UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K/A

(Amendment No. 2)

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

For the fiscal year ended December 31, 2013

or

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

For the transition period from to
Commission file number 001-35707

LIBERTY MEDIA CORPORATION

(Exact name of Registrant as specified in its charter)

State of Delaware (State or other jurisdiction of incorporation or organization)	**20-8988475** (I.R.S. Employer Identification No.)
12300 Liberty Boulevard **Englewood, Colorado** (Address of principal executive offices)	**80112** (Zip Code)

Registrant's telephone number, including area code **: (720) 875-5400**

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

Title of each class	Name of exchange on which registered
Series A Common Stock, par value $0.01 per share	The Nasdaq Stock Market LLC
Series B Common Stock, par value $0.01 per share	The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: **None.**

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to the filing requirements for at least the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

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

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if smaller reporting company)	Smaller reporting company ☐

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

The aggregate market value of the voting stock held by non affiliates of Liberty Media Corporation computed by reference to the last sales price of such stock, as of the closing of trading on the last trading day prior to June 30, 2013, was approximately $13.5 billion.

The number of outstanding shares of Liberty Media Corporation's common stock as of January 31, 2014 was:

	Series A	Series B
Liberty Media common stock	104,421,463	9,876,078

EXPLANATORY NOTE

The Registrant is filing this Amendment No. 2 on Form 10-K/A (this **Form 10-K/A**) to its Annual Report on Form 10-K for the fiscal year ended December 31, 2013 (the **Form 10-K**) to include additional information in Part IV that was inadvertently omitted and is required by applicable SEC rules and regulations. For the fiscal year ended December 31, 2012 Sirius XM Radio Inc. triggered certain quantitative thresholds as an equity method affiliate for inclusion of its financial information for the year ended December 31, 2012. The information was included in the Form 10-K for the fiscal year ended December 31, 2012 and under the applicable rules and regulations should continue to be provided until the 2012 fiscal year is no longer presented. This Form 10-K/A should be read in conjunction with the Form 10-K, Amendment No. 1 on Form 10-K/A and the Registrant's other filings made with the SEC subsequent to the filing of the Form 10-K on February 28, 2014.

Except as described above, this Form 10-K/A does not amend, update or change any other items or disclosures in the Form 10-K or Amendment No. 1 on Form 10-K/A, including any of the financial information disclosed in Parts II of the Form 10-K, and does not purport to reflect any information or events subsequent to the filing thereof.

We refer to Liberty Media Corporation as "Liberty Media," "us," "we" and "our" in this report.

LIBERTY MEDIA CORPORATION
2013 ANNUAL REPORT ON FORM 10-K/A
(Amendment No. 2)

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PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) (2) Financial Statement Schedules

(i) All schedules have been omitted because they are not applicable, not material or the required information is set forth in the financial statements or notes thereto.

(ii) Separate financial statements for SIRIUS XM Radio Inc. and subsidiaries:

(b) Exhibits—The exhibits listed in the Exhibit Index at the end of this report are filed as Exhibits to this Amendment No2 on Form 10-K/A and are meant to supplement the Exhibits listed and/or filed in the Registrant’s Annual Report on Form 10-K for the year ended December 31, 2013, as amended.

Report of Independent Registered Public Accounting Firm

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

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

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sirius XM Radio Inc. and subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP

New York, New York
February 6, 2013

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

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

See accompanying notes to the consolidated financial statements.

SIRIUS XM RADIO INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

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

See accompanying notes to the consolidated financial statements.

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

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

See accompanying notes to the consolidated financial statements.

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

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

See accompanying notes to the consolidated financial statements.

SIRIUS XM RADIO INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS - (Continued)

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

See accompanying notes to the consolidated financial statements.

(1) Business & Basis of Presentation

Business

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

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

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

Basis of Presentation

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

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

(2) Summary of Significant Accounting Policies

Cash and Cash Equivalents

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

Equity Method Investments

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

The difference between our investment and our share of the fair value of the underlying net assets of our affiliates is first allocated to either finite-lived intangibles or indefinite-lived intangibles and the balance is attributed to goodwill. We follow ASC

(Dollar amounts in thousands, unless otherwise stated)

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

Property and Equipment

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

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

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

Goodwill and Other Intangible Assets

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

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

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

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

Revenue Recognition

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

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

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

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

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

Revenue Share

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

Programming Costs

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

Advertising Costs

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

Subscriber Acquisition Costs

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

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

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

Research & Development Costs

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

Share-Based Compensation

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

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

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

Income Taxes

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

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

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

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

Fair Value of Financial Instruments

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

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

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

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

Accumulated Other Comprehensive Income

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

Recent Accounting Pronouncements

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

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

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

(3) Earnings per Share

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

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

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

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

(Dollar amounts in thousands, unless otherwise stated)

(4) Accounts Receivable, net

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

Accounts receivable, net, consists of the following:

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

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

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

(5) Inventory, net

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

Inventory, net, consists of the following:

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

(6) Goodwill

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

(Dollar amounts in thousands, unless otherwise stated)

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

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

(7) Intangible Assets

Intangible assets consist of the following:

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

Indefinite Life Intangible Assets

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

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

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

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

(Dollar amounts in thousands, unless otherwise stated)

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

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

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

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

Definite Life Intangible Assets

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

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

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

(8) Interest Costs

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

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

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

(Dollar amounts in thousands, unless otherwise stated)

(9) Property and Equipment

Property and equipment, net, consists of the following:

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

Construction in progress consists of the following:

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

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

Satellites

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

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

(Dollar amounts in thousands, unless otherwise stated)

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

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

(10) Related Party Transactions

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

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

Liberty Media

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

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

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

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

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

(Dollar amounts in thousands, unless otherwise stated)

Sirius XM Canada

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

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

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

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

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

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

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

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

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

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

(Dollar amounts in thousands, unless otherwise stated)

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

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

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

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

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

* Sirius XM Canada commenced operations in June 2011.

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

Sirius Canada

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

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

(Dollar amounts in thousands, unless otherwise stated)

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

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

* Sirius Canada combined with XM Canada in June 2011.

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

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

XM Canada

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

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

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

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

* XM Canada combined with Sirius Canada in June 2011.

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

(Dollar amounts in thousands, unless otherwise stated)

General Motors and American Honda

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

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

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

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

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

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

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

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

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

(Dollar amounts in thousands, unless otherwise stated)

(11) Investments

Long Term Restricted Investments

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

Auction Rate Certificates

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

(12) Debt

Our debt consists of the following:

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

8.75% Senior Notes due 2015

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

7% Exchangeable Senior Subordinated Notes due 2014

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

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

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

7.625% Senior Notes due 2018

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

5.25% Senior Notes due 2022

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

Senior Secured Revolving Credit Facility

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

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

Retired Debt

9.75% Senior Secured Notes due 2015

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

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

13% Senior Notes due 2013

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

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

3.25% Convertible Notes due 2011

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

11.25% Senior Secured Notes due 2013

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

Covenants and Restrictions

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

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

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

(13) Stockholders' Equity

Common Stock, par value $0.001 per share

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

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

Special Dividend Declared, $0.05 per share

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

Stock Repurchase Program

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

Share Lending Arrangements

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

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

Other

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

Preferred Stock, par value $0.001 per share

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

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

Warrants

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

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

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

Rights Plan

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

(Dollar amounts in thousands, unless otherwise stated)

(14) Benefit Plans

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

2009 Long-Term Stock Incentive Plan

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

Other Plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

401(k) Savings Plan

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

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

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

(Dollar amounts in thousands, unless otherwise stated)

(15) Commitments and Contingencies

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

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

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

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

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

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

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

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

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

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

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

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

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

Legal Proceedings

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

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

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

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

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

(Dollar amounts in thousands, unless otherwise stated)

(16) Income Taxes

Our income tax expense consisted of the following:

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

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

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

(Dollar amounts in thousands, unless otherwise stated)

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

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

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

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

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

(Dollar amounts in thousands, unless otherwise stated)

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

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

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

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

(17) Quarterly Financial Data--Unaudited

Our quarterly results of operations are summarized below:

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

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

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

common share--basic was $0.51. The previously reported net income per common share--basic for the three month ended March 31, 2011, June 30, 2011, and December 31, 2011 were $0.02, $0.05 and $0.02, respectively. The previously reported net income per common share--basic for the six months ended June 30, 2011 was $0.07 and the adjusted net income per common share--basic was $0.04.

(18) Subsequent Events

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

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

SIGNATURES

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

	LIBERTY MEDIA CORPORATION	
Dated: September 30, 2014	By	/s/ Gregory B. Maffei Gregory B. Maffei *Chief Executive Officer and President*

EXHIBIT INDEX

23.2	Consent of KPMG LLP*
31.3	Rule 13a-14(a)/15d-14(a) Certification*
31.4	Rule 13a-14(a)/15d-14(a) Certification*

* Filed herewith.

Exhibit 23.2

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Sirius XM Holdings Inc. (successor registrant to it direct
Wholly-owned subsidiary Sirius XM Radio Inc., predecessor):

We consent to the use of our report dated February 6, 2013, with respect to the consolidated balance sheets of Sirius XM Radio Inc. and subsidiaries as of December 31, 2012 and 2011, and the related consolidated statements of comprehensive income, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2012 included herein.

/s/KPMG LLP

New York, New York
September 30, 2014

Exhibit 31.3

CERTIFICATION

I, Gregory B. Maffei, certify that:

1. I have reviewed this annual report on Form 10-K/A (this " **Report** ") of Liberty Media Corporation; and

2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report.

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.

Date: September 30, 2014

/s/ Gregory B. Maffei
Gregory B. Maffei
Chief Executive Officer and President

Exhibit 31.4

CERTIFICATION

I, Christopher W. Shean, certify that:

1. I have reviewed this annual report on Form 10-K/A (this " **Report** ") of Liberty Media Corporation; and

2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report.

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.

Date: September 30, 2014

/s/ Christopher W. Shean
Christopher W. Shean
Senior Vice President and Chief Financial Officer