156,063
Payment of premiums on redemption of debt	—	—	(175,453)
Repayment of long-term borrowings and revolving credit facility	(797,117)	(1,016,420)	(1,782,160)
Repayment of related party long-term borrowings	—	—	(200,000)
Common stock repurchased and retired	<u>(2,018,254)</u>	<u>(2,496,799)</u>	<u>(1,762,360)</u>
Net cash used in financing activities	<u>(1,141,079)</u>	<u>(1,144,001)</u>	<u>(788,284)</u>
Net (decrease) increase in cash and cash equivalents ...	(35,886)	12,919	(386,140)
Cash and cash equivalents at beginning of period	<u>147,724</u>	<u>134,805</u>	<u>520,945</u>
Cash and cash equivalents at end of period	<u><u>\$ 111,838</u></u>	<u><u>\$ 147,724</u></u>	<u><u>\$ 134,805</u></u>
Supplemental Disclosure of Cash and Non-Cash Flow Information			
Cash paid during the period for:			
Interest, net of amounts capitalized	\$ 269,925	\$ 199,424	\$ 169,781
Income taxes paid	\$ 12,384	\$ 8,713	\$ 2,783
Acquisition related costs	\$ —	\$ —	\$ 2,902
Non-cash investing and financing activities:			
Capital lease obligations incurred to acquire assets ..	\$ 7,487	\$ 719	\$ 11,966
Conversion of Series B preferred stock to common stock	\$ —	\$ —	\$ 1,293
Treasury stock not yet settled	\$ 23,727	\$ 26,034	\$ —
Conversion of 7% Exchangeable Notes to common stock, net of debt issuance and deferred financing costs	\$ —	\$ 502,097	\$ 45,097
Performance incentive payments	\$ —	\$ —	\$ 16,900
Goodwill reduced for the exercise and vesting of certain stock awards	\$ —	\$ —	\$ 274
Purchase price accounting adjustments to goodwill ..	\$ —	\$ 1,698	\$ —

See accompanying notes to the consolidated financial statements.

SIRIUS XM HOLDINGS INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars and shares in thousands, except per share amounts)

(1) Business & Basis of Presentation

Business

We transmit music, sports, entertainment, comedy, talk, news, traffic and weather channels, as well as infotainment services, in the United States on a subscription fee basis through our two proprietary satellite radio systems. Subscribers can also receive music and other channels, plus features such as SiriusXM On Demand and MySXM, over our Internet radio service, including through applications for mobile devices. We are also a leader in providing connected vehicle services. Our connected vehicle services are designed to enhance the safety, security and driving experience for vehicle operators while providing marketing and operational benefits to automakers and their dealers.

We have agreements with every major automaker (“OEMs”) to offer satellite radios in their vehicles. We also acquire subscribers through marketing to owners and lessees of previously owned vehicles that include factory-installed satellite radios that are not currently subscribing to our services. Additionally, we distribute our satellite radios through retailers online and at locations nationwide and through our website. Satellite radio services are also offered to customers of certain rental car companies.

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

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

Liberty Media Corporation (“Liberty Media”) beneficially owns, directly and indirectly, over 50% of the outstanding shares of our common stock. As a result, we are a “controlled company” for the purposes of the NASDAQ corporate governance requirements. Liberty Media owns interests in a range of media, communications and entertainment businesses.

Basis of Presentation

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

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

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

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

We have evaluated events subsequent to the balance sheet date and prior to the filing of this Annual Report for the year ended December 31, 2015 and have determined that no events have occurred that would require adjustment to our consolidated financial statements. For a discussion of subsequent events that do not require adjustment to our consolidated financial statements refer to Note 18.

Use of Estimates

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

(2) Acquisitions

On November 4, 2013, we purchased all of the outstanding shares of capital stock of the connected vehicle business of Agero, Inc. (“Agero”) for \$525,352. The transaction was accounted for using the acquisition method of accounting. During the year ended December 31, 2014, the purchase price allocation associated with the connected vehicle business of Agero was finalized resulting in a net decrease in the purchase price of \$1,144.

(3) Summary of Significant Accounting Policies

In addition to the significant accounting policies discussed in this Note 3, the following table includes our significant accounting policies that are described in other notes to our consolidated financial statements, including the number and page of the note:

<u>Significant Accounting Policy</u>	<u>Note #</u>	<u>Page #</u>
Fair Value Measurements	4	F-13
Goodwill.....	8	F-16
Intangible Assets	9	F-17
Property and Equipment	10	F-18
Equity Method Investments.....	11	F-20
Share-Based Compensation.....	15	F-26
Legal Costs	16	F-30
Income Taxes	17	F-33

Cash and Cash Equivalents

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

Revenue Recognition

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

Revenue from subscribers consists primarily of subscription fees, and to a lesser extent, revenue from rental car companies 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.

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

Prepaid subscription fees received from certain automakers are recorded as deferred revenue and amortized to revenue ratably over the service period which commences upon retail sale and activation.

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

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

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

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

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

Revenue Share

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

Programming Costs

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

Advertising Costs

Media is expensed when aired and advertising production costs are expensed as incurred. Advertising production costs include expenses related to marketing and retention activities, including

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

expenses related to direct mail, outbound telemarketing and email communications. We also incur advertising production costs related to cooperative marketing and promotional events and sponsorships. During the years ended December 31, 2015, 2014 and 2013, we recorded advertising costs of \$228,676, \$222,962 and \$178,364, respectively. These costs are reflected in Sales and marketing expense in our consolidated statements of comprehensive income.

Subscriber Acquisition Costs

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

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

Research & Development Costs

Research and development costs are expensed as incurred and primarily include the cost of new product development, chipset design, software development and engineering. During the years ended December 31, 2015, 2014 and 2013, we recorded research and development costs of \$54,933, \$54,109 and \$50,564, respectively. These costs are reported as a component of Engineering, design and development expense in our consolidated statements of comprehensive income.

Recent Accounting Pronouncements

In November 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2015-17, *Income Taxes—Balance Sheet Reclassification of Deferred Taxes (Topic 740)*. This ASU requires that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The current requirement that deferred tax liabilities and assets of a tax-paying component of an entity be offset and presented as a single amount is not affected by the amendments in this update. The amendments in this update are effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted and the amendments may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. We early adopted this ASU in the fourth quarter of 2015 on a prospective basis and included the current portion of deferred tax assets within the non-current portion of deferred tax assets within our consolidated balance sheets. We did not adjust our prior period consolidated balance sheet as a result of the adoption of this ASU.

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

In April 2015, the FASB issued ASU 2015-03, *Interest—Imputation of Interest (Subtopic 835-30)*, and, in August 2015, the FASB issued ASU 2015-15, *Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements*. These ASUs require debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of that debt consistent with debt discounts. The presentation and subsequent measurement of debt issuance costs associated with lines of credit, may be presented as an asset and amortized ratably over the term of the line of credit arrangement, regardless of whether there are outstanding borrowings on the arrangement. The recognition and measurement guidance for debt issuance costs are not affected by these ASUs. These ASUs are effective for financial statements issued for fiscal years beginning after December 15, 2015 and interim periods within those years. Early adoption is permitted for financial statements that have not been previously issued, and retrospective application is required for each balance sheet presented. We early adopted these ASUs in the fourth quarter of 2015, and debt issuance costs previously recorded as an asset, other than those related to our Credit Facility, in the amount of \$7,155 and \$6,444 for the years ended December 31, 2015 and 2014, respectively, have been reclassified as a reduction to our debt liability within our consolidated balance sheets.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU is a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. This ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. In August 2015, the FASB issued ASU 2015-14 which amended the effective date of this ASU to fiscal years beginning after December 15, 2017, and early adoption is permitted only for fiscal years beginning after December 15, 2016. Accordingly, we plan to adopt this ASU on January 1, 2018. Companies may use either a full retrospective or a modified retrospective approach to adopt this ASU. We are currently evaluating the impact of the adoption of this ASU on our consolidated financial statements.

(4) Fair Value Measurements

The fair value of a financial instrument is the amount at which the instrument could be exchanged in an orderly transaction between market participants. As of December 31, 2015 and 2014, the carrying amounts of cash and cash equivalents, receivables, and accounts payable approximated fair value due to the short-term nature of these instruments. ASC 820, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy for input into valuation techniques as follows:

- i. Level 1 input: unadjusted quoted prices in active markets for identical instrument;
- ii. Level 2 input: observable market data for the same or similar instrument but not Level 1, including quoted prices for identical or similar assets or liabilities in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and
- iii. Level 3 input: unobservable inputs developed using management's assumptions about the inputs used for pricing the asset or liability.

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

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

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

	December 31, 2015				December 31, 2014			
	Level 1	Level 2	Level 3	Total Fair Value	Level 1	Level 2	Level 3	Total Fair Value
Assets:								
Sirius XM Canada Holdings Inc. ("Sirius XM Canada")—investment ^(a)	\$141,850	—	—	\$ 141,850	\$246,500	—	—	\$ 246,500
Liabilities:								
Debt ^(b)	\$ —	\$5,649,173	—	\$5,649,173	\$ —	\$4,613,044	—	\$4,613,044

(a) This amount approximates fair value. The carrying value of our investment in Sirius XM Canada was \$0 and \$2,654 as of December 31, 2015 and 2014, respectively.

(b) The fair value for non-publicly traded instruments is based upon estimates from a market maker and brokerage firm. Refer to Note 13 for information related to the carrying value of our debt as of December 31, 2015 and 2014.

(5) Earnings per Share

Basic net income per common share is calculated by dividing the income available to common stockholders by the weighted average common shares outstanding during each reporting period. Diluted net income per common share adjusts the weighted average number of common shares outstanding for the potential dilution that could occur if common stock equivalents (convertible debt, preferred stock, warrants, stock options and restricted stock units) were exercised or converted into common stock, calculated using the treasury stock method.

In 2013, we utilized the two-class method in calculating basic net income per common share, as our Series B Preferred Stock was considered to be participating securities through January 18, 2013. On January 18, 2013, Liberty Media converted its remaining 6,250 outstanding shares of our Series B Preferred Stock into 1,293,509 shares of common stock. We had no participating securities during the years ended December 31, 2015 and 2014.

Common stock equivalents of 151,112 for the year ended December 31, 2015, and 132,162 and 365,177 for the years ended December 31, 2014 and 2013, respectively, were excluded from the calculation of diluted net income per common share as the effect would have been anti-dilutive.

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

	<u>For the Years Ended December 31,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Numerator:			
Net income.....	\$ 509,724	\$ 493,241	\$ 377,215
Allocation of undistributed income to Series B Preferred Stock.....	—	—	(3,825)
Net income available to common stockholders for basic net income per common share.....	<u>\$ 509,724</u>	<u>\$ 493,241</u>	<u>\$ 373,390</u>
Add back:			
Allocation of undistributed income to Series B Preferred Stock.....	—	—	3,825
Net income available to common stockholders for diluted net income per common share.....	<u>\$ 509,724</u>	<u>\$ 493,241</u>	<u>\$ 377,215</u>
Denominator:			
Weighted average common shares outstanding for basic net income per common share ^(a)	5,375,707	5,788,944	6,227,646
Weighted average impact of assumed Series B Preferred Stock conversion.....	—	—	63,789
Weighted average impact of dilutive equity instruments...	<u>59,459</u>	<u>73,076</u>	<u>93,356</u>
Weighted average shares for diluted net income per common share.....	<u>5,435,166</u>	<u>5,862,020</u>	<u>6,384,791</u>
Net income per common share:			
Basic.....	<u>\$ 0.09</u>	<u>\$ 0.09</u>	<u>\$ 0.06</u>
Diluted.....	<u>\$ 0.09</u>	<u>\$ 0.08</u>	<u>\$ 0.06</u>

^(a) The 7% Exchangeable Senior Subordinated Notes due 2014 (the “Exchangeable Notes”) were fully converted into shares of our common stock as of December 1, 2014. During the year ended December 31, 2013, the common stock reserved for conversion in connection with the Exchangeable Notes were considered to be anti-dilutive in our calculation of diluted net income per share.

(6) Receivables, net

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

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

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

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

Receivables, net consists of the following:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Gross customer accounts receivable	\$ 98,740	\$101,634
Allowance for doubtful accounts.....	<u>(6,118)</u>	<u>(7,815)</u>
Customer accounts receivable, net.....	<u>\$ 92,622</u>	<u>\$ 93,819</u>
Receivables from distributors	120,012	105,731
Other receivables	<u>22,148</u>	<u>21,029</u>
Total receivables, net.....	<u><u>\$234,782</u></u>	<u><u>\$220,579</u></u>

(7) Inventory, net

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

Inventory, net consists of the following:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Raw materials.....	\$11,085	\$ 12,150
Finished goods.....	21,159	17,971
Allowance for obsolescence.....	<u>(9,949)</u>	<u>(10,724)</u>
Total inventory, net.....	<u><u>\$22,295</u></u>	<u><u>\$ 19,397</u></u>

(8) Goodwill

Goodwill represents the excess of the purchase price over the estimated fair value of the net tangible and identifiable intangible assets acquired in business combinations. Our annual impairment assessment of our single reporting unit is performed as of the fourth quarter of each year, and an assessment is performed at other times if an event occurs or circumstances change that would more likely than not reduce the fair value of the asset below its carrying value. Step one of the impairment assessment compares the fair value to its carrying value and if the fair value exceeds its carrying value, goodwill is not impaired. If the carrying value exceeds the fair value, the implied fair value of goodwill is compared to the carrying value of goodwill. If the implied fair value exceeds the carrying value then goodwill is not impaired; otherwise, an impairment loss will be recorded by the amount the carrying value exceeds the implied fair value. At the date of our annual assessment for 2015 and 2014, 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 350-35 states that if the carrying amount of the reporting unit is zero or negative, the second step of the impairment test shall be performed to measure the amount of impairment loss, if any, when it is more likely than not that a goodwill impairment exists based on adverse qualitative factors. Subsequent to our annual assessment performed in the fourth quarter of 2015, we were not aware of any adverse qualitative factors that would indicate any impairment to our goodwill as of December 31, 2015.

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

No impairment losses were recorded for goodwill during the years ended December 31, 2015, 2014 and 2013. As of December 31, 2015, the cumulative balance of goodwill impairments recorded since the July 2008 merger (the "Merger") between our wholly owned subsidiary, Vernon Merger Corporation, and XM Satellite Radio Holdings Inc. ("XM"), was \$4,766,190, which was recognized during the year ended December 31, 2008.

(9) Intangible Assets

Our intangible assets include the following:

	Weighted Average Useful Lives	December 31, 2015			December 31, 2014		
		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	(336,822)	43,178	380,000	(305,755)	74,245
OEM relationships	15 years	220,000	(31,778)	188,222	220,000	(17,111)	202,889
Licensing agreements	12 years	45,289	(26,977)	18,312	45,289	(23,290)	21,999
Proprietary software	8 years	27,215	(17,752)	9,463	27,215	(15,691)	11,524
Developed technology	10 years	2,000	(1,483)	517	2,000	(1,283)	717
Leasehold interests	7.4 years	132	(132)	—	132	(114)	18
Total intangible assets		<u>\$3,008,290</u>	<u>\$(414,944)</u>	<u>\$2,593,346</u>	<u>\$3,008,290</u>	<u>\$(363,244)</u>	<u>\$2,645,046</u>

Indefinite Life Intangible Assets

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

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

<u>FCC satellite licenses</u>	<u>Expiration year</u>
SIRIUS FM-1	2017
SIRIUS FM-2	2017
SIRIUS FM-3	2017
SIRIUS FM-5	2017
SIRIUS FM-6	2022
XM-3	2021
XM-4	2022
XM-5	2018

Our XM-1 satellite is operating under Special Temporary Authority from the FCC and is in the process of being de-orbited. Prior to expiration of our FCC licenses, we are required to apply for a renewal of our FCC licenses. The renewal and extension of our licenses, including temporary licenses, is reasonably certain at minimal cost, which is expensed as incurred. Each of the FCC

SIRIUS XM HOLDINGS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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licenses authorizes us to use the radio spectrum, which is a renewable, reusable resource that does not deplete or exhaust over time.

ASU 2012-02, *Testing Indefinite-Lived Intangible Assets for Impairment*, established an option to first perform a qualitative assessment to determine whether it is more likely than not that an asset is impaired. If the qualitative assessment supports that it is more likely than not that the fair value of the asset exceeds its carrying value, a quantitative impairment test is not required. If the qualitative assessment does not support the fair value of the asset, then a quantitative assessment is performed. Our annual impairment assessment of our indefinite intangible assets is performed as of the fourth quarter of each year. An assessment is performed at other times if an event occurs or circumstances change that would more likely than not reduce the fair value of the asset below its carrying value. If the carrying value of the intangible assets exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.

We completed qualitative assessments of our FCC licenses and XM trademark during the fourth quarter of 2015, 2014 and 2013. As of the date of our annual assessment for 2015, 2014 and 2013, our qualitative impairment assessment of the fair value of our indefinite intangible assets indicated that such assets substantially exceeded their carrying value and therefore was not at risk of impairment. No impairments were recorded for intangible assets with indefinite lives during the years ended December 31, 2015, 2014, and 2013.

Definite Life Intangible Assets

Definite-lived intangible assets are amortized over their respective estimated useful lives to their estimated residual values, in a pattern that reflects when the economic benefits will be consumed, and are reviewed for impairment under the provisions of ASC 360-10-35, *Property, Plant and Equipment/Overall/Subsequent Measurement*. We review intangible assets subject to amortization for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. If the sum of the expected cash flows, undiscounted and without interest, is less than the carrying amount of the asset, an impairment loss is recognized as the amount by which the carrying amount of the asset exceeds its fair value. No impairment was recorded to our intangible assets with definite lives in 2015, 2014 or 2013.

Amortization expense for all definite life intangible assets was \$51,700, \$55,016 and \$50,011 for the years ended December 31, 2015, 2014 and 2013, respectively. Expected amortization expense for each of the fiscal years 2016 through 2020 and for periods thereafter is as follows:

<u>Years ending December 31,</u>	<u>Amount</u>
2016	\$ 48,545
2017	34,882
2018	19,463
2019	19,026
2020	18,446
Thereafter	119,330
Total definite life intangible assets, net.....	<u>\$259,692</u>

(10) Property and Equipment

Property and equipment, including satellites, are stated at cost, less accumulated depreciation. Equipment under capital leases is stated at the present value of minimum lease payments.

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

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

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

We review long-lived assets, such as property and equipment, for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds the estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount exceeds the fair value of the asset. We did not record any impairments during the years ended December 31, 2015, 2014 or 2013.

Property and equipment, net, consists of the following:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Satellite system	\$ 2,388,000	\$ 2,397,611
Terrestrial repeater network	117,127	108,341
Leasehold improvements	49,407	48,677
Broadcast studio equipment	70,888	61,306
Capitalized software and hardware	466,464	340,738
Satellite telemetry, tracking and control facilities	75,440	71,268
Furniture, fixtures, equipment and other	81,871	78,237
Land	38,411	38,411
Building	60,487	59,373
Construction in progress	<u>101,324</u>	<u>155,716</u>
Total property and equipment	3,449,419	3,359,678
Accumulated depreciation and amortization	<u>(2,034,018)</u>	<u>(1,849,566)</u>
Property and equipment, net	<u>\$ 1,415,401</u>	<u>\$ 1,510,112</u>

Construction in progress consists of the following:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Satellite system	\$ 12,912	\$ 12,912
Terrestrial repeater network	25,578	48,406
Capitalized software	37,064	77,755
Other	<u>25,770</u>	<u>16,643</u>
Construction in progress	<u>\$101,324</u>	<u>\$155,716</u>

Depreciation expense on property and equipment was \$220,514, \$211,407, \$203,303 for the years ended December 31, 2015, 2014 and 2013, respectively. We retired property and equipment of \$43,833, \$19,398 and \$16,039 during the years ended December 31, 2015, 2014 and 2013, respectively, which included the retirement of our XM-1 and XM-2 satellites in 2015 and 2014,

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respectively. We recognized a loss on disposal of assets of \$7,384 during the year ended December 31, 2015, which related to the disposal of certain obsolete terrestrial repeaters and related parts. We did not recognize any loss on disposal of assets during the years ended December 31, 2014 and 2013.

Satellites

We currently own a fleet of eight operating satellites. We are in the process of de-orbiting XM-1, a satellite that is no longer in use and has also reached the end of its operational life. The chart below provides certain information on our operating satellites:

<u>Satellite Description</u>	<u>Year Delivered</u>	<u>Estimated End of Depreciable Life</u>
FM-1*	2000	2013
FM-2*	2000	2013
FM-3*	2000	2015
FM-5	2009	2024
FM-6	2013	2028
XM-3	2005	2020
XM-4	2006	2021
XM-5	2010	2025

* Satellite was fully depreciated and was still in operation as of December 31, 2015.

(11) Related Party Transactions

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

Liberty Media

Liberty Media has beneficially owned over 50% of our outstanding common stock since January 2013 and has two executives and one of its directors on our board of directors. Gregory B. Maffei, the President and Chief Executive Officer of Liberty Media, is the Chairman of our board of directors.

On October 9, 2013, we entered into an agreement with Liberty Media to repurchase \$500,000 of our common stock from Liberty Media. Pursuant to that agreement, we repurchased \$160,000 of our common stock from Liberty Media in 2013 and in April 2014, we completed the final purchase installment under this share repurchase agreement and repurchased the remaining \$340,000 of our shares of common stock from Liberty Media at a price of \$3.66 per share. As there were certain terms in the forward purchase contract that could have caused the obligation to not be fulfilled, the instrument was recorded as a liability and was marked to fair value with \$34,485 and \$20,393 recorded to Loss on change in value of derivatives within our consolidated statements of comprehensive income during the years ended December 31, 2014 and 2013, respectively.

During the years ended December 31, 2014 and 2013, we recognized \$1,025 and \$13,514 in Interest expense, respectively, associated with the portion of the Exchangeable Notes, the 7.625% Senior Notes due 2018 and the 8.75% Senior Notes due 2015 held by Liberty Media through November 2014, October 2013 and August 2013, respectively.

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Sirius XM Canada

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

Investments in which we have the ability to exercise significant influence but not control are accounted for pursuant to the equity method of accounting. We recognize our proportionate share of earnings or losses of Sirius XM Canada as they occur as a component of Interest and investment income in our consolidated statements of comprehensive income on a one month lag.

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

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

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Related party current assets	\$ 5,941	\$ 4,344
Related party long-term assets	\$ —	\$ 3,000
Related party current liabilities	\$ 2,840	\$ 4,340
Related party long-term liabilities	\$10,795	\$13,635

Our related party current asset balances primarily consist of activation fees and programming and chipset costs for which we are reimbursed. Our related party long-term asset balance in 2014 primarily included our investment balance in Sirius XM Canada. Our related party liabilities as of December 31, 2015 and 2014 included \$2,776 for the current portion of deferred revenue and \$10,639 and \$13,415, respectively, for the long-term portion of deferred revenue recorded as of the Merger date related to agreements with XM Canada, now Sirius XM Canada. These costs are being amortized on a straight line basis through 2020.

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

	<u>For the Years Ended December 31,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Revenue ^(a)	\$56,397	\$49,691	\$48,935
Other income			
Share of net earnings ^(b)	\$ —	\$ 7,889	\$ 5,865
Dividends ^(c)	\$12,645	\$ 7,628	\$ —

^(a) Under our agreements with Sirius XM Canada, we currently receive a percentage-based royalty of 10% and 15% for certain types of subscription revenue earned by Sirius XM Canada for Sirius and XM platforms, respectively; and additional royalties for premium services and royalties for activation fees and reimbursements for other charges. We record revenue from Sirius XM

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Canada as Other revenue in our consolidated statements of comprehensive income. The license and services agreement entered into with Sirius Canada will expire in 2017. The license agreement entered into with XM Canada will expire in 2020.

- (b) We recognize our proportionate share of earnings or losses of Sirius XM Canada as they occur as a component of Other income in our consolidated statements of comprehensive income on a one month lag. This amount included amortization related to the equity method intangible assets of \$363 and \$1,454 for the years ended December 31, 2014 and 2013, respectively, and for 2014, this also included a gain of \$1,251 related to the fair value received in excess of the carrying value associated with the redemption of our investment in Sirius XM Canada's 8% convertible unsecured subordinated debentures in February 2014. As of December 31, 2015, we had \$840 in losses related to our investment in Sirius XM Canada that we had not recorded in our consolidated financial statements since our investment balance is zero. Future equity income will be offset by these losses prior to recording equity income in our results.
- (c) Sirius XM Canada paid gross dividends to us of \$15,645, \$43,492 and \$16,796 during the years ended December 31, 2015, 2014 and 2013, respectively. These dividends were first recorded as a reduction to our investment balance in Sirius XM Canada to the extent a balance existed and then as Other income for the remaining portion.

(12) Investments

Long Term Restricted Investments

Restricted investments relate to reimbursement obligations under letters of credit issued for the benefit of lessors of certain of our office space. As of December 31, 2015 and 2014, our Long-term restricted investments were \$9,888 and \$5,922, respectively. During the year ended December 31, 2015, we increased our letters of credit by \$3,966 associated with leased office space.

(13) Debt

Our debt as of December 31, 2015 and 2014 consisted of the following:

Issuer / Borrower	Issued	Debt	Maturity Date	Interest Payable	Principal Amount at December 31, 2015	Carrying value ^(a) at	
						December 31, 2015	December 31, 2014
Sirius XM ^(b)	May 2013	4.25% Senior Notes (the "4.25% Notes")	May 15, 2020	semi-annually on May 15 and November 15	\$ 500,000	\$ 496,282	\$ 495,529
Sirius XM ^(b)	September 2013	5.875% Senior Notes (the "5.875% Notes")	October 1, 2020	semi-annually on April 1 and October 1	650,000	644,720	643,790
Sirius XM ^(b)	August 2013	5.75% Senior Notes (the "5.75% Notes")	August 1, 2021	semi-annually on February 1 and August 1	600,000	595,720	595,091
Sirius XM ^(b)	May 2013	4.625% Senior Notes (the "4.625% Notes")	May 15, 2023	semi-annually on May 15 and November 15	500,000	495,602	495,116
Sirius XM ^(b)	May 2014	6.00% Senior Notes (the "6.00% Notes")	July 15, 2024	semi-annually on January 15 and July 15	1,500,000	1,485,196	1,483,918
Sirius XM ^{(b)(c)}	March 2015	5.375% Senior Notes (the "5.375% Notes")	April 15, 2025	semi-annually on April 15 and October 15	1,000,000	989,446	—

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Issuer / Borrower	Issued	Debt	Maturity Date	Interest Payable	Principal Amount at December 31, 2015	Carrying value ^(a) at	
						December 31, 2015	December 31, 2014
Sirius XM ^{(b)(d)} . . .	August 2012	5.25% Senior Secured Notes (the "5.25% Notes")	August 15, 2022	semi-annually on February 15 and August 15	400,000	395,675	395,147
Sirius XM ^(e)	December 2012	Senior Secured Revolving Credit Facility (the "Credit Facility")	June 16, 2020	variable fee paid quarterly	1,750,000	340,000	380,000
Sirius XM.	Various	Capital leases	Various	n/a	n/a	12,892	12,754
Total Debt.						5,455,533	4,501,345
Less: total current maturities						4,764	7,482
Less: total deferred financing costs for Notes						7,155	6,444
Total long-term debt						<u>\$5,443,614</u>	<u>\$4,487,419</u>

(a) The carrying value of the obligations is net of any remaining unamortized original issue discount.

(b) Substantially all of our domestic wholly-owned subsidiaries have guaranteed these notes.

(c) In March 2015, Sirius XM issued \$1,000,000 aggregate principal amount of 5.375% Senior Notes due 2025, with an original issuance discount of \$11,250.

(d) The liens securing the 5.25% Notes are equal and ratable to the liens granted to secure the Credit Facility.

(e) In December 2012, Sirius XM entered into a five-year Credit Facility with a syndicate of financial institutions for \$1,250,000. In June 2015, Sirius XM entered into an amendment to increase the total borrowing capacity under the Credit Facility to \$1,750,000 and to extend the maturity to June 2020. Sirius XM's obligations under the Credit Facility are guaranteed by certain of its material domestic subsidiaries and are secured by a lien on substantially all of Sirius XM's assets and the assets of its material domestic subsidiaries. Interest on borrowings is payable on a monthly basis and accrues at a rate based on LIBOR plus an applicable rate. Sirius XM is also required to pay a variable fee on the average daily unused portion of the Credit Facility which is payable on a quarterly basis. The variable rate for the unused portion of the Credit Facility was 0.30% per annum as of December 31, 2015. As of December 31, 2015, \$1,410,000 was available for future borrowing under the Credit Facility. Sirius XM's outstanding borrowings under the Credit Facility are classified as Long-term debt within our consolidated balance sheets due to the long-term maturity of this debt.

Retired and Converted Debt

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

During the year ended December 31, 2013, we purchased \$800,000 of our then outstanding 8.75% Senior Notes due 2015, for an aggregate purchase price, including premium and interest, of \$927,860. We recognized \$104,818 to Loss on extinguishment of debt and credit facilities, net, consisting primarily of unamortized discount, deferred financing fees and repayment premium, as a result of this transaction.

During the year ended December 31, 2013, we also purchased \$700,000 of our then outstanding 7.625% Senior Notes due 2018, for an aggregate purchase price, including premium

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and interest, of \$797,830. We recognized \$85,759 to Loss on extinguishment of debt and credit facilities, net, consisting primarily of unamortized discount, deferred financing fees and repayment premium, as a result of this transaction.

Covenants and Restrictions

Under the Credit Facility, Sirius XM, our wholly-owned subsidiary, must comply with a debt maintenance covenant that it not exceed a total leverage ratio, calculated as consolidated total debt to consolidated operating cash flow, of 5.0 to 1.0. The Credit Facility generally requires compliance with certain covenants that restrict Sirius XM's ability to, among other things, (i) incur additional indebtedness, (ii) incur liens, (iii) pay dividends or make certain other restricted payments, investments or acquisitions, (iv) enter into certain transactions with affiliates, (v) merge or consolidate with another person, (vi) sell, assign, lease or otherwise dispose of all or substantially all of Sirius XM's assets, and (vii) make voluntary prepayments of certain debt, in each case subject to exceptions.

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

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

At December 31, 2015 and 2014, we were in compliance with our debt covenants.

(14) Stockholders' Equity

Common Stock, par value \$0.001 per share

We are authorized to issue up to 9,000,000 shares of common stock. There were 5,153,451 and 5,653,529 shares of common stock issued and 5,147,647 and 5,646,119 shares outstanding on December 31, 2015 and 2014, respectively.

As of December 31, 2015, 354,569 shares of common stock were reserved for issuance in connection with incentive stock based awards and common stock to be granted to members of our board of directors, employees and third parties.

Stock Repurchase Program

Since December 2012, our board of directors approved for repurchase an aggregate of \$8,000,000 of our common stock. Our board of directors did not establish an end date for this stock repurchase program. Shares of common stock may be purchased from time to time on the open market, pursuant to pre-set trading plans meeting the requirements of Rule 10b5-1 under the Exchange Act, in privately negotiated transactions, including transactions with Liberty Media and its affiliates, or otherwise. As of December 31, 2015, our cumulative repurchases since December 2012 under our stock repurchase program totaled 1,783,496 shares for \$6,301,140, and \$1,698,860 remained available under our stock repurchase program.

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The following table summarizes our share repurchase activity for the years ended:

<u>Share Repurchase Type</u>	<u>December 31, 2015</u>		<u>December 31, 2014</u>		<u>December 31, 2013</u>	
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>
Open Market and Privately						
Negotiated Repurchases ^(a)	524,222	\$2,015,947	422,965	\$1,426,428	476,546	\$1,602,360
Liberty Media ^(b)	—	—	92,889	340,000	43,712	160,000
May 2014 ASR Agreement ^(c)	—	—	151,846	506,404	—	—
August 2014 ASR Agreement ^(d)	—	—	71,316	250,000	—	—
Total Repurchases	<u>524,222</u>	<u>\$2,015,947</u>	<u>739,016</u>	<u>\$2,522,832</u>	<u>520,258</u>	<u>\$1,762,360</u>

(a) As of December 31, 2015, \$23,727 of common stock repurchases had not settled, nor been retired, and were recorded as Treasury stock within our consolidated balance sheets and consolidated statements of stockholders' (deficit) equity.

(b) On October 9, 2013, we entered into an agreement to repurchase \$500,000 of our common stock from Liberty Media. Pursuant to this agreement, we repurchased 43,712 shares of our common stock for \$160,000 from Liberty Media in 2013. In April 2014, we completed the final purchase installment and repurchased 92,889 shares of our common stock for \$340,000 from Liberty Media at a price of \$3.66 per share. As there were certain terms in the forward purchase contract with Liberty Media that could have caused the obligation not to be fulfilled, the instrument was classified as a liability and was marked to fair value with any gain or loss recorded to our consolidated statements of comprehensive income. We recognized \$34,485 and \$20,393 to Loss on change in value of derivatives in our consolidated statements of comprehensive income during the years ended December 31, 2014 and 2013, respectively.

(c) In May 2014, we entered into an accelerated share repurchase agreement (the "May 2014 ASR Agreement") under which we prepaid \$600,000 to a third-party financial institution to repurchase our common stock. Under the May 2014 ASR Agreement, we received 151,846 shares of our common stock which were retired upon receipt and the counterparty returned to us \$93,596 for the unused portion of the original prepayment.

(d) In August 2014, we entered into an accelerated share repurchase agreement (the "August 2014 ASR Agreement") under which we prepaid \$250,000 to a third-party financial institution to repurchase our common stock. Under the August 2014 ASR Agreement, we received an aggregate of 71,316 shares of our common stock that were retired upon receipt.

Share Lending Arrangements

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

We recorded interest expense related to the amortization of the costs associated with the share lending arrangement and other issuance costs for our Exchangeable Notes of \$12,701 and \$12,745 for the years ended December 31, 2014 and 2013, respectively. These costs were fully amortized as of December 31, 2014 as the Exchangeable Notes matured on December 1, 2014.

Preferred Stock, par value \$0.001 per share

We are authorized to issue up to 50,000 shares of undesignated preferred stock with a liquidation preference of \$0.001 per share. In January 2013, Liberty Media converted its remaining

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shares of the Series B Preferred Stock into 1,293,509 shares of our common stock. There were no shares of preferred stock issued or outstanding as of December 31, 2015 and 2014.

Warrants

As of December 31, 2015, there were no warrants outstanding. We have issued warrants to purchase shares of our common stock in connection with distribution and programming agreements. As of December 31, 2014, 16,667 warrants were outstanding and fully vested. During the year ended December 31, 2015, these warrants with an exercise price of \$2.50 per share were exercised on a net settlement basis, resulting in the issuance of 6,010 shares of our common stock. Except for an insignificant amount of warrant expense associated with the extension of the warrants during the three months ended March 31, 2015, we did not incur warrant related expenses during the years ended December 31, 2015, 2014 and 2013. Warrants were included in our calculation of diluted net income per common share as the effect was dilutive for the years ended December 31, 2014 and 2013.

(15) Benefit Plans

We recognized share-based payment expense of \$84,310, \$78,212 and \$68,876 for the years ended December 31, 2015, 2014 and 2013, respectively.

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 restricted stock awards and units using the fair market value of the restricted shares of common stock on the day the award is granted.

Fair value as determined using the Black-Scholes-Merton model varies based on assumptions used for the expected life, expected stock price volatility and risk-free interest rates. For the years ended December 31, 2015, 2014 and 2013, we estimated the fair value of awards granted using the hybrid approach for volatility, which weights observable historical volatility and implied volatility of qualifying actively traded options on our common stock. The expected life assumption represents the weighted-average period stock-based awards are expected to remain outstanding. These expected life assumptions are established through a review of historical exercise behavior of stock-based award grants with similar vesting periods. Where historical patterns do not exist, contractual terms are used. The risk-free interest rate represents the daily treasury yield curve rate at the grant date based on the closing market bid yields on actively traded U.S. treasury securities in the over-the-counter market for the expected term. Our assumptions may change in future periods.

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

2015 Long-Term Stock Incentive Plan

In May 2015, our stockholders approved the Sirius XM Holdings Inc. 2015 Long-Term Stock Incentive Plan (the "2015 Plan"). Employees, consultants and members of our board of directors are eligible to receive awards under the 2015 Plan. The 2015 Plan provides for the grant of stock options, restricted stock awards, restricted stock units and other stock-based awards that the compensation committee of our board of directors deem appropriate. Vesting and other terms of stock-based awards are set forth in the agreements with the individuals receiving the awards.

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Stock-based awards granted under the 2015 Plan are generally subject to a vesting requirement. Stock options generally expire ten years from the date of grant. Each restricted stock unit entitles the holder to receive one share of common stock upon vesting. As of December 31, 2015, 246,778 shares of common stock were available for future grants under the 2015 Plan.

Other Plans

We maintain four other share-based benefit plans—the Sirius XM Radio Inc. 2009 Long-Term Stock Incentive Plan, the XM 2007 Stock Incentive Plan, the Amended and Restated Sirius Satellite Radio 2003 Long-Term Stock Incentive Plan and the XM 1998 Shares Award Plan. No further awards may be made under these plans.

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

	<u>For the Years Ended December 31,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Risk-free interest rate	1.4%	1.6%	1.4%
Expected life of options—years	4.17	4.72	4.73
Expected stock price volatility	26%	33%	47%
Expected dividend yield	0%	0%	0%

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

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

There were no options granted to third parties during the years ended December 31, 2014 and 2013. We do not intend to pay regular dividends on our common stock. Accordingly, the dividend yield used in the Black-Scholes-Merton option value was zero for all periods.

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The following table summarizes stock option activity under our share-based plans for the years ended December 31, 2015, 2014 and 2013:

	<u>Options</u>	<u>Weighted-Average Exercise Price Per Share</u>	<u>Weighted-Average Remaining Contractual Term (Years)</u>	<u>Aggregate Intrinsic Value</u>
Outstanding at the beginning of January 1, 2013	274,512	\$1.92		
Granted	57,228	\$3.59		
Exercised.....	(61,056)	\$1.31		
Forfeited, cancelled or expired.....	<u>(6,445)</u>	\$2.02		
Outstanding as of December 31, 2013	264,239	\$2.42		
Granted	61,852	\$3.39		
Exercised.....	(46,943)	\$1.63		
Forfeited, cancelled or expired.....	<u>(11,294)</u>	\$4.08		
Outstanding as of December 31, 2014	267,854	\$2.72		
Granted	145,366	\$3.95		
Exercised.....	(57,667)	\$1.88		
Forfeited, cancelled or expired.....	<u>(17,072)</u>	\$4.60		
Outstanding as of December 31, 2015	<u>338,481</u>	\$3.29	7.49	\$267,813
Exercisable as of December 31, 2015.....	121,751	\$2.51	5.50	\$194,362

The weighted average grant date fair value per share of options granted during the years ended December 31, 2015, 2014 and 2013 was \$1.11, \$1.05 and \$1.48, respectively. The total intrinsic value of stock options exercised during the years ended December 31, 2015, 2014 and 2013 was \$117,944, \$89,428 and \$142,491, respectively. During the years ended December 31, 2015, 2014 and 2013, the number of net settled shares which were issued as a result of stock option exercises was 17,652, 15,228 and 32,650, respectively.

We recognized share-based payment expense associated with stock options of \$70,084, \$69,754 and \$66,231 for the years ended December 31, 2015, 2014 and 2013, respectively.

The following table summarizes the restricted stock unit and stock award activity under our share-based plans for the years ended December 31, 2015, 2014 and 2013:

	<u>Shares</u>	<u>Grant Date Fair Value Per Share</u>
Nonvested at the beginning of January 1, 2013	429	\$3.25
Granted	6,873	\$3.59
Vested	(192)	\$3.27
Forfeited	<u>(126)</u>	\$3.61
Nonvested as of December 31, 2013	6,984	\$3.58
Granted	6,108	\$3.38
Vested	(1,138)	\$3.62
Forfeited	<u>(379)</u>	\$3.52
Nonvested as of December 31, 2014	11,575	\$3.47
Granted	8,961	\$3.92
Vested	(3,464)	\$3.44
Forfeited	<u>(984)</u>	\$3.52
Nonvested as of December 31, 2015	<u>16,088</u>	\$3.73

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The weighted average grant date fair value per share of restricted stock units and stock awards granted during the years ended December 31, 2015, 2014 and 2013 was \$3.92, \$3.38 and \$3.59, respectively. The total intrinsic value of restricted stock units and stock awards vesting during the years ended December 31, 2015, 2014 and 2013 was \$13,720, \$4,044 and \$605, respectively. During the years ended December 31, 2015, 2014 and 2013, the number of net settled shares which were issued as a result of restricted stock units and stock awards vesting were 2,088, 732 and 191, respectively.

We recognized share-based payment expense associated with restricted stock units and stock awards of \$14,226, \$8,458 and \$2,645 during the years ended December 31, 2015, 2014 and 2013, respectively.

Total unrecognized compensation costs related to unvested share-based payment awards for stock options and restricted stock units granted to employees, members of our board of directors and third parties at December 31, 2015 and 2014, net of estimated forfeitures, were \$261,628 and \$162,985, respectively. The total unrecognized compensation costs at December 31, 2015 are expected to be recognized over a weighted-average period of 3 years.

401(k) Savings Plan

Sirius XM sponsors the Sirius XM Radio Inc. 401(k) Savings Plan (the “Sirius XM Plan”) for eligible employees. The Sirius XM Plan allows eligible employees to voluntarily contribute from 1% to 50% of their pre-tax eligible earnings, subject to certain defined limits. We match 50% of an employee’s voluntary contributions per pay period on the first 6% of an employee’s pre-tax salary up to a maximum of 3% of eligible compensation. We may also make additional discretionary matching, true-up matching and non-elective contributions to the Sirius XM Plan based on certain conditions. 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. Beginning in January 2014, our cash employer matching contributions were no longer used to purchase shares of our common stock on the open market, unless the employee elects our common stock as their investment option for this contribution. We recognized \$8,144, \$5,385 and \$4,181 in expense during years ended December 31, 2015, 2014 and 2013, respectively, to the Sirius XM Plan in fulfillment of our matching obligation.

Sirius XM Holdings Inc. Deferred Compensation Plan

In June 2015, we adopted the Sirius XM Holdings Inc. Deferred Compensation Plan (the “DCP”), effective July 1, 2015. The DCP allows members of our board of directors and certain eligible employees to defer all or a portion of their base salary, cash incentive compensation and/or board of directors’ compensation, as applicable, each plan year starting in 2016. Pursuant to the terms of the DCP, we may elect to make additional contributions beyond amounts deferred by participants, but we are under no obligation to do so. We have established a grantor (or “rabbi”) trust to facilitate the payment of our obligations under the DCP. As of December 31, 2015, there were no balances or amounts associated with the DCP that were recorded in our consolidated financial statements.

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

(16) Commitments and Contingencies

The following table summarizes our expected contractual cash commitments as of December 31, 2015:

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Thereafter</u>	<u>Total</u>
Debt obligations ..	\$ 4,764	\$ 3,840	\$ 2,810	\$ 1,478	\$1,490,000	\$4,000,000	\$5,502,892
Cash interest payments	294,797	294,651	294,543	294,467	278,147	736,188	2,192,793
Satellite and transmission ...	10,814	3,166	4,171	4,161	3,858	8,972	35,142
Programming and content	246,899	225,519	204,569	187,644	163,332	298,650	1,326,613
Marketing and distribution	19,969	13,282	12,379	10,108	4,646	4,600	64,984
Satellite incentive payments	11,780	13,296	14,302	10,652	7,918	35,609	93,557
Operating lease obligations	44,749	42,978	41,619	37,165	34,594	179,147	380,252
Other	68,665	14,429	4,686	559	360	40	88,739
Total ⁽¹⁾	<u>\$702,437</u>	<u>\$611,161</u>	<u>\$579,079</u>	<u>\$546,234</u>	<u>\$1,982,855</u>	<u>\$5,263,206</u>	<u>\$9,684,972</u>

⁽¹⁾ The table does not include our reserve for uncertain tax positions, which at December 31, 2015 totaled \$3,525, as the specific timing of any cash payments cannot be projected with reasonable certainty.

Debt obligations. Debt obligations include principal payments on outstanding debt and capital lease obligations.

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

Satellite and transmission. We have entered into agreements with third parties to operate and maintain the off-site satellite telemetry, tracking and control facilities and certain components of our terrestrial repeater networks.

Programming and content. We have entered into various programming agreements. Under the terms of these agreements, our obligations include fixed payments, advertising commitments and revenue sharing arrangements. Our future revenue sharing costs are dependent upon many factors and are difficult to estimate; therefore, they are not included in our minimum contractual cash commitments.

Marketing and distribution. We have entered into various marketing, sponsorship and distribution agreements to promote our brand and are obligated to make payments to sponsors, retailers, automakers and radio manufacturers under these agreements. Certain programming and content agreements also require us to purchase advertising on properties owned or controlled by the licensors. We also reimburse automakers for certain engineering and development costs associated with the incorporation of satellite radios into new 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 certain of our in-orbit satellites, may be entitled to future in-orbit performance payments with respect to XM-3 and XM-4 meeting their fifteen-year design life. Boeing may also be entitled to additional incentive payments up to \$10,000 if our XM-4 satellite continues to operate above baseline specifications during the five years beyond the satellite's fifteen-year design life.

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

Space Systems/Loral, the manufacturer of certain of our in-orbit satellites, may be entitled to future in-orbit performance payments with respect to XM-5, FM-5 and FM-6 meeting their fifteen-year design life.

Operating lease obligations. We have entered into both cancelable and non-cancelable operating leases for office space, equipment and terrestrial repeaters. These leases provide for minimum lease payments, additional operating expense charges, leasehold improvements and rent escalations that have initial terms ranging from one to fifteen years, and certain leases have options to renew. The effect of the rent holidays and rent concessions are recognized on a straight-line basis over the lease term, including reasonably assured renewal periods. Total rent recognized in connection with leases for the years ended December 31, 2015, 2014 and 2013 was \$47,679, \$45,107 and \$39,228, respectively.

Other. We have entered into various agreements with third parties for general operating purposes. In addition to the minimum contractual cash commitments described above, we have entered into agreements with other variable cost arrangements. These future costs are dependent upon many factors and are difficult to anticipate; however, these costs may be substantial. We may enter into additional programming, distribution, marketing and other agreements that contain similar variable cost provisions. The cost of our stock acquired from a third-party financial institution but not paid for as of December 31, 2015 is also included in this category.

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

Legal Proceedings

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

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

Telephone Consumer Protection Act Suits. We are a defendant in several purported class action suits that allege that we, or call center vendors acting on our behalf, made calls which violate provisions of the Telephone Consumer Protection Act of 1991 (the "TCPA"). The plaintiffs in these actions allege, among other things, that we called mobile phones using an automatic telephone dialing system without the consumer's prior consent or, alternatively, after the consumer revoked his or her prior consent. In one of the actions, the plaintiff also alleges that we violated the TCPA's call time restrictions and in one of the other actions the plaintiff also alleges that we violated the TCPA's do not call restrictions. Our vendors make millions of calls each month to consumers, including our subscribers, as part of our customer service and marketing efforts. The plaintiffs in these suits are seeking various forms of relief, including statutory damages of five

SIRIUS XM HOLDINGS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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hundred dollars for each violation of the TCPA or, in the alternative, treble damages of up to fifteen hundred dollars for each knowing and willful violation of the TCPA, as well as payment of interest, attorneys' fees and costs, and certain injunctive relief prohibiting any violations of the TCPA in the future.

These purported class action cases are titled Erik Knutson v. Sirius XM Radio Inc., No. 12-cv-0418-AJB-NLS (S.D. Cal.), Francis W. Hooker v. Sirius XM Radio, Inc., No. 4:13-cv-3 (E.D. Va.), Yefim Elikman v. Sirius XM Radio, Inc. and Career Horizons, Inc., No. 1:15-cv-02093 (N.D. Ill.), and Anthony Parker v. Sirius XM Radio, Inc., No. 8:15-cv-01710-JSM-EAJ (M.D. Fla). These actions were commenced in February 2012, January 2013, April 2015 and July 2015, respectively. Information concerning each of these actions is publicly available in court filings under their docket numbers.

We have notified certain of our call center vendors of these actions and requested that they defend and indemnify us against these claims pursuant to the provisions of their existing or former agreements with us. We believe we have valid contractual claims against call center vendors in connection with these claims and intend to preserve and pursue our rights to recover from these entities; however, no assurance can be made as to our ability to fully recover all claims we may have against these entities.

Pre-1972 Sound Recording Matters. In August 2013, SoundExchange, Inc. filed a complaint in the United States District Court for the District of Columbia alleging that we underpaid royalties for statutory licenses during the 2007-2012 period in violation of the regulations established by the Copyright Royalty Board for that period. SoundExchange principally alleges that we improperly reduced our calculation of gross revenues, on which the royalty payments are based, by deducting non-recognized revenue attributable to pre-1972 recordings and Premier package revenue that is not "separately charged" as required by the regulations. SoundExchange is seeking compensatory damages of not less than \$50,000 and up to \$100,000 or more, payment of late fees and interest, and attorneys' fees and costs.

In August 2014, the United States District Court for the District of Columbia granted our motion to dismiss the complaint without prejudice on the grounds that the case properly should be pursued before the Copyright Royalty Board rather than the district court. In December 2014, SoundExchange filed a petition with the Copyright Royalty Board requesting an order interpreting the applicable regulations.

This matter is titled SoundExchange, Inc. v. Sirius XM Radio, Inc., No.13-cv-1290-RJL (D.D.C.), and *Determination of Rates and Terms for Preexisting Subscription Services and Satellite Digital Audio Radio Services*, United States Copyright Royalty Board, No. 2006-1 CRB DSTRA. Information concerning each of these actions is publicly available in filings under their docket numbers.

In addition, since 2013, we have been named as a defendant in several suits, including putative class action suits, challenging our use and public performance via satellite radio and the Internet of sound recordings fixed prior to February 15, 1972 ("pre-1972 recordings") under various state laws. In June 2015, we settled the suit brought by Capitol Records LLC, Sony Music Entertainment, UMG Recordings, Inc., Warner Music Group Corp. and ABKCO Music & Records, Inc. relating to our use and public performance of pre-1972 recordings for \$210,000 which amount was paid in July 2015. These settling record companies claim to own, control or otherwise have the right to settle with respect to approximately 85% of the pre-1972 recordings we have historically played. We have also entered into certain direct licenses with other owners of pre-1972 recordings, which in many cases include releases of any claims associated with our use of pre-1972 recordings. The portion of the June 2015 settlement covering the remaining future service periods is being amortized to Revenue share and royalties within our statements of comprehensive income through December 2017 and as of December 31, 2015, \$39,808 was recorded to Prepaid expenses

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

and other current assets and \$43,442 was recorded to Other long-term assets within our consolidated balance sheets.

Several putative class actions suits challenging our use and public performance of other pre-1972 recordings under various state laws remain pending. We believe we have substantial defenses to the claims asserted, we are defending these actions vigorously, and do not believe that the resolution of these remaining cases will have a material adverse effect on our business, financial condition or results of operations.

With respect to certain matters described above under the captions “*Telephone Consumer Protection Act Suits*” and “*Pre-1972 Sound Recording Matters*”, we have determined that the outcome of these matters is inherently unpredictable and subject to significant uncertainties, many of which are beyond our control. No provision was made for losses to the extent such are not probable and estimable. We believe we have substantial defenses to the claims asserted, and intend to defend these actions vigorously.

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

(17) Income Taxes

There is no current U.S. federal income tax provision, as all federal taxable income was offset by utilizing U.S. federal net operating loss carryforwards. The current state income tax provision is primarily related to taxable income in certain States that have suspended or limited the ability to use net operating loss carryforwards or where net operating losses have been fully utilized. The current foreign income tax provision is primarily related to foreign withholding taxes on dividend distributions between us and our Canadian affiliate. For the year ended December 31, 2013, the current foreign income tax provision related to reimbursement of foreign withholding taxes. Income tax expense is the sum of current income tax plus the change in deferred tax assets and liabilities.

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

	<u>For the Years Ended December 31,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Current taxes:			
Federal.....	\$ —	\$ —	\$ —
State	(15,916)	(7,743)	(5,359)
Foreign.....	(825)	(2,341)	5,269
Total current taxes.....	<u>(16,741)</u>	<u>(10,084)</u>	<u>(90)</u>
Deferred taxes:			
Federal.....	(318,933)	(302,350)	(211,044)
State	(46,566)	(25,111)	(48,743)
Total deferred taxes	<u>(365,499)</u>	<u>(327,461)</u>	<u>(259,787)</u>
Total income tax expense.....	<u><u>\$(382,240)</u></u>	<u><u>\$(337,545)</u></u>	<u><u>\$(259,877)</u></u>

SIRIUS XM HOLDINGS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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The following table indicates the significant elements contributing to the difference between the federal tax expense at the statutory rate and at our effective rate:

	For the Years Ended December 31,		
	2015	2014	2013
Federal tax expense, at statutory rate	\$(312,188)	\$(290,775)	\$(222,982)
State income tax expense, net of federal benefit	(26,018)	(32,067)	(19,031)
State rate changes	608	5,334	(8,666)
Non-deductible expenses	(1,106)	(13,914)	(9,545)
Change in valuation allowance	(44,100)	2,836	4,228
Other, net	564	(8,959)	(3,881)
Income tax expense	<u>\$(382,240)</u>	<u>\$(337,545)</u>	<u>\$(259,877)</u>

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

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

	For the Years Ended December 31,	
	2015	2014
Deferred tax assets:		
Net operating loss carryforwards	\$ 1,447,159	\$ 1,818,719
Deferred revenue	730,239	691,323
Accrued bonus	31,458	28,170
Expensed costs capitalized for tax	19,584	19,624
Investments	46,857	46,751
Stock based compensation	66,030	79,296
Other	37,226	38,365
Total deferred tax assets	<u>2,378,553</u>	<u>2,722,248</u>
Deferred tax liabilities:		
Depreciation of property and equipment	(250,821)	(237,971)
FCC license	(779,145)	(789,857)
Other intangible assets	(190,442)	(213,086)
Total deferred tax liabilities	<u>(1,220,408)</u>	<u>(1,240,914)</u>
Net deferred tax assets before valuation allowance	1,158,145	1,481,334
Valuation allowance	(49,095)	(4,995)
Total net deferred tax asset	<u>\$ 1,109,050</u>	<u>\$ 1,476,339</u>

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences can be carried forward under tax law. Management's evaluation of the realizability of deferred tax assets considers both

SIRIUS XM HOLDINGS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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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. The net deferred tax assets are primarily related to net operating loss carryforwards of approximately \$3,762,205. In addition to the gross book net operating loss carryforwards, we have \$827,150 of excess share-based compensation deductions that will not be realized until we utilize these net operating losses, resulting in an approximate gross operating loss carryforward on our tax return of \$4,589,355.

As of December 31, 2015 and 2014, we had a valuation allowance related to deferred tax assets of \$49,095 and \$4,995, respectively, which were not likely to be realized due to certain state net operating loss limitations. During the year ended December 31, 2015, the tax law change in the District of Columbia will reduce our future taxes and use less of certain net operating losses in the future. The District of Columbia tax law change resulted in a \$44,392 increase in our valuation allowance. These net operating loss carryforwards expire on various dates through 2035.

ASC 740 requires a company to first determine whether it is more likely than not that a tax position will be sustained based on its technical merits as of the reporting date, assuming that taxing authorities will examine the position and have full knowledge of all relevant information. A tax position that meets this more likely than not threshold is then measured and recognized at the largest amount of benefit that is greater than fifty percent likely to be realized upon effective settlement with a taxing authority. If the tax position is not more likely than not to be sustained, the gross amount of the unrecognized tax position will not be recorded in the financial statements but will be shown in tabular format within the uncertain income tax positions. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs due to the following conditions: (1) the tax position is “more likely than not” to be sustained, (2) the tax position, amount, and/or timing is ultimately settled through negotiation or litigation, or (3) the statute of limitations for the tax position has expired. A number of years may elapse before an uncertain tax position is effectively settled or until there is a lapse in the applicable statute of limitations. We record interest and penalties related to uncertain tax positions in Income tax expense in our consolidated statements of comprehensive income.

As of December 31, 2015 and 2014, the gross liability for income taxes associated with uncertain state tax positions was \$253,277 and \$1,432, respectively. If recognized, \$183,974 of unrecognized tax benefits would affect our effective tax rate. Uncertain tax positions are recognized in Other long-term liabilities which, as of December 31, 2015 and 2014, we had recorded \$3,525 and \$1,432, respectively. No penalties have been accrued.

We have federal and certain state income tax audits pending. We do not expect the ultimate outcome of these audits to have a material adverse effect on our financial position or results of operations. We also do not currently anticipate that our existing reserves related to uncertain tax positions as of December 31, 2015 will significantly increase or decrease during the twelve month period ending December 31, 2016; however, various events could cause our current expectations to change in the future. Should our position with respect to the majority of these uncertain tax positions be upheld, the effect would be recorded in our consolidated statements of comprehensive income as part of the income tax provision. We recorded interest expense of \$89 and \$55 for the years ended December 31, 2015 and 2014, respectively, related to our unrecognized tax benefits.

SIRIUS XM HOLDINGS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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Changes in our uncertain income tax positions, from January 1 through December 31 are presented below:

	2015	2014
Balance, beginning of year	\$ 1,432	\$1,432
Increases in tax positions for prior years	251,845	—
Balance, end of year.....	\$253,277	\$1,432

(18) Subsequent Events

Stock Repurchase Program

For the period from January 1, 2016 to January 29, 2016, we repurchased 51,883 shares of our common stock on the open market for an aggregate purchase price of \$194,127, including fees and commissions.

(19) 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
2015				
Total revenue.....	\$1,080,990	\$1,123,210	\$1,169,712	\$1,196,146
Cost of services	\$ (406,370)	\$ (525,463)	\$ (440,808)	\$ (470,523)
Income from operations	\$ 313,806	\$ 219,429	\$ 351,584	\$ 293,869
Net income.....	\$ 105,692	\$ 102,849	\$ 166,550	\$ 134,633
Net income per common share—basic.....	\$ 0.02	\$ 0.02	\$ 0.03	\$ 0.03
Net income per common share—diluted ...	\$ 0.02	\$ 0.02	\$ 0.03	\$ 0.03
2014				
Total revenue.....	\$ 997,711	\$1,035,345	\$1,057,087	\$1,090,952
Cost of services	\$ (390,534)	\$ (393,185)	\$ (403,519)	\$ (421,098)
Income from operations	\$ 247,407	\$ 284,578	\$ 294,028	\$ 293,657
Net income.....	\$ 93,988	\$ 119,961	\$ 136,170	\$ 143,122
Net income per common share—basic.....	\$ 0.02	\$ 0.02	\$ 0.02	\$ 0.03
Net income per common share—diluted ⁽¹⁾ ..	\$ 0.02	\$ 0.02	\$ 0.02	\$ 0.03

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

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

<i>(in thousands)</i>	<u>Balance</u>	<u>Charged to</u>	<u>Write-offs/</u>	<u>Balance</u>
<u>Description</u>	<u>January 1,</u>	<u>Expenses</u>	<u>Payments/Other</u>	<u>December 31,</u>
		<u>(Benefit)</u>		
2013				
Allowance for doubtful accounts	\$11,711	39,016	(41,649)	\$ 9,078
Deferred tax assets—valuation allowance	\$ 9,835	(4,228)	2,224	\$ 7,831
Allowance for obsolescence	\$16,159	(773)	(1,168)	\$14,218
2014				
Allowance for doubtful accounts	\$ 9,078	44,961	(46,224)	\$ 7,815
Deferred tax assets—valuation allowance	\$ 7,831	(2,836)	—	\$ 4,995
Allowance for obsolescence	\$14,218	(335)	(3,159)	\$10,724
2015				
Allowance for doubtful accounts	\$ 7,815	47,187	(48,884)	\$ 6,118
Deferred tax assets—valuation allowance	\$ 4,995	44,100	—	\$49,095
Allowance for obsolescence	\$10,724	(34)	(741)	\$ 9,949

Corporate Information

Management

James E. Meyer
Chief Executive Officer

Scott A. Greenstein
President and Chief Content Officer

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

Dara F. Altman
Executive Vice President and Chief
Administrative Officer

James A Cady
Executive Vice President, Operations,
Product and Connected Vehicle

Stephen R. Cook
Executive Vice President,
Sales and Automotive

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

Katherine Kohler Thomson
Executive Vice President,
Chief Marketing Officer

Joseph A. Verbrugge
Executive Vice President,
Sales and Development

Board of Directors

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

Eddy W. Hartenstein
Lead Independent Director of
Sirius XM Holdings Inc.
President and CEO (Retired)
DirecTV

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

George W. Bodenheimer
Director
Executive Chairman (Retired)
ESPN, Inc.

Mark D. Carleton
Director
Chief Development Officer
Liberty Media Corporation

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

Dr. Evan D. Malone
Director
President
NextFab Studio, LLC

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

James F. Mooney
Director
Chief Executive Officer
Four Horsemen Consulting Group

Carl E. Vogel
Director
Private Investor

Vanessa A. Wittman
Director
Chief Financial Officer
Dropbox

David M. Zaslav
Director
President and Chief Executive Officer
Discovery Communications, Inc.

Executive Offices

Sirius XM Holdings Inc.
1221 Avenue of the Americas
36th Floor
New York, New York 10020
212.584.5100
www.siriusxm.com

Stockholder Information

Annual Stockholders Meeting Transfer Agent and Registrar

The annual meeting of Sirius XM stockholders is scheduled for 9:00 a.m., New York City time, on Tuesday, May 24, 2016 in the Auditorium at The AXA Equitable Center, 787 Seventh Avenue, New York, New York 10019

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

Computershare

Shareholder correspondence should be mailed to:
Computershare
P.O. BOX 30170
College Station, TX 77842-3170
1-877-268-1949 (toll free)
201-680-6685 (international callers)
800-231-5469 (hearing impaired TDD phone)

Shareholder website

www.computershare.com/investor

Shareholder online inquiries

<https://www-us.computershare.com/investor/Contact>

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

Independent Registered Public Accounting Firm

KPMG LLP
345 Park Avenue
New York, New York 10154

