

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D. C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2014

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)

36-1699499
(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 \$.01 per share	The Nasdaq Stock Market LLC
Series B Common Stock, par value \$.01 per share	The Nasdaq Stock Market LLC
Series C Common Stock, par value \$.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) of the Act. Yes No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 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 (229.405 of this chapter) 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 Smaller reporting company
(do not check if 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, 2014, was approximately \$13.7 billion.

The number of outstanding shares of Liberty Media Corporation's common stock as of January 31, 2015 was:

Series A	Series B	Series C
104,506,310	9,873,972	228,295,067

Documents Incorporated by Reference

The Registrant's definitive proxy statement for its 2015 Annual Meeting of Shareholders is hereby incorporated by reference into Part III of this Annual Report on Form 10-K

LIBERTY MEDIA CORPORATION
2014 ANNUAL REPORT ON FORM 10-K

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PART I.

Item 1. Business.

(a) *General Development of Business*

Liberty Media Corporation (“Liberty”, the “Company”, “we”, “us” and “our”) owns interests in subsidiaries and other companies which are engaged in the media, communications and entertainment industries. Through our subsidiaries and affiliates, we principally operate in North America. Our principal businesses and assets include our consolidated subsidiaries SIRIUS XM (defined below) and the Atlanta National League Baseball Club, Inc., and our equity affiliate Live Nation Entertainment, Inc.

In September 2011, Liberty Interactive Corporation (“Liberty Interactive” and formerly named Liberty Media Corporation) completed the split-off of its former wholly-owned subsidiary (then known as Liberty Media Corporation) from its Liberty Interactive tracking stock group (the “Split-Off”).

During August 2012, the Board of Directors of Starz (formerly known as Liberty Media Corporation) authorized a plan to distribute to the stockholders of Starz shares of a wholly-owned subsidiary, Liberty (formerly known as Liberty Spinco, Inc.), that held, as of January 11, 2013, all of the businesses, assets and liabilities of Starz not associated with Starz, LLC (with the exception of the Starz, LLC office building) (the “Starz Spin-Off”). The transaction was effected as a pro-rata dividend of shares of Liberty to the stockholders of Starz. The businesses, assets and liabilities not included in Liberty are part of a separate public company which was renamed Starz.

Due to the relative significance of Liberty to Starz (the legal spinor) and senior management's continued involvement with Liberty following the Starz Spin-Off, Liberty was treated as the “accounting successor” to Starz for financial reporting purposes, notwithstanding the legal form of the Starz Spin-Off previously described. Therefore, the historical financial statements of Starz continue to be the historical financial statements of Liberty and Starz, LLC has been treated as discontinued operations upon completion of the Starz Spin-Off in the first quarter of 2013. For purposes of this Form 10-K, Liberty is treated as the spinor for purposes of discussion and as a practical matter for describing all the historical information contained herein.

On January 18, 2013, Liberty, through a wholly-owned subsidiary, purchased 50,000,000 shares of the common stock (“SIRIUS XM Common Stock”), par value \$0.001 per share, of SIRIUS XM Radio, Inc. (now known as Sirius XM Holdings Inc., “SIRIUS XM”) for \$3.1556 per share in a block purchase from a financial institution (the “Block Transaction”). The Company used available cash on hand to acquire the shares of SIRIUS XM Common Stock in the Block Transaction. Additionally, on January 18, 2013 a subsidiary of the Company converted all of its remaining shares of SIRIUS XM's Convertible Perpetual Preferred Stock, Series B-1, par value \$0.001 per share, into 1,293,509,076 shares of SIRIUS XM Common Stock. As a result of these transactions, along with shares of SIRIUS XM Common Stock acquired by the Company and its subsidiaries in the fiscal year ended December 31, 2012, the Company and its subsidiaries hold more than 50% of the capital stock of SIRIUS XM entitled to vote on any matter, including the election of directors. Therefore, Liberty began consolidating SIRIUS XM in the first quarter of 2013.

On October 9, 2013, Liberty entered into a share repurchase agreement with SIRIUS XM pursuant to which SIRIUS XM agreed to acquire 136,600,826 SIRIUS XM shares for \$500 million, in three separate tranches between the fourth quarter of 2013 and second quarter of 2014, at a price of \$3.6603 per share (which was based on a 1.5% discount to the average of the daily volume weighted average price (“VWAP”) per share of SIRIUS XM common stock over a period of ten days beginning on the third trading day following the date of the public release of SIRIUS XM's third quarter 2013 earnings subject to a cap on the average VWAP of \$4.18 and a floor on the average VWAP of \$3.64). The repurchase of shares approximated 2% of the outstanding shares of SIRIUS XM on an as adjusted basis as the shares were retired at the SIRIUS XM level. The first tranche of shares in the amount of 43,712,265 was repurchased on November 14, 2013. The second tranche was delayed and the final two tranches were settled on April 25, 2014 for total proceeds of \$340 million. The retirement of SIRIUS XM shares on a consolidated basis did not significantly impact the consolidated results as it only required an adjustment to noncontrolling interest as the shares were repurchased and retired. Liberty still retains a controlling interest in SIRIUS XM following the completion of the share repurchases.

SIRIUS XM, since the date of our investment, has repurchased approximately 1.3 billion SIRIUS XM shares for approximately \$4.3 billion (including the shares repurchased from Liberty discussed above). As of December 31, 2014 our economic ownership interest in SIRIUS XM is 56%.

During 2014, Liberty's board approved the issuance of shares of its Series C common stock to holders of its Series A and Series B common stock, effected by means of a dividend. On July 23, 2014, holders of Series A and Series B common stock as of 5:00 p.m., New York City time, on July 7, 2014, the record date for the dividend, received a dividend of two shares of Series C common stock for each share of Series A or Series B common stock held by them as of the record date. The impact of the Series C common stock issuance has been reflected retroactively due to the treatment of the dividend as a stock split for accounting purposes. Additionally, in connection with the Series C common stock issuance and the Broadband Spin-Off (defined below), outstanding Series A common stock warrants were adjusted. There were 21,085,900 warrants with a strike price of \$64.46 outstanding at December 31, 2014.

On November 4, 2014, Liberty completed the spin-off to its stockholders of common stock of a newly formed company called Liberty Broadband Corporation ("Liberty Broadband") (the "Broadband Spin-Off"). Shares of Liberty Broadband were distributed to the shareholders of Liberty as of a record date of 5:00 p.m., New York City time, on October 29, 2014. Liberty Broadband is comprised of, among other things, (i) Liberty's former interest in Charter Communications, Inc. ("Charter"), (ii) Liberty's former subsidiary TruePosition, Inc. ("TruePosition"), (iii) Liberty's former minority equity investment in Time Warner Cable, Inc. ("Time Warner Cable"), (iv) certain deferred tax liabilities, as well as liabilities related to Time Warner Cable call options and (v) initial indebtedness, pursuant to margin loans entered into prior to the completion of the Broadband Spin-Off. Prior to the completion of the Broadband Spin-Off, Liberty Broadband borrowed funds under margin loans and made a final distribution to Liberty of approximately \$300 million in cash. The Broadband Spin-Off was intended to be tax-free to stockholders of Liberty. In the Broadband Spin-Off, record holders of Liberty Series A, Series B and Series C common stock received one share of the corresponding series of Liberty Broadband common stock for every four shares of Liberty common stock held by them as of the record date for the Broadband Spin-Off, with cash paid in lieu of fractional shares.

* * * * *

Certain statements in this Annual Report on Form 10-K constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding our business, product and marketing strategies; new service offerings; the recoverability of our goodwill and other long-lived assets; our projected sources and uses of cash; and the anticipated impact of certain contingent liabilities related to legal and tax proceedings and other matters arising in the ordinary course of business. In particular, statements under Item 1. "Business," Item 1A. "Risk-Factors," Item 2. "Properties," Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Item 7A. "Quantitative and Qualitative Disclosures About Market Risk" contain forward-looking statements. Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished. The following include some but not all of the factors that could cause actual results or events to differ materially from those anticipated:

- consumer demand for our products and services and our ability to adapt to changes in demand;
- competitor responses to our products and services;
- uncertainties inherent in the development and integration of new business lines and business strategies;
- uncertainties associated with product and service development and market acceptance, including the development and provision of programming for satellite radio and telecommunications technologies;
- our significant dependence upon automakers;
- our ability to attract and retain subscribers at a profitable level in the future is uncertain;
- our future financial performance, including availability, terms and deployment of capital;
- our ability to successfully integrate and recognize anticipated efficiencies and benefits from the businesses we acquire;

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- the ability of suppliers and vendors to deliver products, equipment, software and services;
- interruption or failure of our information technology and communication systems, including the failure of our satellites, could negatively impact our results and brand;
- royalties for music rights have increased and may continue to do so in the future;
- the outcome of any pending or threatened litigation;
- availability of qualified personnel;
- changes in, or failure or inability to comply with, government regulations, including, without limitation, regulations of the Federal Communications Commission and consumer protection laws, and adverse outcomes from regulatory proceedings;
- changes in the nature of key strategic relationships with partners, vendors and joint venturers;
- general economic and business conditions and industry trends including the current economic downturn;
- consumer spending levels, including the availability and amount of individual consumer debt;
- rapid technological changes;
- impairments of third-party intellectual property rights;
- our indebtedness could adversely affect operations and could limit the ability of our subsidiaries to react to changes in the economy or our industry;
- failure to protect the security of personal information about our customers, subjecting us to potentially costly government enforcement actions or private litigation and reputational damage;
- capital spending for the acquisition and/or development of telecommunications networks and services;
- the regulatory and competitive environment of the industries in which we, and the entities in which we have interests, operate; and
- threatened terrorist attacks, political unrest in international markets and ongoing military action around the world.

These forward-looking statements and such risks, uncertainties and other factors speak only as of the date of this Annual Report, and we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein, to reflect any change in our expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based. When considering such forward-looking statements, you should keep in mind the factors described in Item 1A, "Risk Factors" and other cautionary statements contained in this Annual Report. Such risk factors and statements describe circumstances which could cause actual results to differ materially from those contained in any forward-looking statement.

This Annual Report includes information concerning public companies in which we have controlling and non-controlling interests that file reports and other information with the SEC in accordance with the Securities Exchange Act of 1934, as amended. Information in this Annual Report concerning those companies has been derived from the reports and other information filed by them with the SEC. If you would like further information about these companies, the reports and other information they file with the SEC can be accessed on the Internet website maintained by the SEC at www.sec.gov. Those reports and other information are not incorporated by reference in this Annual Report.

(b) Financial Information About Operating Segments

Through our ownership of interests in subsidiaries and other companies, we are primarily engaged in the media, communications and entertainment industries. Each of these businesses is separately managed.

We identify our reportable segments as (A) those consolidated subsidiaries that represent 10% or more of our annual consolidated revenue, pre-tax earnings or total assets and (B) those equity method affiliates whose share of earnings represent 10% or more of our annual pre-tax earnings. Financial information related to our operating segments can be found in note 18 to our consolidated financial statements found in Part II of this report.

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(c) Narrative Description of Business

The following table identifies our more significant subsidiaries and minority investments.

Consolidated Subsidiaries

Sirius XM Holdings Inc. (Nasdaq:SIRI)
Atlanta National League Baseball Club, Inc.

Equity Method Investments

Live Nation Entertainment, Inc. (NYSE:LYV)

Sirius XM Holdings Inc.

SIRIUS XM broadcasts 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 its two proprietary satellite radio systems. Subscribers can also receive music and other channels, plus features such as Sirius XM On Demand and MySXM, over its Internet radio service, including through applications for mobile devices. As of December 31, 2014, SIRIUS XM had over 27 million subscribers. Its subscribers include:

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

SIRIUS XM's primary source of revenue is subscription fees, with most of its customers subscribing on an annual, semi-annual, quarterly or monthly basis. SIRIUS XM offers discounts for prepaid and longer-term subscription plans as well as discounts for multiple subscriptions. SIRIUS XM also derives revenue from activation and other fees, the sale of advertising on select non-music channels, the direct sale of satellite radios and accessories, and other ancillary services, such as weather, traffic, data and Backseat TV services.

SIRIUS XM's satellite radios are primarily distributed through automakers ("OEMs"); retail stores nationwide; and through its website. SIRIUS XM has agreements with every major automaker to offer satellite radios in their vehicles. Satellite radio services are also offered to customers of certain rental car companies.

SIRIUS XM is also a leader in providing connected vehicle applications and services. SIRIUS XM's connected vehicle services are designed to enhance the safety, security and driving experience for vehicle operators while providing marketing and operational benefits to automakers and their dealers. Subscribers to SIRIUS XM's connected vehicle services are not included in the subscriber count above or subscriber-based metrics.

Programming

SIRIUS XM offers a dynamic programming lineup of commercial-free music, sports, entertainment, comedy, talk, news, traffic and weather, including:

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

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- a wide range of national, international and financial news; and
- local traffic and weather reports for several metropolitan markets throughout the United States.

SIRIUS XM's diverse spectrum of programming, including its lineup of exclusive material, is a significant differentiator from terrestrial radio and other audio entertainment providers. SIRIUS XM makes changes to its programming lineup from time to time in order to attract new subscribers and offer content which appeals to a broad range of audiences and to existing subscribers. The channel line-ups for its services are available at siriusxm.com.

Internet Radio Service

SIRIUS XM streams select music and non-music channels over the Internet. Its Internet radio service also includes channels and features that are not available on its satellite radio service. Access to its Internet radio service is offered to subscribers for a fee. SIRIUS XM also offers applications to allow consumers to access its Internet radio service on smartphones and tablet computers.

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

SIRIUS XM is re-engineering and redesigning its Internet radio streaming platform. The new SIRIUS XM Internet Radio will offer listeners enhanced programming discovery and the ability to connect with content currently playing across its commercial-free music, sports, comedy, news, talk and entertainment channels or available through SiriusXM On Demand. The new platform is expected to be progressively rolled out starting in the first quarter of 2015.

Distribution of Radios

Automakers. SIRIUS XM's primary means of distributing satellite radios is through the sale and lease of new vehicles. SIRIUS XM has agreements with every major automaker to offer satellite radios in their vehicles and satellite radios are available as a factory or dealer-installed option in substantially all vehicle makes sold in the United States. Most automakers include a subscription to SIRIUS XM's radio service in the sale or lease of their vehicles. In certain cases, SIRIUS XM receives subscription payments from automakers in advance of the activation of its service. SIRIUS XM shares with certain automakers a portion of the revenues it derives from subscribers using vehicles equipped to receive its service. SIRIUS XM also reimburses various automakers for certain costs associated with the satellite radios installed in their vehicles, including in certain cases hardware costs, engineering expenses and promotional and advertising expenses.

Previously Owned Vehicles. SIRIUS XM also acquires subscribers through the sale and lease of previously owned vehicles with factory-installed satellite radios. SIRIUS XM has entered into agreements with many automakers to market subscriptions to purchasers and lessees of vehicles which include satellite radios sold through their certified pre-owned programs. In addition, SIRIUS XM works directly with many franchise and independent dealers on programs for non-certified vehicles. SIRIUS XM has developed systems and methods to identify purchasers and lessees of previously owned vehicles which include satellite radios and have established marketing plans to promote its services to these potential subscribers.

Retail. SIRIUS XM sells satellite and Internet radios directly to consumers through its website. Satellite and Internet radios are also marketed and distributed through national and regional retailers.

SIRIUS XM's Satellite Radio Systems

SIRIUS XM's satellite radio systems are designed to provide clear reception in most areas despite variations in terrain, buildings and other obstructions. SIRIUS XM continually monitors its infrastructure and regularly evaluates improvements in technology.

SIRIUS XM's satellite radio systems have three principal components: satellites, terrestrial repeaters and other satellite facilities; studios; and radios.

Satellites, Terrestrial Repeaters and Other Satellite Facilities

Satellites. SIRIUS XM currently owns a fleet of nine orbiting satellites, five in the Sirius system, FM-1, FM-2, FM-3, FM-5 and FM-6, and four in the XM system, XM-1, XM-3, XM-4 and XM-5. Two of these satellites are currently used as spares. In 2014, SIRIUS XM de-orbited a satellite that reached the end of its operational life. In 2015, SIRIUS XM will de-orbit another satellite that has also reached the end of its operational life.

Satellite Insurance. SIRIUS XM holds in-orbit insurance for one of its satellites which will expire in 2015. SIRIUS XM does not intend to renew this in-orbit insurance policy when it expires, as SIRIUS XM considers the premium costs to be uneconomical relative to the risk of satellite failure. The policy provides coverage for a total, constructive total or partial loss of the satellite that occurs prior to its expiration in October 2015. The insurance does not cover the full cost of constructing, launching and insuring a new satellite, nor will it protect SIRIUS XM from the adverse effect on business operations due to the loss of a satellite. The policy contains standard commercial satellite insurance provisions, including coverage exclusions. In-orbit insurance for two of SIRIUS XM's satellites expired in 2014.

Terrestrial Repeaters. In some areas with high concentrations of tall buildings, such as urban centers, signals from SIRIUS XM's satellites may be blocked and reception of satellite signals can be adversely affected. In many of these areas, SIRIUS XM has deployed terrestrial repeaters to supplement satellite coverage. SIRIUS XM operates over 700 terrestrial repeaters as part of its systems across the United States.

Other Satellite Facilities. SIRIUS XM controls and communicates with its satellites from facilities in North America and maintains earth stations in Panama and Ecuador to control and communicate with several of its Sirius system satellites. Its satellites are monitored, tracked and controlled by a third party satellite operator.

Studios

SIRIUS XM's programming originates principally from studios in New York City and Washington, D.C., and, to a lesser extent, from smaller studios in Los Angeles, Nashville and a variety of smaller venues across the country. Its New York City office houses its corporate headquarters. Both its New York City and Washington D.C. offices house facilities for programming origination, programming personnel and facilities to transmit programming.

Radios

Radios are manufactured in three principal configurations: in-dash radios, dock & play radios and commercial units.

SIRIUS XM does not manufacture radios. SIRIUS XM has authorized manufacturers and distributors to produce and distribute radios, and has licensed its technology to various electronics manufacturers to develop, manufacture and distribute radios under certain brands. SIRIUS XM manages various aspects of the production of satellite and Internet radios. To facilitate the sale of radios, SIRIUS XM may subsidize a portion of the radio manufacturing costs to reduce the hardware price to consumers.

Connected Vehicle Services

SIRIUS XM also provides connected vehicle services. SIRIUS XM's connected vehicle services are designed to enhance the safety, security and driving experience for vehicle operators while providing marketing and operational

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benefits to automakers and their dealers. SIRIUS XM offers a portfolio of location-based services through two-way wireless connectivity, including safety, security, convenience, maintenance and data services, remote vehicles diagnostics, stolen or parked vehicle locator services, and monitoring of vehicle emission systems. SIRIUS XM's connected vehicle business provides services to several automakers, including Acura, BMW, Honda, Hyundai, Infiniti, Lexus, Nissan and Toyota.

Canada

SIRIUS XM also has an equity interest in the satellite radio services offered in Canada through its investment in Sirius XM Canada Holdings, Inc. ("SIRIUS XM Canada"). SIRIUS XM owns approximately 37% of the equity of SIRIUS XM Canada. Subscribers to the services offered by SIRIUS XM Canada are not included in the subscriber count above or subscriber-based metrics.

Other Services

Commercial Accounts. SIRIUS XM's programming is also available for commercial establishments. Commercial subscription accounts are available through providers of in-store entertainment solutions and directly from SIRIUS XM. Certain commercial subscribers are included in its subscriber count.

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

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

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

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

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

Backseat TV. SIRIUS XM offers Backseat TV, a service offering television content designed primarily for children, in the backseat of vehicles. SIRIUS XM intends to discontinue this service by the end of 2015.

Copyrights to Programming

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

Musical works rights holders, generally songwriters and music publishers, are traditionally represented by performing rights organizations, such as the American Society of Composers, Authors and Publishers ("ASCAP"), Broadcast Music, Inc. ("BMI"), and SESAC, Inc. ("SESAC"). These organizations negotiate fees with copyright users, collect royalties and distribute them to the rights holders. SIRIUS XM has arrangements with all of these organizations.

Sound recording rights holders, typically large record companies, are primarily represented by SoundExchange, an organization which negotiates licenses, and collects and distributes royalties on behalf of record companies and performing artists. Under the Digital Performance Right in Sound Recordings Act of 1995 and the Digital Millennium Copyright Act of 1998, SIRIUS XM may negotiate royalty arrangements with the owners of sound recordings fixed after February 15,

1972, or if negotiation is unsuccessful, the royalty rate is established by the Copyright Royalty Board (the “CRB”) of the Library of Congress.

The CRB has issued its determination regarding the royalty rate payable by SIRIUS XM under the statutory license covering the performance of sound recordings fixed after February 15, 1972 over its satellite digital audio radio service, and the making of ephemeral (server) copies in support of such performances, for the five-year period ending on December 31, 2017. Under the terms of the CRB’s decision, SIRIUS XM will pay a royalty based on gross revenues, subject to certain exclusions, of 10.0% for 2015, 10.5% for 2016, and 11% for 2017. The rate for 2014 was 9.5%.

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

To secure the rights to stream music content over the Internet, including to mobile devices, SIRIUS XM also must obtain licenses from, and pay royalties to, copyright owners of musical compositions and, in certain cases, sound recordings. SIRIUS XM has arrangements with ASCAP, SESAC and BMI to license the musical compositions SIRIUS XM streams over the Internet. The licensing of certain sound recordings fixed after February 15, 1972 for use on the Internet is also subject to the Digital Performance Right in Sound Recordings Act of 1995 and the Digital Millennium Copyright Act of 1998 on terms established by the CRB. In 2014, SIRIUS XM paid a per performance rate for the streaming of certain sound recordings on the internet of \$0.00220 per play, which rate changed to \$0.00240 per play in 2015. SIRIUS XM is participating in proceedings to establish rates for the streaming of certain sound recordings fixed after February 15, 1972 on the Internet after 2015, known as the Webcasting IV proceeding.

SIRIUS XM’s rights to perform certain copyrighted sound recordings (that is, the actual recording of a work) that were fixed after February 15, 1972 are governed by United States federal law, the Copyright Act. In contrast, SIRIUS XM’s rights to perform certain copyrighted sound recordings that were fixed before February 15, 1972 are governed by various state statutes and common law principles and are subject to litigation in three states.

Trademarks

SIRIUS XM registered, and intends to maintain, the trademarks “Sirius”, “XM”, “SiriusXM” and “SXM” with the United States Patent and Trademark Office in connection with the services they offer. SIRIUS XM is not aware of any material claims of infringement or other challenges to its right to use the “Sirius”, “XM”, “SiriusXM” or “SXM” trademarks in the United States. SIRIUS XM also has registered, and intends to maintain, trademarks for the names of certain of its channels. SIRIUS XM has also registered the trademarks “Sirius”, “XM” and “SiriusXM” in Canada. SIRIUS XM has granted a license to use certain of its trademarks in Canada to Sirius XM Canada.

Atlanta National League Baseball Club, Inc.

Atlanta National League Baseball Club, Inc., or ANLBC, a wholly owned subsidiary, owns and operates the Atlanta Braves Major League Baseball (“MLB”) franchise and five minor league baseball clubs (the Gwinnett Braves, the Mississippi Braves, the Rome Braves, the Danville Braves and the GCL Braves). ANLBC also operates a baseball academy in the Dominican Republic and leases a baseball facility from a third party in connection with its academy. Turner Field, which is leased from the City of Atlanta and Fulton County Recreation Authority until December 31, 2016, is the home stadium of the Atlanta Braves. Turner Field is located just outside the downtown area of Atlanta and offers a range of activities and eateries for fans, from interactive gaming and family-themed areas to social gathering places such as the Braves Chop House. Effective for the 2017 season, ANLBC is expected to relocate into a new ballpark located in Cobb

County, a suburb of Atlanta. The facility will be leased from Cobb County and Cobb-Marietta Coliseum and Exhibit Hall Authority.

With respect to the Braves MLB franchise, ANLBC derives revenue from both local and national sources. Locally, ANLBC receives revenue from the sale of tickets for games played at Turner Field, as well as from in-stadium advertising, game-day sales of concessions and other goods and services in and around Turner Field. ANLBC also derives substantial revenue from the sale of broadcasting rights to the Atlanta Braves baseball games. ANLBC has long-term local broadcasting agreements with Sportsouth Network II, LLC. Nationally, ANLBC participates in the revenue generated from the national broadcasting and radio arrangements negotiated by MLB on behalf of the 30 baseball clubs with ESPN, Turner Broadcasting, Inc., Fox Sports and SIRIUS XM (the "National Broadcast Rights").

Under the MLB rules, the Commissioner of Major League Baseball (the "Commissioner") has the authority, acting as the agent on behalf of all of the MLB franchises, to enter into and administer all contracts for the sale of National Broadcast Rights.

As the owner of a MLB franchise, ANLBC must comply with rules promulgated by the MLB Commissioner and MLB's constitution and bylaws. Each franchise is required to share locally derived revenue with the other MLB franchises and their owners through MLB's revenue sharing plan. Under the MLB rules, each MLB franchise participates in the MLB Central Fund, which acts as a conduit of centrally derived revenue (primarily from National Broadcast Rights, national sponsorships and licensing deals, and the MLB All Star Game) to the clubs, and funds certain expenses (such as contributions to the MLB Players Benefit Plan, administrative and operational expenses of the Commissioner's office, a reserve fund for the Commissioner's office, and administrative expenses of the Central Fund) on behalf of the MLB franchises. Each MLB franchise's share of the Central Fund, following certain adjustments which are made under the MLB revenue share arrangements, is paid to each MLB franchise by the end of each year, unless otherwise determined by the Commissioner. Also under the MLB rules, each MLB franchise is required to participate in and contribute to certain profit sharing initiatives, such as MLB Advanced Media L.P., MLB's interactive media and internet company which runs MLB's official website and all of the MLB teams' websites.

Live Nation Entertainment, Inc.

Live Nation is considered the largest live entertainment company in the world and seeks to innovate and enhance the live entertainment experience for artists and fans before, during and after the show. Live Nation has four business segments: Concerts, Ticketing, Artist Nation and Sponsorship & Advertising.

Live Nation's Business Segments

Concerts. Live Nation's Concerts segment principally involves the global promotion of live music events in their owned or operated venues and in rented third-party venues, the operation and management of music venues and the production of music festivals across the world. During 2014, Live Nation's Concerts business generated approximately \$4.7 billion, or 69%, of Live Nation's total revenue. Live Nation promoted 22,800 live music events in 2014, including artists such as One Direction, Jay-Z & Beyonce, Justin Timberlake, Luke Bryan, Jason Aldean and Lady Gaga and through festivals such as Electric Daisy Carnival, Rock Werchter, Reading and T in the Park. While its Concerts segment operates year-round, Live Nation generally experiences higher revenue during the second and third quarters due to the seasonal nature of shows at its outdoor amphitheaters and festivals, which primarily occur from May through September. Revenue is generally impacted by the number of events, volume of ticket sales and ticket prices. Event costs such as artist fees and production service expenses are included in direct operating expenses and are typically substantial in relation to the revenue.

Ticketing. Live Nation's Ticketing segment is primarily an agency business that sells tickets for events on behalf of its clients and retains a fixed fee or a percentage of the total convenience charge and order processing fee for its services. Live Nation sells tickets for its events and also for third-party clients across multiple live event categories, providing ticketing services for leading arenas, stadiums, amphitheaters, music clubs, concert promoters, professional sports franchises and leagues, college sports teams, performing arts venues, museums and theaters. Live Nation sells tickets through a websites, mobile apps, ticket outlets and telephone call centers. During the year ended December 31, 2014, Live Nation sold 69%,

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18%, 9% and 4% of primary tickets through these channels, respectively. Live Nation's Ticketing segment also manages its online activities including enhancements to its websites and bundled product offerings. During 2014, the Ticketing business generated approximately \$1.6 billion, or 22% of Live Nation's total revenue, which excludes the face value of tickets sold. Through all of its ticketing services, Live Nation sold over 154 million tickets in 2014 on which Live Nation was paid fees for its services. In addition, Live Nation sold approximately 300 million tickets in total using its Ticketmaster system, through season seat packages and its venue clients' box offices, for which Live Nation did not receive a fee. Live Nation's ticketing sales are impacted by fluctuations in the availability of events for sale to the public, which may vary depending upon event scheduling by its clients.

Artist Nation. Live Nation's Artist Nation segment primarily provides management services to music artists in exchange for a commission on the earnings of these artists. The Artist Nation segment also creates and sells merchandise for music artists at live performances, to retailers and directly to consumers via the Internet. During 2014, the Artist Nation business generated approximately \$389 million, or 5%, of Live Nation's total revenue. Revenue earned from the Artist Nation segment is impacted to a large degree by the touring schedules of the artists Live Nation represents and generally experiences higher revenue during the second and third quarters as the period from May through September tends to be a popular time for touring events.

Sponsorship & Advertising. Live Nation's Sponsorship & Advertising segment employs a sales force that creates and maintains relationships with sponsors, through a combination of strategic, international, national and local opportunities that allow businesses to reach customers through its concert, venue, artist relationship and ticketing assets, including advertising on Live Nation websites. Live Nation works with its corporate clients to help create marketing programs that drive their business goals and connect their brands directly with fans and artists. Live Nation also develops, books and produces custom events or programs for its clients' specific brands which are typically experienced exclusively by the clients' customers. These custom events can involve live music events with talent and media, using both online and traditional outlets. During 2014, the Sponsorship & Advertising business generated approximately \$300 million, or 4%, of Live Nation's total revenue.

Terms of Live Nation Investment

At December 31, 2014, we beneficially owned approximately 53.7 million shares of Live Nation common stock, which represented approximately 27% of the issued and outstanding shares as of December 31, 2014.

Under our stockholders agreement with Live Nation, we have the right to nominate two directors (one of whom must qualify as an independent director) to the Live Nation board of directors, currently comprised of 12 directors, for so long as our ownership interest provides us with not less than 5% of the total voting power of Live Nation's equity securities. We also have the right to cause one of our nominees to serve on the audit committee and the compensation committee of the board, provided they meet the independence and other qualifications for membership on those committees.

We have agreed under the stockholders agreement not to acquire beneficial ownership of Live Nation equity securities that would result in our having in excess of 35% of the voting power of Live Nation's equity securities. That percentage is subject to decrease for specified transfers of our Live Nation stock. We have been exempted from the restrictions on business combinations set forth in Section 203 of the Delaware General Corporation Law, and Live Nation has agreed in the stockholders agreement not to take certain actions that would materially and adversely affect our ability to acquire Live Nation securities up to the voting percentage referred to above.

Other Minority Investments

We also own a portfolio of minority equity investments in publicly traded media companies, including Barnes & Noble, Inc. (NYSE: BKS), Time Warner Inc. (NYSE: TWX) and Viacom Inc. (Nasdaq: VIAB). These are assets that were acquired mostly in tax-efficient transactions and are currently held as non-core assets. In the past we have entered into swaps, exchangeable debentures, and other derivatives to monetize these investments and mitigate balance sheet risk. We intend to continue to monetize these investments, which may include further derivative and structured transactions as well as public and private sales.

Regulatory Matters

Satellite Digital Audio Radio Services

As an operator of a privately owned satellite system, SIRIUS XM is regulated by the Federal Communications Commission ("FCC") under the Communications Act of 1934, principally with respect to:

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

Any assignment or transfer of control of SIRIUS XM's FCC licenses must be approved by the FCC. The FCC's order approving the merger of SIRIUS XM's wholly-owned subsidiary, Vernon Merger Corporation, with and into its wholly-owned subsidiary, XM Satellite Radio Holdings Inc., in July 2008 requires SIRIUS XM to comply with certain voluntary commitments it made as part of the FCC merger proceeding. SIRIUS XM believes it complies with those commitments.

In 1997, SIRIUS XM was the winning bidder for FCC licenses to operate a satellite digital audio radio service and provide other ancillary services. SIRIUS XM's FCC licenses for its Sirius system satellites expire in 2017 and 2022. SIRIUS XM's FCC licenses for its XM satellites expire in 2018, 2021 and 2022. One of SIRIUS XM's XM satellites is operating under special temporary authority from the FCC and SIRIUS XM plans to de-orbit the satellite in 2015. SIRIUS XM anticipates that, absent significant misconduct on its part, the FCC will renew its licenses to permit operation of its satellites for their useful lives, and grant a license for any replacement satellites.

In some areas with high concentrations of tall buildings, such as urban centers, signals from SIRIUS XM's satellites may be blocked and reception can be adversely affected. In many of these areas, SIRIUS XM has installed terrestrial repeaters to supplement its satellite signal coverage. The FCC has established rules governing terrestrial repeaters and has granted SIRIUS XM a license through 2027 to operate its repeater network.

In many cases, SIRIUS XM obtains FCC certifications for satellite radios, including satellite radios that include FM modulators SIRIUS XM believes its radios that are in production comply with all applicable FCC rules.

SIRIUS XM is required to obtain export licenses from the United States government to export certain ground control equipment, satellite communications/control services and technical data related to its satellites and their operations. The delivery of such equipment, services and technical data to destinations outside the United States and to foreign persons is subject to strict export control and prior approval requirements from the United States government (including prohibitions on the sharing of certain satellite-related goods and services with China). Changes in law or regulations relating to communications policy or to matters affecting SIRIUS XM's services could adversely affect its ability to retain its FCC licenses or the manner in which SIRIUS XM operates.

Internet Services

To the extent that the businesses in which we have interests engage in the provision of goods and services over the Internet, they must comply with federal and state laws and regulations applicable to online communications and commerce. Our businesses are subject to laws governing the collection, use, retention, security and transfer of personally identifiable information about their users. In particular, the collection and use of personal information by companies have received increased regulatory scrutiny on a global basis. For example, the Children's Online Privacy Protection Act ("COPPA") prohibits web sites from collecting personally identifiable information online from children under age 13 without parental consent and imposes a number of operational requirements. In 2012, the Federal Trade Commission ("FTC") adopted revised COPPA regulations amending certain definitions and modifying certain operational requirements regarding notice and parental consent, among other matters. Certain email activities are subject to the Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003, commonly known as the CAN-SPAM Act. The CAN-SPAM Act regulates the sending of unsolicited commercial email by requiring the email sender, among other things, to comply with specific disclosure requirements and to provide an "opt-out" mechanism for recipients. Both of these laws include statutory penalties for non-compliance. Various states also have adopted laws regulating certain aspects of Internet communications.

Congress has extended the moratorium on state and local taxes on Internet access and commerce until October 1, 2015. Legislative proposals that would further extend the moratorium on state and local taxes on Internet access and commerce are pending in Congress.

In the ordinary course of business, our businesses collect and store the personal information of our customers and employees. The secure processing and continued availability of this information is critical to the operation of our businesses and our businesses are subject to many (often conflicting) laws governing the collection, use, retention, security and transfer of personally-identifiable information. In particular, the collection, disclosure and use of personal information by companies has received increased regulatory scrutiny on a global basis. The enactment, interpretation and application of user data protection laws are in a state of flux, and the interpretation and application of such laws may vary from country to country. Complying with different national and state privacy requirements may cause our businesses to incur substantial costs. In addition, any unauthorized use or disclosure of personal information collected by our businesses, which may be unavoidable, may subject our businesses to risk of substantial government fines or liability to our customers, financial institutions or other third parties. Data collection, privacy and security are growing public concerns. If consumers were to decrease their use of our businesses' websites to purchase products and services, or if new regulations limited the ability of our businesses to market their products or services, such businesses could be harmed.

Other Internet-related laws and regulations enacted in the future may cover issues such as defamatory speech, copyright infringement, pricing and characteristics and quality of products and services. The future adoption of such laws or regulations may slow the growth of commercial online services and the Internet, which could in turn cause a decline in the demand for the services and products of the Internet companies in which we have interests and increase such companies' costs of doing business or otherwise have an adverse effect on their businesses, operating results and financial conditions. Moreover, the applicability to commercial online services and the Internet of existing laws governing issues such as property ownership, libel, personal privacy and taxation is uncertain and could expose these companies to substantial liability.

Proposed Changes in Regulation

The regulation of Internet and satellite-based services is subject to the political process and has been in constant flux over the past decade. Further material changes in the law and regulatory requirements must be anticipated and there can be no assurance that our business will not be adversely affected by future legislation, new regulation or deregulation.

Competition

SIRIUS XM faces significant competition for both listeners and advertisers. Traditional AM/FM radio has had a well-established demand for its services and generally offers free broadcasts paid for by commercial advertising rather than by a subscription fee. In addition, many radio stations have begun broadcasting high definition ("HD") digital signals, which have sound quality similar to SIRIUS XM signals, offer information programming of a local nature, such as local news and sports. The availability of traditional free AM/FM radio reduces the likelihood that customers would be willing to pay for SIRIUS XM's subscription services and, by offering free broadcasts, it may impose limits on what SIRIUS XM can charge for its services. Traditional AM/FM broadcasters are also complementing their HD radio efforts by aggressively pursuing Internet radio, wireless Internet-based distribution arrangements and data services. SIRIUS XM also faces competition from Internet radio and Internet-enabled smartphones, which often have no geographic limitations and provide listeners with radio programming from across the country and around the world. Major media companies and online-only providers, including Beats Music, Google Play, Pandora and iHeartRadio, also make high fidelity digital streams available through the Internet for free or, in some cases, for a fraction of the cost of a satellite radio subscription. Internet-enabled smartphones, most of which have the capability of interfacing with vehicles, can play recorded or cached content and access Internet radio via dedicated applications (such as Pandora, Spotify, iTunes Radio and iHeartRadio) or browsers, often for free, and offer music and talk content. Certain of these applications also include advanced functionality, such as personalization, and allow the user to access large libraries of content on demand. In addition, SIRIUS XM faces competition as a result of the deployment or planned deployment by nearly all automakers of integrated multimedia systems in dashboards, such as Ford's SYNC, Toyota's Entune, and BMW/Mini's Connected. These systems can combine control of audio entertainment from a variety of sources, including AM/FM/HD radio broadcasts, satellite radio, Internet

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radio, smartphone applications and stored audio, with navigation and other advanced applications such as restaurant bookings, movie show times and financial information. These systems enhance the attractiveness of Internet-based competitors by making such applications more prominent, easier to access, and safer to use in the car. SIRIUS XM also faces competition from a number of providers that offer specialized audio services through either direct broadcast satellite or cable audio systems and that are targeted to fixed locations, mostly in-home. The radio service offered by direct broadcast satellite and cable audio is often included as part of a package of digital services with video service, and video customers generally do not pay an additional monthly fee for the audio service. In addition, the audio entertainment marketplace continues to evolve rapidly, with a steady emergence of new media platforms and portable devices that compete with SIRIUS XM's services now or that could compete with its services in the future. The in dash navigation market is also being threatened by increasingly capable smartphones that provide advanced navigation functionality, including live traffic.

ANLBC faces competition from many alternative forms of leisure entertainment. During the baseball season, ANLBC competes with other sporting and live events for game day attendance, which is integral to ANLBC's ticket, concession and souvenir sales revenue. The broadcasting of ANLBC's games, which is another significant source of revenue for ANLBC, competes against a multitude of other media options for viewers, including premium programming, home video, pay-per-view services, online activities, movies and other forms of news and information. In addition, ANLBC competes with the other Major League Baseball teams for a limited pool of player, coaching and managerial talent. This talent contributes to ANLBC's winning record and league standings, which are critical components of ANLBC's competitiveness.

Live Nation faces competition in the live music industry, in attracting touring artists to the venues it owns and operates, from ticketing services primarily through online channels but also through phone, outlet and box office channels, and in its artist management and sponsorships businesses. Competition in the live entertainment industry is intense. Live Nation believes that it competes primarily on the basis of its ability to deliver quality music products, sell tickets and provide enhanced fan and artist experiences. It believes that its primary strengths include the quality of service delivered to its artists, fans and corporate sponsors, its track record in promoting and producing live music events and tours both domestically and internationally, artist relationships, ticketing software and services, distribution platform (venues), the scope and effectiveness in its expertise of marketing and sponsorship programs and its financial stability.

Employees

As of December 31, 2014, we had 78 corporate employees, and our consolidated subsidiaries had an aggregate of approximately 3,612 full and part-time employees. We believe that our employee relations are good.

(d) Financial Information About Geographic Areas

Our consolidated subsidiaries do principally all their business domestically, so a discussion regarding financial information about geographic areas is not considered necessary.

(e) Available Information

All of our filings with the Securities and Exchange Commission (the "SEC"), including our Form 10-Ks, Form 10-Qs and Form 8-Ks, as well as amendments to such filings are available on our Internet website free of charge generally within 24 hours after we file such material with the SEC. Our website address is www.libertymedia.com.

Our corporate governance guidelines, code of business conduct and ethics, compensation committee charter, nominating and corporate governance committee charter, and audit committee charter are available on our website. In addition, we will provide a copy of any of these documents, free of charge, to any shareholder who calls or submits a request in writing to Investor Relations, Liberty Media Corporation, 12300 Liberty Boulevard, Englewood, Colorado 80112, Tel. No. (877) 772-1518.

The information contained on our website is not incorporated by reference herein.

Item 1A. Risk Factors

The risks described below and elsewhere in this annual report are not the only ones that relate to our businesses or our capitalization. The risks described below are considered to be the most material. However, there may be other unknown or unpredictable economic, business, competitive, regulatory or other factors that also could have material adverse effects on our businesses. Past financial performance may not be a reliable indicator of future performance and historical trends should not be used to anticipate results or trends in future periods. If any of the events described below were to occur, our businesses, prospects, financial condition, results of operations and/or cash flows could be materially adversely affected.

Risk Factors Relating to our Businesses

Our historical consolidated financial information is not necessarily representative of our future financial position, future results of operations or future cash flows nor does it reflect what our financial position, results of operations or cash flows would have been as a stand-alone company during the periods presented. On January 11, 2013, we were spun-off (the “Starz Spin-Off”) from Starz (prior to the Starz Spin-Off, “Old LMC”). Prior to that time, we were a wholly owned subsidiary of Old LMC along with Starz, LLC and its subsidiaries. As a result of the Starz Spin-Off, our assets and those of Starz, LLC were separated, we were renamed Liberty Media Corporation and Old LMC (the spinor) was renamed Starz. Notwithstanding the legal form of the Starz Spin-Off, in accordance with GAAP we are considered the divesting entity and treated as the “accounting successor” to Old LMC for financial reporting purposes. This is due, among other reasons, to the relative significance of our company to Old LMC (the legal spinor) and the continued involvement of Old LMC’s senior management with our company (rather than Starz) following the Starz Spin-Off. Therefore, the historical financial statements of Old LMC (renamed Starz) continue to be our historical financial statements, and reflect Starz, LLC and its subsidiaries as discontinued operations in our consolidated financial statements. Prior to the Starz Spin-Off, a significant percentage of the revenue of Old LMC, and a majority of its available cash flow, was generated by Starz, LLC and its subsidiaries.

On January 18, 2013, we acquired a controlling interest in SIRIUS XM. Thus, beginning in the first quarter of 2013, our consolidated financial statements reflect SIRIUS XM as a consolidated subsidiary. Previously, we reflected our investment in SIRIUS XM as an equity method affiliate. In May 2013, we completed a transaction with certain investment funds to acquire approximately 26.9 million shares of common stock and approximately 1.1 million warrants in Charter Communication, Inc. (“Charter”), which represented an approximate 27% beneficial ownership in Charter at the time of purchase. Subsequent to this transaction, our consolidated financial statements reflected Charter as an equity method affiliate. On November 4, 2014, we completed the spin-off (the “Broadband Spin-Off”) of our wholly owned subsidiary, Liberty Broadband Corporation (“Liberty Broadband”), which held, and currently holds, our former interest in Charter, our former subsidiary TruePosition, minority interests in Time Warner Cable, certain deferred tax liabilities, liabilities related to Time Warner Cable call options and corporate level net debt.

As a result of the foregoing transactions, our historical financial information as presented may not necessarily reflect what our results of operations, financial condition and cash flows would have been had we existed as a separate, stand-alone entity pursuing independent strategies during the periods presented.

We may have future capital needs and may not be able to obtain additional financing on acceptable terms. For the year ended December 31, 2012, a significant portion of Liberty’s reported total revenue had been generated by the businesses of Starz, LLC. Prior to the Split-Off, Starz, LLC was the second-largest generator of cash flow for Liberty’s former parent company, Liberty Interactive (the largest generator being QVC, Inc., which is currently a subsidiary of Liberty Interactive). In connection with the Starz Spin-Off, Starz, LLC distributed approximately \$1.8 billion in cash to Liberty, of which \$600 million was distributed in the third and fourth quarters of 2012. As a result of the Starz Spin-Off in January 2013, Liberty ceased to have access to the cash flow generated by Starz, LLC. At December 31, 2014, our only wholly-owned consolidated subsidiary is ANLBC, which, due to its size and nature, together with its assets and operating cash flow, would be insufficient to support any significant financing in the future. Although we received a distribution of approximately \$300 million in cash from Liberty Broadband in connection with the Broadband Spin-Off, this was a one-time distribution and no further cash will be accessible from Liberty Broadband. In addition, although we began consolidating SIRIUS XM in the first quarter of 2013, we do not have ready access to the cash flow of SIRIUS XM due to SIRIUS XM being a separate public company and the significant noncontrolling interest. Hence, our ability to obtain

significant financing in the future, on favorable terms or at all, may be limited. If debt financing is not available to us in the future, we may obtain liquidity through the sale or monetization of our available for sale securities, or we may issue equity securities. If additional funds are raised through the issuance of equity securities, our stockholders may experience significant dilution. If we are unable to obtain sufficient liquidity in the future, we may be unable to develop our businesses properly, complete acquisitions or otherwise take advantage of business opportunities or respond to competitive pressures, any of which could have a material adverse effect on our business, financial condition and results of operations.

We may be subject to significant tax liabilities related to the Broadband Spin-Off. In connection with the Broadband Spin-Off, we received an opinion of tax counsel to the effect that the Broadband Spin-Off will qualify as a tax-free transaction to our company and our stockholders under Section 355, Section 368(a)(1)(D) and related provisions of the Internal Revenue Code of 1986, as amended (the “Code”), except with respect to the receipt of cash in lieu of fractional shares. An opinion of tax counsel is not binding on the Internal Revenue Service (“IRS”) or the courts, and the conclusions expressed in such opinion could be challenged by the IRS, and a court could sustain such challenge. In December 2014, the IRS completed its review of the Broadband Spin-Off and notified Liberty that it agreed with the nontaxable characterization of the transaction. If it is determined, for whatever reason, that the Broadband Spin-Off does not qualify for tax-free treatment, our company and/or our stockholders could incur significant tax liabilities.

Prior to the Broadband Spin-Off, we entered into a tax sharing agreement with Liberty Broadband. Under this agreement, our company is generally responsible for any taxes and losses resulting from the failure of the Broadband Spin-Off to qualify as a tax-free transaction; however, Liberty Broadband is required to indemnify our company for any taxes and losses which (i) result primarily from, individually or in the aggregate, the breach of certain covenants made by Liberty Broadband (applicable to actions or failures to act by Liberty Broadband and its subsidiaries following the completion of the Broadband Spin-Off), or (ii) result from the application of Section 355(e) of the Code to the Broadband Spin-Off as a result of the treatment of the Broadband Spin-Off as part of a plan (or series of related transactions) pursuant to which one or more persons acquire, directly or indirectly, a 50-percent or greater interest (measured by either vote or value) in the stock of Liberty Broadband or any successor corporation. As the taxpaying entity, however, we are subject to the risk of non-payment by Liberty Broadband of its indemnification obligations under the tax sharing agreement.

To preserve the tax-free treatment of the Broadband Spin-Off, we may determine to forego certain transactions that might have otherwise been advantageous to our company, including certain asset dispositions or other strategic transactions for some period of time following the Broadband Spin-Off. In addition, our potential tax liabilities related to the Broadband Spin-Off might discourage, delay or prevent a change of control transaction for some period of time following the Broadband Spin-Off.

Rapid technological advances could render the products and services offered by our businesses obsolete or non-competitive. Our businesses, including, for example, SIRIUS XM and Live Nation must stay abreast of rapidly evolving technological developments and offerings to remain competitive and increase the utility of their products and services. These businesses must be able to incorporate new technologies into their products and services in order to address the needs of their customers. There can be no assurance that they will be able to compete with advancing technology, and any failure to do so could result in customers seeking alternative service providers thereby adversely impacting our revenue, operating income and net income.

The business of SIRIUS XM depends in significant part on the operation of its satellites. As a satellite radio broadcaster, SIRIUS XM's business depends on the lives and proper operation of its satellites. The lives of SIRIUS XM's satellites will vary and depend on a number of factors, including degradation and durability of solar panels, quality of construction, random failure of satellite components (which could result in significant damage to or loss of a satellite), the amount of fuel the satellite consumes and damage or destruction by electrostatic storms, collisions with other objects in space or other events (such as nuclear detonations) occurring in space. In the ordinary course of operation, satellites experience failures of component parts and operational and performance anomalies. Components on SIRIUS XM's in-orbit satellites have failed, and from time to time SIRIUS XM has experienced anomalies in the operation and performance of these satellites. These failures and anomalies are expected to continue in the ordinary course, and SIRIUS XM cannot predict if any of these possible future events will have a material adverse effect on its operations or the life of its existing in-orbit satellites. Any material failure of its satellites could cause SIRIUS XM to lose customers and could materially

harm SIRIUS XM's reputation and operating results. SIRIUS XM maintains no in-orbit insurance for its satellites other than for one of its satellites (its XM-5 satellite), which will expire in 2015.

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

Interruption or failure of SIRIUS XM's information technology and communications systems could negatively impact its results and brand, and therefore the value of our investment in SIRIUS XM. SIRIUS XM's business is dependent on the operation and availability of its information technology and communication systems and those of certain third party service providers. Any degradation in the quality, or any failure, of SIRIUS XM's systems (due to events such as unplanned outages, natural disasters, terrorist activities, technical difficulties or loss of data or processing capabilities) could reduce its revenues, cause it to lose customers and damage its brand. SIRIUS XM could also experience loss of data or processing capabilities, which could cause SIRIUS XM to lose customers and could materially harm SIRIUS XM's reputation and operating results. Although SIRIUS XM has implemented practices designed to maintain the availability of its information technology systems and mitigate the harm of any unplanned interruptions, SIRIUS XM cannot anticipate all eventualities and unplanned outages and technical difficulties are occasionally experienced. In addition, SIRIUS XM relies on internal systems and external systems maintained by manufacturers, distributors and service providers to take, fulfill and handle customer service requests and host certain online activities. Any interruption or failure of SIRIUS XM's internal or external systems could prevent SIRIUS XM from serving customers or cause data to be unintentionally disclosed.

Our businesses are subject to risks of adverse government regulation. Providers of satellite service are subject to varying degrees of regulation in the United States by the FCC and other entities and in foreign countries by similar regulators. Such regulation and legislation are subject to the political process and have been in constant flux over the past decade. For example, SIRIUS XM holds various FCC licenses and authorizations to operate commercial satellite radio services in the United States, which are generally granted for a fixed term, and although SIRIUS XM expects that such licenses and authorizations will be renewed in the ordinary course upon their expiration, there can be no assurance that this will be the case. Non-compliance by SIRIUS XM with the FCC's requirements or with other applicable FCC rules and regulations could result in fines, additional license conditions, license revocation or other detrimental FCC actions. SIRIUS XM also relies on the FCC to assist it in preventing harmful interference to its service. The development of new applications and services in spectrum adjacent to the frequencies licensed to SIRIUS XM for satellite radio and ancillary services, as well as the possible distortion caused by the combination of signals in other frequencies, could cause harmful interference to its satellite radio service. Certain operations or combination of operations permitted by the FCC in spectrum, other than SIRIUS XM's licensed frequencies, could result in distortion to its service and the reception of its satellite radio service could be adversely affected in certain areas.

In addition, SIRIUS XM is subject to various consumer protection laws, rules and regulations, which are extensive and have developed rapidly, particularly at the state level, and, in certain jurisdictions, cover nearly all aspects of SIRIUS XM's marketing efforts, including the content of its advertising, the terms of consumer offers and the manner in which it communicates with existing and prospective subscribers. From time to time, SIRIUS XM is subject to certain claims under the Telephone Consumer Protection Act relating to telephone calls its vendors make to subscribers and trial subscribers, including calls to consumer's mobile phones. Material changes in the law and regulatory requirements must be anticipated, and there can be no assurance that the businesses and assets of our subsidiaries and business affiliates will not become subject to increased expenses or more stringent restrictions as a result of any future legislation, new regulation or deregulation.

The success of SIRIUS XM and Live Nation, in part, depends on audience acceptance of their programs and services, which is difficult to predict. Entertainment content production, satellite radio services and live entertainment events are inherently risky businesses because the revenue derived from these businesses depends primarily upon the public's acceptance of these programs and services, which is difficult to predict. The commercial success of a satellite radio program or live entertainment production depends upon the quality and acceptance of competing programs, the availability of alternative forms of entertainment and leisure time activities, general economic conditions and other tangible and intangible factors, many of which are difficult to predict. In the case of ad-supported programming and satellite radio

service, audience size is an important factor when advertising rates are negotiated. Audience size is also an important factor when determining ticket pricing for live entertainment productions. Consequently, low public acceptance of the programs and services offered by SIRIUS XM and Live Nation could hurt the ability of these companies to maintain rates charged to customers, subscribers and, as applicable, advertisers.

Certain of our businesses depend on the performance of, and their relationships, with various third parties. An important component of the success of our businesses, including in particular our consolidated subsidiary SIRIUS XM, is the ability to maintain existing, as well as build new, relationships with third parties, such as:

- manufacturers that build and distribute satellite radios;
- companies that manufacture and sell integrated circuits for satellite radios;
- programming providers;
- talent, agents and managers;
- operators of call centers;
- retailers that market and sell satellite radios and promote subscriptions to our services; and
- vendors that have designed or built and vendors that support or operate other important elements of our systems.

If one or more of these third parties do not perform in a satisfactory or timely manner, our businesses could be adversely affected. In addition, a number of third parties on which these businesses depend have experienced, and may in the future experience, financial difficulties or file for bankruptcy protection. Such third parties may not be able to perform their obligations in a timely manner, if at all, as a result of their financial condition or may be relieved of their obligations to us as part of seeking bankruptcy protection. In addition, SIRIUS XM, in particular, designs, establishes specifications for and manages various aspects of the logistics of the production of satellite radios. As a result of these activities, SIRIUS XM may be exposed to liabilities associated with the design, manufacture and distribution of radios that the providers of an entertainment service would not customarily be subject to, such as liabilities for design defects, patent infringement and compliance with applicable laws, as well as the costs of returned product.

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

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

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

The ability of SIRIUS XM to attract and retain subscribers at a profitable level in the future is uncertain. SIRIUS XM's ability to retain subscribers, or increase the number of subscribers to its service, in any given period is subject to many factors, including the price of SIRIUS XM's service, the health of the economy, the production and sale or lease of new vehicles in the United States, the rate at which existing self-pay customers buy and sell new and used vehicles in the United States, including the extent to which existing self-pay subscribers buy and sell new and used vehicles which include an unpaid trial, SIRIUS XM's ability to convince owners and lessees of new and previously owned vehicles that include satellite radios to purchase subscriptions to its service, the effectiveness of its marketing programs, the entertainment value of its programming, and actions by its competitors, such as terrestrial and Internet radio and other audio entertainment and information providers. As part of SIRIUS XM's business, SIRIUS XM experiences, and expects to experience in the future, subscriber turnover (i.e., churn). Some elements of SIRIUS XM's business strategy may result in churn increasing. For example, its efforts to increase the penetration of satellite radios in new, lower priced vehicle lines may result in the growth of economy-minded subscribers; its work to acquire subscribers purchasing or leasing pre-owned vehicles may attract subscribers of more limited economic means; and its product and marketing efforts may attract more price sensitive subscribers. If SIRIUS XM is unable to retain current subscribers at expected rates, or the costs of retaining subscribers are higher than expected, its financial performance and operating results could be adversely affected. SIRIUS XM cannot predict how successful it will be at retaining customers who purchase or lease vehicles that include a promotional subscription to its satellite radio service. SIRIUS XM spends substantial amounts on advertising and marketing and in transactions with automakers, retailers and others to obtain and attract subscribers. Average monthly revenue per subscriber, or ARPU, is another key metric used by SIRIUS XM to analyze its business. Over the past several years, SIRIUS XM has focused substantial attention and efforts on balancing ARPU and subscriber additions. Its ability to increase or maintain ARPU over time is uncertain and depends upon various factors, including the value customers perceive in SIRIUS XM's service, SIRIUS XM's ability to add and retain compelling programming, the increasing competition SIRIUS XM experiences from terrestrial radio and other audio entertainment and information providers, and pricing and other offers SIRIUS XM may make to attract new subscribers and retain existing subscribers. If SIRIUS XM is unable to consistently attract new subscribers, and retain its current subscribers, at a sufficient level of revenues to be profitable, the value of its common stock could decline, and without sufficient cash flow it may not be able to make the required payments on its indebtedness and could ultimately default on its commitments.

The unfavorable outcome of pending or future litigation against SIRIUS XM could have a material adverse effect. SIRIUS XM is a party to several legal proceedings arising out of various aspects of SIRIUS XM's business, including patent infringement suits, class action and individual lawsuits seeking compensation for its use of sound recordings fixed prior to February 15, 1972 and class actions seeking damages for purported violations of the telephone consumer protection act. SIRIUS XM is defending all claims against itself. The outcome of these proceedings may not be favorable, and an unfavorable outcome may have a material adverse effect on SIRIUS XM's business or financial results.

Our businesses, such as SIRIUS XM and Live Nation, may not realize the benefits of acquisitions or other strategic initiatives. Our business strategy, including that of SIRIUS XM and Live Nation, may include selective acquisitions or other strategic initiatives focused on business expansion. The success of any acquisitions depends on effective integration of acquired businesses and assets into the acquirer's operations, which is subject to risks and uncertainties, including realization of any anticipated synergies and cost savings, the ability to retain and attract personnel, the diversion of management's attention from other business concerns, and undisclosed or potential legal liabilities of acquired businesses or assets.

Continuingly weak economic conditions may reduce consumer demand for our products and services. A weak economy in the United States could adversely affect demand for our products and services. A substantial portion of our revenue is derived from discretionary spending by individuals, which typically falls during times of economic instability. A reduction in discretionary spending could adversely affect revenue through potential downgrades by satellite radio subscribers, affecting SIRIUS XM, reduced live-entertainment expenditures, affecting Live Nation and ANLBC, and a slowdown in auto sales (which is an important source of satellite radio subscribers), affecting SIRIUS XM. Accordingly, our ability to increase or maintain revenue and earnings could be adversely affected to the extent that relevant economic environments remain weak or decline further. We currently are unable to predict the extent of any of these potential adverse effects.

The business of SIRIUS XM depends in large part upon the auto industry. A substantial portion of SIRIUS XM's subscription growth has come from purchasers and lessees of new and previously owned automobiles in the United States. The sale and lease of vehicles with satellite radios is an important source of subscribers for its satellite radio service. SIRIUS XM has agreements with every major automaker to include satellite radios in new vehicles, although these agreements do not require automakers to install specific or minimum quantities of radios in any given period. Automotive production and sales are dependent on many factors, including the availability of consumer credit, general economic conditions, consumer confidence and fuel costs. To the extent vehicles sales by automakers decline or the penetration of factory-installed satellite radios in those vehicles is reduced, subscriber growth for SIRIUS XM's satellite radio services may be adversely impacted. Sales of previously owned vehicles represent a significant source of new subscribers for SIRIUS XM. SIRIUS XM has agreements with various auto dealers and certain companies operating in the used vehicle market to provide it with data on sales of previously owned satellite radio enabled vehicles. The continuing availability of this information is important to SIRIUS XM's future growth.

The indebtedness of our subsidiary, SIRIUS XM, could adversely affect its operations and could limit its ability to react to changes in the economy or its industry. Our subsidiary SIRIUS XM has significant indebtedness. As of December 31, 2014, SIRIUS XM had outstanding an aggregate principal amount of approximately \$4.5 billion of indebtedness, \$380 million of which was outstanding under a \$1.25 billion senior secured revolving credit facility with a syndicate of financial institutions which contains certain covenants. This debt level has important consequences. Carrying significant debt loads can increase a company's vulnerability to general adverse economic and industry conditions, require it to dedicate a portion of its cash flow from operations to payments on indebtedness, reduce the availability of cash flow to fund capital expenditures, marketing and other general corporate activities, limit its ability to borrow additional funds or make capital expenditures, limit its flexibility in planning for, or reacting to, changes in its business and its industry, and may place it at a competitive disadvantage compared to other competitors. In addition, the instruments governing such indebtedness, including SIRIUS XM's indebtedness, often contain covenants that, among other things, place certain limitations on the ability to incur more debt, exceed a specified leverage ratio, pay dividends, make distributions, make investments, repurchase stock, create liens, enter into transactions with affiliates, enter into sale lease-back transactions, merge or consolidate, and transfer or sell assets. Failure to comply with such covenants could result in an event of default, which, if not cured or waived, could cause the applicable subsidiaries or business affiliates to seek the protection of the bankruptcy laws, discontinue operations or seek a purchaser for its business or assets.

We have substantial debt held above the operating subsidiary level, and we could be unable in the future to obtain cash in amounts sufficient to service that debt and our other financial obligations. As of December 31, 2014, we had \$1.2 billion principal amount of corporate-level debt outstanding. Our ability to meet our financial obligations will depend on our ability to access cash. Our primary sources of cash include our available cash balances, dividends and interest from our investments, monetization of our public investment portfolio and proceeds from asset sales. Further, our ability to receive dividends or payments or advances from our businesses depends on their individual operating results, any statutory, regulatory or contractual restrictions to which they may be or may become subject and the terms of their own indebtedness, including SIRIUS XM's senior notes and credit facility. The agreements governing such indebtedness restrict sales of assets and prohibit or limit the payment of dividends or the making of distributions, loans or advances to stockholders, non-wholly owned subsidiaries or our partners. We generally do not receive cash, in the form of dividends, loans, advances or otherwise, from our business affiliates.

Royalties for music rights, which are paid by SIRIUS XM, have increased and there can be no assurance that they will not continue to increase, and the market for music rights is changing and is subject to significant uncertainties. SIRIUS XM must maintain music programming royalty arrangements with, and pay license fees to BMI, ASCAP and SESAC. These organizations negotiate with copyright users, collect royalties and distribute them to songwriters and music publishers. SIRIUS XM has agreements with ASCAP, BMI and SESAC through 2016. There can be no assurance that the royalties SIRIUS XM pays to ASCAP, SESAC, BMI and other songwriters and music publishers will not increase upon expiration of these arrangements. The market for acquiring rights from songwriters and music publishers is changing. BMI and ASCAP are subject to Consent Decrees with the United States. The United States Department of Justice is reviewing these Consent Decrees and may agree to changes to those arrangements. In addition, certain songwriters and music publishers have purportedly withdrawn from two of the traditional performing rights organizations, ASCAP and BMI, and third parties have contacted SIRIUS XM regarding the need to separately license works. The change to, and fragmentation of, the traditional market for licensing musical works could increase SIRIUS XM's licensing costs and/or cause it in certain

cases to reduce the number of works performed. Under the Digital Performance Right in Sound Recordings Act of 1995 and the Digital Millennium Copyright Act of 1998, SIRIUS XM also must pay royalties to copyright owners of sound recordings fixed after February 15, 1972. Those royalty rates may be established through negotiation or, if negotiation is unsuccessful, by the Copyright Royalty Board ("CRB"). Owners of copyrights in sound recordings have created SoundExchange, a collective organization to collect and distribute royalties. SoundExchange is exempt by statute from certain U.S. antitrust laws and exercises significant market power in the licensing of sound recordings. Under the terms of the CRB's decision governing sound recording royalties for the five-year period ending on December 31, 2017, SIRIUS XM will pay a royalty based on gross revenues, subject to certain exclusions, of 10.0% for 2015, 10.5% for 2016, and 11% for 2017. The right to perform certain copyrighted sound recordings that were fixed before February 15, 1972 is governed by state common law principles and, in certain instances, may be subject to state statutes. SIRIUS XM is a defendant in litigation in three States regarding the alleged distribution, duplication and performance of certain copyrighted sound recordings that were fixed before February 15, 1972. If courts ultimately hold that a performance right exists under state copyright laws, SIRIUS XM may be required to pay additional royalties to perform copyrighted sound recordings that were fixed before February 15, 1972 or remove those works from its service. For additional information about these matters, see Item 3. Legal Proceedings.

Our subsidiary, SIRIUS XM, and our other businesses, face substantial competition, which may increase over time. SIRIUS XM faces substantial competition from other providers of music and talk radio and other audio services and its ability to retain and attract customers is based on its successful programming. SIRIUS XM's subscribers can obtain similar content through terrestrial radio or Internet radio services, and a number of automakers and aftermarket manufacturers have introduced factory-installed radios capable of accessing internet-delivered auto entertainment and connecting to Internet-delivered content on smartphones. Such competition could lower subscription, advertising or other revenue or increase expenses related to marketing, promotion or other expenses, which would lower SIRIUS XM's earnings and free cash flow. For additional information regarding the competitive factors faced by our businesses, see "Part I. Business -- Competition" above.

The success of SIRIUS XM and Live Nation, in part, depends on the integrity of their systems and infrastructures and the protection of consumer data. The businesses of SIRIUS XM and Live Nation involve the receipt and storage of personal information about consumers. While the receipt and storage of such information is subject to regulation by international, federal and state law, and although SIRIUS XM and Live Nation may take steps to protect personal information, these companies could experience a data security breach, which could result in a disruption of operations and potential violations of applicable privacy laws and other laws or standards which could result in government enforcement actions and private litigation and/or the loss of consumer trust.

The success of ANLBC, in part, depends on its ability to recruit and retain key persons. The financial success of ANLBC is influenced by the record of the Atlanta Braves Major League baseball team during each season, which is directly impacted by their ability to employ and retain top performing players, coaches and managers. We cannot assure you that if the Atlanta Braves Major League baseball team experiences turnover of these key persons, they will be able to recruit and retain acceptable replacements, in part, because the market for such employees is very competitive and limited.

We do not have the right to manage our business affiliate, Live Nation, which means we are not able to cause it to operate in a manner that is favorable to us. We do not have the right to manage the businesses or affairs of our business affiliate Live Nation. Rather, our rights take the form of representation on the board of directors and board committees. Although our board representation rights may enable us to exercise influence over the management or policies of Live Nation, they will not enable us to cause Live Nation to take any actions we believe are favorable to us (such as paying dividends or distributions).

Our equity method investment in Live Nation may have a material impact on our net earnings. We have a significant investment in Live Nation, which we account for under the equity method of accounting. Under the equity method, we report our proportionate share of the net earnings or losses of our equity affiliates in our statement of operations under "share of earnings (losses) of affiliates," which contributes to our earnings (loss) from continuing operations before income taxes. If the earnings or losses of Live Nation are material in any year, those earnings or losses may have a material effect on our net earnings. Notwithstanding the impact on our net earnings, we do not have the ability to cause Live Nation to pay dividends or make other payments or advances to its stockholders, including us. In addition, our investment in Live

Nation is in publicly traded securities which are not reflected at fair value on our balance sheet and is also subject to market risk that is not directly reflected in our statement of operations.

The liquidity and value of our public investments may be affected by market conditions beyond our control that could cause us to record losses for declines in their market value. Included among our assets are equity interests in one or more publicly-traded companies that are not consolidated subsidiaries or equity affiliates, such as Barnes & Noble Inc., Time Warner Inc. and Viacom, Inc. As of December 31, 2014, the market value of these investments totaled \$718 million. The value of these interests may be affected by economic and market conditions that are beyond our control and changes in the value of these investments may affect our financial results. In addition, our ability to liquidate these interests without adversely affecting their aggregate value may be limited.

No assurance can be made that we will be successful in integrating any acquired businesses. Our businesses may grow through acquisitions in selected markets. Integration of new businesses may present significant challenges, including: realizing economies of scale; eliminating duplicative overhead; and integrating networks, financial systems and operational systems. No assurance can be made that, with respect to any acquisition, we will realize anticipated benefits or successfully integrate any acquired business with our existing operations. In addition, while we intend to implement appropriate controls and procedures as we integrate acquired companies, we may not be able to certify as to the effectiveness of these companies' disclosure controls and procedures or internal control over financial reporting (as required by U.S. federal securities laws and regulations) until we have fully integrated them.

Risk Factors Relating to Ownership of Our Common Stock

Transactions in our common stock by our insiders could depress the market price of our common stock. Sales of or hedging transactions, such as collars, in our shares by our Chairman of the Board or any of our other directors or executive officers could cause a perception in the marketplace that our stock price has peaked or that adverse events or trends have occurred or may be occurring at our company. This perception could result notwithstanding any personal financial motivation for these insider transactions. As a result, insider transactions could depress the market price for shares of one or more series of our common stock.

Our company has overlapping directors and management with Liberty Interactive, Liberty Broadband and Liberty TripAdvisor Holdings, Inc. ("Liberty TripAdvisor"), which may lead to conflicting interests. As a result of the Starz Spin-Off, the Split-Off, the Broadband Spin-Off and Liberty Interactive's spin-off of Liberty TripAdvisor in August 2014, most of the executive officers of Liberty also serve as executive officers of Liberty Interactive, Liberty Broadband and Liberty TripAdvisor, and there are overlapping directors. None of these companies has any ownership interest in any of the others. Our executive officers and members of our company's board of directors have fiduciary duties to our stockholders. Likewise, any such persons who serve in similar capacities at Liberty Interactive, Liberty Broadband or Liberty TripAdvisor have fiduciary duties to that company's stockholders. For example, there may be the potential for a conflict of interest when our company, Liberty Interactive, Liberty Broadband or Liberty TripAdvisor pursues acquisitions and other business opportunities that may be suitable for each of them. Therefore, such persons may have conflicts of interest or the appearance of conflicts of interest with respect to matters involving or affecting more than one of the companies to which they owe fiduciary duties. Moreover, most of our company's directors and officers continue to own Liberty Interactive, Liberty Broadband and Liberty TripAdvisor stock and options to purchase stock in those companies. These ownership interests could create, or appear to create, potential conflicts of interest when the applicable individuals are faced with decisions that could have different implications for our company, Liberty Interactive, Liberty Broadband and/or Liberty TripAdvisor. Any potential conflict that qualifies as a "related party transaction" (as defined in Item 404 of Regulation S-K under the Securities Act of 1933, as amended) is subject to review by an independent committee of the applicable issuer's board of directors in accordance with its corporate governance guidelines. Each of Liberty Broadband and Liberty TripAdvisor has renounced its rights to certain business opportunities and each company's restated certificate of incorporation contains provisions deeming directors and officers not in breach of their fiduciary duties in certain cases for directing a corporate opportunity to another person or entity (including Liberty Interactive, Liberty Broadband and Liberty TripAdvisor) instead of such company. Any other potential conflicts that arise will be addressed on a case-by-case basis, keeping in mind the applicable fiduciary duties owed by the executive officers and directors of each issuer. From time to time, we may enter into transactions with Liberty Interactive, Liberty Broadband or Liberty TripAdvisor and/or their subsidiaries or other affiliates. There can be no assurance that the terms of any such transactions will be as favorable

to our company, Liberty Interactive, Liberty Broadband, Liberty TripAdvisor or any of their respective subsidiaries or affiliates as would be the case where there is no overlapping officer or director.

Holders of a single series of our common stock may not have any remedies if an action by our directors has an adverse effect on only that series of our common stock. Principles of Delaware law and the provisions of our certificate of incorporation may protect decisions of our board of directors that have a disparate impact upon holders of any single series of our common stock. Under Delaware law, the board of directors has a duty to act with due care and in the best interests of all of our stockholders, including the holders of all series of our common stock. Principles of Delaware law established in cases involving differing treatment of multiple classes or series of stock provide that a board of directors owes an equal duty to all common stockholders regardless of class or series and does not have separate or additional duties to any group of stockholders. As a result, in some circumstances, our directors may be required to make a decision that is viewed as adverse to the holders of one series of our common stock. Under the principles of Delaware law and the business judgment rule, holders may not be able to successfully challenge decisions that they believe have a disparate impact upon the holders of one series of our stock if our board of directors is disinterested and independent with respect to the action taken, is adequately informed with respect to the action taken and acts in good faith and in the honest belief that the board is acting in the best interest of all of our stockholders.

It may be difficult for a third party to acquire us, even if doing so may be beneficial to our stockholders. Certain provisions of our restated charter and bylaws may discourage, delay or prevent a change in control of our company that a stockholder may consider favorable. These provisions include:

- authorizing a capital structure with multiple series of common stock, a Series B common stock that entitles the holders to ten votes per share, a Series A common stock that entitles the holder to one vote per share, and a Series C common stock that, except as otherwise required by applicable law, entitles the holder to no voting rights;
- classifying our board of directors with staggered three-year terms, which may lengthen the time required to gain control of our board of directors;
- limiting who may call special meetings of stockholders;
- prohibiting stockholder action by written consent, thereby requiring all stockholder actions to be taken at a meeting of the stockholders;
- establishing advance notice requirements for nominations of candidates for election to the board of directors or for proposing matters that can be acted upon by stockholders at stockholder meetings;
- requiring stockholder approval by holders of at least 66² / 3 % of our aggregate voting power or the approval by at least 75% of our board of directors with respect to certain extraordinary matters, such as a merger or consolidation of our company, a sale of all or substantially all of our assets or an amendment to our restated charter; and
- the existence of authorized and unissued stock, including "blank check" preferred stock, which could be issued by our board of directors to persons friendly to our then current management, thereby protecting the continuity of our management, or which could be used to dilute the stock ownership of persons seeking to obtain control of our company.

In addition, our chairman, John C. Malone, beneficially owns shares representing the power to direct approximately 47% of the aggregate voting power in our company, due to his beneficial ownership of approximately 96% of the outstanding shares of Liberty Series B common stock as of January 31, 2015.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties.

We own our corporate headquarters in Englewood, Colorado.

SIRIUS XM owns office, production, data center, and engineering facilities in Washington D.C. and New Jersey. Additionally, SIRIUS XM leases property for its headquarters in New York and leases additional properties in New York, New Jersey, Florida, Michigan, Tennessee, Georgia, California and Texas for its office, production, technical, studio and engineering facilities and call center. SIRIUS XM also leases properties in Panama and Ecuador that are used as earth stations to command and control satellites. In addition, SIRIUS XM leases or licenses space at approximately 640 locations for use in connection with the terrestrial repeater networks that support its satellite radio services. In general, these leases and licenses are for space on building rooftops and communications towers, none of which are individually material to the business or its operations.

Our other subsidiaries and business affiliates own or lease the fixed assets necessary for the operation of their respective businesses, including office space and entertainment venues. Our management believes that our current facilities are suitable and adequate for our business operations for the foreseeable future.

Item 3. Legal Proceedings

Litigation Relating to Proposed Acquisition of SIRIUS XM Stock

In early to mid-January 2014, a series of stockholder class actions were filed in Delaware and New York state courts against SIRIUS XM, Liberty, Liberty Radio LLC, and certain present and former SIRIUS XM board members (Joan L. Amble, Anthony J. Bates, George W. Bodenheimer, David J.A. Flowers, Eddy W. Hartenstein, James P. Holden, Gregory B. Maffei, Evan D. Malone, John C. Malone, James E. Meyer, James F. Mooney, Carl E. Vogel, Vanessa A. Wittman and David Zaslav). In Delaware, the cases are captioned: Roy v. Meyer, et al., Case No. 9248-VCN (Del. Ch.); Ebenau v. Meyer, et al., Case No. 9249-VCN (Del. Ch.); Ricciardi v. Sirius XM Holdings Inc., et al., Case No. 9253-VCN (Del. Ch.); Western Washington Laborers-Employers Pension Trust v. Sirius XM Holdings Inc., et al., Case No. 9269-VCN (Del. Ch.); and Varvolis v. Malone, et al., Case No. 9283-VCN (Del. Ch.). In New York, the cases are captioned: Freedman v. Sirius XM Holdings Inc., et al., Index No. 650038/2014 (N.Y. Sup. Ct.); Adoni v. Amble, et al., Index No. 650085/2014 (N.Y. Sup. Ct.); Goodman v. Amble, et al., Index No. 650141/2014 (N.Y. Sup. Ct.); Hartleib v. Sirius XM Holdings Inc., et al., Index No. 650158/2014 (N.Y. Sup. Ct.); Shenk v. Sirius XM Holdings Inc., et al., Index No. 650188/2014 (N.Y. Sup. Ct.); The Booth Family Trust v. Meyer, et al., Index No. 650235/2014 (N.Y. Sup. Ct.); Corso v. Sirius XM Holdings Inc., et al., Index No. 650253/2014 (N.Y. Sup. Ct.); and Sciortino v. Sirius XM Holdings Inc., et al., Index No. 650268/2014 (N.Y. Sup. Ct.).

The cases involved Liberty's former proposal (the "Proposal") to acquire the remaining shares of SIRIUS XM that it does not already own (which was subsequently withdrawn). The plaintiffs alleged that in pursuing this Proposal, Liberty and the individual director defendants breached their fiduciary duties to the SIRIUS XM shareholders.

On January 13, 2014, a notice of voluntary discontinuance was filed in the Adoni case. On January 27, 2014, a motion for consolidation (of all of the New York cases) and appointment of lead counsel was filed in the Shenk case. On January 31, 2014, defendants filed a cross-motion to dismiss the New York actions, or in the alternative to stay the New York actions, in favor of the substantially similar actions pending in Delaware.

On March 13, 2014, before the New York Supreme Court heard oral argument on the pending motion and cross-motion, Liberty issued a press release stating that it had withdrawn the Proposal. In light of this withdrawal, plaintiffs' cases became moot. On April 1, 2014, notices of voluntary discontinuances were filed in the Freedman, Goodman, Hartleib, The Booth Family Trust, Corso, and Sciortino cases. In the Shenk case, a stipulation of voluntary discontinuance was faxed to the court on April 2, 2014, and on April 10, 2014, Judge Lawrence Marks "So Ordered" the stipulation. All of the New York cases were voluntarily dismissed on or before April 10, 2014. Similarly, each of the Delaware cases was dismissed on or before July 21, 2014.

Pre-1972 Sound Recording Matters

SIRIUS XM is a defendant in three class action suits and one additional suit, which were commenced in August and September 2013 and challenge SIRIUS XM's use and public performance via satellite radio and the Internet of sound recordings fixed prior to February 15, 1972 under California, New York and/or Florida law. The plaintiffs in each of these cases seek compensatory and punitive damages and injunctive relief.

In September 2014, the United States District Court for the Central District of California ruled that the grant of "exclusive ownership" to the owner of a sound recording under California's copyright statute included the exclusive right to control public performances of the sound recording. The court further determined that the unauthorized public performance of sound recordings violated California laws on unfair competition, misappropriation and conversion. In October 2014, the Superior Court of the State of California for the County of Los Angeles adopted the Central District Court's interpretation of "exclusive ownership" under California's copyright statute. However, the Superior Court did not find that the unauthorized public performance of sound recordings violated California laws on unfair competition, misappropriation and conversion. In November 2014, the United States District Court for the Southern District of New York denied SIRIUS XM's motion for summary judgment and held that sound recordings fixed before February 15, 1972 were entitled to the benefits of a public performance right under New York law. The court subsequently denied reconsideration of that decision. SIRIUS XM intends to appeal these decisions.

These cases are titled Flo & Eddie Inc. v. Sirius XM Radio Inc. et al., No. 2:13-cv-5693-PSG-RZ (C.D. Cal.), Flo & Eddie, Inc. v. Sirius XM Radio Inc., et al., No. 1:13-cv-23182-DPG (S.D. Fla.), Flo & Eddie, Inc. v. Sirius XM Radio Inc. et al., No. 1:13-cv-5784-CM (S.D.N.Y.), and Capitol Records LLC et al. v. Sirius XM Radio Inc., No. BC-520981 (Super. Ct. L.A. County). Additional information concerning each of these actions is publicly available in court filings under their docket numbers.

In addition, in August 2013, SoundExchange, Inc. filed a complaint in the United States District Court for the District of Columbia alleging that SIRIUS XM underpaid royalties for statutory licenses during the 2007-2012 rate period in violation of the regulations established by the CRB for that period. SoundExchange principally alleges that SIRIUS XM improperly reduced its calculation of gross revenues, on which the royalty payments are based, by deducting non-recognized revenue attributable to pre-1972 recordings and Premier package revenue that is not "separately charged" as required by the regulations. SoundExchange is seeking compensatory damages, payment of late fees and interest, and attorneys' fees and costs.

In August 2014, the United States District Court for the District of Columbia granted SIRIUS XM's motion to dismiss the complaint without prejudice on the grounds that the case properly should be pursued before the CRB rather than the district court. In December 2014, SoundExchange filed a petition with the CRB requesting an order interpreting the applicable regulations. The CRB has requested that the parties submit briefs regarding whether the agency properly has jurisdiction to interpret the regulations and adjudicate this matter under the applicable statute.

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

Telephone Consumer Protection Act Suits

SIRIUS XM is a defendant in three purported class action suits, which were commenced in February 2012, January 2013 and January 2015, in the United States District Court for the Eastern District of Virginia, Newport News Division, and the United States District Court for the Southern District of California that allege that SIRIUS XM, or certain call center vendors acting on their behalf, made numerous calls which violate provisions of the Telephone Consumer Protection Act of 1991 (the "TCPA"). The plaintiffs in these actions allege, among other things, that SIRIUS XM called mobile phones using an automatic telephone dialing system without the consumer's prior consent or, alternatively, after the consumer revoked their prior consent and, in one of the actions, that SIRIUS XM violated the TCPA's call time restrictions. The plaintiffs in these suits are seeking various forms of relief, including statutory damages of \$500 for each violation of the TCPA or, in the alternative, treble damages of up to \$1,500 for each knowing and willful violation of the TCPA, as

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well as payment of interest, attorneys' fees and costs, and certain injunctive relief prohibiting violations of the TCPA in the future. SIRIUS XM believes it has substantial defenses to the claims asserted in these actions and intends to defend them vigorously.

SIRIUS XM has notified certain of its call center vendors of these actions and requested that they defend and indemnify SIRIUS XM against these claims pursuant to the provisions of their existing or former agreements with SIRIUS XM. SIRIUS XM believes it has valid contractual claims against certain call center vendors in connection with these claims and intends to preserve and pursue its rights to recover from these entities.

These cases are titled *Erik Knutson v. Sirius XM Radio Inc.*, No. 12-cv-0418-AJB-NLS (S.D. Cal.), *Francis W. Hooker v. Sirius XM Radio, Inc.*, No. 4:13-cv-3 (E.D. Va.) and *Brian Trenz v. Sirius XM Holdings, Inc. and Toyota Motor Sales, U.S.A., Inc.*, No. 15-cv-0044LBLM (S.D. Cal). Additional information concerning each of these actions is publicly available in court filings under their docket numbers.

With respect to the matters described above under the captions "*Pre-1972 Sound Recording Matters*" and "*Telephone Consumer Protection Act Suits*," SIRIUS XM has determined, based on its current knowledge, that the amount of loss or range of loss, that is reasonably possible is not reasonably estimable. However, these matters are inherently unpredictable and subject to significant uncertainties, many of which are beyond SIRIUS XM's control. As such, there can be no assurance that the final outcome of these matters will not materially and adversely affect its business, financial condition, results of operations, or cash flows.

Item 4. Mine Safety Disclosures

Not applicable.

PART II.

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

On January 11, 2013, we completed the Starz Spin-Off, which was effected as a pro-rata dividend of shares of Liberty to the stockholders of Starz. Due to the relative significance of Liberty to Starz (the legal spinor) and senior management's continued involvement with Liberty following the Starz Spin-Off, Liberty was treated as the "accounting successor" to Starz. Therefore, the historical financial statements of Starz continue to be the historical financial statements of Liberty, and Starz has been treated as discontinued operations in Liberty's financial statements upon completion of the Starz Spin-Off in the first quarter of 2013.

Prior to January 11, 2013, the Liberty Series A and B shares were traded under the LMCA and LMCA ticker symbols (which are now reflected under the STRZA and STRZB ticker symbols, respectively, for the respective time period). Subsequent to January 11, 2013, Starz and Liberty are separate publicly traded companies. Shares of Starz Series A and Series B common stock (ticker symbols STRZA and STRZB, respectively) are traded separately from Liberty's Series A and B common stock, which are traded under the LMCA and LMCA ticker symbols, respectively.

On July 23, 2014, holders of Liberty's Series A and Series B common stock as of 5:00 p.m., New York City time, on July 7, 2014, the record date for the dividend, received a dividend of two shares of Liberty Series C common stock (ticker symbol LMCK) for each share of Liberty Series A or Series B common stock held by them as of the record date. The impact of the Liberty Series C common issuance has been reflected retroactively due to the treatment of the dividend as a stock split for accounting purposes.

On November 4, 2014, Liberty completed the spin-off to its stockholders of common stock of a newly formed company called Liberty Broadband Corporation ("Liberty Broadband") (the "Broadband Spin-Off"). Shares of Liberty Broadband were distributed to the shareholders of Liberty as of a record date of October 29, 2014. Liberty Broadband is comprised of, among other things, (i) Liberty's former interest in Charter Communications, Inc. ("Charter"), (ii) Liberty's former subsidiary TruePosition, Inc. ("TruePosition"), (iii) Liberty's former minority equity investment in Time Warner Cable, Inc. ("Time Warner Cable"), (iv) certain deferred tax liabilities, as well as liabilities related to Time Warner Cable call options and (v) initial indebtedness, pursuant to margin loans entered into prior to the completion of the Broadband Spin-Off. In the Broadband Spin-Off, record holders of Liberty Series A, Series B and Series C common stock received one share of the corresponding series of Liberty Broadband common stock for every four shares of Liberty common stock held by them as of the record date for the Broadband Spin-Off, with cash paid in lieu of fractional shares.

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Each series of our common stock is traded on the Nasdaq Global Select Market. The following table sets forth the range of high and low sales prices of shares of our common stock for the years ended December 31, 2014 and 2013, as adjusted for the Series C common stock dividend, as discussed above and in the accompanying consolidated financial statements in Part II of this report.

	Series A (LMCA)		Series B (LMCB)		Series C (LMCK)	
	High	Low	High	Low	High	Low
2013						
January 1, 2013 - January 11, 2013 (1)	\$ 41.45	38.97	41.32	39.43	NA	NA
First quarter (after January 11, 2013)	\$ 37.85	35.00	37.40	35.36	NA	NA
Second quarter	\$ 43.64	35.69	41.96	35.96	NA	NA
Third quarter	\$ 50.27	42.12	50.17	42.44	NA	NA
Fourth quarter	\$ 53.11	46.45	51.44	47.56	NA	NA
2014						
First quarter	\$ 48.78	41.90	48.68	42.17	NA	NA
Second quarter	\$ 45.60	40.85	45.89	41.08	NA	NA
Third quarter (July 1 - July 23)	\$ 47.59	44.64	47.67	45.65	NA	NA
Third quarter (July 24 - September 30) (2)	\$ 49.94	45.92	55.03	46.25	50.06	45.00
Fourth quarter (October 1 - November 4)	\$ 48.67	41.00	48.54	46.20	48.44	40.20
Fourth quarter (November 5 - December 31) (3)	\$ 37.72	33.22	48.54	32.15	37.28	33.07

- (1) Now reflected under the STRZA or STRZB ticker symbol, respectively, for the respective period.
- (2) As discussed above and in the accompanying consolidated financial statements in Part II of this report, on July 23, 2014 Liberty issued shares of its Series C common stock to holders of its Series A and Series B common stock, effected by means of a dividend. Holders of Series A and Series B common stock received a dividend of two shares of Series C common stock for each share of Series A or Series B common stock held by them as of the record date.
- (3) Represents the high and low sales prices of each respective series of common stocks subsequent to completion of the Broadband Spin-Off.

Holdings

As of January 31, 2015, there were approximately 1500, 100 and 1,500 record holders of our Series A, Series B and Series C common stock, respectively. The foregoing numbers of record holders do not include the number of stockholders whose shares are held nominally by banks, brokerage houses or other institutions, but include each such institution as one shareholder.

Dividends

We have not paid any cash dividends on our common stock, and we have no present intention of so doing. Payment of cash dividends, if any, in the future will be determined by our board of directors in light of our earnings, financial condition and other relevant considerations.

Securities Authorized for Issuance Under Equity Compensation Plans

Information required by this item is incorporated by reference to our definitive proxy statement for our 2015 Annual Meeting of stockholders that will be filed with the Securities and Exchange Commission on or before April 30, 2015.

Purchases of Equity Securities by the Issuer

Share Repurchase Programs

On January 11, 2013 (ratified February 26, 2013) Liberty Media Corporation announced that its board of directors authorized \$450 million of repurchases of Liberty common stock from that day forward. Additionally, in connection with the Broadband Spin-Off, an additional authorization of \$300 million in Liberty share repurchases was approved by the Liberty board of directors on October 9, 2014. There were no repurchases of Liberty common stock made pursuant to the repurchase program during the fourth quarter of 2014. As of December 31, 2014, \$627 million is available for repurchases under the Company's share repurchase program.

Item 6. Selected Financial Data.

The following tables present selected historical financial statement information relating to our financial condition and results of operations for the past five years. The following data should be read in conjunction with the accompanying consolidated financial statements.

	December 31,				
	2014	2013	2012	2011	2010
	amounts in millions				
<i>Summary Balance Sheet Data:</i>					
Cash	\$ 681	1,088	603	970	1,773
Investments in available-for-sale securities and other cost investments (3)	\$ 816	1,324	1,392	1,859	4,550
Investment in affiliates, accounted for using the equity method (1)(2) (3)	\$ 851	3,299	3,341	563	49
Intangible assets not subject to amortization	\$ 24,018	24,038	344	344	354
Intangible assets subject to amortization, net	\$ 1,096	1,200	108	119	144
Assets of discontinued operations (4)	\$ —	—	2,112	2,582	1,828
Total assets	\$ 31,207	34,542	8,325	7,719	10,771
Current portion of deferred revenue	\$ 1,641	1,575	24	30	224
Current portion of debt	\$ 257	777	—	750	—
Long-term debt	\$ 5,595	4,778	—	—	2,033
Deferred tax liabilities, noncurrent	\$ 2,438	2,312	817	376	1
Stockholders' equity	\$ 11,398	14,081	6,440	5,259	5,005
Noncontrolling interest (1)	\$ 8,778	9,801	(8)	(10)	—

	Years ended December 31,				
	2014	2013	2012	2011	2010
amounts in millions, except per share amounts					
<i>Summary Statement of Operations Data:</i>					
Revenue (1)(5)	\$ 4,450	4,002	368	1,409	404
Operating income (loss)	\$ 841	814	(80)	531	(94)
Interest expense	\$ (255)	(132)	(7)	(16)	(61)
Share of earnings (loss) of affiliates, net (1)(2)	\$ (113)	(32)	1,346	87	(98)
Realized and unrealized gains (losses) on financial instruments, net	\$ 38	295	230	70	264
Gains (losses) on transactions, net (1)	\$ —	7,978	22	1	36
Net earnings (loss) attributable to the noncontrolling interests	\$ 217	211	(2)	(4)	(3)
Earnings (loss) from continuing operations attributable to Liberty Media Corporation stockholders (6)					
Liberty common stock	\$ 178	8,780	1,160	633	843
Liberty Starz common stock	NA	NA	NA	(39)	(18)
	<u>\$ 178</u>	<u>8,780</u>	<u>1,160</u>	<u>594</u>	<u>825</u>
Basic earnings (loss) from continuing operations attributable to Liberty Media Corporation stockholders per common share (7):					
Series A, Series B and Series C Liberty common stock	\$ 0.52	24.73	3.21	2.48	3.13
Series A and Series B Liberty Starz common stock	NA	NA	NA	(0.25)	(0.12)
Diluted earnings (loss) from continuing operations attributable to Liberty Media Corporation stockholders per common share (7):					
Series A, Series B and Series C Liberty common stock	\$ 0.52	24.46	3.12	2.40	3.03
Series A and Series B Liberty Starz common stock	NA	NA	NA	(0.25)	(0.12)

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- (1) During the year ended December 31, 2012, Liberty acquired an additional 312.5 million shares of SIRIUS XM Radio, Inc. (now known as Sirius XM Holdings Inc., "SIRIUS XM") in the open market for \$769 million. Additionally, Liberty settled a forward contract and purchased an additional 302.2 million shares of SIRIUS XM for \$649 million. SIRIUS XM recognized a \$3.0 billion tax benefit during the year ended December 31, 2012. SIRIUS XM recorded the tax benefit as the result of significant positive evidence that a valuation allowance was no longer necessary for its recorded deferred tax assets. The Company recognized its portion of this benefit (\$1,229 million) based on our ownership percentage at the time of the recognition of the deferred tax benefit by SIRIUS XM. On January 18, 2013, as discussed in note 3 to the accompanying consolidated financial statements, Liberty acquired an additional 50 million common shares and acquired a controlling interest in SIRIUS XM and as a result consolidates SIRIUS XM as of such date. Liberty recorded a gain of approximately \$7.5 billion in the first quarter of 2013 associated with application of purchase accounting based on the difference between fair value and the carrying value of the ownership interest Liberty had in SIRIUS XM prior to the acquisition of the controlling interest. The gain on the transaction was excluded from taxable income.
- (2) As discussed in note 8 in the accompanying consolidated financial statements, in May 2013, Liberty acquired approximately 26.9 million shares of common stock and approximately 1.1 million warrants in Charter for approximately \$2.6 billion, which represented an approximate 27% beneficial ownership in Charter at the time of purchase.
- (3) As discussed in note 1 in the accompanying consolidated financial statements, on November 4, 2014, Liberty completed the Broadband Spin-Off. Liberty Broadband is comprised of, among other things, (i) Liberty's former interest in Charter, (ii) Liberty's former wholly owned subsidiary TruePosition, (iii) Liberty's former minority equity investment in Time Warner Cable, (iv) certain deferred tax liabilities, as well as liabilities related to Time Warner Cable call options and (v) initial indebtedness, pursuant to margin loans entered into prior to the completion of the Broadband Spin-Off. The Company's former investments in and results of Charter and Time Warner Cable are no

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longer included in the results of Liberty from the date of the completion of the Broadband Spin-Off forward Based on the relative significance of TruePosition to Liberty, the Company concluded that discontinued operations presentation of TruePosition is not necessary.

- (4) In January 2013, the entity then known as Liberty Media Corporation (now named Starz) spun-off (the "Starz Spin-Off") its then-former wholly owned subsidiary, now known as Liberty Media Corporation, which, at the time of the Starz Spin-Off, held all of the businesses, assets and liabilities of Starz not associated with Starz, LLC (with the exception of the Starz, LLC office building). The transaction was effected as a pro-rata dividend of shares of Liberty to the stockholders of Starz. Due to the relative significance of Liberty to Starz (the legal spinnor) and senior management's continued involvement with Liberty following the Starz Spin-Off, Liberty is treated as the "accounting successor" to Starz for financial reporting purposes, notwithstanding the legal form of the Starz Spin-Off previously described. Therefore, the historical financial statements of the company formerly known as Liberty Media Corporation continue to be the historical financial statements of Liberty, and Starz, LLC is presented as discontinued operations for all periods prior to the completion of the Starz Spin-Off. Due to the short period between December 31, 2012 and the distribution date, Liberty did not record any results for Starz in discontinued operations for the statement of operations for the year ended December 31, 2013 due to the insignificance of such amounts for that period.
- (5) In 2011 TruePosition recognized \$1,029 million of previously deferred revenue and \$409 million of deferred costs associated with two separate contracts.
- (6) Earnings (loss) from continuing operations attributable to Liberty stockholders were allocated to the Liberty Starz Group and Liberty Capital Group for all the periods prior to the conversion of each share of Liberty Starz common stock into 0.88129 of a share of the corresponding series of Liberty Capital common stock, with cash paid in lieu of fractional shares, on November 28, 2011 based on businesses and assets attributed to each respective group at the time prior to any corporate transactions between the groups. Subsequent to the conversion and elimination of the Company's tracking stock structure, the Liberty Capital common stock is referred to as Liberty common stock.
- (7) On July 23, 2014, holders of Liberty Series A and Series B common stock as of 5:00 p.m., New York City, time on July 7, 2014, the record date for the dividend, received a dividend of two shares of Series C common stock for each share of Series A or Series B common stock held by them as of the record date. The impact on basic and diluted earnings per share of the Series C common stock issuance has been reflected retroactively in all periods presented due to the treatment of the dividend as a stock split for accounting purposes. Basic and diluted earnings per share were calculated for Liberty Capital and Liberty Starz common stock, prior to the Split-Off date, based on the earnings attributable to the businesses and assets to the respective groups divided by the weighted average shares on an as if converted basis for the periods assuming a 1 to 1 exchange ratio for the Split-Off.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis provides information concerning our results of operations and financial condition. This discussion should be read in conjunction with our accompanying consolidated financial statements and the notes thereto.

Explanatory Note

On January 11, 2013 Liberty Media Corporation ("Liberty" or "the Company") was spun-off, through the distribution of shares of Liberty by means of a pro-rata dividend from Starz (previously Liberty Media Corporation, formerly known as Liberty Spinco, Inc.) (the "Starz Spin-Off"), which was previously an indirect, wholly owned subsidiary of Liberty Interactive Corporation ("Liberty Interactive," formerly known as Liberty Media Corporation). Liberty Interactive's capital structure previously utilized three tracking stocks: Liberty Interactive common stock, Liberty Starz common stock and Liberty Capital common stock. During September 2011, Liberty Interactive completed the separation of its Liberty Capital and Liberty Starz tracking stock groups from its Liberty Interactive tracking stock group (the "Split-Off"). The Split-Off was effected by means of a redemption of all of the Liberty Capital common stock and the Liberty Starz common stock in exchange for all of the common stock of Liberty, which at the time of the Split-Off held all of the assets, liabilities and businesses attributed to Liberty Interactive's Liberty Capital and Liberty Starz tracking stock groups. Liberty eliminated its tracking stock structure in November 2011 through the conversion of Liberty Starz common stock into Liberty Capital common stock (the "Conversion"). As a result of the Conversion there are no longer outstanding shares of the Liberty Starz tracking stock as of the Conversion date.

Due to the relative significance of Liberty to Starz (the legal spinor) and senior management's continued involvement with Liberty following the Starz Spin-Off, Liberty was treated as the "accounting successor" to Starz for financial reporting purposes, notwithstanding the legal form of the Starz Spin-Off previously described. Therefore, the historical financial statements of Starz will continue to be the historical financial statements of Liberty and now present the results of Starz, LLC as discontinued operations in all periods prior to the Starz Spin-Off. Therefore, for purposes of this Form 10-K Liberty is treated as the spinor for purposes of discussion and as a practical matter of describing all the historical information contained herein.

On November 4, 2014, Liberty completed the Broadband Spin-Off. Shares of Liberty Broadband were distributed to the shareholders of Liberty as of a record date of October 29, 2014. Liberty Broadband is comprised of, among other things, (i) Liberty's former interest in Charter, (ii) Liberty's former subsidiary TruePosition, (iii) Liberty's former minority equity investment in Time Warner Cable, (iv) certain deferred tax liabilities, as well as liabilities related to Time Warner Cable call options and (v) initial indebtedness, pursuant to margin loans entered into prior to the completion of the Broadband Spin-Off. Prior to the transaction, Liberty Broadband borrowed funds under margin loans and made a final distribution to Liberty of approximately \$300 million in cash. The Broadband Spin-Off was intended to be tax-free to stockholders of Liberty. In the Broadband Spin-Off, record holders of Series A, Series B and Series C common stock received one share of the corresponding series of Liberty Broadband common stock for each four shares of common stock held by them as of the record date for the Broadband Spin-Off, with cash paid in lieu of fractional shares. The Company's former investments in and results of Charter and Time Warner Cable are no longer included in the results of Liberty from the date of the completion of the Broadband Spin-Off forward. Based on the relative significance of TruePosition to Liberty, the Company concluded that discontinued operations presentation of TruePosition is not necessary.

Overview

We own controlling and non-controlling interests in a broad range of media, communications and entertainment companies. Our most significant operating subsidiary, which is our reportable segment, is SIRIUS XM. SIRIUS XM broadcasts its 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 its two proprietary satellite radio systems. Subscribers can also receive music and other channels, plus features such as Sirius XM On Demand and MySXM, over the Internet, including through applications for mobile devices.

Our "Corporate and Other" category includes our consolidated subsidiary, the Atlanta National League Baseball Club, Inc. ("ANLBC"), corporate expenses and prior to the Broadband Spin-Off, TruePosition

In addition to the foregoing businesses, we hold an ownership interest in Live Nation Entertainment, Inc. ("Live Nation"), which we account for as an equity method investment at December 31, 2014. We also maintain minority positions in other public companies such as Barnes & Noble, Inc., Time Warner Inc. and Viacom Corporation, which are accounted for at their respective fair market values and are included in corporate and other.

Strategies and Challenges of Business Units

SIRIUS XM. SIRIUS XM is focused on several initiatives to increase its revenue. SIRIUS XM regularly evaluates its business plans and strategy. Currently, its strategies include:

- The acquisition and pricing of unique or compelling programming;
- Increased penetration in the secondary car market;
- The introduction of new features or services;
- Significant new or enhanced distribution arrangements;
- Investments in infrastructure, such as satellites, terrestrial repeater networks, equipment or radio spectrum; and
- Acquisitions of other businesses, including acquisitions that are not directly related to its satellite radio business.

SIRIUS XM faces certain key challenges in its attempt to meet these goals, including:

- Its ability to convince owners and lessees of new and previously owned vehicles that include satellite radios to purchase subscriptions to its service;
- Potential loss of subscribers due to economic conditions and competition from other entertainment providers;
- Competition for both listeners and advertisers, including providers of radio and other audio services;
- The operational performance of its satellites;
- The effectiveness of integration of acquired businesses and assets into its operations;
- The performance of its manufacturers, programming providers, vendors, and retailers; and
- Unfavorable changes in legislation.

Results of Operations—Consolidated

General. We provide in the tables below information regarding our Consolidated Operating Results and Other Income and Expense, as well as information regarding the contribution to those items from our reportable segments. The "corporate and other" category consists of those assets or businesses which do not qualify as a separate reportable segment. For a more detailed discussion and analysis of the financial results of our principal reportable segment, see "Results of Operations-Businesses" below.

Consolidated Operating Results

	Years ended December 31,		
	2014	2013	2012
	amounts in millions		
Revenue			
SIRIUS XM	\$ 4,141	3,625	NA
Corporate and other	309	377	368
	<u>\$ 4,450</u>	<u>4,002</u>	<u>368</u>
Adjusted OIBDA			
SIRIUS XM	1,466	1,289	NA
Corporate and other	(49)	33	8
	<u>\$ 1,417</u>	<u>1,322</u>	<u>8</u>
Operating Income (Loss)			
SIRIUS XM	1,004	878	NA
Corporate and other	(163)	(64)	(80)
	<u>\$ 841</u>	<u>814</u>	<u>(80)</u>

Revenue. Our consolidated revenue increased \$448 million and \$3,634 million for the years ended December 31, 2014 and 2013, respectively, as compared to the corresponding prior year periods. The current year increase was primarily due to revenue growth at SIRIUS XM (approximately \$382 million) and a full year of consolidated SIRIUS XM revenue (\$166 million), which was partially offset by reduced revenue at ANLBC and TruePosition and no revenue earned during the year ended December 31, 2014 related to a contractual arrangement with CNBC that was held by a subsidiary exchanged in the fourth quarter of 2013 with Comcast. TruePosition revenue decreased \$20 million in 2014 as compared to the prior year due primarily to a decrease in international and domestic hardware and software sales offset slightly by revenue from an acquisition during the year and the timing of the Broadband Spin-Off. ANLBC revenue decreased \$10 million for the year ended December 31, 2014 as compared to the prior year. The decrease was primarily due to a one-time recognition of revenue from a settlement of historical broadcast rights issues during the year ended December 31, 2013. The increase in 2013 was primarily due to the treatment of SIRIUS XM as a consolidated subsidiary beginning on January 18, 2013 and increased revenue at ANLBC. For the year ended December 31, 2013, ANLBC revenue increased by \$36 million or 16% as compared to the prior year, due to a one time recognition of revenue from a settlement of outstanding broadcast rights issues, slightly greater fan attendance and slightly higher average prices per ticket and concession spend per turnstile. See Results of Operations—Businesses below for a more complete discussion of the results of operations of SIRIUS XM.

Adjusted OIBDA. We define Adjusted OIBDA as revenue less operating expenses and selling, general and administrative ("SG&A") expenses (excluding stock compensation). Our chief operating decision maker and management team use this measure of performance in conjunction with other measures to evaluate our businesses and make decisions about allocating resources among our businesses. We believe this is an important indicator of the operational strength and performance of our businesses, including each business's ability to service debt and fund capital expenditures. In addition, this measure allows us to view operating results, perform analytical comparisons and benchmarking between businesses and identify strategies to improve performance. This measure of performance excludes such costs as depreciation and amortization, stock-based compensation, separately reported litigation settlements and restructuring and impairment charges that are included in the measurement of operating income pursuant to GAAP. Accordingly, Adjusted OIBDA should be considered in addition to, but not as a substitute for, operating income, net income, cash flow provided by operating activities and other measures of financial performance prepared in accordance with GAAP. See note 18 to the

accompanying consolidated financial statements for a reconciliation of Adjusted OIBDA to Earnings (loss) from continuing operations before income taxes.

Consolidated Adjusted OIBDA increased \$95 million and \$1,314 million for the years ended December 31, 2014 and 2013, respectively, as compared to the corresponding prior year periods. The increase in the current year was primarily driven by the result of a full year of consolidated results for SIRIUS XM and increased operating efficiencies at SIRIUS XM offset by reduced Adjusted OIBDA results at ANLBC, TruePosition and the impacts of a transaction in the fourth quarter of 2013 related to the revenue sharing agreement with CNBC discussed above. The Adjusted OIBDA decrease for ANLBC was primarily the result of increased player payroll due to season ending injuries at key positions which required additional players to be added to the roster. Additionally, other players were released from the roster and full recognition of guaranteed portions of their contracts were recognized during the current period. The increase in 2013 was primarily driven by the treatment of SIRIUS XM as a consolidated subsidiary beginning on January 18, 2013 and an improvement in Adjusted OIBDA for ANLBC. ANLBC's adjusted OIBDA increased \$20 million during 2013 due to an increase in revenue (discussed above), slightly offset by an increase in player salaries during the current year. See Results of Operations—Businesses below for a more complete discussion of the results of operations of SIRIUS XM.

Stock-based compensation. Stock-based compensation includes compensation related to (1) options and stock appreciation rights ("SARs") for shares of our common stock that are granted to certain of our officers and employees, (2) phantom stock appreciation rights ("PSARs") granted to officers and employees of certain of our subsidiaries pursuant to private equity plans and (3) amortization of restricted stock grants.

We recorded \$217 million, \$193 million and \$46 million of stock compensation expense for the years ended December 31, 2014, 2013 and 2012, respectively. The increase in stock compensation expense during 2014 primarily relates to additional stock-based compensation from SIRIUS XM. The increase in stock compensation expense in 2013 relates to two items: the recognition of additional stock-based compensation from SIRIUS XM (\$133 million) resulting from our consolidation of SIRIUS XM during the year, and an increase in the recognition of incremental compensation expense due to the option exchange program that occurred in December 2012. As of December 31, 2014, the total unrecognized compensation cost related to unvested Liberty equity awards was approximately \$58 million. Such amount will be recognized in our consolidated statements of operations over a weighted average period of approximately 2.3 years. As of December 31, 2014, the total unrecognized compensation cost related to unvested SIRIUS XM stock options was \$236 million. The SIRIUS XM unrecognized compensation cost will be recognized in the Company's consolidated statements of operations over a weighted average period of approximately 2.4 years.

Operating income. Our consolidated operating income increased \$27 million and \$894 million for the years ended December 31, 2014 and 2013, respectively, as compared to the corresponding prior year periods. The increase in 2014 is primarily the result of increased operating results at SIRIUS XM, offset by increased stock compensation expense and the other subsidiary activity discussed above in the Adjusted OIBDA section. The increase in 2013 is primarily the result of the treatment of SIRIUS XM as a consolidated subsidiary beginning on January 18, 2013.

Other Income and Expense

Components of Other Income (Expense) are presented in the table below.

	Years ended December 31,		
	2014	2013	2012
	amounts in millions		
Other income (expense):			
Interest expense	\$ (255)	(132)	(7)
Dividend and interest income	27	48	76
Share of earnings (losses) of affiliates	(113)	(32)	1,346
Realized and unrealized gains (losses) on financial instruments, net	38	295	230
Gains (losses) on transactions, net	—	7,978	22
Other, net	(77)	(115)	42
	<u>\$ (380)</u>	<u>8,042</u>	<u>1,709</u>

Interest expense. Interest expense increased \$123 million and \$125 million for the years ended December 31, 2014 and 2013 as compared to the corresponding prior year periods, respectively. The overall increase in interest expense in the current year was primarily due to an overall increase in the average debt balance outstanding during the period and a reduction in premium amortization as a result of debt refinancing by SIRIUS XM in the prior period. The overall increase in interest expense in 2013 was primarily due to the treatment of SIRIUS XM as a consolidated subsidiary beginning on January 18, 2013 and the interest expense related to the debt that was acquired.

Dividend and interest income. Consolidated dividend and interest income decreased \$21 million and \$28 million for the years ended December 31, 2014 and 2013 as compared to the prior year periods, respectively. The decrease from the prior year is primarily due to a decrease in interest earned from our investment in Barnes and Noble, Inc. due to the sale of the majority of our interest in the second quarter of 2014. The decrease in 2013 was primarily due to the reduction in interest income recognized on certain debt instruments in SIRIUS XM that were considered effectively settled upon consolidation.

Share of earnings (losses) of affiliates. The following table presents our share of earnings (losses) of affiliates:

	Years ended December 31,		
	2014	2013	2012
	amounts in millions		
Charter	\$ (94)	(83)	NA
SIRIUS XM	—	8	1,367
Live Nation	(30)	(18)	(45)
SIRIUS XM Canada	5	7	NA
Other	6	54	24
	<u>\$ (113)</u>	<u>(32)</u>	<u>1,346</u>

In May 2013, we acquired approximately 26.9 million shares of common stock and approximately 1.1 million warrants in Charter for approximately \$2.6 billion, which represented an approximate 27% beneficial ownership in Charter at the time of purchase. Our share of losses related to Charter included \$60 million and \$51 million of losses due to the amortization of the excess basis of our investment for the years ended December 31, 2014 and 2013, respectively. During May 2014, Liberty purchased approximately 897,000 additional shares of Charter common stock for \$124 million resulting in an economic ownership of 26% of Charter. Charter's results declined slightly period over period, primarily due to increased revenue, offset by higher operating costs and interest expense on outstanding debt. As discussed above, on November 4, 2014, Liberty completed the spin-off to its stockholders of common stock of a newly formed company called Liberty Broadband, which was comprised of, among other things, Liberty's interest in Charter. As of the date of the completion of the Broadband Spin-Off, the Company's former investment in and results of Charter are no longer included in the results of Liberty.

We acquired a controlling interest in SIRIUS XM on January 18, 2013 resulting in share of earnings for only the first seventeen days of January 2013. SIRIUS XM recognized approximately \$3.0 billion of tax benefit during the year ended December 31, 2012. SIRIUS XM recorded the tax benefit as the result of significant positive evidence that a valuation allowance was no longer necessary for its recorded deferred tax assets. The Company recognized our portion of this benefit (\$1,229 million) based on our ownership percentage at the time of the recognition of the deferred tax benefit by SIRIUS XM.

During the year ended December 31, 2014, we acquired an additional 1.7 million shares of Live Nation common stock for approximately \$39 million. During the year ended December 31, 2013, we acquired an additional 1.7 million shares of Live Nation common stock for approximately \$19 million. During the year ended December 31, 2012 we made additional investments in Live Nation common stock, obtaining approximately 11 million shares for \$107 million. Live Nation's share of losses increased during the year ended December 31, 2014 primarily due to an impairment taken at Live Nation in the fourth quarter of approximately \$135 million (Liberty's portion of this loss was approximately \$36 million). Exclusive of the impairment, the core businesses were slightly improved year over year. Live Nation's share of earnings improved during the year ended December 31, 2013 due to a \$38 million gain on the sale of an operating asset, improvements in EBITDA due to favorable concert activity and reduced corporate expenses, partially offset by a \$36 million loss on extinguishment of debt.

Realized and unrealized gains (losses) on financial instruments. Realized and unrealized gains (losses) on financial instruments are comprised of changes in the fair value of the following:

	Years ended December 31,		
	2014	2013	2012
	amounts in millions		
Fair Value Option Securities	\$ 80	306	310
Cash convertible notes	12	(17)	—
Change in fair value of bond hedges	(89)	(1)	—
Other derivatives	35	7	(80)
	<u>\$ 38</u>	<u>295</u>	<u>230</u>

The decrease in gains on Fair Value Option Securities is primarily due to a general decrease in market valuation adjustments for Liberty's public portfolio during 2014.

Liberty issued \$1 billion of cash convertible notes in October 2013 which are accounted for at fair value, as elected by Liberty at the time of issuance of the notes. At the same time, Liberty entered into a bond hedge transaction on the same amount of underlying shares. These derivatives are marked to fair value on a recurring basis. The primary driver of the change in the current period is the change in the fair value of the underlying stock.

As previously discussed, Liberty obtained Charter warrants in the second quarter of 2013. These warrants were marked to fair value based on the trading price of Charter and other observable market data. The change in fair value is included in other derivatives in the table above and primarily driven by the change in the trading price of the Charter common stock. As discussed above, on November 4, 2014, Liberty completed the spin-off to its stockholders of common stock of a newly formed company called Liberty Broadband, which was comprised of, among other things, Liberty's interest in Charter. The Company's former investment in and results of Charter, including the Charter warrants, are no longer included in the results of Liberty from the date of the completion of the Broadband Spin-Off forward.

Gains (losses) on transactions, net. During January 2013, we acquired a controlling interest in SIRIUS XM which resulted in the application of purchase accounting and the consolidation of SIRIUS XM in the first quarter of 2013. Liberty recorded a gain of approximately \$7.5 billion associated with application of purchase accounting based on the difference between fair value and the carrying value of the ownership interest Liberty had in SIRIUS XM prior to the acquisition of the controlling interest. The gain in 2012 relates to gains associated with the repayment of certain SIRIUS XM debt securities.

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Other, net. The decreases in 2014 and 2013 are primarily due to warrant and stock option exercises at Charter at a price below Liberty's book basis per share. Additionally, in 2013, losses on the early extinguishment of SIRIUS XM debt during the period contributed to the total losses recognized in the other, net line item. The other category increased for the year ended December 31, 2012 as a result of a reversal of a contingent liability as discussed in more detail in note 17 in the accompanying financial statements.

Income taxes. Our effective tax rate for the years ended December 31, 2014, 2013 and 2012 was an expense of 14%, a benefit of 2% and an expense of 29%, respectively. Our effective tax rate for all three years was impacted for the following reasons:

- During 2014, our effective tax rate was lower than the federal tax rate of 35% primarily due to the liquidation of a partnership investment and the related reduction in the tax basis of the partnership's assets, which was not recognized for financial statement purposes, partially offset by the net taxable impact of SIRIUS XM shares repurchased from Liberty by SIRIUS XM during the year.
- During 2013, our effective tax rate was lower than the federal tax rate of 35% primarily due to the recognition of a \$7.5 billion gain on the consolidation of SIRIUS XM on January 18, 2013, which was not subject to tax, and the gain recognized on a non-taxable exchange of one of our consolidated subsidiaries on October 4, 2013, in exchange for Liberty shares.
- During 2012, our effective tax rate was lower than the federal tax rate of 35% primarily due to tax benefits related to a change in valuation allowance and dividends received deductions offset slightly by state income taxes.

Net earnings. We had net earnings of \$395 million, \$8,991 million and \$1,412 million for the years ended December 31, 2014, 2013 and 2012, respectively. The change in net earnings was the result of the above-described fluctuations in our revenue, expenses and other gains and losses.

Liquidity and Capital Resources

As of December 31, 2014, substantially all of our cash and cash equivalents are invested in U.S. Treasury securities, other government securities or government guaranteed funds, AAA rated money market funds and other highly rated financial and corporate debt instruments.

The following are potential sources of liquidity: available cash balances, cash generated by the operating activities of our privately-owned subsidiaries (to the extent such cash exceeds the working capital needs of the subsidiaries and is not otherwise restricted), proceeds from net asset sales, monetization of our public investment portfolio, debt and equity issuances, available borrowing capacity under margin loans, and dividend and interest receipts.

Liberty currently does not have a debt rating subsequent to the Split-Off and the Starz Spin-Off.

As of December 31, 2014, Liberty's liquidity position consisted of the following:

	Cash and Cash Equivalents	Unencumbered Fair Value Option AFS Securities
	amounts in millions	
Corporate and other	\$ 533	157
SIRIUS XM	\$ 148	—

To the extent the Company recognizes any taxable gains from the sale of assets we may incur tax expense and be required to make tax payments, thereby reducing any cash proceeds. Additionally, on January 18, 2013 the Company obtained a controlling interest in SIRIUS XM which has significant cash flows provided by operating activities, although due to SIRIUS XM being a separate public company and the significant noncontrolling interest, we do not have ready access to its cash.

The cash provided (used) by our continuing operations for the prior three years is as follows:

Cash Flow Information	Years ended December 31,		
	2014	2013	2012
	amounts in millions		
SIRIUS XM cash provided (used) by operating activities	\$ 1,253	1,103	NA
Liberty cash provided (used) by operating activities	(128)	133	(29)
Net cash provided (used) by operating activities	\$ 1,125	1,236	(29)
SIRIUS XM cash provided (used) by investing activities	\$ (96)	(701)	NA
Liberty cash provided (used) by investing activities	(315)	(2,063)	224
Net cash provided (used) by investing activities	\$ (411)	(2,764)	224
SIRIUS XM cash provided (used) by financing activities	\$ (1,144)	(788)	NA
Liberty cash provided (used) by financing activities	23	1,601	(1,162)
Net cash provided (used) by financing activities	\$ (1,121)	813	(1,162)

Liberty's primary uses of cash during the year ended December 31, 2014 (excluding SIRIUS XM's uses of cash) were \$920 million debt repayments, \$360 million investments in short-term and other marketable securities, \$183 million additional investments in cost and equity method investees and \$68 million capital expenditures. These uses of cash were funded by cash provided by operating activities, debt borrowings, net cash provided by the Broadband Spin-Off, SIRIUS XM's repurchase of shares from Liberty, proceeds from the sale of the majority of our interest in Barnes & Noble, sales of short term investments and cash on hand.

The projected uses of Liberty cash (excluding SIRIUS XM's uses of cash) are primarily the investment in new or existing businesses, debt service, capital expenditures (including new ANLBC baseball facility see discussion below) and the potential buyback of common stock under the approved share buyback program as well as further repayment of the margin loans. Liberty expects to fund its projected uses of cash with cash on hand, cash from operations and borrowing capacity under margin loans. We may be required to make net payments of income tax liabilities to settle items under discussion with tax authorities.

In 2014, ANLBC, through a wholly-owned subsidiary, purchased 82 acres of land for the purpose of constructing a Major League Baseball facility and developing a mixed-use complex adjacent to the facility. The new facility is expected to cost approximately \$672 million. Funding for the ballpark will be shared among ANLBC, Cobb County and Cobb-Marietta Coliseum and Exhibit Hall Authority (the "Authority"). The Authority and Cobb County will be responsible for funding \$392 million of ballpark related construction and ANLBC will be responsible for remainder of cost, including cost overruns. ANLBC agreed to advance funds to cover project related costs to maintain a 2017 opening date. The Authority will issue \$368 million in bonds that are expected to close and fund in second half of 2015. At which time ANLBC expects to receive reimbursement of the advances that have been made through that date. At the completion of construction the facility is expected to be leased from the Authority and Cobb County.

During the year ended December 31, 2014, SIRIUS XM repurchased \$2.5 billion of its common stock, including \$340 million of shares repurchased pursuant to the repurchase agreement with Liberty, and repaid approximately \$1.0 billion of long-term debt. SIRIUS XM's uses of cash were funded by cash provided by operating activities, SIRIUS XM's additional borrowing of approximately \$2.4 billion of long-term debt and cash on hand. In addition to normal operating expenses (including tax payments), SIRIUS XM's uses of cash are expected to be the repayment of certain outstanding debt, the repurchases of its common stock in accordance with its approved share buyback program and strategic opportunities. Liberty expects SIRIUS XM to fund its projected uses of cash with cash on hand, cash provided by operations and borrowings under the existing credit facility.

We believe that the available sources of liquidity are sufficient to cover our projected future uses of cash.

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

SIRIUS XM has entered into various programming agreements. Under the terms of these agreements, SIRIUS XM's obligations include fixed payments, advertising commitments and revenue sharing arrangements. SIRIUS XM's future revenue sharing costs are dependent upon many factors and are difficult to estimate; therefore, they are not included in the schedule of contractual obligations below.

The Atlanta Braves have entered into long-term employment contracts with certain of their players and coaches whereby such individuals' compensation is guaranteed. Amounts due under guaranteed contracts as of December 31, 2014 aggregated \$398 million. See the table below for more detail. In addition to the foregoing amounts, certain players and coaches may earn incentive compensation under the terms of their employment contracts.

Information concerning the amount and timing of required payments, both accrued and off-balance sheet, under our contractual obligations, excluding uncertain tax positions as it is indeterminable when payments will be made, is summarized below.

	Payments due by period				
	Total	Less than 1 year	2 - 3 years	4 - 5 years	After 5 years
<i>Consolidated contractual obligations</i>					
amounts in millions					
Long-term debt (1)	\$ 5,891	257	385	100	5,149
Interest payments (2)	2,028	265	512	484	767
Programming fees (3)	584	231	185	108	60
Operating lease obligations	601	53	91	77	380
Employment agreements	398	80	160	99	59
Other obligations (4)	864	315	443	49	57
Total consolidated	<u>\$ 10,366</u>	<u>1,201</u>	<u>1,776</u>	<u>917</u>	<u>6,472</u>

- (1) Amounts are stated at the face amount at maturity of our debt instruments and may differ from the amounts stated in our consolidated balance sheet to the extent debt instruments (i) were issued at a discount or premium or (ii) have elements which are reported at fair value in our consolidated balance sheet. Amounts include capital lease obligations. Amounts do not assume additional borrowings or refinancings of existing debt.
- (2) Amounts (i) are based on our outstanding debt at December 31, 2014, (ii) assume the interest rates on our variable rate debt remain constant at the December 31, 2014 rates and (iii) assume that our existing debt is repaid at maturity.
- (3) SIRIUS XM has entered into various programming agreements under which SIRIUS XM's obligations include fixed payments, advertising commitments and revenue sharing arrangements. Future revenue sharing costs are dependent upon many factors and are difficult to estimate; therefore, they are not included in the table above.
- (4) Includes amounts due related to the new ANLBC baseball stadium and SIRIUS XM satellite and transmission, marketing and distribution, satellite incentive payments, and other contractual commitments. SIRIUS XM satellite and transmission commitments are attributable to agreements with third parties to operate and maintain the off-site satellite telemetry, tracking and control facilities and certain components of its terrestrial repeater networks. SIRIUS XM marketing and distribution commitments primarily relate to payments to sponsors, retailers, automakers and radio manufacturers pursuant to marketing, sponsorship and distribution agreements to promote the SIRIUS XM brand. Boeing Satellite Systems International, Inc. and Space Systems/Loral, the manufacturers of SIRIUS XM's in-orbit satellites, may be entitled to future in-orbit satellite incentive performance payments based on the expected operating performance of the satellites meeting their fifteen-year design life. Boeing may also be entitled to an additional \$10 million if the XM-4 satellite continues to operate above baseline specifications during the five years beyond the satellite's fifteen-year design life. Additionally, SIRIUS XM has entered into various agreements with third parties for general operating purposes.

Critical Accounting Estimates

The preparation of our financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Listed below are the accounting estimates that we believe are critical to our financial statements due to the degree of uncertainty regarding the estimates or assumptions involved and the magnitude of the asset, liability, revenue or expense being reported. All of these accounting estimates and assumptions, as well as the resulting impact to our financial statements, have been discussed with our audit committee.

Non-Financial Instruments. Our non-financial instrument valuations are primarily comprised of our determination of the estimated fair value allocation of net tangible and identifiable intangible assets acquired in business combinations, our annual assessment of the recoverability of our goodwill and other nonamortizable intangibles, such as trademarks, and our evaluation of the recoverability of our other long-lived assets upon certain triggering events. If the carrying value of our long-lived assets exceeds their estimated fair value, we are required to write the carrying value down to fair value. Any such writedown is included in impairment of long-lived assets in our consolidated statement of operations. A high degree of judgment is required to estimate the fair value of our long-lived assets. We may use quoted market prices, prices for similar assets, present value techniques and other valuation techniques to prepare these estimates. We may need to make estimates of future cash flows and discount rates as well as other assumptions in order to implement these valuation techniques. Due to the high degree of judgment involved in our estimation techniques, any value ultimately derived from our long-lived assets may differ from our estimate of fair value. As each of our operating segments has long-lived assets, this critical accounting policy affects the financial position and results of operations of each segment.

As of December 31, 2014, the intangible assets not subject to amortization for each of our significant reporting units were as follows (amounts in millions):

	Goodwill	FCC Licenses	Other	Total
SIRIUS XM	\$ 14,165	8,600	930	23,695
Other	180	—	143	323
Consolidated	\$ 14,345	8,600	1,073	24,018

We perform our annual assessment of the recoverability of our goodwill and other nonamortizable intangible assets in the fourth quarter each year. The Company utilizes a qualitative assessment for determining whether step one of the goodwill impairment analysis is necessary. The accounting guidance permits entities to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. In evaluating goodwill on a qualitative basis, the Company reviews the business performance of each reporting unit and evaluates other relevant factors as identified in the relevant accounting guidance to determine whether it is more likely than not that an indicated impairment exists for any of our reporting units. The Company considers whether there are any negative macroeconomic conditions, industry specific conditions, market changes, increased competition, increased costs in doing business, management challenges, the legal environments and how these factors might impact company specific performance in future periods. As part of the analysis, the Company also considers fair value determinations for certain reporting units that have been made at various points throughout the current and prior year for other purposes.

Carrying Value of Investments. We periodically evaluate our investments to determine if decreases in fair value below our cost bases are other than temporary. If a decline in fair value is determined to be other than temporary, we are required to reflect such decline in our consolidated statement of operations. Other than temporary declines in fair value of our cost investments are recognized on a separate line in our consolidated statement of operations, and other than temporary declines in fair value of our equity method investments are included in share of earnings (losses) of affiliates in our consolidated statement of operations.

The primary factors we consider in our determination of whether declines in fair value are other than temporary are the length of time that the fair value of the investment is below our carrying value; the severity of the decline; and the financial condition, operating performance and near term prospects of the investee. In addition, we consider the reason for the decline in fair value, be it general market conditions, industry specific or investee specific; analysts' ratings and

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estimates of 12 month share price targets for the investee; changes in stock price or valuation subsequent to the balance sheet date; and our intent and ability to hold the investment for a period of time sufficient to allow for a recovery in fair value. Fair value of our publicly traded cost and equity investments is based on the market prices of the investments at the balance sheet date. We estimate the fair value of our non-public cost and equity investments using a variety of methodologies, including cash flow multiples, discounted cash flow, per subscriber values, or values of comparable public or private businesses. Impairments are calculated as the difference between our carrying value and our estimate of fair value. As our assessment of the fair value of our investments and any resulting impairment losses and the timing of when to recognize such charges requires a high degree of judgment and includes significant estimates and assumptions, actual results could differ materially from our estimates and assumptions.

Our evaluation of the fair value of our investments and any resulting impairment charges are made as of the most recent balance sheet date. Changes in fair value subsequent to the balance sheet date due to the factors described above are possible. Subsequent decreases in fair value will be recognized in our consolidated statement of operations in the period in which they occur to the extent such decreases are deemed to be other than temporary. Subsequent increases in fair value will be recognized in our consolidated statement of operations only upon our ultimate disposition of the investment.

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

SIRIUS XM operates five in-orbit Sirius satellites, FM-1, FM-2, FM-3, FM-5 and FM-6. The FM-1 and FM-2 satellites were launched in 2000 and reached the end of their depreciable lives in 2013, but are still in operation. SIRIUS XM estimates that its FM-3 and FM-5 satellites, launched in 2000 and 2009, respectively, will operate effectively through the end of their depreciable lives in 2015 and 2024, respectively. SIRIUS XM's FM-6 satellite that was launched in 2013 is currently used as an in-orbit spare that is planned to start full-time operation in 2015 and is expected to operate effectively through the end of its depreciable life in 2028. SIRIUS XM operates four in-orbit XM satellites, XM-1, XM-3, XM-4 and XM-5. SIRIUS XM's XM-1 satellite reached the end of its depreciable life in 2013 and will be de-orbited in 2015. SIRIUS XM estimates that its XM-3 and XM-4 satellites launched in 2005 and 2006, respectively, will reach the end of their depreciable lives in 2020 and 2021, respectively. The XM-5 satellite that was launched in 2010 is used as an in-orbit spare and is expected to reach the end of its depreciable life in 2025.

SIRIUS XM's in-orbit satellites may experience component failures which could adversely affect their useful life. SIRIUS XM continues to monitor the operating condition of its in-orbit satellites. If events or circumstances indicate that the depreciable lives of its in-orbit satellites have changed, the depreciable life will be modified accordingly. If SIRIUS XM were to revise its estimates, depreciation expense would change. For example, a 10% decrease in the expected depreciable lives of satellites and spacecraft control facilities during 2014 would have resulted in approximately \$28 million of additional depreciation expense.

Income Taxes. We are required to estimate the amount of tax payable or refundable for the current year and the deferred income tax liabilities and assets for the future tax consequences of events that have been reflected in our financial statements or tax returns for each taxing jurisdiction in which we operate. This process requires our management to make judgments regarding the timing and probability of the ultimate tax impact of the various agreements and transactions that we enter into. Based on these judgments we may record tax reserves or adjustments to valuation allowances on deferred tax assets to reflect the expected realizability of future tax benefits. Actual income taxes could vary from these estimates due to future changes in income tax law, significant changes in the jurisdictions in which we operate, our inability to generate sufficient future taxable income or unpredicted results from the final determination of each year's liability by taxing authorities. These changes could have a significant impact on our financial position.

Results of Operations - Businesses

Sirius XM Holdings Inc. SIRIUS XM broadcasts its 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 its two proprietary satellite radio systems. Subscribers can also receive music and other channels, plus features such as Sirius XM

On Demand and MySXM, over the Internet, including through applications for mobile devices. SIRIUS XM also provides connected vehicle services which are designed to enhance the safety, security and driving experience for vehicle operators while providing marketing and operational benefits to automakers and their dealers. Subscribers to SIRIUS XM's connected vehicle services are not included in SIRIUS XM's subscriber count or subscriber-based operating metrics.

SIRIUS XM has agreements with every major automaker ("OEMs") to offer satellite radios in their vehicles from which it acquires the majority of their subscribers. SIRIUS XM also acquires subscribers through marketing to owners and lessees of vehicles that include factory-installed satellite radios that are not currently subscribing to SIRIUS XM's services. Additionally, SIRIUS XM distributes its radios through retail locations nationwide and through its website. Satellite radio services are also offered to customers of certain daily rental car companies. SIRIUS XM's primary source of revenue is subscription fees, with most of its customers subscribing on an annual, semi-annual, quarterly or monthly basis. SIRIUS XM also derives revenue from other subscription related fees, the sale of advertising on select non-music channels, the direct sale of satellite radios, accessories, and other ancillary services, such as its Backseat TV, data, traffic, and weather services. SIRIUS XM is a separate publicly traded company and additional information about SIRIUS XM can be obtained through its website and its public filings.

As of December 31, 2014, SIRIUS XM had approximately 27.3 million subscribers of which 22.5 million were self-pay subscribers and 4.8 million were paid promotional subscribers. These subscriber totals include subscribers under regular pricing plans; discounted pricing plans; subscribers that have prepaid, including payments either made or due from automakers for subscriptions included in the sale or lease price of a vehicle; subscribers to SIRIUS XM Internet services who do not also have satellite radio subscriptions; and certain subscribers to SIRIUS XM's other ancillary services.

We acquired a controlling interest in SIRIUS XM on January 18, 2013 and applied purchase accounting and consolidated the results of SIRIUS XM from that date. See additional discussion about the application of purchase accounting in note 3 to the accompanying consolidated financial statements. Previous to the acquisition of our controlling interest we maintained an investment in SIRIUS XM accounted for using the equity method. For comparison purposes we are presenting the stand alone results of SIRIUS XM prior to any purchase accounting adjustments in the current year for a discussion of the operations of SIRIUS XM. For the years ended December 31, 2014 and 2013, see the reconciliation of the results reported by SIRIUS XM to the results reported by Liberty included below. For the year ended December 31, 2012, SIRIUS XM was treated as an equity method affiliate so the results reported by SIRIUS XM were not consolidated. Additionally, as of December 31, 2014, there is an approximate 44% noncontrolling interest in SIRIUS XM, and the net earnings of SIRIUS XM attributable to such noncontrolling interest is eliminated through the noncontrolling interest line item in the consolidated statement of operations.

SIRIUS XM's stand alone operating results were as follows:

	Years ended December 31,		
	2014	2013	2012
	amounts in millions		
Subscriber revenue	\$ 3,554	3,285	2,963
Other revenue	627	514	439
Total revenue	4,181	3,799	3,402
Operating expenses (excluding stock-based compensation included below):			
Cost of subscriber services	(1,592)	(1,380)	(1,218)
Subscriber acquisition costs	(493)	(496)	(475)
Other operating expenses	(54)	(51)	(42)
Selling, general and administrative expenses	(578)	(505)	(465)
Adjusted OIBDA	1,464	1,367	1,202
Stock-based compensation	(78)	(69)	(64)
Depreciation and amortization	(266)	(253)	(266)
Operating income	\$ 1,120	1,045	872

Subscriber revenue includes subscription, activation and other fees. For the years ended December 31, 2014 and 2013, subscriber revenue increased 8% and 11%, respectively, as compared to the prior year periods. The current year increase was primarily attributable to a 6% increase in the daily weighted average number of subscribers, the inclusion of a full year of subscription revenue generated by SIRIUS XM's connected vehicle business and the increase in certain subscription rates beginning in January 2014. These increases were partially offset by subscription discounts and limited channel line-up plans offered through customer acquisition and retention programs, a change in an agreement with an automaker and a rental car company and an increasing number of lifetime subscription plans that have reached full revenue recognition. The prior year increase was primarily attributable to a 9% increase in the daily weighted average number of subscribers, the impact of the increase in certain subscription rates beginning in January 2012 as more subscribers migrated to the higher rate and an increase in subscriptions to premium services, premier channels and Internet streaming, as well as the inclusion of connected vehicle subscription revenue in 2013. These increases were partially offset by subscription discounts offered through customer acquisition and retention programs and an increasing number of lifetime subscription plans that have reached full revenue recognition.

Other revenue includes advertising revenue, equipment revenue, royalty revenue fees and other ancillary revenue. For the years ended December 31, 2014 and 2013, other revenue increased 22% and 17%, respectively, as compared to the corresponding prior year periods. The most significant change in other revenue during both years was the result of an increase in the rate charged to SIRIUS XM and passed through to subscribers for the U.S. Music Royalty Fee, which increased to 12.5% in 2013, which was compounded by an increase in the number of subscribers.

Cost of subscriber services includes revenue share and royalties, programming and content costs, customer service and billing expenses and other ancillary costs associated with providing the satellite radio service. The cost of subscriber services increased 15% and 13% for the years ended December 31, 2014 and 2013, respectively, as compared to the corresponding prior year periods and slightly increased as a percentage of total revenue during 2014. The increases were primarily due to increases in the revenue share and royalties of 20% and 23% in 2014 and 2013, respectively, as compared to the corresponding prior year periods. The increase in both years was attributable to increased revenues subject to royalty and/or revenue sharing arrangements, and a 5.6% increase and a 12.5% increase in the statutory royalty rate for the performance of sound recordings during 2014 and 2013, respectively. Additionally, customer service and billing expense increased 15% and 9% for the years ended December 31, 2014 and 2013, respectively, as compared to the corresponding prior year periods. The current year increase was primarily due to the inclusion of a full year of costs associated with SIRIUS XM's connected vehicle services business, higher subscriber volume driving increased subscriber contacts and increased bad debt expense. The increase in the prior year was primarily due to investment in customer service experience which resulted in higher spend on customer service agents, staffing and training. Additionally, higher subscriber volume drove increased subscriber contacts, increased bad debt expense and higher technology costs.

Subscriber acquisition costs include hardware subsidies paid to radio manufacturers, distributors and automakers; subsidies paid for chip sets and certain other components used in manufacturing radios; device royalties for certain radios and chip sets; commissions paid to automakers and retailers; product warranty obligations; freight; and provisions for inventory allowances attributable to inventory consumed in OEM and retail distribution channels. The majority of subscriber acquisition costs are incurred and expensed in advance of, or concurrent with, acquiring a subscriber. For the years ended December 31, 2014 and 2013 subscriber acquisition costs decreased less than 1% and increased 4%, respectively, and slightly decreased as a percentage of total revenue, as compared to the corresponding periods in the prior year. The decrease in the current year was primarily due to improved OEM subsidy rates per vehicle and a change in a contract with an automaker which decreased subscriber acquisition costs. The decrease was partially offset by increased subsidy costs related to a larger number of satellite radio installations in new vehicles. The increase in 2013 was primarily a result of higher subsidies from increased OEM installations occurring in advance of acquiring the subscriber.

Other operating expense includes engineering, design and development costs. For the years ended December 31, 2014 and 2013, other operating expense increased 6% and 21%, respectively, but remained relatively flat as a percentage of total revenue. The increase in the current year was driven primarily by the inclusion of a full year of costs associated with SIRIUS XM's connected vehicle services business and higher personnel costs. The increase during the prior year was driven primarily by higher product development costs, costs related to enhanced subscriber features and service functionality.

Selling, general and administrative expense includes costs of advertising, media and production, including promotional events and sponsorship, finance, legal, human resources and information technology. For the years ended December 31, 2014 and 2013, selling, general and administrative expense increased 14% and 9%, respectively, but slightly increased and decreased a percentage of total revenue, respectively, as compared to the corresponding prior year periods. For both periods, the increase was primarily due to additional subscriber communications and retention programs associated with a greater number of subscribers and promotional trials and higher information technology costs.

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The following tables reconcile the results reported by SIRIUS XM, used for comparison purposes above to understand their operations, to the results reported by Liberty for the years ended December 31, 2014 and 2013:

	Year ended December 31, 2014		
	As reported by SIRIUS XM	Purchase Accounting Adjustments	As reported by Liberty
Subscriber revenue	\$ 3,554	(40)	3,514
Other revenue	627	—	627
Total revenue	4,181	(40)	4,141
Operating expenses (excluding stock-based compensation included below):			
Cost of subscriber services	(1,592)	42	(1,550)
Subscriber acquisition costs	(493)	—	(493)
Other operating expenses	(54)	—	(54)
Selling, general and administrative expenses	(578)	—	(578)
Adjusted OIBDA	1,464	2	1,466
Stock-based compensation	(78)	(70)	(148)
Depreciation and amortization	(266)	(48)	(314)
Operating income	\$ 1,120	(116)	1,004

	Year ended December 31, 2013			
	As reported by SIRIUS XM	Purchase Accounting Adjustments	Elimination for Equity Method Accounting (17 days)	As reported by Liberty
Subscriber revenue	\$ 3,285	(8)	(146)	3,131
Other revenue	514	—	(20)	494
Total revenue	3,799	(8)	(166)	3,625
Operating expenses (excluding stock-based compensation included below):				
Cost of subscriber services	(1,380)	12	60	(1,308)
Subscriber acquisition costs	(496)	(15)	20	(491)
Other operating expenses	(51)	—	3	(48)
Selling, general and administrative expenses	(505)	(6)	22	(489)
Adjusted OIBDA	1,367	(17)	(61)	1,289
Stock-based compensation	(69)	(67)	3	(133)
Depreciation and amortization	(253)	(37)	12	(278)
Operating income	\$ 1,045	(121)	(46)	878

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

We are exposed to market risk in the normal course of business due to our ongoing investing and financial activities and the conduct of operations. Market risk refers to the risk of loss arising from adverse changes in stock prices and interest rates. The risk of loss can be assessed from the perspective of adverse changes in fair values, cash flows and future earnings. We have established policies, procedures and internal processes governing our management of market risks and the use of financial instruments to manage our exposure to such risks.

We are exposed to changes in interest rates primarily as a result of our borrowing and investment activities, which include investments in fixed and floating rate debt instruments and borrowings used to maintain liquidity and to fund business operations. The nature and amount of our long-term and short-term debt are expected to vary as a result of future requirements, market conditions and other factors. We manage our exposure to interest rates by maintaining what we believe is an appropriate mix of fixed and variable rate debt. We believe this best protects us from interest rate risk. We have achieved this mix by (i) issuing fixed rate debt that we believe has a low stated interest rate and significant term to maturity, (ii) issuing variable rate debt with appropriate maturities and interest rates and (iii) entering into interest rate swap arrangements when we deem appropriate.

As of December 31, 2014, our debt is comprised of the following amounts:

	Variable rate debt		Fixed rate debt	
	Principal amount	Weighted avg interest rate	Principal amount	Weighted avg interest rate
dollar amounts in millions				
SIRIUS XM	\$ 380	2.4%	\$ 4,163	5.5%
Corporate and Other	348	1.9%	1,000	1.4%

The Company is exposed to changes in stock prices primarily as a result of our significant holdings in publicly traded securities. We continually monitor changes in stock markets, in general, and changes in the stock prices of our holdings, specifically. We believe that changes in stock prices can be expected to vary as a result of general market conditions, technological changes, specific industry changes and other factors. We periodically use equity collars and other financial instruments to manage market risk associated with certain investment positions. These instruments are recorded at fair value based on option pricing models.

At December 31, 2014, the fair value of our AFS equity securities was \$816 million. Had the market price of such securities been 10% lower at December 31, 2014, the aggregate value of such securities would have been \$82 million lower. Additionally, our stock in Live Nation (an equity method affiliate) is a publicly traded security which is not reflected at fair value in our balance sheet. This security is also subject to market risk that is not directly reflected in our financial statements.

Item 8. Financial Statements and Supplementary Data.

The consolidated financial statements of Liberty Media Corporation are filed under this Item, beginning on Page II-25. The financial statement schedules required by Regulation S-X are filed under Item 15 of this Annual Report on Form 10-K.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

In accordance with Exchange Act Rules 13a-15 and 15d-15, the Company carried out an evaluation, under the supervision and with the participation of management, including its chief executive officer and principal accounting and financial officer (the "Executives"), of the effectiveness of its disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Executives concluded that the Company's disclosure controls and procedures were effective as of December 31, 2014 to provide reasonable assurance that information required to be disclosed in its reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

See page II-23 for *Management's Report on Internal Control Over Financial Reporting*.

See page II-24 for *Report of Independent Registered Public Accounting Firm* for their attestation regarding our internal control over financial reporting.

There has been no change in the Company's internal control over financial reporting that occurred during the three months ended December 31, 2014 that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

Item 9B. Other Information.

None.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Liberty Media Corporation's (the "Company") management is responsible for establishing and maintaining adequate internal control over the Company's financial reporting, as such term is defined in Rule 13a - 15(f) of the Securities Exchange Act of 1934. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

The Company's management assessed the effectiveness of internal control over financial reporting as of December 31, 2014, using the criteria in *Internal Control-Integrated Framework (1992)*, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation the Company's management believes that, as of December 31, 2014, its internal control over financial reporting is effective.

The Company's independent registered public accounting firm audited the consolidated financial statements and related disclosures in the Annual Report on Form 10-K and have issued an audit report on the effectiveness of the Company's internal control over financial reporting. This report appears on page II-24 of this Annual Report on Form 10-K.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Liberty Media Corporation:

We have audited Liberty Media Corporation and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control – Integrated Framework (1992)*, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, Liberty Media Corporation and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control – Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Liberty Media Corporation and subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive earnings (loss), cash flows, and equity for each of the years in the three-year period ended December 31, 2014, and our report dated February 26, 2015 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Denver, Colorado
February 26, 2015

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Liberty Media Corporation:

We have audited the accompanying consolidated balance sheets of Liberty Media Corporation and subsidiaries (the Company) as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive earnings (loss), cash flows, and equity for each of the years in the three-year period ended December 31, 2014. 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 Liberty Media Corporation and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Liberty Media Corporation and subsidiaries' internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control – Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 26, 2015 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Denver, Colorado
February 26, 2015

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2014 and 2013

	2014	2013
	amounts in millions	
<i>Assets</i>		
Current assets:		
Cash and cash equivalents	\$ 681	1,088
Trade and other receivables, net	235	206
Short term marketable securities (note 6)	199	15
Deferred income tax assets (note 11)	931	916
Other current assets	298	269
Total current assets	<u>2,344</u>	<u>2,494</u>
Investments in available-for-sale securities and other cost investments (note 7)	816	1,324
Investments in affiliates, accounted for using the equity method (note 8)	851	3,299
Property and equipment, at cost	2,257	2,149
Accumulated depreciation	<u>(501)</u>	<u>(341)</u>
	<u>1,756</u>	<u>1,808</u>
Intangible assets not subject to amortization (note 9)		
Goodwill	14,345	14,365
FCC licenses	8,600	8,600
Other	1,073	1,073
	<u>24,018</u>	<u>24,038</u>
Intangible assets subject to amortization, net (note 9)	1,096	1,200
Other assets, at cost, net of accumulated amortization	326	379
Total assets	<u>\$ 31,207</u>	<u>34,542</u>

(continued)

See accompanying notes to consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets (Continued)

December 31, 2014 and 2013

	2014	2013
	amounts in millions	
<i>Liabilities and Equity</i>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 712	670
Current portion of debt (note 10)	257	777
Deferred revenue	1,641	1,575
Other current liabilities	40	150
Total current liabilities	<u>2,650</u>	<u>3,172</u>
Long-term debt, including \$990 million and \$1,002 million measured at fair value, respectively (note 10)	5,595	4,778
Deferred income tax liabilities (note 11)	2,438	2,312
Other liabilities	348	398
Total liabilities	<u>11,031</u>	<u>10,660</u>
Stockholders' equity (notes 12,14 and 16):		
Preferred stock, \$.01 par value. Authorized 50,000,000 shares; no shares issued	—	—
Series A common stock, \$.01 par value. Authorized 2,000,000,000 shares; issued and outstanding 104,505,449 and 104,421,488 shares at December 31, 2014 and 2013, respectively	1	1
Series B common stock, \$.01 par value. Authorized 75,000,000 shares; issued and outstanding 9,873,972 and 9,876,178 shares at December 31, 2014 and 2013, respectively	—	—
Series C common stock, \$.01 par value. Authorized 2,000,000,000 shares; issued and outstanding 228,781,948 shares at December 31, 2014 and retroactive issued and outstanding 228,595,332 shares at December 31, 2013	2	2
Additional paid-in capital	—	2,215
Accumulated other comprehensive earnings (loss), net of taxes	(21)	4
Retained earnings	<u>11,416</u>	<u>11,859</u>
Total stockholders' equity	11,398	14,081
Noncontrolling interests in equity of subsidiaries	<u>8,778</u>	<u>9,801</u>
Total equity	<u>20,176</u>	<u>23,882</u>
Commitments and contingencies (note 17)		
Total liabilities and equity	<u>\$ 31,207</u>	<u>34,542</u>

See accompanying notes to consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Consolidated Statements Of Operations
Years ended December 31, 2014, 2013 and 2012

	2014	2013	2012
	amounts in millions, except per share amounts		
Revenue:			
Subscriber revenue	\$ 3,514	3,131	—
Other revenue	936	871	368
Total revenue	4,450	4,002	368
Operating costs and expenses, including stock-based compensation (note 2):			
Cost of subscriber services (exclusive of depreciation shown separately below):			
Revenue and share royalties	810	679	—
Programming and content	262	243	—
Customer service and billing	373	308	—
Other	135	104	—
Subscriber acquisition costs	493	491	—
Other operating expenses	304	284	230
Selling, general and administrative	873	764	176
Depreciation and amortization	359	315	42
	3,609	3,188	448
Operating income (loss)	841	814	(80)
Other income (expense):			
Interest expense	(255)	(132)	(7)
Dividend and interest income	27	48	76
Share of earnings (losses) of affiliates, net (note 8)	(113)	(32)	1,346
Realized and unrealized gains (losses) on financial instruments, net (note 6)	38	295	230
Gains (losses) on transactions, net (notes 3, 12)	—	7,978	22
Other, net (notes 8, 17)	(77)	(115)	42
	(380)	8,042	1,709
Earnings (loss) from continuing operations before income taxes	461	8,856	1,629
Income tax (expense) benefit (note 11)	(66)	135	(469)
Net earnings (loss) from continuing operations	395	8,991	1,160
Earnings (loss) from discontinued operations, net of taxes (notes 1, 4)	—	—	252
Net earnings (loss)	395	8,991	1,412
Less net earnings (loss) attributable to the noncontrolling interests	217	211	(2)
Net earnings (loss) attributable to Liberty stockholders	\$ 178	8,780	1,414
Basic net earnings (loss) from continuing operations attributable to Liberty stockholders per common share (note 2)			
	\$ 0.52	24.73	3.21
Diluted net earnings (loss) from continuing operations attributable to Liberty stockholders per common share (note 2)			
	\$ 0.52	24.46	3.12
Basic net earnings (loss) attributable to Liberty stockholders per common share (note 2)			
	\$ 0.52	24.73	3.92
Diluted net earnings (loss) attributable to Liberty stockholders per common share (note 2)			
	\$ 0.52	24.46	3.80

See accompanying notes to consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES**Consolidated Statements Of Comprehensive Earnings (Loss)****Years ended December 31, 2014, 2013 and 2012**

	<u>2014</u>	<u>2013</u>	<u>2012</u>
	amounts in millions		
Net earnings (loss)	\$ 395	8,991	1,412
Other comprehensive earnings (loss), net of taxes:			
Unrealized holding gains (losses) arising during the period	(8)	10	(3)
Recognition of previously unrealized (gains) losses on available-for-sale securities, net	—	(25)	(13)
Share of other comprehensive earnings (loss) of equity affiliates	(9)	4	—
Other comprehensive earnings (loss) from discontinued operations	—	—	(1)
Other comprehensive earnings (loss)	(17)	(11)	(17)
Comprehensive earnings (loss)	378	8,980	1,395
Less comprehensive earnings (loss) attributable to the noncontrolling interests	217	211	(2)
Comprehensive earnings (loss) attributable to Liberty stockholders	<u>\$ 161</u>	<u>8,769</u>	<u>1,397</u>

See accompanying notes to consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Consolidated Statements Of Cash Flows

Years ended December 31, 2014, 2013 and 2012

	2014	2013	2012
	amounts in millions		
	(see note 6)		
Cash flows from operating activities:			
Net earnings (loss)	\$ 395	8,991	1,412
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Earnings from discontinued operations	—	—	(252)
Depreciation and amortization	359	315	42
Stock-based compensation	217	193	46
Cash payments for stock-based compensation	(29)	(2)	(19)
Excess tax benefit from stock-based compensation	(3)	(6)	(142)
Share of (earnings) loss of affiliates, net	113	32	(1,346)
Realized and unrealized (gains) losses on financial instruments, net	(38)	(295)	(230)
Noncash interest expense	(34)	(62)	(2)
Losses (gains) on transactions, net	—	(7,978)	(22)
Losses (gains) on dilution of investment in affiliate	78	93	9
Losses (gains) on early extinguishment of debt	—	21	—
Deferred income tax expense (benefit)	91	(172)	465
Other charges (credits), net	17	(3)	(41)
Changes in operating assets and liabilities			
Current and other assets	(74)	187	18
Payables and other liabilities	33	(78)	33
Net cash provided (used) by operating activities	<u>1,125</u>	<u>1,236</u>	<u>(29)</u>
Cash flows from investing activities:			
Cash (paid) for acquisitions, net of cash acquired	(47)	(117)	—
Cash proceeds from dispositions of investments	247	80	766
Proceeds (payments) from settlement of financial instruments, net	(72)	(59)	(9)
Investments in and loans to cost and equity investees	(183)	(2,585)	(1,716)
Repayment of loans and other cash receipts from cost and equity investees	42	81	110
Return of investment in equity method affiliate	—	—	165
Capital expended for property and equipment	(194)	(207)	(16)
Purchases of short term investments and other marketable securities	(360)	(178)	(393)
Sales of short term investments and other marketable securities	176	229	625
Net (increase) decrease in restricted cash	—	—	700
Other investing activities, net	(20)	(8)	(8)
Net cash provided (used) by investing activities	<u>(411)</u>	<u>(2,764)</u>	<u>224</u>
Cash flows from financing activities:			
Borrowings of debt	2,758	5,923	—
Repayments of debt	(1,936)	(2,779)	(750)
Repurchases of Liberty common stock	—	(140)	(323)
Cash provided by the Broadband Spin-Off	259	—	—
Cash included in exchange transaction	—	(429)	—
Shares issued by subsidiary	—	21	—
Shares repurchased by subsidiary	(2,157)	(1,602)	—
Proceeds (payments) from issuances and settlements of financial instruments, net	—	(299)	(54)
Issuance of warrants	—	170	—
Taxes paid in lieu of shares issued for stock-based compensation	(48)	(51)	(181)
Excess tax benefit from stock-based compensation	3	6	142
Other financing activities, net	—	(7)	4
Net cash provided (used) by financing activities	<u>(1,121)</u>	<u>813</u>	<u>(1,162)</u>
Net cash provided (used) by discontinued operations:			
Cash provided (used) by operating activities	—	—	265
Cash provided (used) by investing activities	—	—	(10)
Cash provided (used) by financing activities	—	550	(5)
Change in available cash held by discontinued operations	—	650	350
Net cash provided (used) by discontinued operations	<u>—</u>	<u>1,200</u>	<u>600</u>
Net increase (decrease) in cash and cash equivalents	(407)	485	(367)
Cash and cash equivalents at beginning of period	1,088	603	970
Cash and cash equivalents at end of period	<u>\$ 681</u>	<u>1,088</u>	<u>603</u>

See accompanying notes to consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Consolidated Statement Of Equity

Years ended December 31, 2014, 2013 and 2012

	Stockholders' equity								
	Preferred				Additional Paid-in Capital	Accumulated other comprehensive earnings	Retained earnings	Noncontrolling interest in equity of subsidiaries	Total equity
	Stock	Series A	Series B	Series C					
	amounts in millions								
Balance at January 1, 2012	\$ —	\$ 1	\$ —	\$ 2	\$ 3,562	\$ 29	\$ 1,665	\$ (10)	\$ 5,249
Net earnings	—	—	—	—	—	—	1,414	(2)	1,412
Other comprehensive loss	—	—	—	—	—	(17)	—	—	(17)
Stock-based compensation	—	—	—	—	68	—	—	—	68
Minimum withholding taxes on net share settlements of stock-based compensation	—	—	—	—	(181)	—	—	—	(181)
Excess tax benefits on stock-based compensation	—	—	—	—	146	—	—	—	146
Stock issued upon exercise of stock options	—	—	—	—	7	—	—	—	7
Series A Liberty stock repurchases	—	—	—	—	(323)	—	—	—	(323)
Non-cash benefit from reversal of contingent liability (note 17)	—	—	—	—	72	—	—	—	72
Other	—	—	—	—	(5)	—	—	4	(1)
Balance at December 31, 2012	—	1	—	2	3,346	12	3,079	(8)	6,432
Net earnings	—	—	—	—	—	—	8,780	211	8,991
Other comprehensive loss	—	—	—	—	—	(11)	—	—	(11)
Stock-based compensation	—	—	—	—	140	—	—	63	203
Minimum withholding taxes on net share settlements of stock-based compensation	—	—	—	—	(51)	—	—	—	(51)
Series A Liberty stock repurchases	—	—	—	—	(140)	—	—	—	(140)
Shares repurchased by subsidiary	—	—	—	—	(160)	—	—	(1,442)	(1,602)
Shares issued by subsidiary	—	—	—	—	(61)	—	—	127	66
Shares acquired in disposition of subsidiary	—	—	—	—	(937)	—	—	—	(937)
Issuance of warrants	—	—	—	—	170	—	—	—	170
Non-controlling interest recognized with acquisition of a controlling interest in a subsidiary	—	—	—	—	—	—	—	10,841	10,841
Distribution to stockholders for the Starz Spin-Off	—	—	—	—	(92)	3	—	9	(80)
Balance at December 31, 2013	—	1	—	2	2,215	4	11,859	9,801	23,882
Net earnings	—	—	—	—	—	—	178	217	395
Other comprehensive loss	—	—	—	—	—	(17)	—	—	(17)
Stock-based compensation	—	—	—	—	135	—	—	67	202
Minimum withholding taxes on net share settlements of stock-based compensation	—	—	—	—	(48)	—	—	—	(48)
Shares repurchased by subsidiary	—	—	—	—	(179)	—	—	(2,004)	(2,183)
Shares issued by subsidiary	—	—	—	—	(27)	—	—	27	—
Shares issued by subsidiary on conversion of bonds	—	—	—	—	(179)	—	—	670	491
Distribution to stockholders for the Broadband Spin-Off	—	—	—	—	(1,912)	(8)	(621)	—	(2,541)
Other	—	—	—	—	(5)	—	—	—	(5)
Balance at December 31, 2014	—	1	—	2	—	(21)	11,416	8,778	20,176

See accompanying notes to consolidated financial statements.

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(1) Basis of Presentation

The accompanying consolidated financial statements of Liberty Media Corporation (formerly named Liberty Spinco, Inc.; see discussion below pertaining to the Starz Spin-Off (defined below)) ("Liberty" or the "Company" unless the context otherwise requires) represent a consolidation of certain media, communications and entertainment related assets and businesses. All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements.

In September 2011, Liberty Interactive Corporation ("Liberty Interactive" and formerly named Liberty Media Corporation) completed the split-off of its former wholly-owned subsidiary (then known as Liberty Media Corporation) from its Liberty Interactive tracking stock group (the "Split-Off").

In January 2013, the entity then known as Liberty Media Corporation (now named Starz) spun-off (the "Starz Spin-Off") its then-former wholly owned subsidiary, now known as Liberty Media Corporation, which, at the time of the Starz Spin-Off, held all of the businesses, assets and liabilities of Starz not associated with Starz, LLC (with the exception of the Starz, LLC office building). The transaction was effected as a pro-rata dividend of shares of Liberty to the stockholders of Starz. Due to the relative significance of Liberty to Starz (the legal spinor) and senior management's continued involvement with Liberty following the Starz Spin-Off, Liberty is being treated as the "accounting successor" to Starz for financial reporting purposes, notwithstanding the legal form of the Starz Spin-Off previously described. Therefore, the historical financial statements of the company formerly known as Liberty Media Corporation continue to be the historical financial statements of Liberty, and Starz, LLC is presented as discontinued operations for all periods prior to the completion of the Starz Spin-Off. Therefore, for purposes of these consolidated financial statements, Liberty is treated as the spinor for purposes of discussion and as a practical matter for describing all the historical information contained herein.

During 2014, Liberty's board approved the issuance of shares of its Series C common stock to holders of its Series A and Series B common stock, effected by means of a dividend. On July 23, 2014, holders of Series A and Series B common stock as of 5:00 p.m., New York City, time on July 7, 2014, the record date for the dividend, received a dividend of two shares of Series C common stock for each share of Series A or Series B common stock held by them as of the record date. The impact of the Series C common issuance has been reflected retroactively in these consolidated financial statements due to the treatment of the dividend as a stock split for accounting purposes. Additionally, in connection with the Series C common stock issuance and the Broadband Spin-Off (defined below), outstanding Series A common stock warrants have been adjusted. See note 10 for further discussion regarding the warrants. There were 21,085,900 warrants with a strike price of \$64.46 outstanding at December 31, 2014.

On November 4, 2014, Liberty completed the spin-off to its stockholders common stock of a newly formed company called Liberty Broadband Corporation ("Liberty Broadband") (the "Broadband Spin-Off"). Shares of Liberty Broadband were distributed to the shareholders of Liberty as of a record date of 5:00 p.m., New York City time, on October 29, 2014. Liberty Broadband is comprised of, among other things, (i) Liberty's former interest in Charter Communications, Inc. ("Charter"), (ii) Liberty's former subsidiary TruePosition, Inc. ("TruePosition"), (iii) Liberty's former minority equity investment in Time Warner Cable, Inc. ("Time Warner Cable"), (iv) certain deferred tax liabilities, as well as liabilities related to Time Warner Cable call options and (v) initial indebtedness, pursuant to margin loans entered into prior to the completion of the Broadband Spin-Off. Prior to the transaction, Liberty Broadband borrowed funds under margin loans and made a final distribution to Liberty of approximately \$300 million in cash. The Broadband Spin-Off is intended to be tax-free to stockholders of Liberty. In the Broadband Spin-Off, record holders of Series A, Series B and Series C common stock received one share of the corresponding series of Liberty Broadband common stock for every four shares of common stock held by them as of the record date for the Broadband Spin-Off, with cash paid in lieu of fractional shares. The Company's former investments in and results of Charter and Time Warner Cable are no longer included in the results of Liberty from the date of the completion of the Broadband Spin-Off forward. Based on the relative significance of TruePosition to Liberty, the Company concluded that discontinued operations presentation of TruePosition is not necessary.

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During August 2014, Liberty Interactive completed the distribution of Liberty TripAdvisor Holdings, Inc. ("Liberty TripAdvisor") (the "TripAdvisor Spin-Off"). Following the Split-Off, Starz Spin-Off, TripAdvisor Spin-Off and Broadband Spin-Off, Liberty, Liberty Interactive, Starz, Liberty TripAdvisor and Liberty Broadband operate as separate publicly traded companies, none of which has any stock ownership, beneficial or otherwise, in the other. In connection with the Split-Off, Starz Spin-Off, TripAdvisor Spin-Off and Broadband Spin-Off, Liberty entered into certain agreements with Liberty Interactive, Starz, Liberty TripAdvisor and Liberty Broadband, respectively, in order to govern ongoing relationships between the companies and to provide for an orderly transition. These agreements include Reorganization Agreements, Services Agreements, Facilities Sharing Agreements, a Lease Agreement (in the case of the Starz Spin-Off only) and with respect to Starz and Liberty Broadband, Tax Sharing Agreements. The Reorganization, Services and Facilities Sharing Agreements entered into with Liberty Interactive were assigned from Starz to Liberty in connection with the Starz Spin-Off.

The Reorganization Agreements provide for, among other things, provisions governing the relationships between Liberty and each of Liberty Interactive, Starz, Liberty TripAdvisor and Liberty Broadband following the Split-Off, Starz Spin-Off, TripAdvisor Spin-Off and Broadband Spin-Off, respectively, including certain cross-indemnities. Pursuant to the Services Agreements, Liberty provides Liberty Interactive, Starz, Liberty TripAdvisor and Liberty Broadband with general and administrative services including legal, tax, accounting, treasury and investor relations support. Liberty Interactive, Starz, Liberty TripAdvisor and Liberty Broadband reimburse Liberty for direct, out-of-pocket expenses incurred by Liberty in providing these services and for Liberty Interactive's and Starz's allocable portion of costs associated with any shared services or personnel based on an estimated percentage of time spent providing services to each respective company. Liberty TripAdvisor and Liberty Broadband reimburse Liberty for shared services and personnel based on a flat fee. Under the Facilities Sharing Agreements, Liberty shares office space and related amenities with Liberty Interactive, Starz, Liberty TripAdvisor and Liberty Broadband at Liberty's corporate headquarters. Under these various agreements, approximately \$15 million, \$16 million and \$10 million of these allocated expenses were reimbursed to Liberty during the years ended December 31, 2014, 2013 and 2012, respectively. Under the Lease Agreement, Starz leases its corporate headquarters from Liberty. The Lease Agreement with Starz for their corporate headquarters requires a payment of approximately \$3 million annually, subject to certain increases based on the Consumer Price Index. The Lease Agreement expires on December 31, 2023 and contains an extension option.

The Tax Sharing Agreements provide for the allocation and indemnification of tax liabilities and benefits between Liberty and each of Starz and Liberty Broadband as well as other agreements related to tax matters. Among other things, pursuant to the Tax Sharing Agreements, Liberty has generally agreed to indemnify Starz and Liberty Broadband for taxes and losses resulting from the failure of the Starz Spin-Off and the Broadband Spin-Off, respectively, to qualify for tax-free treatment. However, Starz will be responsible for any such taxes and losses related to the Starz Spin-Off which (i) result primarily from the breach of certain restrictive covenants made by Starz, or (ii) result from Section 355(e) of the Code applying to the Starz Spin-Off as a result of the Starz Spin-Off being part of a plan (or series of related transactions) pursuant to which one or more persons acquire a 50-percent or greater interest (measured by vote or value) in the stock of Starz, and Liberty Broadband will be responsible for any such taxes and losses related to the Broadband Spin-Off which (i) result primarily from the breach of certain restrictive covenants made by Liberty Broadband, or (ii) result from Section 355(e) of the Code applying to the Broadband Spin-Off as a result of the Broadband Spin-Off being part of a plan (or series of related transactions) pursuant to which one or more persons acquire a 50-percent or greater interest (measured by vote or value) in the stock of Liberty Broadband. In February 2014, the IRS and Starz entered into a closing agreement which provides that the Starz Spin-Off qualified for tax-free treatment to Starz and Liberty. In December 2014, the IRS completed its review of the Broadband Spin-Off and notified Liberty that it agreed with the nontaxable characterization of the transaction.

Liberty, through its ownership of interests in subsidiaries and other companies, is primarily engaged in the media, communications and entertainment industries primarily in North America. Our significant subsidiaries include Sirius XM Holdings Inc. and the Atlanta National League Baseball Club, Inc. (the "Atlanta Braves" or "ANLBC"). Our significant investment accounted for under the equity method of accounting is Live Nation Entertainment, Inc. ("Live Nation").

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(2) Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash equivalents consist of investments which are readily convertible into cash and have maturities of three months or less at the time of acquisition.

Receivables

Receivables are reflected net of an allowance for doubtful accounts and sales returns. Such allowance aggregated \$8 million and \$4 million at December 31, 2014 and 2013, respectively. Activity in the year ended December 31, 2014 included an increase of \$45 million of bad debt charged to expense and \$41 million of write-offs. Activity in the year ended December 31, 2013 included an increase of \$4 million of bad debt charged to expense and \$1 million of write-offs. The amounts charged to bad debt expense and write-offs were less than a million in 2012.

Investments

All marketable equity and debt securities held by the Company are classified as available-for-sale ("AFS") and are carried at fair value generally based on quoted market prices. U.S. generally accepted accounting principles ("GAAP") permit entities to choose to measure many financial instruments, such as AFS securities, and certain other items at fair value and to recognize the changes in fair value of such instruments in the entity's statement of operations (the "fair value option"). Under other relevant GAAP, entities were required to recognize changes in fair value of AFS securities in the balance sheet in accumulated other comprehensive earnings. Liberty has entered into economic hedges for certain of its non-strategic AFS securities (although such instruments are not accounted for as fair value hedges by the Company). Changes in the fair value of these economic hedges are reflected in Liberty's statement of operations as unrealized gains (losses). In order to better match the changes in fair value of the subject AFS securities and the changes in fair value of the corresponding economic hedges in the Company's financial statements, Liberty has elected the fair value option for those of its AFS securities which it considers to be non-strategic ("Fair Value Option Securities"). Accordingly, changes in the fair value of Fair Value Option Securities, as determined by quoted market prices, are reported in realized and unrealized gain (losses) on financial instruments in the accompanying consolidated statements of operations. The total value of AFS securities for which the Company has elected the fair value option aggregated \$745 million and \$1,253 million as of December 31, 2014 and 2013, respectively.

Other investments in which the Company's ownership interest is less than 20% and are not considered marketable securities are carried at cost.

For those investments in affiliates in which the Company has the ability to exercise significant influence, the equity method of accounting is used. Under this method, the investment, originally recorded at cost, is adjusted to recognize the Company's share of net earnings or losses of the affiliate as they occur rather than as dividends or other distributions are received. Losses are limited to the extent of the Company's investment in, advances to and commitments for the investee. In the event the Company is unable to obtain accurate financial information from an equity affiliate in a timely manner, the Company records its share of earnings or losses of such affiliate on a lag.

Changes in the Company's proportionate share of the underlying equity of an equity method investee, which result from the issuance of additional equity securities by such equity investee, are recognized in the statement of operations through the other, net line item. To the extent there is a difference between our ownership percentage in the underlying equity of an equity method investee and our carrying value, such difference is accounted for as if the equity method investee were a consolidated subsidiary.

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The Company continually reviews its equity investments and its AFS securities which are not Fair Value Securities to determine whether a decline in fair value below the cost basis is other than temporary. The primary factors the Company considers in its determination are the length of time that the fair value of the investment is below the Company's carrying value; the severity of the decline; and the financial condition, operating performance and near term prospects of the investee. In addition, the Company considers the reason for the decline in fair value, be it general market conditions, industry specific or investee specific; analysts' ratings and estimates of 12 month share price targets for the investee; changes in stock price or valuation subsequent to the balance sheet date; and the Company's intent and ability to hold the investment for a period of time sufficient to allow for a recovery in fair value. If the decline in fair value is deemed to be other than temporary, the cost basis of the security is written down to fair value. In situations where the fair value of an investment is not evident due to a lack of a public market price or other factors, the Company uses its best estimates and assumptions to arrive at the estimated fair value of such investment. The Company's assessment of the foregoing factors involves a high degree of judgment and accordingly, actual results may differ materially from the Company's estimates and judgments. Writedowns for AFS securities which are not Fair Value Option Securities are included in the consolidated statements of operations as other than temporary declines in fair values of investments. Writedowns for equity method investments are included in share of earnings (losses) of affiliates.

Derivative Instruments and Hedging Activities

All of the Company's derivatives, whether designated in hedging relationships or not, are recorded on the balance sheet at fair value. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and of the hedged item attributable to the hedged risk are recognized in earnings. If the derivative is designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative are recorded in other comprehensive earnings and are recognized in the statement of operations when the hedged item affects earnings. Ineffective portions of changes in the fair value of cash flow hedges are recognized in earnings. If the derivative is not designated as a hedge, changes in the fair value of the derivative are recognized in earnings. None of the Company's derivatives are currently designated as hedges.

The fair value of certain of the Company's derivative instruments are estimated using the Black-Scholes model. The Black-Scholes model incorporates a number of variables in determining such fair values, including expected volatility of the underlying security and an appropriate discount rate. The Company obtained volatility rates from pricing services based on the expected volatility of the underlying security over the remaining term of the derivative instrument. A discount rate was obtained at the inception of the derivative instrument and updated each reporting period, based on the Company's estimate of the discount rate at which it could currently settle the derivative instrument. The Company considered its own credit risk as well as the credit risk of its counterparties in estimating the discount rate. Considerable management judgment was required in estimating the Black-Scholes variables.

Property and Equipment

Property and equipment consisted of the following:

	<u>Estimated Useful Life</u>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
		amounts in millions	
Land	NA	\$ 124	59
Buildings and improvements	10 - 40 years	162	157
Support equipment	3 - 20 years	230	257
Satellite system	2 - 15 years	1,590	1,573
Construction in progress	NA	151	103
Total property and equipment		<u>\$ 2,257</u>	<u>2,149</u>

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Property and equipment, including significant improvements, is stated at cost. Depreciation is computed using the straight-line method using estimated useful lives. Depreciation expense for the years ended December 31, 2014, 2013 and 2012 was \$209 million, \$200 million and \$23 million, respectively. During the year ended December 31, 2013, SIRIUS XM capitalized expenditures, including interest, of approximately \$87 million related to the construction of one of its satellites, which was launched and placed into operation in the fourth quarter of 2013.

Intangible Assets

Intangible assets with estimable useful lives are amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment upon certain triggering events. Goodwill and other intangible assets with indefinite useful lives (collectively, "indefinite lived intangible assets") are not amortized, but instead are tested for impairment at least annually. Our annual impairment assessment of our indefinite-lived intangible assets is performed during the fourth quarter of each year.

The Company utilizes a qualitative assessment for determining whether step one of the goodwill impairment analysis is necessary. The accounting guidance permits entities to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. In evaluating goodwill on a qualitative basis the Company reviews the business performance of each reporting unit and evaluates other relevant factors as identified in the relevant accounting guidance to determine whether it is more likely than not that an indicated impairment exists for any of our reporting units. The Company considers whether there are any negative macroeconomic conditions, industry specific conditions, market changes, increased competition, increased costs in doing business, management challenges, the legal environments and how these factors might impact company specific performance in future periods. As part of the analysis, the Company also considers fair value determinations for certain reporting units that have been made at various points throughout the current and prior years for other purposes.

If a step one test is considered necessary based on the qualitative factors, the Company compares the estimated fair value of a reporting unit to its carrying value. Developing estimates of fair value requires significant judgments, including making assumptions about appropriate discount rates, perpetual growth rates, relevant comparable market multiples, public trading prices and the amount and timing of expected future cash flows. The cash flows employed in Liberty's valuation analysis are based on management's best estimates considering current marketplace factors and risks as well as assumptions of growth rates in future years. There is no assurance that actual results in the future will approximate these forecasts. For those reporting units whose carrying value exceeds the fair value, a second test is required to measure the impairment loss (the "Step 2 Test"). In the Step 2 Test, the fair value of the reporting unit is allocated to all of the assets and liabilities of the reporting unit with any residual value being allocated to goodwill. The difference between such allocated amount and the carrying value of the goodwill is recorded as an impairment charge.

The accounting guidance also permits entities 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 that the carrying value of the Company's indefinite-lived intangible assets, other than goodwill, exceeds its fair value, then a quantitative assessment is performed. If the carrying value of an indefinite-lived intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.

Impairment of Long-lived Assets

The Company periodically reviews the carrying amounts of its property and equipment and its intangible assets (other than goodwill and indefinite-lived intangibles) to determine whether current events or circumstances indicate that such carrying amounts may not be recoverable. If the carrying amount of the asset group is greater than the expected undiscounted cash flows to be generated by such asset group, an impairment adjustment is to be recognized. Such adjustment is measured by the amount that the carrying value of such asset groups exceeds their fair value. The Company

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generally measures fair value by considering sale prices for similar assets or by discounting estimated future cash flows using an appropriate discount rate. Considerable management judgment is necessary to estimate the fair value of asset groups. Accordingly, actual results could vary significantly from such estimates. Asset groups to be disposed of are carried at the lower of their financial statement carrying amount or fair value less costs to sell.

Noncontrolling Interests

The Company reports noncontrolling interests of subsidiaries within equity in the balance sheet and the amount of consolidated net income attributable to the parent and to the noncontrolling interest is presented in the statement of operations. Also, changes in ownership interests in subsidiaries in which the Company maintains a controlling interest are recorded in equity.

Revenue Recognition

Revenue is recognized as follows:

- Revenue from SIRIUS XM subscribers is recognized as it is realized or realizable and earned. Subscription fees are recognized as SIRIUS XM's services are provided. 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.
- SIRIUS XM recognizes 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 advertising inventory and are reported as a reduction of advertising revenue. Advertising revenue is recorded gross of revenue share payments made to certain third parties, which 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 subscriber services.
- Certain revenue arrangements contain multiple products, services and right to use assets, such as SIRIUS XM's bundled subscription plans. The applicable accounting guidance requires that such multiple deliverable revenue arrangements be divided into separate units of accounting if the deliverables in the arrangement meet certain criteria. Consideration is allocated at the inception of the arrangement to all deliverables based on their relative selling price, which is determined using vendor specific objective evidence of the selling price of self-pay customers.
- SIRIUS XM also earns revenue from U.S. Music Royalty Fees, which are recorded as revenue and as a component of Revenue share and royalties expense. Fees received from subscribers for the U.S. Music Royalty Fee are recorded as deferred revenue and amortized to revenue ratably over the service period which coincides with the recognition of the subscriber's subscription revenue.
- SIRIUS XM revenue is reported net of any taxes 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 the consolidated statements of operations.
- Revenue for ticket sales, local radio and television rights, signage and suites are recognized on a per game basis during the baseball season based on a pro rata share of total revenue earned during the entire baseball season to the total number of home games during the season. Concession revenue is recognized as commissions are earned from the sale of food and beverage at the stadium in accordance with agreements with the Company's concessions vendors. Major League Baseball (MLB) revenue is earned throughout the year based on an estimate of revenue generated by MLB on behalf of the 30 MLB clubs through the MLB Central Fund and MLB Properties and revenue sharing income or expense.

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In May 2014, the FASB issued new accounting guidance on revenue from contracts with customers. The new guidance requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated guidance will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either a retrospective or cumulative effect transition method. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. The Company is currently evaluating the effect that the new standard may have on its revenue recognition and has not yet selected a transition method but does not believe the standard will significantly impact its financial statements and related disclosures.

Cost of Subscriber Services

Revenue Share

SIRIUS XM shares a portion of its 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. Such shared revenue is recorded as an expense 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. SIRIUS XM allocates a portion of certain programming costs which are related to sponsorship and marketing activities to Selling, general and administrative expense on a straight-line basis over the term of the agreement.

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 SIRIUS XM service in the sale or lease price of a new vehicle; subsidies paid for chip sets and certain other components used in manufacturing radios; device royalties for certain radios and chipsets; commissions paid to retailers and automakers as incentives to purchase, install and activate radios; product warranty obligations; freight; and provisions for inventory allowance attributable to inventory consumed in SIRIUS XM's automaker and retail distribution channels. Subscriber acquisition costs do not include advertising costs, loyalty payments to distributors and dealers of radios and revenue share payments to automakers and retailers of radios.

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

Advertising Costs

Advertising expense aggregated \$226 million, \$181 million and \$4 million for the years ended December 31, 2014, 2013 and 2012, respectively. Advertising costs are primarily attributable to costs incurred by SIRIUS XM. Media-related advertising costs are expensed when advertisements air, and advertising production costs are expensed as incurred. These costs are reflected in the Selling, general and administrative expenses line in our consolidated statements of operations.

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Stock-Based Compensation

As more fully described in note 14, Liberty has granted to its directors, employees and employees of its subsidiaries options, restricted stock and stock appreciation rights ("SARs") to purchase shares of Liberty common stock (collectively, "Awards"). The Company measures the cost of employee services received in exchange for an Award of equity instruments (such as stock options and restricted stock) based on the grant-date fair value of the Award, and recognizes that cost over the period during which the employee is required to provide service (usually the vesting period of the Award). The Company measures the cost of employee services received in exchange for an Award of liability instruments (such as stock appreciation rights that will be settled in cash) based on the current fair value of the Award, and remeasures the fair value of the Award at each reporting date.

Included in the accompanying consolidated statements of operations are the following amounts of stock-based compensation, a portion of which relates to SIRIUS XM as discussed in note 14:

	Years ended December 31,		
	2014	2013	2012
	amounts in millions		
Cost of subscriber services:			
Programming and content	\$ 17	15	—
Customer service and billing	5	4	—
Other	8	7	—
Other operating expense	17	14	—
Selling, general and administrative	170	153	46
	<u>\$ 217</u>	<u>193</u>	<u>46</u>

Income Taxes

The Company accounts for income taxes using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying value amounts and income tax bases of assets and liabilities and the expected benefits of utilizing net operating loss and tax credit carryforwards. The deferred tax assets and liabilities are calculated using enacted tax rates in effect for each taxing jurisdiction in which the company operates for the year in which those temporary differences are expected to be recovered or settled. Net deferred tax assets are then reduced by a valuation allowance if the Company believes it more likely than not such net deferred tax assets will not be realized. The effect on deferred tax assets and liabilities of an enacted change in tax rates is recognized in income in the period that includes the enactment date.

When the tax law requires interest to be paid on an underpayment of income taxes, the Company recognizes interest expense from the first period the interest would begin accruing according to the relevant tax law. Such interest expense is included in interest expense in the accompanying consolidated statements of operations. Any accrual of penalties related to underpayment of income taxes on uncertain tax positions is included in other income (expense) in the accompanying consolidated statements of operations.

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Earnings attributable to Liberty Stockholders Per Common Share

Net earnings attributable to Liberty stockholders is comprised of the following:

	Years ended December 31,		
	2014	2013	2012
	amounts in millions		
Earnings (loss) from continuing operations	\$ 178	8,780	1,160
Earnings (loss) from discontinued operations	\$ —	—	254

Basic earnings (loss) per common share ("EPS") is computed by dividing net earnings (loss) by the weighted average number of common shares that were outstanding for the period at the Company. Diluted EPS presents the dilutive effect on a per share basis of potential common shares as if they had been converted at the beginning of the periods presented.

Series A, Series B and Series C Liberty Common Stock

The basic and diluted EPS calculation is based on the following weighted average shares outstanding (WASO) of Liberty's common stock. As discussed in note 1, on July 23, 2014 the Company completed a stock dividend of two shares of Series C common stock for every share of Series A or Series B common stock held as of the record date. Therefore, all prior period outstanding share amounts for purposes of the calculation of EPS have been retroactively adjusted for comparability. Excluded from diluted EPS for the years ended December 31, 2014, 2013 and 2012 are 21 million, 17 million and less than a million potential common shares, respectively, due to warrants issued in connection with the Bond Hedge transaction (see note 10) because their inclusion would be anti-dilutive.

	Years ended December 31,		
	2014	2013	2012
	number of shares in millions		
Basic WASO	342	355	361
Potentially dilutive shares	3	4	11
Diluted WASO	345	359	372

Reclasses and adjustments

Certain prior period amounts have been reclassified for comparability with the current year presentation.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The Company considers (i) recurring and nonrecurring fair value measurements, (ii) accounting for income taxes, (iii) assessments of other-than-temporary declines in fair value of its investments and (iv) determination of the useful life of SIRIUS XM's broadcast/transmission system to be its most significant estimates.

The Company holds investments that are accounted for using the equity method. The Company does not control the decision making process or business management practices of these affiliates. Accordingly, the Company relies on management of these affiliates to provide it with accurate financial information prepared in accordance with GAAP that the Company uses in the application of the equity method. In addition, the Company relies on audit reports that are provided by the affiliates' independent auditors on the financial statements of such affiliates. The Company is not aware, however,

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of any errors in or possible misstatements of the financial information provided by its equity affiliates that would have a material effect on the Company's consolidated financial statements.

(3) Sirius XM Radio, Inc. Transactions

On January 18, 2013, Liberty settled a block transaction with a financial institution taking possession of an additional 50 million shares of SIRIUS XM as well as converting its remaining SIRIUS XM Convertible Perpetual Preferred Stock, Series B-1, par value \$0.001 per share, into 1,293,509,076 shares of SIRIUS XM Common Stock. As a result of these two transactions Liberty holds more than 50% of the capital stock of SIRIUS XM and is entitled to vote on any matter, including the election of directors. Following the transactions, Liberty designated and SIRIUS XM's board of directors appointed certain directors to SIRIUS XM's board of directors and Liberty effectively controls the board as of January 18, 2013. This resulted in the application of purchase accounting and the consolidation of SIRIUS XM in the first quarter of 2013. Liberty recorded a gain of approximately \$7.5 billion in the first quarter of 2013 associated with application of purchase accounting based on the difference between fair value and the carrying value of the ownership interest Liberty had in SIRIUS XM prior to the acquisition of the controlling interest. The gain on the transaction was excluded from taxable income. Additionally, the difference between the book basis and tax basis of SIRIUS XM, as previously accounted for under the equity method, was relieved as a result of the transaction. The fair value of our ownership interest previously held (\$10,215 million) and the fair value of the initial noncontrolling interest (\$10,286 million) was determined based on the trading price (level 1) of SIRIUS XM on the last trading day prior to the acquisition of the controlling interest. Additionally, the noncontrolling interest includes the fair value of SIRIUS XM's fully vested options (level 2), the fair value of warrants outstanding (level 2) and the intrinsic value of a beneficial conversion feature accounted for in purchase accounting. Following the transaction date SIRIUS XM is a consolidated subsidiary with just less than a 50% noncontrolling interest accounted for in equity and the consolidated statements of operations. Effective November 15, 2013, SIRIUS XM completed a corporate reorganization whereby SIRIUS XM Holdings Inc. replaced Sirius XM Radio Inc. as its publicly held corporation, and Sirius XM Radio Inc. became a wholly-owned subsidiary of SIRIUS XM Holdings Inc. and has no operations independent of its subsidiary SIRIUS XM Radio Inc.

The final purchase price allocation for SIRIUS XM is as follows (amounts in millions):

Fair value of SIRIUS XM equity interests	\$ 10,372
Fair value of SIRIUS XM debt securities	253
Noncontrolling interest	10,841
	<u>\$ 21,466</u>
Cash and cash equivalents	\$ 569
Receivables	210
Property, plant and equipment	1,714
Goodwill	13,775
FCC Licenses	8,600
Tradenames	930
Intangible assets subject to amortization	930
Other assets	480
Debt	(2,490)
Deferred revenue	(1,565)
Deferred income tax liabilities, net	(685)
Other liabilities assumed	(1,002)
	<u>\$ 21,466</u>

Goodwill is calculated as the excess of the consideration transferred over the identifiable net assets acquired and represents the future economic benefits expected to arise from other intangible assets acquired that do not qualify for

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separate recognition, including assembled workforce and noncontractual relationships. SIRIUS XM applied purchase accounting for the acquisition of XM Satellite Radio Holdings Inc. in 2008 and has entered into many of its operating agreements at market rates in recent years, therefore, the carrying value of the identifiable assets were reflected at amounts near their fair value in SIRIUS XM's financial statements. Accordingly, a large percentage of Liberty's purchase price was allocated to FCC licenses and goodwill. During the year ended December 31, 2013, Liberty adjusted the initial purchase price allocation for SIRIUS XM by recording a decrease to the initial deferred tax liability and an offsetting decrease to goodwill of \$227 million. The adjustment was due to the identification of tax attributes not included in SIRIUS XM's deferred tax assets from excess stock-based compensation deductions. Additionally, during the year ended December 31, 2013, Liberty adjusted the carrying value of certain contract fair values that resulted in a change to the initial purchase price allocation to SIRIUS XM goodwill of \$18 million. This change resulted in a change to the recognition of the contract value through the statements of operations in prior periods and has been reflected retroactively in the appropriate periods. These adjustments are reflected in Liberty's final SIRIUS XM purchase price allocation table above.

The Pro Forma summarized combined unaudited statement of operations of Liberty using the historical financial statements for SIRIUS XM, giving effect to any purchase accounting related adjustments made at the time of acquisition and excluding the impact of the gain, as if the transactions discussed above occurred on January 1, 2011, is as follows:

	<u>Year ended</u> <u>December 31, 2012</u> <u>amounts in millions</u> <u>(unaudited)</u>
Revenue	\$ 3,730
Operating income (loss)	\$ 686
Interest expense	\$ (162)
Share of earnings (loss) of affiliates	\$ (21)
Less earnings (loss) attributable to the noncontrolling interests	\$ 1,736
Net Earnings (loss) from continuing operations attributable to Liberty stockholders	\$ 2,052
Pro Forma basic net earnings (loss) from continuing operations attributable to Liberty stockholders per common share (note 2)	\$ 5.68
Pro Forma diluted net earnings (loss) from continuing operations attributable to Liberty stockholders per common share (note 2)	\$ 5.52

This Pro Forma information is not representative of Liberty's future financial position, future results of operations or future cash flows nor does it reflect what Liberty's financial position, results of operations or cash flows would have been as if this transaction happened previously and Liberty controlled this entity during the periods presented.

On October 9, 2013, Liberty entered into a share repurchase agreement with SIRIUS XM pursuant to which SIRIUS XM agreed to acquire 136,600,826 SIRIUS XM shares for \$500 million, in three separate tranches between the fourth quarter of 2013 and second quarter of 2014, at a price of \$3.6603 per share (which was based on a 1.5% discount to the average of the daily volume weighted average price (VWAP) per share of SIRIUS XM common stock over a period of ten days beginning on the third trading day following the date of the public release of SIRIUS XM's third quarter 2013 earnings subject to a cap on the average VWAP of \$4.18 and a floor on the average VWAP of \$3.64). The repurchase of shares approximated 2% of the outstanding shares of SIRIUS XM on an as adjusted basis as the shares were retired at the SIRIUS XM level. The first tranche of shares in the amount of 43,712,265 was repurchased on November 14, 2013. The final two tranches were settled on April 25, 2014 for total proceeds of \$340 million. The retirement of SIRIUS XM shares on a consolidated basis did not significantly impact the consolidated results as it only required an adjustment to noncontrolling interest as the shares were repurchased and retired. Liberty continues to maintain a controlling interest in SIRIUS XM following the completion of the share repurchases.

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On November 4, 2013, SIRIUS XM announced the completion of the acquisition of Agero, Inc. ("Agero"), pursuant to a stock purchase agreement in which SIRIUS XM agreed to acquire the connected vehicle business of Agero for an aggregate purchase price of approximately \$525 million, net of cash acquired. Agero's connected vehicle business is a leader in implementing the next generation of connected vehicle services. The business offers a portfolio of location-based services through two-way wireless connectivity, including safety, security, convenience, maintenance and data services and remote vehicle diagnostics. The excess purchase price over identifiable net tangible assets of \$390 million has been recorded to Goodwill in our consolidated balance sheets as of December 31, 2013. A total of \$247 million was allocated to identifiable intangible assets subject to amortization related to the assessed fair value of the acquired OEM relationships and proprietary software and is being amortized over the estimated weighted average useful lives of 15 and 10 years, respectively. Pro forma financial information related to this acquisition has not been provided as it is not material to our consolidated results of operations.

In May 2014, SIRIUS XM entered into an accelerated share repurchase agreement ("May ASR agreement") with a third-party financial institution to repurchase up to \$600 million of its common stock. Under the May ASR agreement SIRIUS XM prepaid \$600 million to a financial institution and received an initial delivery of 112,500,000 shares of its common stock and final delivery, during August 2014, of 39,346,125 shares of its common stock. Approximately \$94 million of the prepaid May ASR Agreement was returned upon the final settlement. In August 2014, SIRIUS XM entered into another accelerated share repurchase agreement ("August ASR Agreement" and together with the May ASR Agreement, the "ASR Agreements") to repurchase up to \$250 million of its common stock. Under the August ASR Agreement SIRIUS XM prepaid \$250 million and received 51,884,795 shares of its common stock prior to September 30, 2014 which were retired upon receipt. The August ASR Agreement settled in October 2014 and SIRIUS XM retired an additional 19,431,708 shares of its common stock. As of December 31, 2014, we owned approximately 56% of the outstanding equity interest in SIRIUS XM.

(4) Discontinued Operations

As discussed in note 1, the Starz Spin-Off was completed on January 11, 2013. At the time of the Starz Spin-Off, Liberty owned all of its assets, businesses and liabilities except for Starz. This transaction has been accounted for at historical cost due to the pro rata nature of the distribution. Additionally, due to the short period between the end of the year and the distribution date Liberty did not record any results for Starz in discontinued operations for the statement of operations due to the insignificance of such amounts for that period except for the distribution of approximately \$1.2 billion of cash from Starz prior to the distribution reflected in the consolidated statements of cash flows.

Following the Starz Spin-Off, Liberty and Starz operate as separate, publicly traded companies, and neither has any stock ownership, beneficial or otherwise, in the other. As discussed in note 1, in connection with the Spin-Off, Liberty and Starz entered into certain agreements in order to govern certain of the ongoing relationships between the two companies after the Spin-Off and to provide for an orderly transition.

The consolidated financial statements and accompanying notes of Liberty have been prepared to reflect Starz as discontinued operations. Accordingly, the relevant financial statement balances and activities of the businesses, assets and liabilities owned by Starz at the time of Starz Spin-Off (for periods prior to the Starz Spin-Off) have been excluded from the respective captions in the accompanying consolidated statements of operations, comprehensive earnings and cash flows in such consolidated financial statements.

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Certain combined financial information for Starz, which is included in earnings (loss) from discontinued operations, is as follows:

	Year ended December 31, 2012	
	amounts in millions	
Revenue	\$	1,631
Earnings (loss) before income taxes	\$	383

Earnings per share impact of discontinued operations

The earnings per share from discontinued operations, discussed above, is as follows:

	Year ended December 31, 2012	
Basic earnings (losses) from discontinued operations attributable to Liberty shareholders per common share (note 2)	\$	0.71
Diluted earnings (losses) from discontinued operations attributable to Liberty shareholders per common share (note 2)	\$	0.68

As discussed in note 1, Liberty completed the Broadband Spin-Off on November 4, 2014. As of the date of the completion of the Broadband Spin-Off, the Company's former investments in and results of Charter and Time Warner Cable are no longer included in the results of Liberty. Based on the relative significance of TruePosition to Liberty, the Company concluded that discontinued operations presentation of TruePosition is not necessary. However, the tables below include historical financial information of TruePosition to illustrate the historical impact of the Broadband Spin-Off on Liberty's financial statements.

Financial information for TruePosition, which is included in the consolidated statements of operations, is as follows:

	Years ended December 31,		
	2014	2013	2012
	amounts in millions		
Revenue	\$ 57	77	83
Earnings (loss) before income taxes	\$ (6)	1	6
Net earnings (loss) attributable to Liberty Stockholders	\$ (8)	2	3

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A summary of certain asset and liability amounts for TruePosition, which is included in the consolidated balance sheets, is as follows:

	December 31, 2013
<i>Assets</i>	<u>amounts in millions</u>
Cash and cash equivalents	\$ 9
Other current assets	\$ 7
Deferred tax asset	\$ 33
Goodwill	\$ 11
Other assets	\$ 20
<i>Liabilities</i>	
Accounts payable and accrued liabilities	\$ 9
Deferred revenue	\$ 39
Other liabilities	\$ 3

(5) Supplemental Disclosures to Consolidated Statements of Cash Flows

	Years ended December 31,		
	2014	2013	2012
	<u>amounts in millions</u>		
Cash paid for acquisitions:			
Fair value of assets acquired	\$ 1	2,586	—
Intangibles not subject to amortization	24	23,694	—
Intangibles subject to amortization	36	1,177	—
Net liabilities assumed	(12)	(5,367)	—
Deferred tax liabilities	(2)	(760)	—
Fair value of previously held ownership interest	—	(10,372)	—
Noncontrolling interest	—	(10,841)	—
Cash paid for acquisitions, net of cash acquired	<u>\$ 47</u>	<u>117</u>	<u>—</u>
Cash paid for exchange transaction:			
Fair value of Liberty Series A common stock received	\$ —	937	—
Carrying value of business deconsolidated	—	(19)	—
Cash held by business deconsolidated	—	12	—
Gain on transaction	—	(496)	—
Tax impact of transaction	—	(5)	—
Net cash paid for exchange transaction	<u>\$ —</u>	<u>429</u>	<u>—</u>
Stock repurchased by subsidiary not yet settled	\$ 26	—	—
Cash paid for interest	<u>\$ 232</u>	<u>144</u>	<u>3</u>
Cash paid (received) for income taxes	<u>\$ 20</u>	<u>(75)</u>	<u>129</u>

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(6) Assets and Liabilities Measured at Fair Value

For assets and liabilities required to be reported at fair value, GAAP provides a hierarchy that prioritizes inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs, other than quoted market prices included within Level 1, that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. The Company does not have any recurring assets or liabilities measured at fair value that would be considered Level 3.

Liberty's assets and liabilities measured at fair value are as follows:

Description	December 31, 2014			December 31, 2013		
	Total	Quoted prices	Significant other	Total	Quoted prices	Significant other
		in active markets for identical assets (Level 1)	observable inputs (Level 2)		in active markets for identical assets (Level 1)	observable inputs (Level 2)
amounts in millions						
Cash equivalents	\$ 507	507	—	859	859	—
Short term marketable securities	\$ 199	—	199	15	15	—
Available-for-sale securities	\$ 769	691	78	1,293	978	315
Financial instrument assets	\$ 305	96	209	397	—	397
Debt	\$ 990	—	990	1,002	—	1,002

The majority of Liberty's Level 2 financial instruments are debt related instruments and derivative instruments. The Company notes that these assets are not always traded publicly or not considered to be traded on "active markets," as defined in GAAP. The fair values for such instruments are derived from a typical model using observable market data as the significant inputs. The fair value of debt related instruments are based on quoted market prices but not considered to be traded on "active markets," as defined by GAAP. Accordingly, those available-for-sale securities, financial instruments and debt related instruments are reported in the foregoing table as Level 2 fair value. The financial instrument assets included in the table above are included in the Other assets, net of accumulated amortization line item in the consolidated balance sheets.

Realized and Unrealized Gains (Losses) on Financial Instruments

Realized and unrealized gains (losses) on financial instruments are comprised of changes in the fair value of the following (amounts in millions):

	Years ended December 31,		
	2014	2013	2012
Fair Value Option Securities	\$ 80	306	310
Cash convertible notes (a)	12	(17)	—
Change in fair value of bond hedges (a)	(89)	(1)	—
Other derivatives (b)(c)	35	7	(80)
	<u>\$ 38</u>	<u>295</u>	<u>230</u>

- (a) Liberty issued \$1 billion of cash convertible notes in October 2013 which are accounted for at fair value (Level 2), as elected by Liberty at the time of issuance. Contemporaneously with the issuance of the convertible notes, Liberty entered into privately negotiated cash convertible note hedges, which are expected to offset potential cash payments Liberty would be required to make in excess of the principal

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amount of the convertible notes, upon conversion of the notes. The bond hedges are marked to market based on the trading price of underlying securities and other observable market data as the significant inputs (Level 2). See note 10 for additional discussion of the convertible notes and the bond hedges.

- (b) Derivatives, including Charter warrants (as discussed in note 8), are marked to market based on the trading price of underlying securities and other observable market data as the significant inputs (Level 2).
- (c) During September 2014, Liberty entered into a forward contract to acquire up to 15.9 million shares of Live Nation common stock. The contract expires during March 2015. The counterparty has acquired 8.6 million shares of Live Nation common stock through December 31, 2014 at a volume weighted average share price of \$23.40 per share. Upon expiration of the contract, Liberty has the option to cash settle the contract.

(7) Investments in Available-for-Sale Securities and Other Cost Investments

All marketable equity and debt securities held by the Company are classified as available-for-sale ("AFS") and are carried at fair value generally based on quoted market prices. GAAP permits entities to choose to measure many financial instruments, such as AFS securities, and certain other items at fair value and to recognize the changes in fair value of such instruments in the entity's statement of operations. The Company previously had entered into economic hedges for certain of its non-strategic AFS securities (although such instruments were not accounted for as fair value hedges by the Company). Changes in the fair value of those economic hedges were reflected in the Company's statement of operations as unrealized gains (losses). In order to better match the changes in fair value of the subject AFS securities and the changes in fair value of the corresponding economic hedges in the Company's financial statements, the Company has elected to account for those of its AFS securities which it considers to be non-strategic ("Fair Value Option Securities") at fair value. Accordingly, changes in the fair value of Fair Value Option Securities, as determined by quoted market prices, are reported in realized and unrealized gains (losses) on financial instruments in the accompanying consolidated statements of operations.

Investments in AFS securities, including Fair Value Option Securities separately aggregated, and other cost investments are summarized as follows:

	December 31, 2014	December 31, 2013
	amounts in millions	
Fair Value Option Securities		
Time Warner Inc. (a)	\$ 363	297
Time Warner Cable (a)(b)	—	320
Viacom, Inc. (a)	273	317
Barnes & Noble, Inc. (c)	27	255
Other equity securities	55	37
Other debt securities	27	27
Total Fair Value Option Securities	<u>745</u>	<u>1,253</u>
AFS and cost investments		
Live Nation debt securities	24	24
Other AFS and cost investments	47	47
Total AFS and cost investments	<u>71</u>	<u>71</u>
	<u>\$ 816</u>	<u>1,324</u>

- (a) See note 10 for details regarding the number and fair value of shares pledged as collateral pursuant to certain margin loan agreements as of December 31, 2014 and 2013.
- (b) As discussed in note 1, Liberty's former investment in Time Warner Cable was spun off to stockholders as part of the Broadband Spin-Off, which was completed on November 4, 2014.

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- (c) In April 2014 Liberty reduced its overall ownership interest in Barnes & Noble, Inc. to less than 2% through the sale of approximately 90% of the preferred stock held by Liberty as of such date for \$247 million in proceeds.

Unrealized Holding Gains and Losses

Unrealized holding gains and losses related to investments in AFS securities are summarized below.

	December 31, 2014		December 31, 2013	
	Equity securities	Debt securities	Equity securities	Debt securities
	amounts in millions			
Gross unrealized holding gains	\$ —	—	6	1
Gross unrealized holding losses	\$ —	—	—	—

Liberty reclassified approximately \$40 million of pre-tax previously unrealized gains in the consolidated statement of operations in gains (losses) on transactions, net during the year ended December 31, 2013 due to the application of purchase accounting and the effective settlement of SIRIUS XM debt securities previously accounted for as available-for-sale securities through other comprehensive earnings (loss).

(8) Investments in Affiliates Accounted for Using the Equity Method

Liberty has various investments accounted for using the equity method. The following table includes the Company's carrying amount and percentage ownership and market value (level 1) of the more significant investments in affiliates at December 31, 2014, and the carrying amount at December 31, 2013:

		December 31, 2014		December 31, 2013	
		Percentage ownership	Market Value	Carrying amount	Carrying amount
		dollar amounts in millions			
Charter (a)	NA	\$ —	—	2,395	
Live Nation (d)(e)	27%	1,403	396	409	
SIRIUS XM Canada (b)	37%	247	237	273	
Other	various	NA	218	222	
			\$ 851	3,299	

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The following table presents the Company's share of earnings (losses) of affiliates:

	Years ended December 31,		
	2014	2013	2012
	amounts in millions		
Charter (a)	\$ (94)	(83)	NA
SIRIUS XM (b)(c)	—	8	1,367
Live Nation (d)	(30)	(18)	(45)
SIRIUS XM Canada (b)	5	7	NA
Other	6	54	24
	<u>\$ (113)</u>	<u>(32)</u>	<u>1,346</u>

- (a) As discussed below, Liberty acquired its interest in Charter during May 2013 for approximately \$2.6 billion. Our share of losses related to Charter included \$60 million and \$51 million of losses due to the amortization of the excess basis of our investment during the years ended December 31, 2014 and 2013, respectively. As discussed in note 1, Liberty's investment in Charter was spun off to stockholders as part of the Broadband Spin-Off, which was completed on November 4, 2014.
- (b) On January 18, 2013, as discussed in note 3, Liberty acquired an additional 50 million common shares and acquired a controlling interest in SIRIUS XM and as a result consolidates SIRIUS XM as of such date. SIRIUS XM has an investment in SIRIUS XM Canada that was recorded at fair value in purchase accounting. See discussion below of SIRIUS XM Canada.
- (c) SIRIUS XM recognized a \$3.0 billion tax benefit during the year ended December 31, 2012. SIRIUS XM recorded the tax benefit as the result of significant positive evidence that a valuation allowance was no longer necessary for its recorded deferred tax assets. The Company recognized its portion of this benefit (\$1,229 million) based on our ownership percentage at the time of the recognition of the deferred tax benefit by SIRIUS XM.
- (d) During the year ended December 31, 2014, Liberty acquired an additional 1.7 million shares of Live Nation for approximately \$39 million. During the year ended December 31, 2013, Liberty acquired an additional 1.7 million shares of Live Nation for approximately \$19 million. During the year ended December 31, 2012, Liberty acquired approximately 11 million shares of Live Nation for \$107 million.
- (e) See note 10 for details regarding the number and fair value of shares pledged as collateral pursuant to certain margin loan agreements as of December 31, 2014.

SIRIUS XM Canada

In the acquisition of SIRIUS XM, Liberty acquired an interest in SIRIUS XM Canada which SIRIUS XM accounts for as an equity method affiliate. Liberty recognized the investment at fair value, based on the market price per share (level 1), on the date of acquisition.

In 2005, SIRIUS XM entered into agreements to provide SIRIUS XM Canada with the right to offer SIRIUS 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. SIRIUS XM receives a percentage-based royalty for certain types of subscriber fees earned by SIRIUS XM Canada each month for its basic service and an activation fee for each gross activation of a SIRIUS XM Canada subscriber on the satellite radio system. SIRIUS XM Canada is obligated to pay SIRIUS XM a total of \$70 million for the rights to broadcast and market National Hockey League ("NHL") games for a ten year term. SIRIUS XM recognizes these payments on a gross basis as a principal obligor. The estimated fair value of deferred revenue from SIRIUS XM Canada as of the acquisition date was approximately \$21 million, which is amortized on a straight-line basis through 2020, the end of the expected term of the agreements. SIRIUS XM provides programming and chipsets as well other services and SIRIUS XM Canada reimburses SIRIUS XM for such costs. At December 31, 2014,

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SIRIUS XM has approximately \$7 million and \$18 million in related party assets and liabilities, respectively, related to these agreements described above with SIRIUS XM Canada which are recorded in other assets and other liabilities, respectively, in the consolidated balance sheet. At December 31, 2013, SIRIUS XM has approximately \$10 million and \$21 million in related party assets and liabilities, respectively, related to these agreements described above with SIRIUS XM Canada which are recorded in other assets and other liabilities, respectively, in the consolidated balance sheet. Additionally, SIRIUS XM recorded approximately \$50 million and \$49 million in revenue for the years ended December 31, 2014 and 2013, respectively, associated with these various agreements in the other revenue line in the consolidated statements of operations. SIRIUS XM Canada declared and paid dividends to SIRIUS XM of \$43 million and \$17 million during the years ended December 31, 2014 and 2013, respectively.

Charter Communications, Inc.

In May 2013, Liberty completed a transaction with investment funds managed by, or affiliated with, Apollo Management, Oaktree Capital Management and Crestview Partners to acquire approximately 26.9 million shares of common stock and approximately 1.1 million warrants in Charter for approximately \$2.6 billion, which represented an approximate 27% beneficial ownership (including the warrants on an as if converted basis) in Charter at the time of purchase and a price per share of \$95.50. Liberty accounted for the investment in Charter as an equity method affiliate based on the ownership interest obtained and the board seats held by Liberty appointed individuals. Liberty funded the purchase with a combination of cash of approximately \$1.2 billion on hand and new margin loan arrangements on approximately 20.3 million Charter common shares, approximately 720 million SIRIUS XM common shares, approximately 8.1 million Live Nation common shares and a portion of Liberty's available for sale securities. Liberty allocated the purchase price between the shares of common stock and the warrants acquired in the transaction by determining the fair value of the publicly traded warrants and allocating the remaining balance to the shares acquired, which resulted in an excess basis in the investment of \$2.5 billion. The excess basis was primarily allocated to franchise fees, customer relationships, debt and goodwill based on a valuation of Charter's assets and liabilities. During the years ended December 31, 2014 and 2013, the Company recognized \$72 million and \$93 million, respectively, in losses in its investment in Charter shares and warrants due to warrant and stock option exercises at Charter below Liberty's book basis per share. Dilution losses are included in the other, net line in the accompanying consolidated statements of operations. As discussed in note 1, Liberty's investment in Charter was spun off to stockholders as part of the Broadband Spin-Off, which was completed on November 4, 2014. Liberty ceased recording the results of Charter in its financial statements as of the date of the completion of the Broadband Spin-Off.

(9) Goodwill and Other Intangible Assets

Changes in the carrying amount of goodwill are as follows:

	<u>SIRIUS XM</u>	<u>Other</u>	<u>Total</u>
Balance at January 1, 2013	NA	200	200
Acquisitions (a)	\$ 14,165	—	14,165
Balance at December 31, 2013	14,165	200	14,365
Acquisitions (b)	—	24	24
Broadband Spin-Off	—	(46)	(46)
Other	—	2	2
Balance at December 31, 2014	\$ 14,165	180	14,345

- (a) The increase to SIRIUS XM goodwill was the result of the acquisition of a controlling interest in SIRIUS XM in January 2013 and SIRIUS XM's acquisition of Agero in November 2013, see note 3 for further discussion.
- (b) TruePosition made an acquisition during the year ended December 31, 2014.

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Other intangible assets not subject to amortization, not separately disclosed, are tradenames (\$930 million) at December 31, 2014 and 2013 and franchise rights owned by ANLBC (\$143 million) as of December 31, 2014 and 2013. We identified these assets 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. SIRIUS XM's FCC licenses are currently scheduled to expire in 2017, 2018, 2021 and 2022. Prior to expiration, SIRIUS XM is required to apply for a renewal of its FCC licenses. The renewal and extension of its licenses is reasonably certain at minimal cost, which is expensed as incurred. Each of the FCC licenses authorizes SIRIUS XM to use the broadcast spectrum, which is a renewable, reusable resource that does not deplete or exhaust over time.

Intangible Assets Subject to Amortization

Intangible assets subject to amortization are comprised of the following:

	December 31, 2014			December 31, 2013		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
	amounts in millions					
Customer relationships	\$ 838	(122)	716	838	(65)	773
Licensing agreements	316	(52)	264	316	(22)	294
Other	462	(346)	116	433	(300)	133
Total	\$ 1,616	(520)	1,096	1,587	(387)	1,200

Customer relationships are amortized over 10-15 years and licensing agreements are amortized over 15 years. Amortization expense was \$150 million, \$115 million and \$19 million for the years ended December 31, 2014, 2013 and 2012, respectively. Based on its amortizable intangible assets as of December 31, 2014, Liberty expects that amortization expense will be as follows for the next five years (amounts in millions):

2015	\$ 158
2016	\$ 137
2017	\$ 105
2018	\$ 95
2019	\$ 96

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(10) Debt

Debt is summarized as follows:

	Outstanding Principal December 31, 2014	Carrying value	
		December 31, 2014	December 31, 2013
amounts in millions			
Corporate level notes and loans:			
Liberty 1.375% Cash Convertible Notes due 2023	\$ 1,000	990	1,002
Margin loans	250	250	920
Subsidiary notes and loans:			
SIRIUS XM 7% Exchangeable Senior Subordinated Notes due 2014	—	—	520
SIRIUS XM 5.875% Senior Notes due 2020	650	644	643
SIRIUS XM 5.75% Senior Notes due 2021	600	595	594
SIRIUS XM 5.25% Senior Secured Notes due 2022	400	407	407
SIRIUS XM 4.25% Senior Notes due 2020	500	496	494
SIRIUS XM 4.625% Senior Notes due 2023	500	495	495
SIRIUS XM 6% Senior Notes due 2024	1,500	1,484	—
SIRIUS XM Credit Facility	380	380	460
Other subsidiary debt	111	111	20
Total debt	<u>\$ 5,891</u>	<u>5,852</u>	<u>5,555</u>
Less debt classified as current		<u>(257)</u>	<u>(777)</u>
Total long-term debt		<u>\$ 5,595</u>	<u>4,778</u>

Liberty 1.375% Cash Convertible Notes due 2023

On October 17, 2013 Liberty issued \$1 billion aggregate principal amount of 1.375% Cash Convertible Senior Notes due 2023 ("Convertible Notes"). The Convertible Notes will mature on October 15, 2023 unless earlier repurchased by us or converted. Interest on the Convertible Notes is payable semi-annually in arrears on April 15 and October 15 of each year at a rate of 1.375% per annum. All conversion of the Convertible Notes will be settled solely in cash, and not through the delivery of any securities. The initial conversion rate for the Convertible Notes was 5.5882 shares of Liberty Series A common stock per \$1,000 principal amount of Convertible Notes, which was equivalent to an initial conversion price of \$178.95 per share of Liberty Series A common stock. During the year ended December 31, 2014, in connection with the issuance of Liberty Series C common stock and the Broadband Spin-Off, as discussed in note 1, the conversion rate was adjusted to 21.0859 shares of Liberty Series A common stock per \$1,000 principal amount of Convertible Notes and an adjusted conversion price of \$47.43 per share of Liberty Series A common stock. Holders of the Convertible Notes may convert their notes at their option at any time prior to the close of business on the second business day immediately preceding the maturity date of the notes under the following circumstances: (1) during any fiscal quarter after the fiscal quarter ending December 31, 2013, if the last reported sale price of our Series A common stock for at least 20 trading days in the period of 30 consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter is equal to or more than 130% of the conversion price of the notes on the last day of such preceding fiscal quarter; (2) during the five day period after any five consecutive trading day period, which we refer to as the measurement period, in which the trading price per \$1,000 principal amount of notes for each trading day of that measurement period was less than 98% of the product of the last reported sale price of our Series A common stock and the applicable conversion rate on each such day; or (3) upon the occurrence of specified corporate transactions. Liberty has elected to account for this instrument using the fair value option. Accordingly, changes in the fair value of this instrument are recognized as unrealized gains (losses) in the statements of operations. As of December 31, 2014, the Convertible Notes are classified as a long term liability in the consolidated balance sheets, as the conversion conditions have not been met as of such date.

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Additionally, contemporaneously with the issuance of the Convertible Notes, Liberty entered into privately negotiated cash convertible note hedges and purchased call options (the “Bond Hedge Transaction”). The Bond Hedge Transaction covered approximately 5,588,200 shares of Liberty Series A common stock, subject to anti-dilution adjustments pertaining to the Convertible Notes, which was equal to the number of shares of Liberty Series A common stock that initially underlying the Convertible Notes. The Bond Hedge Transaction is expected to offset potential cash payments Liberty would be required to make in excess of the principal amount of the Convertible Notes, upon conversion of the notes in the event that the volume-weighted average price per share of the Liberty Series A common stock, as measured under the cash convertible note hedge transactions on each trading day of the relevant cash settlement averaging period or other relevant valuation period, is greater than the strike price of \$178.95 per share of Liberty Series A common stock, which corresponded to the initial conversion price of the Convertible Notes. During the year ended December 31, 2014, in connection with the issuance of Liberty Series C common stock and the Broadband Spin-Off, as discussed in note 1, the number of shares covered by the Bond Hedge Transaction was adjusted to 21,085,900 shares of Liberty Series A common stock and the strike price was adjusted to \$47.43 per share of Liberty Series A common stock, which corresponds to the adjusted conversion price of the Convertible Notes. Liberty paid approximately \$299 million for the Bond Hedge Transaction. The bond hedge expires on October 15, 2023 and is included in other long-term assets as of December 31, 2014 and 2013 in the accompanying consolidated balance sheets, with changes in the fair value recorded in the Unrealized gains (losses) on financial instruments, net line item of the statements of operations.

Concurrently with the Convertible Notes and Bond Hedge Transaction, Liberty also entered into separate privately negotiated warrant transactions under which Liberty sold warrants relating to the same number of shares of common stock as underlie the Bond Hedge Transaction, subject to anti-dilution adjustments. The warrant transactions may have a dilutive effect with respect to the Liberty Series A common stock to the extent that the price of the Liberty Series A common stock exceeds the strike price of the warrant transactions and warrant transactions are settled with shares of Liberty Series A common stock. The first expiration date of the warrants is January 16, 2024 and expire over a period covering 81 days thereafter. Liberty may elect to settle its delivery obligation under the warrant transactions with cash. Liberty received approximately \$170 million in proceeds for the sale of warrants. The issuance of the warrants were recorded as a component of Additional paid-in capital. The strike price of the warrants was initially \$255.64 per share of Liberty Series A common stock. In connection with the Series C common stock issuance and the Broadband Spin-Off during the current year, as discussed in note 1, the number of warrants outstanding was adjusted to 21,085,900 with a strike price of \$64.46 per share.

The net proceeds from these transactions of \$871 million will be used for general corporate purposes and approximately \$200 million was used to pay down a portion of the revolving credit facility under the margin loans.

Margin Loans

During the year ended December 31, 2013, in connection with Liberty's acquisition of Charter common stock and warrants, as discussed in note 8, Liberty, through certain of its wholly-owned subsidiaries, entered into three different margin loans with various financial institutions (“lender parties”) in order to fund the purchase. Each agreement contains language that indicates that Liberty, as borrower and transferor of underlying shares as collateral, has the right to exercise all voting, consensual and other powers of ownership pertaining to the transferred shares for all purposes, provided that Liberty agrees that it will not vote the shares in any manner that would reasonably be expected to give rise to transfer or other certain restrictions. Similarly, the loan agreements indicate that no lender party shall have any voting rights with respect to the shares transferred, except to the extent that a lender party buys any shares in a sale or other disposition made pursuant to the terms of the loan agreements. The margin loans consist of the following:

\$1 Billion Margin Loan due 2015

On April 30, 2013, Liberty Siri MarginCo, LLC, a wholly owned subsidiary of Liberty, entered into a margin loan agreement whereby Liberty Siri MarginCo, LLC borrowed \$250 million pursuant to a term loan and \$450 million pursuant

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to a revolving credit facility with various lender parties. Shares of common stock of certain of the Company's equity affiliates and cost investments were pledged as collateral pursuant to this agreement. Borrowings under this agreement were due October 31, 2014 and bore interest equal to the three-month LIBOR plus a spread, based on the market value of the non-SIRIUS XM shares pledged as collateral pursuant to the agreement. Given the non-SIRIUS XM market value of the eligible pledged shares as of April 30, 2013, the initial interest rate on the loan was LIBOR plus 2%, which did not change since inception. Interest on the term loan was payable on the first business day of each calendar quarter, and interest was payable on the revolving line of credit on the last day of the interest period applicable to the borrowing of which such loan is a part. Additionally, up to \$1 billion in loans may be extended under the loan agreement in the form of incremental loans, subject to the satisfaction of certain conditions. During June 2013, Liberty Siri MarginCo, LLC repaid \$250 million outstanding under the revolving credit facility. During October 2013, Liberty Siri MarginCo, LLC repaid an additional \$200 million outstanding under the revolving credit facility.

During October 2014, Liberty refinanced this margin loan arrangement for a similar financial instrument with a term loan of \$250 million and a \$750 million undrawn line of credit. The term loan and any drawn portion of the revolver will carry an interest rate of LIBOR plus an applicable spread between 1.75% and 2.50% (based on value of collateral) with the undrawn portion carrying a fee of 0.75%. As of December 31, 2014, shares of SIRIUS XM, Live Nation, Time Warner, Inc. and Viacom, Inc. common stock were pledged as collateral pursuant to this agreement. Borrowings outstanding under this margin loan bear interest at a rate of 1.98% per annum at December 31, 2014. The maturity of the new arrangement is October 28, 2015. Other terms of the loan were substantially similar to the previous arrangement. As of December 31, 2014, availability under the revolving line of credit was \$750 million.

\$670 Million Margin Loan due 2015

At closing on May 1, 2013, LMC Cheetah 2, LLC, a wholly owned subsidiary of Liberty, entered into a margin loan agreement with an availability of \$670 million pursuant to a term loan with various lender parties ("\$670 Million Margin Loan due 2015"). Shares of Charter common stock were pledged as collateral pursuant to this agreement. The \$670 Million Margin Loan was due May 1, 2015 and bore interest equal to the three-month LIBOR plus 3.25%, payable on the first day of each of February, May, August and November throughout the term of the loan. As of December 31, 2013, Liberty had fully drawn the \$670 Million Margin Loan due 2015. During the year ended December 31, 2014, Liberty fully repaid the \$670 Million Margin Loan due 2015 and the shares previously pledged under the loan are no longer pledged as collateral.

As of December 31, 2014, the value of shares pledged as collateral pursuant to the \$1 billion margin loan due 2015 is as follows:

Investment	Number of Shares Pledged as Collateral as of December 31, 2014	Share value as of December 31, 2014
	amounts in millions	
SIRIUS XM	150.0	\$ 525
Live Nation	12.0	\$ 313
Time Warner, Inc.	3.6	\$ 309
Viacom, Inc.	3.5	\$ 266
Time, Inc.	1.0	\$ 13

The outstanding margin loan contains various affirmative and negative covenants that restrict the activities of the borrower. The loan agreement does not include any financial covenants.

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SIRIUS XM Outstanding Debt

SIRIUS XM 7% Exchangeable Senior Subordinated Notes due 2014

In August 2008, SIRIUS XM issued \$550 million aggregate principal amount of 7% Exchangeable Senior Subordinated Notes due 2014 (the "Exchangeable Notes"). The Exchangeable Notes were exchangeable at anytime at the option of the holder into shares of SIRIUS XM common stock at an exchange rate of 543.1372 shares of common stock per \$1,000 principal amount of the notes, which is equivalent to an approximate exchange price of \$1.841 per share of common stock. All holders of the Exchangeable Notes converted prior to maturity on December 1, 2014. During the year ended December 31, 2014, \$502 million principal amount of the Exchangeable Notes were converted in a non-cash financing transaction, resulting in the issuance of 272,855,859 shares of SIRIUS XM common stock. No loss was recognized as a result of the conversion. In connection with the conversion, Liberty received 5,974,510 shares of SIRIUS XM common stock upon maturity of the Exchangeable Notes.

SIRIUS XM 5.25% Senior Secured Notes due 2022

In August 2012, SIRIUS XM issued \$400 million aggregate principal amount of 5.25% Senior Secured 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 SIRIUS XM's domestic wholly-owned subsidiaries guarantee SIRIUS XM's obligations under the 5.25% Notes. The premium associated with the 5.25% Notes was recorded in purchase accounting as the difference between fair value and the outstanding principal amount at the date of acquisition. This premium is being amortized over the remaining period to maturity through interest expense.

In April 2014, SIRIUS XM entered into a supplemental indenture to the indenture governing the 5.25% Notes pursuant to which SIRIUS XM granted a first priority lien on substantially all of its assets and the guarantors to the holders of the 5.25% Notes. The liens securing the 5.25% Notes are equal and ratable to the liens granted to secure the Credit Facility (as defined and discussed below).

SIRIUS XM Senior Secured Revolving Credit Facility

In December 2012, SIRIUS XM entered into a five-year senior secured revolving credit facility (the "Credit Facility") with a syndicate of financial institutions for \$1,250 million. The Credit Facility is secured by substantially all of SIRIUS XM's assets and the assets of its 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 monthly basis and accrues at a rate based on LIBOR plus an applicable rate. Borrowings outstanding under the Credit Facility as of December 31, 2014 bear interest at a rate of 2.41% per annum. SIRIUS XM is required to pay a variable fee on the average daily unused portion of the Credit Facility which is currently 0.35% per annum and is payable on a quarterly basis. The Credit Facility contains customary covenants, including a maintenance covenant.

As of December 31, 2014, availability under the Credit Facility was \$870 million.

SIRIUS XM Senior Notes Due 2020 and 2023

In May 2013, SIRIUS XM issued \$500 million of Senior Notes due 2020 which bear interest at an annual rate of 4.25% and \$500 million of Senior Notes due 2023 which bear interest at an annual rate of 4.625%. SIRIUS XM received net proceeds of \$989 million from the sale of the notes after deducting commissions, fees and expenses. Interest on the notes is payable semi-annually in arrears on May 15 and November 15 of each year. Substantially all of SIRIUS XM's domestic wholly-owned subsidiaries guarantee SIRIUS XM's obligations under the notes.

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SIRIUS XM 5.75% Senior Notes Due 2021

During August 2013, SIRIUS XM issued \$600 million of 5.75% Senior Notes due 2021 ("5.75% Notes"). Interest on the notes is payable semi-annually in arrears on February 1 and August 1 of each year at a rate of 5.75% per annum. Substantially all of SIRIUS XM's domestic wholly-owned subsidiaries guarantee SIRIUS XM's obligations under the notes. The 5.75% Notes were issued for \$594 million.

SIRIUS XM 5.875% Senior Notes Due 2020

During September 2013, SIRIUS XM issued \$650 million of 5.875% Senior Notes Due 2020 ("5.875% Notes"). Interest on the notes is payable semi-annually in arrears on April 1 and October 1 of each year at a rate of 5.875% per annum. Substantially all of SIRIUS XM's domestic wholly-owned subsidiaries guarantee SIRIUS XM's obligations under the notes. The 5.875% Notes were issued for \$643 million.

SIRIUS XM 6.00% Senior Notes due 2024

In May 2014, SIRIUS XM issued \$1.5 billion principal amount of new senior secured notes due 2024 at a discount of \$17 million which bear interest at an annual rate of 6.00% ("SIRIUS XM 6.00% Senior Notes due 2024") paid semi-annually in January and July. SIRIUS XM intends to use the net proceeds from the offering for general corporate purposes. The notes are recorded net of the remaining unamortized original issue discount.

Other subsidiary debt

Other subsidiary debt is comprised of SIRIUS XM capital leases and other borrowings at ANLBC. In 2014, ANLBC, through a wholly-owned subsidiary, purchased 82 acres of land for the purpose of constructing a Major League Baseball facility and development of a mixed-use complex adjacent to the ballpark. The new facility is expected to cost approximately \$672 million and ANLBC expects to spend approximately \$50 million in other costs and equipment related to the new ballpark. Funding for the ballpark will be split between ANLBC, Cobb County and Cobb-Marietta Coliseum and Exhibit Hall Authority. Cobb-Marietta Coliseum and Exhibit Hall Authority and Cobb County will be responsible for funding \$392 million of ballpark related construction and ANLBC will be responsible for remainder of cost, including cost overruns. Cobb-Marietta Coliseum and Exhibit Hall Authority will issue \$368 million in bonds that are expected to close and fund in second half of 2015. In order to maintain an April 2017 opening of ballpark, ANLBC agreed to advance funds to cover project related cost until the Cobb-Marietta Coliseum and Exhibit Hall Authority bonds are funded. ANLBC funding for ballpark initiatives has come from cash reserves and utilization of two credit facilities with a capacity of \$250 million. As of December 31, 2014, ANLBC has borrowed approximately \$100 million under these two facilities. In addition, ANLBC through affiliated entities and outside development partners are in the process of developing land around the ballpark for a mixed-use complex, that is expected to feature retail, residential, office, hotel and entertainment opportunities. The expected cost for mixed-use development will be \$452 million of which affiliated entities will be responsible for approximately \$363 million of development cost.

Debt Covenants

The SIRIUS XM Credit Facility contains certain financial covenants related to SIRIUS XM's leverage ratio. Additionally, SIRIUS XM's Credit Facility and other borrowings contain certain non-financial covenants. As of December 31, 2014, the Company and SIRIUS XM were in compliance with all debt covenants.

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Fair Value of Debt

The fair value, based on quoted market prices of the same instruments but not considered to be active markets (Level 2), of SIRIUS XM's publicly traded debt securities is as follows (amounts in millions):

	December 31,
	2014
SIRIUS XM 5.875% Senior Notes due 2020	\$ 672
SIRIUS XM 5.75% Senior Notes due 2021	\$ 619
SIRIUS XM 5.25% Senior Secured Notes due 2022	\$ 421
SIRIUS XM 4.25% Senior Notes due 2020	\$ 494
SIRIUS XM 4.625% Senior Notes due 2023	\$ 471
SIRIUS XM 6% Senior Notes due 2024	\$ 1,545

Due to the variable rate nature of the Credit Facility, margin loans and other debt, the Company believes that the carrying amount approximates fair value at December 31, 2014.

Five Year Maturities

The annual principal maturities of outstanding debt obligations for each of the next five years is as follows (amounts in millions):

2015	\$ 257
2016	\$ 4
2017	\$ 381
2018	\$ 100
2019	\$ —

(11) Income Taxes

Income tax benefit (expense) consists of:

	Years ended December 31,		
	2014	2013	2012
	amounts in millions		
Current:			
Federal	\$ 18	(45)	(7)
State and local	7	3	4
Foreign	—	5	(1)
	<u>25</u>	<u>(37)</u>	<u>(4)</u>
Deferred:			
Federal	(103)	165	(407)
State and local	12	7	(58)
Foreign	—	—	—
	<u>(91)</u>	<u>172</u>	<u>(465)</u>
Income tax benefit (expense)	\$ (66)	135	(469)

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Income tax benefit (expense) differs from the amounts computed by applying the U.S. federal income tax rate of 35% as a result of the following:

	Years ended December 31,		
	2014	2013	2012
	amounts in millions		
Computed expected tax benefit (expense)	\$ (161)	(3,100)	(570)
Non-taxable gain on book consolidation of SIRIUS XM	—	3,054	—
Liquidation of consolidated subsidiaries	107	—	101
Non-taxable exchange of subsidiary	—	174	—
Dividends received deductions	99	46	40
Sale of subsidiary shares to subsidiary treated as a dividend for tax	(123)	(56)	—
State and local income taxes, net of federal income taxes	(4)	11	(46)
Change in valuation allowance affecting tax expense	(2)	9	1
Recognition of tax benefits not previously recognized, net	11	—	5
Other, net	7	(3)	—
Income tax benefit (expense)	<u>\$ (66)</u>	<u>135</u>	<u>(469)</u>

For the year ended December 31, 2014 the significant reconciling items, as noted in the table above, are the result of taxes attributable to our sale of Sirius XM shares to Sirius XM, which is treated as a taxable distribution, but is not recognized for financial statement purposes. In addition, we recognized a benefit on our liquidation of a consolidated partnership investment and the related reduction in the tax basis of the partnership's assets, which was not recognized for financial statement purposes and a dividends received deduction, primarily attributable to the taxable SIRIUS XM distribution during the year.

For the year ended December 31, 2013 the significant reconciling items, as noted in the table above, are the result of \$7.5 billion non-taxable gain on the consolidation of SIRIUS XM on January 18, 2013, as discussed in note 3, and the non-taxable exchange of one of Liberty's consolidated subsidiaries on October 4, 2013, in exchange for Liberty shares (see note 12 for further discussion of this transaction).

For the year ended December 31, 2012 the significant reconciling items, as noted in the table above, are the result of a capital loss realized on the taxable liquidation of a consolidated subsidiary. The realized capital loss was approximately \$289 million and as a result a \$101 million federal tax benefit was recorded that offset federal tax expense from capital gains realized during the year ended December 31, 2012.

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

	December 31,	
	2014	2013
	amounts in millions	
Deferred tax assets:		
Net operating and capital loss carryforwards	\$ 2,119	2,487
Accrued stock compensation	127	99
Other accrued liabilities	88	44
Discount on convertible debt	—	34
Deferred revenue	678	598
Other future deductible amounts	10	24
Deferred tax assets	<u>3,022</u>	<u>3,286</u>
Valuation allowance	(5)	(9)
Net deferred tax assets	<u>3,017</u>	<u>3,277</u>
Deferred tax liabilities:		
Investments	229	457
Intangible assets	3,991	3,955
Other	304	261
Deferred tax liabilities	<u>4,524</u>	<u>4,673</u>
Net deferred tax liabilities	<u>\$ 1,507</u>	<u>1,396</u>

The Company's deferred tax assets and liabilities are reported in the accompanying consolidated balance sheets as follows:

	December 31,	
	2014	2013
	amounts in millions	
Current deferred tax liabilities (assets)	\$ (931)	(916)
Long-term deferred tax liabilities (assets)	2,438	2,312
Net deferred tax liabilities	<u>\$ 1,507</u>	<u>1,396</u>

SIRIUS XM's deferred tax assets and liabilities are included in the amounts above although SIRIUS XM's deferred tax assets and liabilities are not offset with Liberty's deferred tax assets and liabilities as SIRIUS XM is not included in the group tax return of Liberty. Liberty's acquisition of a controlling interest in SIRIUS XM's outstanding common stock during January 2013 did not create a change in control under Section 382 of the Internal Revenue Code.

The Company's net decrease in the valuation allowance was \$4 million in 2014. Of the change in valuation allowance, \$2 million was an increase to tax expense and \$6 million was a decrease as a result of the Broadband Spin-Off.

At December 31, 2014, the Company had federal net operating loss carryforwards for income tax purposes which, if not utilized to reduce taxable income in future periods, will expire between 2017 and 2028, most of which expire between 2024 and 2027. The Company's federal net operating loss carryforwards are primarily attributable to those at the SIRIUS XM level (\$5.5 billion). These net operating loss carryforwards are subject to certain limitations and may not be currently utilized.

In addition, Liberty currently has \$70 million of excess share-based compensation deductions resulting in an approximate gross operating loss carryforward on its tax return of \$70 million. Excess tax compensation benefits are recorded off balance sheet until the excess tax benefit is realized through a reduction of taxes payable.

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A reconciliation of unrecognized tax benefits is as follows:

	December 31,	
	2014	2013
	amounts in millions	
Balance at beginning of year	\$ 30	29
Reductions for tax positions of prior years	(11)	—
Lapse in the statute of limitations	(17)	—
Increase in tax positions from acquisition	—	1
Balance at end of year	<u>\$ 2</u>	<u>30</u>

As of December 31, 2014, the Company had recorded tax reserves of \$2 million related to unrecognized tax benefits for uncertain tax positions. If such tax benefits were to be recognized for financial statement purposes, less than a million dollars would be reflected in the Company's tax expense and affect its effective tax rate. We do not currently anticipate that our existing reserves related to uncertain tax positions as of December 31, 2014 will significantly increase or decrease during the twelve-month period ending December 31, 2015; however, various events could cause our current expectations to change in the future. The Company's estimate of its unrecognized tax benefits related to uncertain tax positions requires a high degree of judgment.

As of December 31, 2014, the Company's 2002 through 2010 tax years are closed for federal income tax purposes, and the IRS has completed its examination of the Company's 2011 through 2013 tax years. The Company's tax loss carryforwards from its 2011 through 2013 tax years are still subject to adjustment. The Company's 2014 tax year is being examined currently as part of the IRS's Compliance Assurance Process ("CAP") program. Various states are currently examining the Company's prior years state income tax returns. The Company believes its gross unrecognized tax benefits will not decrease within the next twelve months. Sirius XM, which does not consolidate with Liberty for income tax purposes, has federal and certain state income tax audits pending. We do not expect the ultimate disposition of these audits to have a material adverse effect on our financial position or results of operations.

As of December 31, 2014, the Company had no accrued interest and penalties recorded related to uncertain tax positions.

(12) Stockholders' Equity

Preferred Stock

Liberty's preferred stock is issuable, from time to time, with such designations, preferences and relative participating, optional or other rights, qualifications, limitations or restrictions thereof, as shall be stated and expressed in a resolution or resolutions providing for the issue of such preferred stock adopted by Liberty's board of directors. As of December 31, 2014, no shares of preferred stock were issued.

Common Stock

As discussed in note 1, on July 23, 2014, holders of Series A and Series B common stock received a dividend of two shares of Series C common stock for each share of Series A or Series B common stock held by them as of July 7, 2014.

Liberty's Series A common stock has one vote per share, Liberty's Series B common stock has ten votes per share and Liberty's Series C common stock has no votes per share. Each share of the Series B common stock is exchangeable at the

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option of the holder for one share of Series A common stock. All series of our common stock participate on an equal basis with respect to dividends and distributions.

As of December 31, 2014, there were 3.2 million shares of Series A and 9.8 million shares of Series C common stock reserved for issuance under exercise privileges of outstanding stock options.

Purchases of Common Stock

During the year ended December 31, 2012 the Company repurchased 3,591,271 shares of Series A Liberty common stock for aggregate cash consideration of \$323 million under the authorized repurchase program.

During the year ended December 31, 2013 the Company repurchased 1,264,550 shares of Series A Liberty common stock for the aggregate cash consideration of \$140 million under the authorized repurchase program. Additionally, Liberty obtained shares of Liberty Series A common stock on October 3, 2013, pursuant to a transaction in which a subsidiary of Comcast, Inc. exchanged approximately 6.3 million shares of Liberty's Series A common stock for a newly created subsidiary of Liberty which held Liberty's wholly owned subsidiary Leisure Arts, Inc., approximately \$417 million in cash and Liberty's rights in and to a revenue sharing agreement relating to the carriage of CNBC ("CNBC Agreement"). Liberty recorded a gain of approximately \$496 million determined based on the difference between the fair value of the shares obtained in the exchange transaction and the carrying value assets and businesses delivered. These exchange shares obtained were done so through special approval from the Company's Board of Directors and was not considered a repurchase of shares under the Company's formal share repurchase program. Liberty treated the transaction as a tax-free exchange. In January 2014, the IRS completed its review of the exchange and notified Liberty that it agreed with the non-taxable characterization of the transaction.

There were no repurchases of Liberty common stock made pursuant to the Company's authorized repurchase program during the year ended December 31, 2014.

All of the foregoing shares obtained have been retired and returned to the status of authorized and available for issuance.

(13) Transactions with Officers and Directors

Chief Executive Officer Compensation Arrangement

In December 2014, the Compensation Committee (the "Committee") of Liberty approved a compensation arrangement including term options as discussed in note 14, for its President and Chief Executive Officer (the "CEO"). The arrangement provides for a five year employment term which began on January 1, 2015 and ends December 31, 2019, with an annual base salary of \$960,750, increasing annually by 5% of the prior year's base salary, and an annual target cash bonus equal to 250% of the applicable year's annual base salary. The arrangement also provides that, in the event the CEO is terminated for "cause," he will be entitled only to his accrued base salary and any amounts due under applicable law and he will forfeit all rights to his unvested term options. If, however, the CEO is terminated by Liberty without cause or if he terminates his employment for "good reason," he will be entitled to his accrued base salary, his accrued but unpaid bonus and any amounts due under applicable law, a severance payment of 1.5 times his base salary during the year of his termination, a payment equal to \$11,750,000 pro rated based upon the elapsed number of days in the calendar year of termination, a payment equal to \$17.5 million, and his unvested term options will generally vest pro rata based on the portion of the term elapsed through the termination date plus 18 months and for all vested and accelerated options to remain exercisable until their respective expiration dates. If, however, the CEO terminates his employment without "good reason," he will be entitled to his accrued base salary, his accrued but unpaid bonus and any amounts due under applicable law, a payment equal to \$11,750,000 pro rated based upon the elapsed number of days in the calendar year of termination, and for his unvested term options to generally vest pro rata based on the portion of the term elapsed through the termination

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date and all vested and accelerated options to remain exercisable until their respective expiration dates. Lastly, in the case of the CEO's death or his disability, he is entitled to the his accrued base salary, his accrued but unpaid bonus and any amounts due under applicable law, a payment of 1.5 times his base salary during the year of his termination, a payment equal to \$11,750,000 pro rated based upon the elapsed number of days in the calendar year of termination, a payment equal to \$17.5 million, and for his unvested term options to fully vest and for his vested and accelerated term options to remain exercisable until their respective expiration dates.

Beginning in 2015, the CEO will receive annual performance-based options to purchase shares of LMCK with a term of 7 years (the "Performance Options") and performance-based restricted stock units with respect to LMCK (the "Performance RSUs" and together with the Performance Options, the "Performance Awards") during the employment term. Grants of Performance Awards will be allocated between Liberty and Liberty Interactive. The aggregate target amount to be allocated between Liberty and Liberty Interactive will be \$16 million with respect to calendar year 2015, \$17 million with respect to calendar year 2016, \$18 million with respect to calendar year 2017, \$19 million with respect to calendar year 2018 and \$20 million with respect to calendar year 2019. Vesting of the Performance Awards will be determined based on satisfaction of performance metrics that will be set by Liberty and Liberty Interactive's respective compensation committees in the first quarter of each applicable year, except that the CEO will forfeit his unvested Performance Awards if his employment is terminated for any reason before the end of the applicable year, except that the CEO will forfeit his unvested Performance Awards if his employment is terminated for any reason before the end of the applicable year. In addition, Liberty and Liberty Interactive's compensation committees may grant additional Performance Awards, with a value of up to 50% of the target amount allocated to Liberty for the relevant year (the "Above Target Awards"), and the compensation committees may determine to establish additional performance metrics with respect to such Above Target Awards.

Salary compensation related to services provided by the CEO is charged from Liberty to Liberty Interactive, Liberty TripAdvisor and Liberty Broadband pursuant to the Services Agreements with each respective company. Any cash bonus attributable to the performance of Liberty or Liberty Interactive is paid directly by each respective company.

Chairman's Employment Agreement

On December 12, 2008, the Committee determined to modify its employment arrangements with its Chairman of the Board, to permit the Chairman to begin receiving payments in 2009 in satisfaction of Liberty's obligations to him under two deferred compensation plans and a salary continuation plan. Under one of the deferred compensation plans (the "8% Plan"), compensation has been deferred by the Chairman since January 1, 1993 and accrues interest at the rate of 8% per annum compounded annually from the applicable date of deferral. The amount owed to the Chairman under the 8% Plan aggregated approximately \$2.4 million at December 31, 2008. Under the second plan (the "13% Plan"), compensation was deferred by the Chairman from 1982 until December 31, 1992 and accrues interest at the rate of 13% per annum compounded annually from the applicable date of deferral. The amount owed to the Chairman under the 13% Plan aggregated approximately \$20 million at December 31, 2008. Both deferred compensation plans had provided for payment of the amounts owed to him in 240 monthly installments beginning upon termination of his employment. Under his salary continuation plan, the Chairman would have been entitled to receive \$15,000 (increased at the rate of 12% per annum compounded annually from January 1, 1998 to the date of the first payment, (the "Base Amount") per month for 240 months beginning upon termination of his employment. The amount owed to the Chairman under the salary continuation plan aggregated approximately \$39 million at December 31, 2008. There is no further accrual of interest under the salary continuation plan once payments have begun.

The Committee determined to modify all three plans and began making payments to the Chairman in 2009, while he remains employed by the company. By commencing payments under the salary continuation plan, interest ceased to accrue on the Base Amount. As a result of these modifications, the Chairman will receive 240 equal monthly installments as follows: (1) approximately \$20,000 under the 8% Plan; (2) approximately \$237,000 under the 13% Plan; and (3) approximately \$164,000 under the salary continuation plan.

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The Committee also approved certain immaterial amendments to the Chairman's employment agreement intended to comply with Section 409A of the Internal Revenue Code.

(14) Stock-Based Compensation

Liberty - Incentive Plans

Pursuant to the Liberty Media Corporation 2013 Incentive Plan (the "2013 Plan"), the Company has granted and may grant to certain of its employees stock options and stock appreciation rights ("SARs") (collectively, "Awards") to purchase shares of Series A, Series B and Series C Liberty common stock. The 2013 Plan provides for Awards to be made in respect of a maximum of 75 million shares of Liberty common stock. Awards generally vest over 4-5 years and have a term of 7-10 years. Liberty issues new shares upon exercise of equity awards. The Company measures the cost of employee services received in exchange for an Award of equity instruments (such as stock options and restricted stock) based on the grant-date fair value of the Award, and recognizes that cost over the period during which the employee is required to provide service (usually the vesting period of the Award). The Company measures the cost of employee services received in exchange for an Award of liability instruments (such as SARs that will be settled in cash) based on the current fair value of the Award, and remeasures the fair value of the Award at each reporting date.

Pursuant to the Liberty Media Corporation 2013 Nonemployee Director Incentive Plan, as amended from time to time (the "2013 NDIP"), the Liberty Board of Directors has the full power and authority to grant eligible nonemployee directors stock options, SARs, stock options with tandem SARs, and restricted stock.

On July 23, 2014 a dividend of Series C common stock was distributed and adjustments to the Awards outstanding were required to reflect the changes to the capital structure of the Company. For every Series A Award held, two Series C Awards were issued with an exercise price equal to one third the exercise price of the outstanding Award. Additionally, the exercise price of the outstanding Series A Awards was adjusted to one third the exercise price associated with such Award. The change to outstanding Awards did not change the aggregate intrinsic value associated with the Awards outstanding just prior to the distribution and immediately following the distribution.

In connection with the Broadband Spin-Off in November 2014, all outstanding Liberty Awards were adjusted pursuant to the anti-dilution provisions of the incentive plans under which the equity awards were granted, such that a holder of a Liberty Award received:

- i. An adjustment to the exercise price or base price, as applicable, and the number of shares subject to the Liberty Award (as so adjusted, an "Adjusted Liberty Award") and
- ii. A corresponding equity award relating to shares of Liberty Broadband common stock (a "Broadband Award").

The exercise prices and number of shares subject to the Adjusted Liberty Award and the Broadband Award were determined based on 1) the exercise prices and number of shares subject to the Liberty Award, 2) the distribution ratio, 3) the pre-distribution trading price of Liberty common stock and 4) the post-distribution trading prices of Liberty common stock and Liberty Broadband common stock, such that all of the pre-distribution intrinsic value of the Liberty Award was allocated between the Adjusted Liberty Award and the Broadband Award.

Following the Broadband Spin-Off, employees of Liberty hold Awards in both Liberty common stock and Liberty Broadband common stock. The compensation expense relating to employees of Liberty is recorded at Liberty.

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Similarly, following the Starz Spin-Off during 2013, employees of Liberty and Starz hold Awards in both Liberty common stock and Starz common stock. The compensation expense relating to the employees of Liberty is recorded at Liberty and the compensation expense relating to employees of Starz is recorded at Starz.

Liberty - Grants of stock options

Awards granted in 2014, 2013 and 2012 pursuant to the Incentive Plans discussed above are summarized as follows:

	Years ended December 31,					
	2014		2013		2012	
	Options granted (000's)	Weighted average grant-date fair value	Options granted (000's)	Weighted average grant-date fair value	Options granted (000's)	Weighted average grant-date fair value
Series A Liberty common stock	1	\$ 38.86	23	\$ 55.16	834	\$ 42.04
Series C Liberty common stock	3,359	11.09	NA	NA	NA	NA
Series A Liberty common stock from Option Exchange	NA	NA	NA	NA	3,713	\$ 37.25

During the year ended December 31, 2014, Liberty granted 3.3 million options to purchase Liberty Series C common stock to the CEO of Liberty in connection with a new employment agreement (see note 13); of those options, one half vest on December 24, 2018 and the other half vest on December 24, 2019. The remainder of the options granted typically vest quarterly over a 4 year vesting period.

During the fourth quarter of 2012, the Company entered into a series of transactions with certain officers of Liberty and its subsidiaries, which transactions were associated with stock options, in order to recognize tax deductions in the current year versus future years (the "Option Exchange"). On December 4, 2012 (the "Grant Date"), pursuant to the approval of the Compensation Committee of its Board of Directors, the Company effected the acceleration of each invested in-the-money option to acquire shares of LMCA held by certain of its and its subsidiaries' officers (collectively, the "Eligible Optionholders"). Following this acceleration, also on the Grant Date, each Eligible Optionholder exercised, on a net settled basis, substantially all of his or her outstanding in-the-money vested and unvested options to acquire LMCA shares (the "Eligible Options"), and:

- with respect to each vested Eligible Option, the Company granted the Eligible Optionholder a vested new option with substantially the same terms and conditions as the exercised vested Eligible Option;
- and with respect to each unvested Eligible Option:
 - the Eligible Optionholder sold to the Company, for cash, the shares of LMCA received upon exercise of such unvested Eligible Option and used the proceeds of that sale to purchase from the Company an equal number of restricted LMCA shares which have a vesting schedule identical to that of the exercised unvested Eligible Option; and
 - the Company granted the Eligible Optionholder an unvested new option, with substantially the same terms and conditions as the exercised unvested Eligible Option, except that (a) the number of shares underlying the new option is equal to the number of shares underlying such exercised unvested Eligible Option less the number of restricted shares purchased from the Company as described above and (b) the exercise price of the new option is the closing price per LMCA share on The Nasdaq Global Select Market on the Grant Date.

The Option Exchange was considered a modification under ASC 718 -*Stock Compensation* and resulted in incremental compensation expense in 2012 of \$18 million. Incremental compensation expense is also being recognized over the

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remaining vesting periods of the new unvested options and the restricted shares and is included in unrecognized compensation until recognized over the vesting period.

The Company has calculated the grant-date fair value for all of its equity classified awards and any subsequent remeasurement of its liability classified awards using the Black-Scholes Model. The Company estimates the expected term of the Awards based on historical exercise and forfeiture data. For grants made in 2014, 2013 and 2012, the range of expected terms was 1.3 to 9.0 years. The volatility used in the calculation for Awards is based on the historical volatility of Liberty's stocks and the implied volatility of publicly traded Liberty options. The Company uses a zero dividend rate and the risk-free rate for Treasury Bonds with a term similar to that of the subject options.

The following table presents the volatilities used by the Company in the Black-Scholes Model for the 2014, 2013 and 2012 grants.

	Volatility		
2014 grants			
Liberty options	28.2 %	-	31.3 %
2013 grants			
Liberty options	31.3 %	-	41.4 %
2012 grants			
Liberty options	25.1 %	-	54.2 %

Liberty - Outstanding Awards

The following table presents the number and weighted average exercise price ("WAEP") of Awards to purchase Liberty common stock granted to certain officers, employees and directors of the Company, as well as the weighted average remaining life and aggregate intrinsic value of the Awards.

	Series A			
	Liberty Awards (000's)	WAEP	Weighted average remaining life	Aggregate intrinsic value (in millions)
Outstanding at January 1, 2014	3,656	\$ 30.58		
Granted	1	\$ 45.10		
Exercised	(397)	\$ 49.49		
Forfeited/Cancelled/Exchanged	(1)	\$ 25.26		
Broadband Spin-Off adjustment	(52)	\$ 23.22		
Outstanding at December 31, 2014	3,207	\$ 23.21	4.2 years	\$ 39
Exercisable at December 31, 2014	2,698	\$ 22.99	4.1 years	\$ 33

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	Liberty		Series C		
	Awards (000's)	WAEP	Weighted average remaining life	Aggregate intrinsic value (in millions)	
Outstanding at January 1, 2014	—	\$ —			
Series C Dividend Adjustment	6,942	\$ 46.01			
Granted	3,359	\$ 34.06			
Exercised	(428)	\$ 22.46			
Forfeited/Cancelled/Exchanged	(1)	\$ 42.32			
Broadband Spin-Off adjustment	(39)	\$ 22.92			
Outstanding at December 31, 2014	<u>9,833</u>	<u>\$ 26.71</u>	5.2 years	\$	82
Exercisable at December 31, 2014	<u>5,446</u>	<u>\$ 22.69</u>	4.1 years	\$	67

There were no outstanding Series B options during 2014.

As of December 31, 2014, the total unrecognized compensation cost related to unvested Liberty Awards was approximately \$58 million, including incremental compensation under the Option Exchange. Such amount will be recognized in the Company's consolidated statements of operations over a weighted average period of approximately 2.3 years.

Liberty - Exercises

The aggregate intrinsic value of all options exercised during the years ended December 31, 2014, 2013 and 2012 was \$17 million, \$23 million and \$494 million, respectively. The aggregate intrinsic value of options exercised for the year ended December 31, 2012 includes approximately \$358 million related to the intrinsic value of options exercised as a result of the Option Exchange.

Liberty - Restricted Stock

Associated with the Option Exchange the Company issued unvested restricted shares of Liberty common stock, of which 594,000 shares remain unvested as of December 31, 2014. These shares continue to vest over the next year and since the Option Exchange was accounted for as a modification, the compensation expense associated with these restricted shares was treated as incremental compensation, as discussed above, and is included in unrecognized compensation costs under the outstanding Awards section above. The Company had approximately 224,000 unvested restricted shares of Liberty common stock held by certain directors, officers and employees of the Company as of December 31, 2014, not issued under the Option Exchange, with a weighted average grant-date fair value of \$16.88 per share.

The aggregate fair value of all restricted shares of Liberty common stock that vested during the years ended December 31, 2014, 2013 and 2012 was \$1 million, \$7 million and \$10 million, respectively.

SIRIUS XM - Stock-based Compensation

During the year ended December 31, 2014, SIRIUS XM granted stock options and restricted stock units to its employees and members of its board of directors. SIRIUS XM also calculates the grant-date fair value for all of its equity classified awards and any subsequent remeasurement of its liability classified awards using the Black-Scholes Model. The weighted average volatility applied to the fair value determination of SIRIUS XM's option grants during 2014 and 2013

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was 33% and 47%, respectively. During the year ended December 31, 2014, SIRIUS XM granted approximately 61.9 million stock options with a weighted-average exercise price of \$3.39 per share and a grant date fair value of \$1.05 per share. As of December 31, 2014, SIRIUS XM has approximately 268 million options outstanding of which approximately 121 million are exercisable, each with a weighted-average exercise price per share of \$2.72 and \$2.27, respectively. The aggregate intrinsic value of these outstanding and exercisable options was \$246 million and \$180 million, respectively. During the year ended December 31, 2014, SIRIUS XM granted approximately 6.1 million restricted stock units with a grant date fair value of \$3.38 per share. The stock-based compensation related to SIRIUS XM stock options and restricted stock awards was \$148 million and \$133 million for the years ended December 31, 2014 and 2013, respectively. As of December 31, 2014, the total unrecognized compensation cost related to unvested SIRIUS XM stock options was \$236 million. The SIRIUS XM unrecognized compensation cost will be recognized in the Company's consolidated statements of operations over a weighted average period of approximately 2.4 years.

Other

Certain of the Company's other subsidiaries have stock based compensation plans under which employees and non-employees are granted options or similar stock based awards. Awards made under these plans vest and become exercisable over various terms. The awards and compensation recorded, if any, under these plans is not significant to the Company.

(15) Employee Benefit Plans

Liberty is the sponsor of the Liberty Media 401(k) Savings Plan (the "Liberty 401(k) Plan"), which provides its employees and the employees of certain of its subsidiaries an opportunity for ownership in the Company and creates a retirement fund. The Liberty 401(k) Plan provides for employees to make contributions to a trust for investment in Liberty common stock, as well as several mutual funds. The Company and its subsidiaries make matching contributions to the Liberty 401(k) Plan based on a percentage of the amount contributed by employees. In addition, certain of the Company's subsidiaries have similar employee benefit plans. Employer cash contributions to all plans aggregated \$11 million, \$12 million and \$12 million for each of the years ended December 31, 2014, 2013 and 2012, respectively.

(16) Other Comprehensive Earnings (Loss)

Accumulated other comprehensive earnings (loss) included in Liberty's consolidated balance sheets and consolidated statements of equity reflect the aggregate of foreign currency translation adjustments, unrealized holding gains and losses on AFS securities and Liberty's share of accumulated other comprehensive earnings of affiliates.

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The change in the components of accumulated other comprehensive earnings (loss), net of taxes ("AOCI"), is summarized as follows:

	Unrealized holding gains (losses) on securities	Other	AOCI of discontinued operations	AOCI
	amounts in millions			
Balance at January 1, 2012	\$ 36	(5)	(2)	29
Other comprehensive earnings (loss) attributable to Liberty Media Corporation stockholders	(16)	—	(1)	(17)
Balance at December 31, 2012	20	(5)	(3)	12
Other comprehensive earnings (loss) attributable to Liberty Media Corporation stockholders	(15)	4	—	(11)
Distribution to stockholders for Starz Spin-Off	—	—	3	3
Balance at December 31, 2013	5	(1)	—	4
Other comprehensive earnings (loss) attributable to Liberty Media Corporation stockholders	(8)	(9)	—	(17)
Distribution to stockholders for Broadband Spin-Off	(7)	(1)	—	(8)
Balance at December 31, 2014	\$ (10)	(11)	—	(21)

The components of other comprehensive earnings (loss) are reflected in Liberty's consolidated statements of comprehensive earnings (loss) net of taxes. The following table summarizes the tax effects related to each component of other comprehensive earnings (loss).

	Before-tax amount	Tax (expense) benefit	Net-of-tax amount
	amounts in millions		
<i>Year ended December 31, 2014:</i>			
Unrealized holding gains (losses) on securities arising during period	\$ (13)	5	(8)
Foreign currency translation adjustments	(14)	5	(9)
Other comprehensive earnings	\$ (27)	10	(17)
<i>Year ended December 31, 2013:</i>			
Unrealized holding gains (losses) on securities arising during period	\$ 16	(6)	10
Reclassification adjustment for holding (gains) losses realized in net earnings (loss)	(40)	15	(25)
Foreign currency translation adjustments	6	(2)	4
Other comprehensive earnings	\$ (18)	7	(11)
<i>Year ended December 31, 2012:</i>			
Unrealized holding gains (losses) on securities arising during period	\$ (5)	2	(3)
Reclassification adjustment for holding losses realized in net earnings	(21)	8	(13)
Other comprehensive earnings from discontinued operations	(2)	1	(1)
Other comprehensive earnings	\$ (28)	11	(17)

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(17) **Commitments and Contingencies**

Guarantees

In prior periods the Company guaranteed Starz's obligations under certain of its studio output agreements. At December 31, 2014, the Company's guarantee of the studio output agreements have been fully satisfied as Starz has made all applicable payments under the studio output agreements.

In connection with agreements for the sale of assets by the Company or its subsidiaries, the Company may retain liabilities that relate to events occurring prior to its sale, such as tax, environmental, litigation and employment matters. The Company generally indemnifies the purchaser in the event that a third party asserts a claim against the purchaser that relates to a liability retained by the Company. These types of indemnification obligations may extend for a number of years. The Company is unable to estimate the maximum potential liability for these types of indemnification obligations as the sale agreements may not specify a maximum amount and the amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. Historically, the Company has not made any significant indemnification payments under such agreements and no amount has been accrued in the accompanying consolidated financial statements with respect to these indemnification guarantees.

Employment Contracts

The Atlanta Braves and certain of their players and coaches have entered into long-term employment contracts whereby such individuals' compensation is guaranteed. Amounts due under guaranteed contracts as of December 31, 2014 aggregated \$398 million, which is payable as follows: \$80 million in 2015, \$72 million in 2016, \$88 million in 2017, \$54 million in 2018, and \$104 million thereafter. In addition to the foregoing amounts, certain players and coaches may earn incentive compensation under the terms of their employment contracts.

Operating Leases

The Company leases business offices, has entered into satellite transponder lease agreements and uses certain equipment under lease arrangements. These leases provide for minimum lease payments, additional operating expense charges, leasehold improvements and rent escalations, and certain leases have options to renew. The effect of the rent holidays and rent concessions are recognized on a straight-line basis over the lease term, including reasonably assured renewal periods.

Rental expense under such arrangements amounted to \$52 million, \$48 million and \$9 million for the years ended December 31, 2014, 2013 and 2012, respectively.

A summary of future minimum lease payments under cancelable and noncancelable operating leases as of December 31, 2014 follows (amounts in millions):

Years ending December 31:	
2015	\$ 53
2016	\$ 47
2017	\$ 44
2018	\$ 41
2019	\$ 36
Thereafter	\$ 380

It is expected that in the normal course of business, leases that expire generally will be renewed or replaced by leases on other properties; thus, it is anticipated that future lease commitments will not be less than the amount shown for 2014.

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Programming and content

SIRIUS XM has entered into various programming agreements under which SIRIUS XM's obligations include fixed payments, advertising commitments and revenue sharing arrangements. Amounts due under such agreements are payable as follows: \$231 million in 2015, \$110 million in 2016, \$75 million in 2017, \$60 million in 2018 and \$48 million in 2019. Future revenue sharing costs are dependent upon many factors and are difficult to estimate; therefore, they are not included in the amounts above.

Litigation

The Company has contingent liabilities related to legal and tax proceedings and other matters arising in the ordinary course of business. We record a liability when we believe that it is both probable that a liability will be incurred and the amount of loss can be reasonably estimated. We evaluate developments in legal matters that could affect the amount of the liability accrual and make adjustments as appropriate. Significant judgment is required to determine both probability and the estimated amount of a loss or potential loss. We may be unable to reasonably estimate the reasonably possible loss or range of loss for a particular legal contingency for various reasons, including, among others, because: (i) the damages sought are indeterminate; (ii) the proceedings are in the relative early stages; (iii) there is uncertainty as to the outcome of pending proceedings (including motions and appeals); (iv) there is uncertainty as to the likelihood of settlement and the outcome of any negotiations with respect thereto; (v) there remain significant factual issues to be determined or resolved; (vi) the relevant law is unsettled; or (vii) the proceedings involve novel or untested legal theories. In such instances, there may be considerable uncertainty regarding the ultimate resolution of such matters, including a possible eventual loss, if any. In the opinion of management, it is expected that amounts, if any, which may be required to satisfy such contingencies will not be material in relation to the accompanying consolidated financial statements.

In connection with a commercial transaction that closed during 2002 among Liberty, Vivendi Universal S.A. ("Vivendi") and the former USA Holdings, Inc., Liberty brought suit against Vivendi and Universal Studios, Inc. in the United States District Court for the Southern District of New York, alleging, among other things, breach of contract and fraud by Vivendi. On June 25, 2012, a jury awarded Liberty damages in the amount of €765 million, plus prejudgment interest, in connection with a finding of breach of contract and fraud by the defendants. On January 17, 2013, the court entered judgment in favor of Liberty in the amount of approximately €945 million, including prejudgment interest. The parties negotiated a stay of the execution of the judgment during the pendency of the appeal. Vivendi has filed notice of its appeal of the judgment to the United States Court of Appeals for the Second Circuit, and, in that court, Liberty intends to seek a higher rate of pre-judgment interest than what the district court awarded. As a result, the amount that Liberty may ultimately recover in connection with the final resolution of the action, if any, is uncertain. Any recovery by Liberty will not be reflected in our consolidated financial statements until such time as the final disposition of this matter has been reached.

SIRIUS XM is a defendant in three class action suits and one additional suit, which were commenced in August and September 2013 and challenge the use and public performance via satellite radio and the Internet of sound recordings fixed prior to February 15, 1972 under California, New York and/or Florida law. The plaintiffs in each of these suits purport to seek in excess of \$100 million in compensatory damages along with unspecified punitive damages and injunctive relief. Accordingly, at this point SIRIUS XM cannot estimate the reasonably possible loss, or range of loss, which could be incurred if the plaintiffs were to prevail in the allegations, but SIRIUS XM believes they have substantial defenses to the claims asserted and intend to defend these actions vigorously.

In September 2014, the United States District Court for the Central District of California ruled that the grant of "exclusive ownership" to the owner of a sound recording under California's copyright statute included the exclusive right to control public performances of the sound recording. The court further found that the unauthorized public performance of sound recordings violated California laws on unfair competition, misappropriation and conversion. In October 2014,

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the Superior Court of the State of California for the County of Los Angeles adopted the Central District Court's interpretation of "exclusive ownership" under California's copyright statute. That Court did not find that the unauthorized public performance of sound recordings violated California laws on unfair competition, misappropriation and conversion. In November 2014, the United States District Court for the Southern District of New York ruled that sound recordings fixed before February 15, 1972 were entitled under various theories of New York common law to the benefits of a public performances right and intend to appeal these decisions.

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

In August 2014, the United States District Court for the District of Columbia granted our motion to dismiss the complaint without prejudice on the grounds that the case properly should be pursued before the Copyright Royalty Board rather than the district court. In December 2014, SoundExchange filed a petition with the Copyright Royalty Board requesting an order interpreting the applicable regulations. The Copyright Royalty Board has requested that the parties submit briefs regarding whether the agency properly has jurisdiction to interpret the regulations and adjudicate this matter under the applicable statute. At this point SIRIUS XM cannot estimate the reasonably possible loss, or range of loss, which could be incurred if the plaintiffs were to prevail in the allegations, but SIRIUS XM believes they have substantial defenses to the claims asserted and intend to defend these actions vigorously.

SIRIUS XM is also a defendant in three purported class action suits, which were commenced in February 2012, January 2013 and January 2015, in the United States District Court for the Eastern District of Virginia, Newport News Division, and the United States District Court for the Southern District of California that allege that SIRIUS XM, or certain call center vendors acting on its behalf, made numerous calls which violate provisions of the Telephone Consumer Protection Act of 1991 (the "TCPA"). The plaintiffs in these actions allege, among other things, that SIRIUS XM called mobile phones using an automatic telephone dialing system without the consumer's prior consent or, alternatively, after the consumer revoked their prior consent and, in one of the actions, that SIRIUS XM violated the TCPA's call time restrictions. The plaintiffs in these suits are seeking various forms of relief, including statutory damages of \$500 for each violation of the TCPA or, in the alternative, treble damages of up to \$1,500 for each knowing and willful violation of the TCPA, as well as payment of interest, attorneys' fees and costs, and certain injunctive relief prohibiting violations of the TCPA in the future. SIRIUS XM believes it has substantial defenses to the claims asserted in these actions and intends to defend them vigorously.

SIRIUS XM has notified certain of its call center vendors of these actions and requested that they defend and indemnify it against these claims pursuant to the provisions of their existing or former agreements with SIRIUS XM. SIRIUS XM believes it has valid contractual claims against certain call center vendors in connection with these claims and intends to preserve and pursue its rights to recover from these entities.

With respect to the SIRIUS XM matters described above, it was determined, based on current knowledge, that the amount of loss or range of loss that is reasonably possible is not reasonably estimable. However, these matters are inherently unpredictable and subject to significant uncertainties, many of which are beyond SIRIUS XM's control. As such, there can be no assurance that the final outcome of these matters will not materially and adversely affect the business, financial condition, results of operations, or cash flows.

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Other

During the period from March 9, 1999 to August 10, 2001, Liberty Interactive (Liberty's former parent) was included in the consolidated federal income tax return of AT&T and was party to a tax sharing agreement with AT&T (the "AT&T Tax Sharing Agreement"). While Liberty Interactive was a subsidiary of AT&T, Liberty Interactive recorded its stand-alone tax provision on a separate return basis. Under the AT&T Tax Sharing Agreement, Liberty Interactive received a cash payment from AT&T in periods when Liberty Interactive generated taxable losses and such taxable losses were utilized by AT&T to reduce its consolidated income tax liability. To the extent such losses were not utilized by AT&T, such amounts were available to reduce federal taxable income generated by Liberty Interactive in future periods, similar to a net operating loss carryforward, and were accounted for as a deferred federal income tax benefit. Subsequent to Liberty Interactive's split off from AT&T, if adjustments were made to amounts previously paid under the AT&T Tax Sharing Agreement, such adjustments are reflected as adjustments to additional paid-in capital. During the period from March 10, 1999 to December 31, 2002, Liberty Interactive received cash payments from AT&T aggregating \$670 million as payment for Liberty Interactive's taxable losses that AT&T utilized to reduce its income tax liability. AT&T requested a refund from Liberty of \$70 million, plus accrued interest, relating to losses that it generated in 2002 and 2003 and was able to carry back to offset taxable income previously offset by Liberty Interactive's losses. AT&T had previously asserted that Liberty Interactive's losses caused AT&T to pay \$70 million in alternative minimum tax ("AMT") that it would not have been otherwise required to pay had Liberty Interactive's losses not been included in its return.

Liberty indemnified Liberty Interactive for the contingent liability and therefore the liability remained with Liberty after the Split-Off. In prior years, a \$72 million contingent liability was recorded through additional paid in capital as these liabilities were considered to have been equity transactions with Liberty Interactive's former parent. Additionally, interest was accrued on the liabilities and recorded through interest expense, until the amounts reached an amount the Company considered to be the maximum exposure under the contingent liability. The total liability recorded, including accrued interest was \$128 million. During the year ended December 31, 2012, the Company determined that a requisite amount of time had passed under the applicable state statutes and that the liability should be released. As \$72 million was originally set up through additional paid in capital that amount of the liability was relieved against additional paid in capital and the remainder was recorded through the Other, net line item in the Other income (expense) section of the accompanying consolidated Statement of Operations.

(18) Information About Liberty's Operating Segments

The Company, through its ownership interests in subsidiaries and other companies, is primarily engaged in the media, communications and entertainment industries. The Company identifies its reportable segments as (A) those consolidated subsidiaries that represent 10% or more of its consolidated annual revenue, annual Adjusted OIBDA or total assets and (B) those equity method affiliates whose share of earnings represent 10% or more of the Company's annual pre-tax earnings. The segment presentation for prior periods has been conformed to the current period segment presentation, as discussed below.

The Company evaluates performance and makes decisions about allocating resources to its operating segments based on financial measures such as revenue and Adjusted OIBDA. In addition, the Company reviews nonfinancial measures such as subscriber growth and penetration.

The Company defines Adjusted OIBDA as revenue less operating expenses, and selling, general and administrative expenses (excluding stock-based compensation). The Company believes this measure is an important indicator of the operational strength and performance of its businesses, including each business's ability to service debt and fund capital expenditures. In addition, this measure allows management to view operating results and perform analytical comparisons and benchmarking between businesses and identify strategies to improve performance. This measure of performance excludes depreciation and amortization, stock-based compensation, separately reported litigation settlements and restructuring and impairment charges that are included in the measurement of operating income pursuant to GAAP.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
December 31, 2014, 2013 and 2012

Accordingly, Adjusted OIBDA should be considered in addition to, but not as a substitute for, operating income, net income, cash flow provided by operating activities and other measures of financial performance prepared in accordance with GAAP. The Company generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties, that is, at current prices.

The Company has identified SIRIUS XM as its reportable segment. SIRIUS XM is a consolidated subsidiary that provides a subscription based satellite radio service. SIRIUS XM broadcasts 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 its two proprietary satellite radio systems - the Sirius system and the XM system. Subscribers can also receive music and other channels, plus features such as SiriusXM On Demand and MySXM, over the Internet, including through applications for mobile devices.

The Company's reportable segments are strategic business units that offer different products and services. They are managed separately because each segment requires different technologies, distribution channels and marketing strategies. The accounting policies of the segments that are also consolidated subsidiaries are the same as those described in the Company's summary of significant policies.

Performance Measures

	Years ended December 31,					
	2014		2013		2012	
	Revenue	Adjusted OIBDA	Revenue	Adjusted OIBDA	Revenue	Adjusted OIBDA
	amounts in millions					
SIRIUS XM	\$ 4,141	1,466	3,625	1,289	NA	NA
Corporate and other	309	(49)	377	33	368	8
Total	\$ 4,450	1,417	4,002	1,322	368	8

Other Information

	December 31, 2014			December 31, 2013		
	Total assets	Investments in affiliates	Capital expenditures	Total assets	Investments in affiliates	Capital expenditures
	amounts in millions					
SIRIUS XM	\$ 28,009	237	126	28,203	273	200
Corporate and other	3,198	614	68	6,339	3,026	7
Total	\$ 31,207	851	194	34,542	3,299	207

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
December 31, 2014, 2013 and 2012

The following table provides a reconciliation of segment Adjusted OIBDA to earnings (loss) from continuing operations before income taxes:

	Years ended December 31,		
	2014	2013	2012
Consolidated segment Adjusted OIBDA	\$ 1,417	1,322	8
Stock-based compensation	(217)	(193)	(46)
Depreciation and amortization	(359)	(315)	(42)
Interest expense	(255)	(132)	(7)
Dividend and interest income	27	48	76
Share of earnings (losses) of affiliates, net	(113)	(32)	1,346
Realized and unrealized gains (losses) on financial instruments, net	38	295	230
Gains (losses) on transactions, net	—	7,978	22
Other, net	(77)	(115)	42
Earnings (loss) from continuing operations before income taxes	<u>\$ 461</u>	<u>8,856</u>	<u>1,629</u>

(19) Quarterly Financial Information (Unaudited)

	1st 2nd 3rd 4th			
	Quarter	Quarter	Quarter	Quarter
	amounts in millions, except per share amounts			
2014:				
Revenue	\$ 1,011	1,160	1,184	1,095
Operating income (loss)	\$ 155	231	249	206
Net earnings (loss)	\$ 72	106	87	130
Net earnings (loss) attributable to Liberty stockholders	\$ 22	50	33	73
Basic net earnings (loss) attributable to Liberty Media Corporation stockholders per common share	\$ 0.06	0.15	0.10	0.21
Diluted net earnings (loss) attributable to Liberty Media Corporation stockholders per common share	\$ 0.06	0.14	0.10	0.21

	1st 2nd 3rd 4th			
	Quarter	Quarter	Quarter	Quarter
	amounts in millions, except per share amounts			
2013:				
Revenue	\$ 789	1,078	1,110	1,025
Operating income	\$ 151	226	248	189
Net earnings (loss)	\$ 8,104	152	116	619
Net earnings (loss) attributable to Liberty stockholders	\$ 8,059	93	76	552
Basic net earnings (loss) attributable to Liberty stockholders per common share	\$ 22.57	0.26	0.21	1.62
Diluted net earnings (loss) attributable to Liberty stockholders per common share	\$ 22.20	0.26	0.21	1.60

PART III.

The following required information is incorporated by reference to our definitive proxy statement for our 2015 Annual Meeting of Stockholders presently anticipated to be held in the second quarter of 2015:

<u>Item 10.</u>	Directors, Executive Officers and Corporate Governance
<u>Item 11.</u>	Executive Compensation
<u>Item 12.</u>	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters
<u>Item 13.</u>	Certain Relationships and Related Transactions, and Director Independence
<u>Item 14.</u>	Principal Accountant Fees and Services

We expect to file our definitive proxy statement for our 2015 Annual Meeting of Shareholders with the Securities and Exchange Commission on or before April 30, 2015.

PART IV.

Item 15. Exhibits and Financial Statement Schedules.

(a)(1) Financial Statements

Included in Part II of this Report:

	<u>Page No.</u>
Liberty Media Corporation:	
Reports of Independent Registered Public Accounting Firm	II-24 - 25
Consolidated Balance Sheets, December 31, 2014 and 2013	II-26
Consolidated Statements of Operations, Years ended December 31, 2014, 2013 and 2012	II-28
Consolidated Statements of Comprehensive Earnings (Loss), Years ended December 31, 2014, 2013 and 2012	II-29
Consolidated Statements of Cash Flows, Years Ended December 31, 2014, 2013 and 2012	II-30
Consolidated Statements of Equity, Years ended December 31, 2014, 2013 and 2012	II-31
Notes to Consolidated Financial Statements, December 31, 2014, 2013 and 2012	II-32

(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:

	<u>Page No.</u>
Reports of Independent Registered Public Accounting Firm	IV-7
Consolidated Statements of Comprehensive Income, Years ended December 31, 2012, 2011 and 2010	IV-8
Consolidated Balance Sheets, December 31, 2012 and 2011	IV-9
Consolidated Statements of Stockholders' Equity, Years ended December 31, 2012, 2011 and 2010	IV-10
Consolidated Statements of Cash Flows, Years ended December 31, 2012, 2011 and 2010	IV-11
Notes to Consolidated Financial Statements, December 31, 2012, 2011 and 2010	IV-13

(a)(3) Exhibits

Listed below are the exhibits which are filed as a part of this Report (according to the number assigned to them in Item 601 of Regulation S-K):

2 - Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession:

- 2.1 Reorganization Agreement, dated as of January 10, 2013, between Starz (f/k/a Liberty Media Corporation) and Liberty Media Corporation (f/k/a Liberty Spinco, Inc.) (incorporated by reference to Exhibit 2.1 to Starz's Current Report on Form 8-K filed on January 17, 2013 (File No. 001-35294) (the "Starz 8-K")).
- 2.2 Reorganization Agreement, dated as of October 28, 2014, between Liberty Media Corporation and Liberty Broadband Corporation (incorporated by reference to Exhibit 2.1 to Liberty Broadband Corporation's Current Report on Form 8-K filed on November 10, 2014 (File No. 001-36713) (the "Broadband 8-K")).

3 - Articles of Incorporation and Bylaws:

- 3.1 Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on January 17, 2013 (File No. 001-35707) (the "Liberty 8-K").
- 3.2 Amended and Restated Bylaws of the Registrant (incorporated by reference to Exhibit 3.2 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2013 filed on February 28, 2014 (File No. 001-35707) (the "Liberty 2013 10-K").

4 - Instruments Defining the Rights of Securities Holders, including Indentures:

- 4.1 Specimen certificate for shares of the Registrant's Series A common stock, par value \$.01 per share (incorporated by reference to Exhibit 4.1 to Registrant's Registration Statement on Form 10 filed on October 19, 2012 (File No. 001-35707) (the "Liberty Form 10").
- 4.2 Specimen certificate for shares of the Registrant's Series B common stock, par value \$.01 per share (incorporated by reference to Exhibit 4.2 to the Liberty Form 10).
- 4.3 Specimen Certificate for Shares of the Registrant's Series C common stock, par value \$.01 per share (incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form 8-A filed on June 25, 2014 (File No. 001-35707)).
- 4.4 Indenture dated as of October 17, 2013 among the Registrant, as issuer, and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013 filed on November 5, 2013 (File No. 001-35707) (the "Liberty Q3 2013 10-Q").
- 4.5 The Registrant undertakes to furnish to the Securities and Exchange Commission, upon request, a copy of all instruments with respect to long-term debt not filed herewith.

10 - Material Contracts:

- 10.1 Form of Liberty Media Corporation 2013 Incentive Plan (the "2013 Plan") (incorporated by reference to Exhibit 10.3 to Amendment No. 1 to the Registrant's Registration Statement on Form 10 filed on November 30, 2012 (File No. 001-35707) (the "Liberty Form 10 Amendment No. 1").
- 10.2 Amendment to the 2013 Plan (incorporated by reference to Exhibit 10.2 to the Liberty Q3 201310-Q).
- 10.3 Form of Non-Qualified Stock Option Agreement (incorporated by reference to Exhibit 10.3 to the Liberty 2013 10-K).
- 10.4 Form of Restricted Stock Award Agreement (incorporated by reference to Exhibit 10.4 to the Liberty 2013 10-K).
- 10.5 Form of Non-Qualified Stock Option Agreement under the 2013 Plan [for certain designated award recipients] (incorporated by reference to Exhibit 10.2 to Starz's Annual Report on Form 10-K for the year ended December 31, 2011 filed on February 23, 2012 (File No. 001-35294) (the "Starz 2011 10-K").
- 10.6 Form of Liberty Media Corporation 2013 Nonemployee Director Incentive Plan (the "2013 Nonemployee Director Plan") (incorporated by reference to Exhibit 10.2 to the Liberty Form 10 Amendment No. 1).
- 10.7 Amendment to the 2013 Nonemployee Director Plan (incorporated by reference to Exhibit 10.3 to the Liberty Q3 201310 Q).

- 10.8 Form of Non-Qualified Stock Option Agreement under the 2013 Nonemployee Director Plan (incorporated by reference to Exhibit 10.4 to the Starz 2011 10-K).
- 10.9 Form of Restricted Stock Award Agreement under the 2013 Non-Employee Director Incentive Plan (incorporated by reference to Exhibit 10.5 to the Starz 2011 10-K).
- 10.10 Form of Liberty Media Corporation Transitional Stock Adjustment Plan (incorporated by reference to Exhibit 10.3 to Amendment No. 2 to the Registrant's Registration Statement on Form 10 filed on December 17, 2012 (File No. 001-35707)).
- 10.11 Liberty Media Corporation 2006 Deferred Compensation Plan (As Amended and Restated as of January 11, 2013) (incorporated by reference to Exhibit 10.8 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2012 filed on February 28, 2013 (File No. 001-35707) (the "Liberty 2012 10-K").
- 10.12 Tax Sharing Agreement, dated as of September 23, 2011, by and between Liberty Interactive Corporation, Liberty Interactive LLC and Liberty Media Corporation (as assignee of Starz (f/k/a Liberty Media Corporation) (incorporated by reference to Exhibit 10.4 to Post-Effective Amendment No. 1 to Starz's Registration Statement on Form S-4 filed on September 23, 2011 (File No. 333-171201) (the "Starz S-4").
- 10.13 Tax Sharing Agreement, dated as of January 11, 2013, by and between Starz and Liberty Media Corporation (incorporated by reference to Exhibit 10.1 to the Starz 8-K).
- 10.14 Tax Sharing Agreement, dated as of November 4, 2014, between Liberty Media Corporation and Liberty Broadband Corporation (incorporated by reference to Exhibit 10.1 to the Broadband 8-K).
- 10.15 Services Agreement, dated as of September 23, 2011, by and between Liberty Interactive Corporation and Liberty Media Corporation (as assignee of Starz (f/k/a Liberty Media Corporation)) (incorporated by reference to Exhibit 10.5 to the Starz S-4).
- 10.16 Form of Indemnification Agreement by and between the Registrant and its executive officers/directors (incorporated by reference to Exhibit 10.13 to the Liberty Form 10).
- 10.17 Restated and Amended Employment Agreement dated November 1, 1992, between Tele-Communications, Inc. and John C. Malone (assumed by Liberty Media LLC as of March 9, 1999), and the amendment thereto dated June 30, 1999 and effective as of March 9, 1999, between Liberty Media LLC and John C. Malone (collectively, the "Malone Employment Agreement" (assumed, as amended, by the Registrant as of January 10, 2013)) (incorporated by reference to Exhibit 10.11 to Liberty Interactive Corporation's Annual Report on Form 10-K for the year ended December 31, 2009 filed on February 25, 2010 (File No. 001-33982) (the "Liberty Interactive 2009 10-K").
- 10.18 Second Amendment to Malone Employment Agreement effective January 1, 2003 (incorporated by reference to Exhibit 10.12 to the Liberty Interactive 2009 10-K).
- 10.19 Third Amendment to Malone Employment Agreement effective January 1, 2007 (incorporated by reference to Exhibit 10.13 to Liberty Interactive Corporation's Annual Report on Form 10-K for the year ended December 31, 2008 filed on February 27, 2009 (File No. 001-33982)) (the "Liberty Interactive 2008 10-K").
- 10.20 Fourth Amendment to Malone Employment Agreement effective January 1, 2009 (incorporated by reference to Exhibit 10.14 to the Liberty Interactive 2008 10-K).
- 10.21 Employment Agreement dated December 29, 2014, between Gregory B. Maffei and Liberty Media Corporation.*

- 10.22 Letter Agreement regarding personal use of Liberty Media's aircraft, dated as of February 5, 2013, between Gregory B. Maffei and Liberty Media Corporation (incorporated by reference to Exhibit 10.23 to the Liberty 2012 10-K).
- 10.23 Executive Employment Agreement dated effective as of October 31, 2012, by and between Liberty Media Corporation (as assignee of Starz (f/k/a Liberty Media Corporation)) and Richard Baer (incorporated by reference to Exhibit 10.24 to the Liberty 2012 10-K).
- 10.24 Credit Agreement, dated as of December 5, 2012 among the Sirius XM Radio, Inc. ("Sirius XM Radio"), JPMorgan Chase Bank, N.A. as administrative agent, and the other agents and lenders party thereto (incorporated by reference to Sirius XM Radio's Current Report on Form 8-K filed on December 10, 2012 (File No. 001-34295)).
- 10.25 Amendment No. 1, dated as of April 22, 2014, to the Credit Agreement, dated as of December 5, 2012, among Sirius XM Radio, the Lenders party thereto and JPMorgan Chase Bank, N.A. as administrative agent for the Lenders, as collateral agent for the Secured Parties and as an Issuing Bank (incorporated by reference to Exhibit 10.1 to Sirius XM Radio's Current Report on Form 8-K filed on April 22, 2014).
- 10.26 Indenture, dated as of August 13, 2012, among Sirius XM Radio, the guarantors named therein and U.S. Bank National Association, as trustee, relating to Sirius XM Radio's 5.25% Senior Secured Notes due 2022 (incorporated by reference to Exhibit 4.1 to Sirius XM Radio's Current Report on Form 8-K filed on August 14, 2012 (File No. 001-34295)).
- 10.27 Supplemental Indenture, dated as of April 10, 2014, among Sirius XM Radio, the guarantors named therein and U.S. Bank National Association, as trustee, relating to the 5.25% Senior Notes due 2022 (incorporated by reference to Exhibit 4.1 to Sirius XM Radio's Current Report on Form 8-K filed on April 10, 2014 (File No. 001-34295)).
- 10.28 Indenture, dated as of May 16, 2013, among Sirius XM Radio, the guarantors named therein and U.S. Bank National Association, as trustee, relating to Sirius XM Radio's 4.25% Senior Notes due 2020 (incorporated by reference to Exhibit 4.1 to Sirius XM Radio's Current Report on Form 8-K filed on May 20, 2013 (File No. 001-34295) (the "Sirius XM Radio 8-K")).
- 10.29 Indenture, dated as of May 16, 2013, among Sirius XM Radio, the guarantors named therein and U.S. Bank National Association, as trustee, relating to Sirius XM Radio's 4.625% Senior Notes due 2023 (incorporated by reference to Exhibit 4.2 to the Sirius XM Radio 8-K).
- 10.30 Indenture, dated as of August 1, 2013, among Sirius XM Radio, the guarantors named therein and U.S. Bank National Association, as trustee, relating to Sirius XM Radio's 5.75% Senior Notes due 2021 (incorporated by reference to Exhibit 4.1 to Sirius XM Radio's Current Report on Form 8-K filed on August 1, 2013 (File No. 001-34295)).
- 10.31 Indenture, dated as of September 24, 2013, among Sirius XM Radio, the guarantors named therein and U.S. Bank National Association, as trustee, relating to Sirius XM Radio's 5.875% Senior Notes due 2020 (incorporated by reference to Exhibit 4.2 to Sirius XM Radio's Current Report on Form 8-K filed on September 25, 2013 (File No. 001-34295)).
- 10.32 Indenture, dated as of May 6, 2014, among Sirius XM Radio, the guarantors named therein and U.S. Bank National Association, as trustee, relating to the 6.00% Senior Notes due 2024 (incorporated by reference to Exhibit 4.1 to Sirius XM Radio's Current Report on Form 8-K filed on May 7, 2014 (File No. 001-34295)).
- 10.33 Share Repurchase Agreement, dated as of October 9, 2013, by and between the Registrant and SIRIUS XM (incorporated by reference to Exhibit 99.2 to the Registrant's Current Report on Form 8-K filed on October 10, 2013 (File No. 001-35707)).

- 10.34 Technology Licensing Agreement among XM Satellite Radio Inc., XM Satellite Radio Holdings Inc., WorldSpace Management Corporation and American Mobile Satellite Corporation, dated as of January 1, 1998, amended by Amendment No. 1 to Technology Licensing Agreement, dated June 7, 1999 (incorporated by reference to Exhibit 10.3 to XM Satellite Radio Holdings Inc.'s Annual Report on Form 10-K for the year ended December 31, 2007 filed on February 28, 2008 (File No. 333-39178)(the "XM Satellite Radio 10-K")).***
- 10.35 Third Amended and Restated Distribution and Credit Agreement, dated as of February 6, 2008, among General Motors Corporation, XM Satellite Radio Holdings Inc. and XM Satellite Radio Inc. (incorporated by reference to Exhibit 10.63 to the XM Satellite Radio 10-K).***
- 10.36 Third Amended and Restated Satellite Purchase Contract for In-Orbit Delivery, dated as of May 15, 2001, between XM Satellite Radio Inc. and Boeing Satellite Systems International Inc. (incorporated by reference to Exhibit 10.36 to Amendment No. 1 to XM Satellite Radio Holdings Inc.'s Registration Statement on Form S-3 filed on June 21, 2002 (File No. 333-89132)).***
- 10.37 Amended and Restated Amendment to the Satellite Purchase Contract for In-Orbit Delivery, dated May 22, 2003, among XM Satellite Radio Inc. and XM Satellite Radio Holdings Inc. and Boeing Satellite Systems International Inc. (incorporated by reference to Exhibit 10.53 to XM Satellite Radio Holdings Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2003 filed on August 14, 2003 (File No. 000-27441) (the "XM Satellite Radio 10-Q")).***
- 10.38 Amendment to the Satellite Purchase Contract for In-Orbit Delivery, dated July 31, 2003, among XM Satellite Radio Inc. and XM Satellite Radio Holdings Inc. and Boeing Satellite Systems International Inc. (incorporated by reference to Exhibit 10.54 to the XM Satellite Radio 10-Q)).***
- 10.39 Amendment to the Satellite Purchase Contract for In-Orbit Delivery, dated December 19, 2003, among XM Satellite Radio Inc., XM Satellite Radio Holdings Inc. and Boeing Satellite Systems International Inc. (incorporated by reference to Exhibit 10.57 to XM Satellite Radio Holdings Inc.'s Annual Report on Form 10-K for the year ended December 31, 2003 filed on March 15, 2004 (File No. 000-27441)).***
- 10.40 Confirmation, dated October 10, 2013, of Base Cash Convertible Bond Hedge Transaction between J.P. Morgan Chase Bank N.A., London Branch and Liberty Media Corporation (incorporated by reference to Exhibit 10.5 to the Liberty Q3 2013 10-Q).***
- 10.41 Confirmation, dated October 10, 2013, of Base Warrants Transaction between J.P. Morgan Chase Bank N.A., London Branch and Liberty Media Corporation (incorporated by reference to Exhibit 10.6 to the Liberty Q3 2013 10-Q).***
- 10.42 Confirmation, dated October 10, 2013, of Base Cash Convertible Bond Hedge Transaction between Wells Fargo Bank, N.A. and Liberty Media Corporation (incorporated by reference to Exhibit 10.7 to the Liberty Q3 2013 10-Q).***
- 10.43 Confirmation, dated October 10, 2013, of Base Warrants Transaction between Wells Fargo Bank, N.A. and Liberty Media Corporation (incorporated by reference to Exhibit 10.8 to the Liberty Q3 2013 10-Q).***
- 10.44 Confirmation, dated October 10, 2013, of Base Cash Convertible Bond Hedge Transaction between Deutsche Bank AG, London Branch and Liberty Media Corporation (incorporated by reference to Exhibit 10.9 to the Liberty Q3 2013 10-Q).***
- 10.45 Confirmation, dated October 10, 2013, of Base Warrants Transaction between Deutsche Bank AG, London Branch and Liberty Media Corporation (incorporated by reference to Exhibit 10.10 to the Liberty Q3 2013 10-Q).***

10.46	Confirmation, dated October 11, 2013, of Additional Cash Convertible Bond Hedge Transaction between J.P. Morgan Chase Bank N.A., London Branch and Liberty Media Corporation (incorporated by reference to Exhibit 10.11 to the Liberty Q3 2013 10-Q).***
10.47	Confirmation, dated October 11, 2013, of Additional Warrants Transaction between J.P. Morgan Chase Bank N.A., London Branch and Liberty Media Corporation (incorporated by reference to Exhibit 10.12 to the Liberty Q3 2013 10-Q).***
10.48	Confirmation, dated October 11, 2013, of Additional Cash Convertible Bond Hedge Transaction between Wells Fargo Bank, N.A. and Liberty Media Corporation (incorporated by reference to Exhibit 10.13 to the Liberty Q3 2013 10-Q).***
10.49	Confirmation, dated October 11, 2013, of Additional Warrants Transaction between Wells Fargo Bank, N.A. and Liberty Media Corporation (incorporated by reference to Exhibit 10.14 to the Liberty Q3 2013 10-Q).***
10.50	Confirmation, dated October 11, 2013, of Additional Cash Convertible Bond Hedge Transaction between Deutsche Bank AG, London Branch and Liberty Media Corporation (incorporated by reference to Exhibit 10.15 to the Liberty Q3 2013 10-Q).***
10.51	Confirmation, dated October 11, 2013, of Additional Warrants Transaction between Deutsche Bank AG, London Branch and Liberty Media Corporation (incorporated by reference to Exhibit 10.16 to the Liberty Q3 2013 10-Q).***
21	Subsidiaries of Liberty Media Corporation.*
23.1	Consent of KPMG LLP.*
23.2	Consent of KPMG LLP.*
31.1	Rule 13a-14(a)/15d - 14(a) Certification.*
31.2	Rule 13a-14(a)/15d - 14(a) Certification.*
32	Section 1350 Certification. **
101.INS	XBRL Instance Document.*
101.SCH	XBRL Taxonomy Extension Schema Document.*
101.CAL	XBRL Taxonomy Calculation Linkbase Document.*
101.LAB	XBRL Taxonomy Label Linkbase Document.*
101.PRE	XBRL Taxonomy Presentation Linkbase Document.*
101.DEF	XBRL Taxonomy Definition Document.*

* Filed herewith.

** Furnished herewith.

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

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,		
	2012	2011	2010
<i>(in thousands, except per share data)</i>			
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
	—	—	469
Unrealized gain on available-for-sale securities			
Realized loss on XM Canada investment foreign currency adjustment	—	6,072	—
Foreign currency translation adjustment, net of tax	49	(140)	251
Total comprehensive income	\$ 3,472,751	\$ 432,893	\$ 43,775
Net income per common share:			
Basic	\$ 0.55	\$ 0.07	\$ 0.01
Diluted	\$ 0.51	\$ 0.07	\$ 0.01
Weighted average common shares outstanding:			
Basic	4,209,073	3,744,606	3,693,259
Diluted	6,873,786	6,500,822	6,391,071

See accompanying notes to the consolidated financial statements.

**SIRIUS XM RADIO INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS**

	As of December 31,	
	2012	2011
<i>(in thousands, except share and per share data)</i>		
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

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

See accompanying notes to the consolidated financial statements.

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

<i>(in thousands)</i>	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)

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

See accompanying notes to the consolidated financial statements.

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

(1) Business & Basis of Presentation

Business

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

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

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

Basis of Presentation

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

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

(2) Summary of Significant Accounting Policies

Cash and Cash Equivalents

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

Equity Method Investments

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

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

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

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

Property and Equipment

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

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

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

Goodwill and Other Intangible Assets

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

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

ASU 2012-02, *Testing Indefinite-Lived Intangible Assets for Impairment*, established an option to first perform a qualitative assessment to determine whether it is more likely than not that an asset is impaired. If the qualitative assessment supports that it is more likely than not that the fair value of the asset exceeds its carrying value, a quantitative impairment test is not required. If the qualitative assessment does not support the fair value of the asset, then a quantitative assessment is performed. We completed a qualitative assessment during the fourth quarter of 2012 and determined that there was no

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

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.

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

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.

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

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.

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

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

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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.

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(3) Earnings per Share

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

	For the Years Ended December 31,		
	2012	2011	2010
<i>(in thousands, except per share data)</i>			
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	<u>2,323,132</u>	<u>252,512</u>	<u>25,320</u>
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	<u>\$ 3,511,202</u>	<u>\$ 426,961</u>	<u>\$ 43,055</u>
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	<u>6,873,786</u>	<u>6,500,822</u>	<u>6,391,071</u>
Net income per common share:			
Basic	<u>\$ 0.55</u>	<u>\$ 0.07</u>	<u>\$ 0.01</u>
Diluted	<u>\$ 0.51</u>	<u>\$ 0.07</u>	<u>\$ 0.01</u>

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.

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

(4) Accounts Receivable, net

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

Accounts receivable, net, consists of the following:

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

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	<u>\$ 104,425</u>	<u>\$ 84,817</u>

(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	<u>\$ 25,337</u>	<u>\$ 36,711</u>

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(6) Goodwill

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

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

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

(7) Intangible Assets

Intangible assets consist of the following:

	Weighted Average Useful Lives	December 31, 2012			December 31, 2011		
		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.

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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:

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

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

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

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

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

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

Definite Life Intangible Assets

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

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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	<u>\$ 185,956</u>

(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	<u>\$ 297,303</u>	<u>\$ 338,460</u>	<u>\$ 359,523</u>

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

(9) Property and Equipment

Property and equipment, net, consists of the following:

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

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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	<u>\$ 417,124</u>	<u>\$ 372,508</u>

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

Satellites

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

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

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

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

(10) Related Party Transactions

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

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

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Liberty Media

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

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

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

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

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

Sirius XM Canada

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

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

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

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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	<u>\$ 44,197</u>	<u>\$ 53,741</u>

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

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

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

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

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

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

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obligor pursuant to the provisions of ASC 605, *Revenue Recognition*. The estimated fair value of deferred revenue from XM Canada as of the Merger date was approximately \$34,000, which is amortized on a straight-line basis through 2020, the end of the expected term of the agreements.

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

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

* Sirius XM Canada commenced operations in June 2011.

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

Sirius Canada

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

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

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

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

* Sirius Canada combined with XM Canada in June 2011.

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

Our share of net earnings or losses of Sirius Canada was recorded to Interest and investment income (loss) in our consolidated statements of comprehensive income on a one month lag. Our share of Sirius Canada's net loss was \$9,717 and

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\$10,257 for the years ended December 31, 2011 and 2010, respectively. The payments received from Sirius Canada in excess of carrying value were \$6,748 and \$10,281 for the years ended December 31, 2011 and 2010, respectively.

XM Canada

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

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

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

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

* XM Canada combined with Sirius Canada in June 2011.

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

General Motors and American Honda

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

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

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

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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	\$	<u>17,749</u>

*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	\$	<u>48,257</u>	\$	<u>5,136</u>

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

(11) Investments

Long Term Restricted Investments

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

Auction Rate Certificates

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

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(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.

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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.

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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.

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(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.

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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.

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

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.

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(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.

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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.

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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	<u>429</u>	\$ 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.

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

(15) Commitments and Contingencies

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

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

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

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

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

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

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

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

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

SIRIUS XM RADIO INC. AND SUBSIDIARIES
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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.

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(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

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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	<u>3,275,778</u>	<u>3,859,194</u>
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	<u>(1,122,784)</u>	<u>(1,376,811)</u>
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)	<u>\$ 2,143,159</u>	<u>\$ (878,357)</u>

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

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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	<u>\$ 1,432</u>	<u>\$ 1,432</u>

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.

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- (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

(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 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.

Date: February 26, 2015

LIBERTY MEDIA CORPORATION

By: /s/ GREGORY B. MAFFEI

Gregory B. Maffei
President and Chief Executive Officer

Date: February 26, 2015

By: /s/ CHRISTOPHER W. SHEAN

Christopher W. Shean
Senior Vice President and Chief Financial Officer (Principal Financial
Officer and Principal Accounting Officer)

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

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/John C. Malone</u> John C. Malone	Chairman of the Board and Director	February 26, 2015
<u>/s/Gregory B. Maffei</u> Gregory B. Maffei	Director, President and Chief Executive Officer	February 26, 2015
<u>/s/Robert R. Bennett</u> Robert R. Bennett	Director	February 26, 2015
<u>/s/Donne F. Fisher</u> Donne F. Fisher	Director	February 26, 2015
<u>/s/M. Ian G. Gilchrist</u> M. Ian G. Gilchrist	Director	February 26, 2015
<u>/s/Evan D. Malone</u> Evan D. Malone	Director	February 26, 2015
<u>/s/David E. Rapley</u> David E. Rapley	Director	February 26, 2015
<u>/s/Larry E. Romrell</u> Larry E. Romrell	Director	February 26, 2015
<u>/s/Andrea L. Wong</u> Andrea L. Wong	Director	February 26, 2015

EXHIBIT INDEX

Listed below are the exhibits which are filed as a part of this Report (according to the number assigned to them in Item 601 of Regulation S-K):

2 - Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession:

- 2.1 Reorganization Agreement, dated as of January 10, 2013, between Starz (f/k/a Liberty Media Corporation) and Liberty Media Corporation (f/k/a Liberty Spinco, Inc.) (incorporated by reference to Exhibit 2.1 to Starz's Current Report on Form 8-K filed on January 17, 2013 (File No. 001-35294) (the "Starz 8-K")).
- 2.2 Reorganization Agreement, dated as of October 28, 2014, between Liberty Media Corporation and Liberty Broadband Corporation (incorporated by reference to Exhibit 2.1 to Liberty Broadband Corporation's Current Report on Form 8-K filed on November 10, 2014 (File No. 001-36713) (the "Broadband 8-K")).

3 - Articles of Incorporation and Bylaws:

- 3.1 Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on January 17, 2013 (File No. 001-35707) (the "Liberty 8-K")).
- 3.2 Amended and Restated Bylaws of the Registrant (incorporated by reference to Exhibit 3.2 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2013 filed on February 28, 2014 (File No. 001-35707) (the "Liberty 2013 10-K")).

4 - Instruments Defining the Rights of Securities Holders, including Indentures:

- 4.1 Specimen certificate for shares of the Registrant's Series A common stock, par value \$.01 per share (incorporated by reference to Exhibit 4.1 to Registrant's Registration Statement on Form 10 filed on October 19, 2012 (File No. 001-35707) (the "Liberty Form 10")).
- 4.2 Specimen certificate for shares of the Registrant's Series B common stock, par value \$.01 per share (incorporated by reference to Exhibit 4.2 to the Liberty Form 10).
- 4.3 Specimen Certificate for Shares of the Registrant's Series C common stock, par value \$.01 per share (incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form 8-A filed on June 25, 2014 (File No. 001-35707)).
- 4.4 Indenture dated as of October 17, 2013 among the Registrant, as issuer, and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013 filed on November 5, 2013 (File No. 001-35707) (the "Liberty Q3 2013 10-Q")).
- 4.5 The Registrant undertakes to furnish to the Securities and Exchange Commission, upon request, a copy of all instruments with respect to long-term debt not filed herewith.

10 - Material Contracts:

- 10.1 Form of Liberty Media Corporation 2013 Incentive Plan (the "2013 Plan") (incorporated by reference to Exhibit 10.3 to Amendment No. 1 to the Registrant's Registration Statement on Form 10 filed on November 30, 2012 (File No. 001-35707) (the "Liberty Form 10 Amendment No. 1")).
- 10.2 Amendment to the 2013 Plan (incorporated by reference to Exhibit 10.2 to the Liberty Q3 201310-Q).

- 10.3 Form of Non-Qualified Stock Option Agreement (incorporated by reference to Exhibit 10.3 to the Liberty 2013 10-K).
- 10.4 Form of Restricted Stock Award Agreement (incorporated by reference to Exhibit 10.4 to the Liberty 2013 10-K).
- 10.5 Form of Non-Qualified Stock Option Agreement under the 2013 Plan [for certain designated award recipients] (incorporated by reference to Exhibit 10.2 to Starz's Annual Report on Form 10-K for the year ended December 31, 2011 filed on February 23, 2012 (File No. 001-35294) (the "Starz 2011 10-K").
- 10.6 Form of Liberty Media Corporation 2013 Nonemployee Director Incentive Plan (the "2013 Nonemployee Director Plan") (incorporated by reference to Exhibit 10.2 to the Liberty Form 10 Amendment No. 1).
- 10.7 Amendment to the 2013 Nonemployee Director Plan (incorporated by reference to Exhibit 10.3 to the Liberty Q3 201310 Q).
- 10.8 Form of Non-Qualified Stock Option Agreement under the 2013 Nonemployee Director Plan (incorporated by reference to Exhibit 10.4 to the Starz 2011 10-K).
- 10.9 Form of Restricted Stock Award Agreement under the 2013 Non-Employee Director Incentive Plan (incorporated by reference to Exhibit 10.5 to the Starz 2011 10-K).
- 10.10 Form of Liberty Media Corporation Transitional Stock Adjustment Plan (incorporated by reference to Exhibit 10.3 to Amendment No. 2 to the Registrant's Registration Statement on Form 10 filed on December 17, 2012 (File No. 001-35707)).
- 10.11 Liberty Media Corporation 2006 Deferred Compensation Plan (As Amended and Restated as of January 11, 2013) (incorporated by reference to Exhibit 10.8 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2012 filed on February 28, 2013 (File No. 001-35707) (the "Liberty 2012 10-K").
- 10.12 Tax Sharing Agreement, dated as of September 23, 2011, by and between Liberty Interactive Corporation, Liberty Interactive LLC and Liberty Media Corporation (as assignee of Starz (f/k/a Liberty Media Corporation) (incorporated by reference to Exhibit 10.4 to Post-Effective Amendment No. 1 to Starz's Registration Statement on Form S-4 filed on September 23, 2011 (File No. 333-171201) (the "Starz S-4").
- 10.13 Tax Sharing Agreement, dated as of January 11, 2013, by and between Starz and Liberty Media Corporation (incorporated by reference to Exhibit 10.1 to the Starz 8-K).
- 10.14 Tax Sharing Agreement, dated as of November 4, 2014, between Liberty Media Corporation and Liberty Broadband Corporation (incorporated by reference to Exhibit 10.1 to the Broadband 8-K).
- 10.15 Services Agreement, dated as of September 23, 2011, by and between Liberty Interactive Corporation and Liberty Media Corporation (as assignee of Starz (f/k/a Liberty Media Corporation)) (incorporated by reference to Exhibit 10.5 to the Starz S-4).
- 10.16 Form of Indemnification Agreement by and between the Registrant and its executive officers/directors (incorporated by reference to Exhibit 10.13 to the Liberty Form 10).
- 10.17 Restated and Amended Employment Agreement dated November 1, 1992, between Tele-Communications, Inc. and John C. Malone (assumed by Liberty Media LLC as of March 9, 1999), and the amendment thereto dated June 30, 1999 and effective as of March 9, 1999, between Liberty Media LLC and John C. Malone (collectively, the "Malone Employment Agreement" (assumed, as amended, by the Registrant as of January 10, 2013)) (incorporated by reference to Exhibit 10.11 to Liberty Interactive Corporation's Annual Report on

- Form 10-K for the year ended December 31, 2009 filed on February 25, 2010 (File No. 001-33982) (the "Liberty Interactive 2009 10-K").
- 10.18 Second Amendment to Malone Employment Agreement effective January 1, 2003 (incorporated by reference to Exhibit 10.12 to the Liberty Interactive 2009 10-K).
- 10.19 Third Amendment to Malone Employment Agreement effective January 1, 2007 (incorporated by reference to Exhibit 10.13 to Liberty Interactive Corporation's Annual Report on Form 10-K for the year ended December 31, 2008 filed on February 27, 2009 (File No. 001-33982)) (the "Liberty Interactive 2008 10-K").
- 10.20 Fourth Amendment to Malone Employment Agreement effective January 1, 2009 (incorporated by reference to Exhibit 10.14 to the Liberty Interactive 2008 10-K).
- 10.21 Employment Agreement dated December 29, 2014, between Gregory B. Maffei and Liberty Media Corporation.*
- 10.22 Letter Agreement regarding personal use of Liberty Media's aircraft, dated as of February 5, 2013, between Gregory B. Maffei and Liberty Media Corporation (incorporated by reference to Exhibit 10.23 to the Liberty 2012 10-K).
- 10.23 Executive Employment Agreement dated effective as of October 31, 2012, by and between Liberty Media Corporation (as assignee of Starz (f/k/a Liberty Media Corporation)) and Richard Baer (incorporated by reference to Exhibit 10.24 to the Liberty 2012 10-K).
- 10.24 Credit Agreement, dated as of December 5, 2012 among the Sirius XM Radio, Inc. ("Sirius XM Radio"), JPMorgan Chase Bank, N.A. as administrative agent, and the other agents and lenders party thereto (incorporated by reference to Sirius XM Radio's Current Report on Form 8-K filed on December 10, 2012 (File No. 001-34295)).
- 10.25 Amendment No. 1, dated as of April 22, 2014, to the Credit Agreement, dated as of December 5, 2012, among Sirius XM Radio, the Lenders party thereto and JPMorgan Chase Bank, N.A. as administrative agent for the Lenders, as collateral agent for the Secured Parties and as an Issuing Bank (incorporated by reference to Exhibit 10.1 to Sirius XM Radio's Current Report on Form 8-K filed on April 22, 2014).
- 10.26 Indenture, dated as of August 13, 2012, among Sirius XM Radio, the guarantors named therein and U.S. Bank National Association, as trustee, relating to Sirius XM Radio's 5.25% Senior Secured Notes due 2022 (incorporated by reference to Exhibit 4.1 to Sirius XM Radio's Current Report on Form 8-K filed on August 14, 2012 (File No. 001-34295)).
- 10.27 Supplemental Indenture, dated as of April 10, 2014, among Sirius XM Radio, the guarantors named therein and U.S. Bank National Association, as trustee, relating to the 5.25% Senior Notes due 2022 (incorporated by reference to Exhibit 4.1 to Sirius XM Radio's Current Report on Form 8-K filed on April 10, 2014 (File No. 001-34295)).
- 10.28 Indenture, dated as of May 16, 2013, among Sirius XM Radio, the guarantors named therein and U.S. Bank National Association, as trustee, relating to Sirius XM Radio's 4.25% Senior Notes due 2020 (incorporated by reference to Exhibit 4.1 to Sirius XM Radio's Current Report on Form 8-K filed on May 20, 2013 (File No. 001-34295) (the "Sirius XM Radio 8-K")).
- 10.29 Indenture, dated as of May 16, 2013, among Sirius XM Radio, the guarantors named therein and U.S. Bank National Association, as trustee, relating to Sirius XM Radio's 4.625% Senior Notes due 2023 (incorporated by reference to Exhibit 4.2 to the Sirius XM Radio 8-K).

- 10.30 Indenture, dated as of August 1, 2013, among Sirius XM Radio, the guarantors named therein and U.S. Bank National Association, as trustee, relating to Sirius XM Radio's 5.75% Senior Notes due 2021 (incorporated by reference to Exhibit 4.1 to Sirius XM Radio's Current Report on Form 8-K filed on August 1, 2013 (File No. 001-34295)).
- 10.31 Indenture, dated as of September 24, 2013, among Sirius XM Radio, the guarantors named therein and U.S. Bank National Association, as trustee, relating to Sirius XM Radio's 5.875% Senior Notes due 2020 (incorporated by reference to Exhibit 4.2 to Sirius XM Radio's Current Report on Form 8-K filed on September 25, 2013 (File No. 001-34295)).
- 10.32 Indenture, dated as of May 6, 2014, among Sirius XM Radio, the guarantors named therein and U.S. Bank National Association, as trustee, relating to the 6.00% Senior Notes due 2024 (incorporated by reference to Exhibit 4.1 to Sirius XM Radio's Current Report on Form 8-K filed on May 7, 2014 (File No. 001-34295)).
- 10.33 Share Repurchase Agreement, dated as of October 9, 2013, by and between the Registrant and SIRIUS XM (incorporated by reference to Exhibit 99.2 to the Registrant's Current Report on Form 8-K filed on October 10, 2013 (File No. 001-35707)).
- 10.34 Technology Licensing Agreement among XM Satellite Radio Inc., XM Satellite Radio Holdings Inc., WorldSpace Management Corporation and American Mobile Satellite Corporation, dated as of January 1, 1998, amended by Amendment No. 1 to Technology Licensing Agreement, dated June 7, 1999 (incorporated by reference to Exhibit 10.3 to XM Satellite Radio Holdings Inc.'s Annual Report on Form 10-K for the year ended December 31, 2007 filed on February 28, 2008 (File No. 333-39178)(the "XM Satellite Radio 10-K")),***
- 10.35 Third Amended and Restated Distribution and Credit Agreement, dated as of February 6, 2008, among General Motors Corporation, XM Satellite Radio Holdings Inc. and XM Satellite Radio Inc. (incorporated by reference to Exhibit 10.63 to the XM Satellite Radio 10-K).***
- 10.36 Third Amended and Restated Satellite Purchase Contract for In-Orbit Delivery, dated as of May 15, 2001, between XM Satellite Radio Inc. and Boeing Satellite Systems International Inc. (incorporated by reference to Exhibit 10.36 to Amendment No. 1 to XM Satellite Radio Holdings Inc.'s Registration Statement on Form S-3 filed on June 21, 2002 (File No. 333-89132)).***
- 10.37 Amended and Restated Amendment to the Satellite Purchase Contract for In-Orbit Delivery, dated May 22, 2003, among XM Satellite Radio Inc. and XM Satellite Radio Holdings Inc. and Boeing Satellite Systems International Inc. (incorporated by reference to Exhibit 10.53 to XM Satellite Radio Holdings Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2003 filed on August 14, 2003 (File No. 000-27441) (the "XM Satellite Radio 10-Q")).***
- 10.38 Amendment to the Satellite Purchase Contract for In-Orbit Delivery, dated July 31, 2003, among XM Satellite Radio Inc. and XM Satellite Radio Holdings Inc. and Boeing Satellite Systems International Inc. (incorporated by reference to Exhibit 10.54 to the XM Satellite Radio 10-Q)).***
- 10.39 Amendment to the Satellite Purchase Contract for In-Orbit Delivery, dated December 19, 2003, among XM Satellite Radio Inc., XM Satellite Radio Holdings Inc. and Boeing Satellite Systems International Inc. (incorporated by reference to Exhibit 10.57 to XM Satellite Radio Holdings Inc.'s Annual Report on Form 10-K for the year ended December 31, 2003 filed on March 15, 2004 (File No. 000-27441)).***
- 10.40 Confirmation, dated October 10, 2013, of Base Cash Convertible Bond Hedge Transaction between J.P. Morgan Chase Bank N.A., London Branch and Liberty Media Corporation (incorporated by reference to Exhibit 10.5 to the Liberty Q3 2013 10-Q)).***

- 10.41 Confirmation, dated October 10, 2013, of Base Warrants Transaction between J.P. Morgan Chase Bank N.A., London Branch and Liberty Media Corporation (incorporated by reference to Exhibit 10.6 to the Liberty Q3 2013 10-Q).***
- 10.42 Confirmation, dated October 10, 2013, of Base Cash Convertible Bond Hedge Transaction between Wells Fargo Bank, N.A. and Liberty Media Corporation (incorporated by reference to Exhibit 10.7 to the Liberty Q3 2013 10-Q).***
- 10.43 Confirmation, dated October 10, 2013, of Base Warrants Transaction between Wells Fargo Bank, N.A. and Liberty Media Corporation (incorporated by reference to Exhibit 10.8 to the Liberty Q3 2013 10-Q).***
- 10.44 Confirmation, dated October 10, 2013, of Base Cash Convertible Bond Hedge Transaction between Deutsche Bank AG, London Branch and Liberty Media Corporation (incorporated by reference to Exhibit 10.9 to the Liberty Q3 2013 10-Q).***
- 10.45 Confirmation, dated October 10, 2013, of Base Warrants Transaction between Deutsche Bank AG, London Branch and Liberty Media Corporation (incorporated by reference to Exhibit 10.10 to the Liberty Q3 2013 10-Q).***
- 10.46 Confirmation, dated October 11, 2013, of Additional Cash Convertible Bond Hedge Transaction between J.P. Morgan Chase Bank N.A., London Branch and Liberty Media Corporation (incorporated by reference to Exhibit 10.11 to the Liberty Q3 2013 10-Q).***
- 10.47 Confirmation, dated October 11, 2013, of Additional Warrants Transaction between J.P. Morgan Chase Bank N.A., London Branch and Liberty Media Corporation (incorporated by reference to Exhibit 10.12 to the Liberty Q3 2013 10-Q).***
- 10.48 Confirmation, dated October 11, 2013, of Additional Cash Convertible Bond Hedge Transaction between Wells Fargo Bank, N.A. and Liberty Media Corporation (incorporated by reference to Exhibit 10.13 to the Liberty Q3 2013 10-Q).***
- 10.49 Confirmation, dated October 11, 2013, of Additional Warrants Transaction between Wells Fargo Bank, N.A. and Liberty Media Corporation (incorporated by reference to Exhibit 10.14 to the Liberty Q3 2013 10-Q).***
- 10.50 Confirmation, dated October 11, 2013, of Additional Cash Convertible Bond Hedge Transaction between Deutsche Bank AG, London Branch and Liberty Media Corporation (incorporated by reference to Exhibit 10.15 to the Liberty Q3 2013 10-Q).***
- 10.51 Confirmation, dated October 11, 2013, of Additional Warrants Transaction between Deutsche Bank AG, London Branch and Liberty Media Corporation (incorporated by reference to Exhibit 10.16 to the Liberty Q3 2013 10-Q).***

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21	Subsidiaries of Liberty Media Corporation.*
23.1	Consent of KPMG LLP.*
23.2	Consent of KPMG LLP.*
31.1	Rule 13a-14(a)/15d - 14(a) Certification.*
31.2	Rule 13a-14(a)/15d - 14(a) Certification.*
32	Section 1350 Certification. **
101.INS	XBRL Instance Document.*
101.SCH	XBRL Taxonomy Extension Schema Document.*
101.CAL	XBRL Taxonomy Calculation Linkbase Document.*
101.LAB	XBRL Taxonomy Label Linkbase Document.*
101.PRE	XBRL Taxonomy Presentation Linkbase Document.*
101.DEF	XBRL Taxonomy Definition Document.*

* Filed herewith.

** Furnished herewith.

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

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LIBERTY MEDIA CORPORATION
EXECUTIVE EMPLOYMENT AGREEMENT

This Executive Employment Agreement (this “**Agreement**”), dated effective as of December 29, 2014 (the “**Effective Date**”), is made by and between Liberty Media Corporation, a Delaware corporation (the “**Company**”), and Gregory B. Maffei (the “**Executive**”).

RECITALS

A. The Company has determined that it is in the best interests of the Company and its stockholders to employ the Executive as its President and Chief Executive Officer.

B. The Company wishes to assure itself of the services of the Executive for the period hereinafter provided, and the Executive is willing to be employed by the Company for said period, upon the terms and conditions provided in this Agreement.

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which is mutually acknowledged, the Company and the Executive agree as follows:

1. **Definitions.**

(a) “**162(m) Objectives**” means the 162(m) compliant Performance Objectives (as defined in the 2013 Incentive Plan) applicable to the LMC Maximum Amount for each year’s LMC Performance Equity Award grants and vesting thereof, as established by the Compensation Committee in good faith and in its sole discretion to comply with the requirements (including with respect to timing) of Section 162(m) of the Code and in accordance with the Section 4.10 Process.

(b) “**2013 Incentive Plan**” means the Company’s 2013 Incentive Plan, as it may be amended from time to time.

(c) “**Above Target Awards**” means any LMC Performance Equity Awards that are issued in respect of that portion of the LMC Maximum Amount for a calendar year that is in excess of the LMC Target Amount for such calendar year.

(d) “**Achieved 162(m) Objectives**” has the meaning specified in Section 4.10(b).

(e) “**Aggregate LMC/LIC Target Amount**” means (i) \$16,000,000 with respect to calendar year 2015, (ii) \$17,000,000 with respect to calendar year 2016, (iii) \$18,000,000 with respect to calendar year 2017, (iv) \$19,000,000 with respect to calendar year 2018, and (v) \$20,000,000 with respect to calendar year 2019.

(f) “**Board**” means the Board of Directors of the Company.

(g) **“Business Day”** means any day other than Saturday, Sunday or a day on which banking institutions in Denver, Colorado are required or authorized to be closed.

(h) **“Cause”** means: (i) the Executive’s willful failure to follow the lawful instructions of the Board (other than due to Disability); (ii) the commission by the Executive of any fraud, misappropriation or misconduct that causes demonstrable material injury to the Company or any Subsidiary; (iii) the Executive’s conviction of, or plea of guilty or nolo contendere to, a felony; or (iv) the Executive’s failure to comply in any material respect with this Agreement or any other written agreement between the Executive, on the one hand, and the Company or any Subsidiary, on the other, if such failure causes demonstrable material injury to the Company or any Subsidiary. Notwithstanding anything contained herein to the contrary, the Executive’s employment may not be terminated for Cause pursuant to clause (i), (ii) or (iv) above unless (A) the decision is made by a majority of the Board at a Board meeting where the Executive and his counsel had an opportunity to be heard on at least ten days’ prior written notice; (B) the Company provides the Executive with written notice of the Board’s decision to terminate the Executive’s employment for Cause specifying the particular act(s) or failure(s) to act serving as the basis for such decision; and (C) if such act or failure to act is capable of being cured, the Executive fails to cure any such act or failure to act to the reasonable satisfaction of the Board within ten days after such notice.

For purposes of this Agreement, no act or failure to act, on the part of the Executive, will be considered **“willful”** unless it is done, or omitted to be done, by the Executive in bad faith and without reasonable belief that the Executive’s action or omission was legal, proper, and in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or based upon the advice of counsel for the Company will be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company.

(i) **“Change in Control”** means, with respect to the period following the Effective Date:

- (i) any merger, consolidation or share exchange to which the Company is a party as a result of which Persons who are common stockholders of the Company immediately prior thereto have less than a majority of the combined voting power of the outstanding capital stock of the surviving corporation ordinarily (and apart from the rights accruing under special circumstances) having the right to vote in the election of directors immediately following such merger, consolidation or share exchange,
- (ii) the adoption of any plan or proposal for the liquidation or dissolution of the Company,
- (iii) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of (1) the Company or (2) the Company’s Subsidiaries, taken as a whole,

(iv) at any time during any period of two consecutive years beginning on or after the Effective Date, individuals who at the beginning of such period were members of the Board (“Original Directors”) and new directors, if any, whose election or nomination for election to the Board was recommended or approved by a majority of the Original Directors and the new directors whose nomination had previously been so approved, cease for any reason to constitute a majority of the then incumbent members of the Board,

(v) any transaction (or series of related transactions) in which any person (as such term is defined in Sections 13(d)(3) and 14(d)(2) of the Exchange Act), corporation or other entity (other than the Company, any of its Subsidiaries, any employee benefit plan sponsored by the Company or any of its Subsidiaries, any Exempt Person (as defined in the 2013 Incentive Plan as in effect on the date hereof) or any member of the Malone Group) shall become the “beneficial owner” (as such term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing more than 50% of the combined voting power of the then outstanding securities of the Company ordinarily (and apart from the rights accruing under special circumstances) having the right to vote in the election of directors (calculated as provided in Rule 13d-3(d) under the Exchange Act in the case of rights to acquire the Company's securities), or

(vi) a spin-off, split-off, split-up or other similar event or events (each, a “Spin Transaction”), either in a single transaction or in a series of related or unrelated transactions (provided that such related or unrelated transactions occur during a period of 24 consecutive months), pursuant to which assets of the Company or of one or more of its Subsidiaries having either a fair market value (as determined in the good faith reasonable judgment of the Board) or book value equal to 40% or more of the total fair market value or book value of the assets of the Company and its Subsidiaries (taken as a whole) are directly or indirectly transferred or distributed by dividend or otherwise, excluding any Spin Transaction in which (A) the Executive is appointed as the chief executive officer of the separate publicly-traded entity that is the subject of such Spin Transaction, whether or not he elects to accept such appointment, and (B) any equity-based awards previously granted by the Company to the Executive are adjusted in a manner that (1) preserves the intrinsic value of such equity-based award (or, in the case of the grant of a new equity-based award, preserves the intrinsic value of the equity-based award in respect of which such equity-based award is granted) and (2) complies with, or is exempt from, Section 409A of the Code. For the purpose of calculating whether the 40% threshold described in this clause (vi) has been reached or exceeded in a series of two or more transactions, the following calculation will apply:

$$X = \frac{40 - P}{100 - P}$$

where

- X = percentage of book or fair market value, as applicable, required to reach the 40% threshold as of the date of the second or any subsequent transaction; and
- P = percentage of book or fair market value, as applicable, disposed of in all prior spin-off, split-off, split-up or other similar events to which clause (vi) applies, determined as of the date of each such transaction.
- (j) “**Close of Business**” means, on any day, 5:00 p.m., Denver, Colorado time.
- (k) “**Code**” means the Internal Revenue Code of 1986, as amended.
- (l) “**Compensation Committee**” means the compensation committee of the Board.
- (m) “**Disabled**” or “**Disability**” means the Executive’s inability to substantially perform his duties to the Company due to physical or mental impairment for six consecutive months and, within 30 days after a notice of termination is given to the Executive, the Executive continues to be unable to substantially perform his duties to the Company due to physical or mental impairment. Notwithstanding the foregoing, the Executive will not be considered Disabled unless the Executive is also “disabled,” as such term is defined under Section 409A(a)(2)(C) of the Code.
- (n) “**Equity Awards**” means the LMC Term Options and the LMC Performance Equity Awards.
- (o) “**Equity Award Agreements**” means the award agreements pursuant to which the Equity Awards are granted.
- (p) “**Exchange Act**” means the Securities Exchange Act of 1934, as amended from time to time, or any successor statute or statutes thereto.
- (q) “**Executive Election Notice**” has the meaning specified in Section 4.9(c).
- (r) “**Fundamental Corporate Event**” means a corporate event with respect to the Company which results in a change to the number or type of shares of stock subject to an Equity Award, including a stock dividend, stock split, reverse stock split, reclassification, recapitalization, reorganization, split-up, spin-off, combination, share exchange, merger, consolidation or similar corporate event.
- (s) “**Good Reason**” means the occurrence of any of the following events:
- (i) the failure of the Company to appoint the Executive to, or to permit him to remain in, the positions set forth in Section 3, if that failure is not cured within 10 days after written notice from the Executive;
- (ii) the assignment by the Company to the Executive of duties materially inconsistent with his status as the chief executive officer of a publicly-traded company or any material diminution in the Executive’s duties and/or

responsibilities, reporting obligations, titles or authority, as set forth in Section 3, if that inconsistency or diminution is not cured within 10 days after written notice from the Executive;

(iii) a reduction by the Company of the Executive's Base Salary or Target Bonus (it being acknowledged that the Company will have no obligation to actually award any bonus) or of the Aggregate LMC/LIC Target Amount (it being acknowledged that the vesting of Target Awards and the granting of Above Target Awards will be subject to satisfaction of the applicable 162(m) Objectives and any Negative Discretion Criteria in accordance with the applicable Equity Award Agreement and this Agreement);

(iv) the Company's failure to provide any payments or employee benefits required to be provided to the Executive and continuation of that failure for 10 days after written notice from the Executive;

(v) any purported termination by the Company of the Executive's employment for Cause which is not substantially effected pursuant to the procedures described in Section 1(h);

(vi) a Change in Control; provided that the Executive may exercise his right to terminate his employment for Good Reason pursuant to this Section 1(s)(vi) only during the 30-day period that commences 90 days after the occurrence of such Change in Control;

(vii) a termination of the Executive's employment with LIC pursuant to the LIC Employment Agreement (A) by LIC without Cause (as defined in such agreement) or (B) by the Executive for Good Reason (as defined in such agreement); provided, that the Executive may exercise his right to terminate his employment for Good Reason pursuant to this Section 1(s)(vii) only during the 60-day period following such termination of employment with LIC;

(viii) any material breach of the Agreement or any other written agreement between the Executive, on the one hand, and the Company or any Subsidiary, on the other, by the Company or such Subsidiary, if not cured within 10 days after written notice from the Executive; and/or

(ix) a failure of the Company to have any successor to the Company assume in writing the Company's obligations under the Agreement, if not cured within 10 days after written notice from the Executive.

Notwithstanding the foregoing, Good Reason will not be deemed to exist unless the Executive gives the Company notice within 120 days (or such shorter period specified above) after the occurrence of the event which the Executive believes constitutes the basis for Good Reason, specifying the particular act or failure to act which the Executive believes constitutes the basis for Good Reason.

- (t) **“Liberty Broadband”** means Liberty Broadband Corporation, a Delaware corporation.
- (u) **“LIC”** means Liberty Interactive Corporation, a Delaware corporation.
- (v) **“LIC Employment Agreement”** means the Executive Employment Agreement dated as of December 29, 2014 between LIC and the Executive.
- (w) **“LIC Performance Equity Awards”** has the meaning specified in the LIC Employment Agreement.
- (x) **“LMC Maximum Amount”** means 150% of the LMC Target Amount for such year.
- (y) **“LMC Performance Equity Awards”** has the meaning specified in Section 4.9(a).
- (z) **“LMC Performance Options”** has the meaning specified in Section 4.9(a).
- (aa) **“LMC Performance RSUs”** has the meaning specified in Section 4.9(a).
- (bb) **“LMC Target Amount”** has the meaning specified in Section 4.9(b).
- (cc) **“LMC Term Options”** has the meaning specified in Section 4.8.
- (dd) **“Malone Group”** means John C. Malone, his spouse, his children and other lineal descendants or any trust, foundation or other Person established by a member of the Malone Group for the benefit of one or more members of the Malone Group or for a charitable purpose.
- (ee) **“Negative Discretion Criteria”** has the meaning specified in Section 4.10(b).
- (ff) **“Option”** has the meaning specified in the 2013 Incentive Plan.
- (gg) **“Performance Metrics”** means Performance Objectives (as defined in the 2013 Incentive Plan) and any other performance criteria, metric, target or other measure, and required levels of achievement with respect thereto, whether objective, subjective or discretionary, applicable to the Executive in connection in any way with the establishment or grant of any performance-based equity, bonus or other award.
- (hh) **“Person”** means an individual, corporation, limited liability company, partnership, trust, incorporated or unincorporated association, joint venture or other entity of any kind.
- (ii) **“Restricted Stock Unit”** has the meaning specified in the 2013 Incentive Plan.
- (jj) **“Section 4.10 Process”** means the process described in Section 4.10(c).
- (kk) **“Separation”** means the Executive’s “separation from service” from the Company as defined in Treasury Regulation Section 1.409A-1(h).

(ll) “**Series C Common Stock**” means the Company’s Series C common stock.

(mm) “**Severance Benefits**” means any payments or benefits that may become payable to the Executive pursuant to Section 5.1, Section 5.2, Section 5.3 or Section 5.5 upon a Separation, other than the Standard Entitlements.

(nn) “**Standard Entitlements**” has the meaning specified in Section 5.1(a)(iii).

(oo) “**Subsidiary**” means a Subsidiary of the Company, as the term Subsidiary is defined in the 2013 Incentive Plan.

(pp) “**Target Awards**” means the LMC Performance Equity Awards to be issued each year with an aggregate value (as determined in accordance with Section 4.9(e)) equal to 100% of the LMC Target Amount for the applicable year.

(qq) “**TripAdvisor Holdings**” means Liberty TripAdvisor Holdings, Inc., a Delaware corporation.

2. **Employment Period.** The Company will employ the Executive and the Executive accepts such employment for the period beginning on January 1, 2015 and, unless earlier terminated upon the Executive’s Separation, ending at the Close of Business on December 31, 2019 (the “**Employment Period**”).

3. **Title, Position and Duties.**

3.1 **Title and Reporting.** During the Employment Period, the Executive will be employed as the Company’s President and Chief Executive Officer, and he will report solely and directly to the Board. All other employees of the Company (other than the Chairman of the Board, if the Chairman of the Board is an employee of the Company) will report to the Executive or his designees.

3.2 **Board Position.** The Executive will continue to serve as a member of the Board immediately following the Effective Date and, so long as there is an Executive Committee of the Board, will continue to serve on such committee for so long as the Executive serves on the Board. Throughout the Employment Period, the Company will nominate and recommend to the stockholders of the Company that the Executive be elected to the Board whenever the Executive is scheduled to stand or stands for reelection to the Board at any of the Company’s annual stockholder meetings during the Employment Period. Upon termination of the Executive’s employment by the Company for any reason or voluntarily by the Executive for any reason, the Executive will promptly resign from the Company’s Board.

3.3 **Duties.** In his capacity as President and Chief Executive Officer, the Executive will perform such duties during the Employment Period as are consistent with his title and position as President and Chief Executive Officer of a publicly-traded company, it being acknowledged that the duties performed by the Executive, and the level of management authority and responsibility that the Executive had immediately preceding the Effective Date as the President and Chief Executive Officer of the Company are consistent with the title and position as President and Chief Executive Officer of a publicly traded company. No other employee of

the Company will have authority or responsibilities that are equal to or greater than those of the Executive (other than the Chairman of the Board, if the Chairman of the Board is an employee of the Company). Notwithstanding the foregoing, the Executive will not be required to perform any duties or responsibilities which would be likely to result in non-compliance with, or a violation of, any applicable law or regulation.

3.4 **Time and Effort.** The Executive will devote his primary business efforts and abilities to the performance of his duties to the Company and its Subsidiaries and to LIC and its Subsidiaries. Taking into account the foregoing, the Executive may also serve as the President and CEO of Liberty Broadband and TripAdvisor Holdings, and as a director of such entities, during the Employment Period and such service shall not in any way be deemed (1) to breach this Agreement or any other agreement between the Executive and the Company or (2) to interfere with the performance of his duties hereunder. In addition, the Executive will, to the extent the same does not substantially interfere with the performance of his duties hereunder, be permitted to: (i) serve on corporate and civic boards and committees; (ii) deliver lectures, fulfill speaking engagements or teach at educational institutions; and (iii) manage personal and family investments; provided further, that notwithstanding anything contained herein to the contrary, it is expressly understood and agreed that the continued conduct by the Executive of such activities, as listed on **Exhibit A**, will not be deemed to interfere with the performance of the Executive's responsibilities hereunder.

4. **Salary, Bonus, Benefits, Expenses and Equity Grants.**

4.1 **Salary.** For calendar year 2015, the Executive's base salary is \$960,750 per annum (the "**Base Salary**"). The Base Salary will be increased annually by the Company on each January 1 occurring during the Employment Period, to 105% of the Base Salary paid to the Executive in the prior calendar year. The term "**Base Salary**" as used in this Agreement will refer to the Base Salary as it may be so increased.

4.2 **Bonus.** For calendar year 2015 and each subsequent calendar year during the Employment Period, the Executive will be eligible to receive a target bonus of 250% of the Executive's Base Salary for such year (the "**Target Bonus**"). The bonus, if any, payable with respect to services performed in any calendar year will be paid prior to March 15th of the year following the year to which such service relates. The Executive acknowledges that payment of any bonus to the Executive may be made subject to the achievement of one or more Performance Metrics established in good faith by the Board or a committee thereof, with such Performance Metrics (including any specific metrics and required levels of achievement and any criteria for exercising negative discretion) to be consistent with the Performance Metrics (including any specific metrics and required levels of achievement and any criteria for exercising negative discretion) applicable to other senior executives of the Company and to be relatively consistent with the Performance Metrics (including any specific metrics and required levels of achievement and any criteria for exercising negative discretion) used historically by the Company in connection with its annual cash bonus program.

4.3 **Benefits.** During the Employment Period, the Executive, and his dependents, if applicable, will be entitled to participate in and be covered on the same basis as other senior executives of the Company, under all employee benefit plans and programs of the Company,

including without limitation vacation, retirement, health insurance and life insurance (“**Benefits**”). For so long as the Executive is employed by both the Company and LIC, such entities will allocate the cost of the Benefits between them in accordance with such method as they may agree, provided that such allocation has no adverse impact on Executive.

4.4 **Vacation.** During the Employment Period, the Executive will be entitled to paid vacation and/or paid time off in accordance with the plans, policies, programs and practices of the Company provided generally to other senior executives of the Company. For so long as the Executive is employed by both the Company and LIC, any vacation and/or paid time off that the Executive takes will count as vacation time for purposes of his employment with both entities and the Company and LIC will allocate the cost of such vacation and/or paid time off between them in accordance with such method as they may agree, provided that such allocation has no adverse impact on Executive.

4.5 **Perquisites.** During the Employment Period, the Company will provide the Executive with those perquisites and other personal benefits provided by the Company from time to time to its other senior executive officers during the Employment Period. In addition, during the Employment Period, the Executive will be entitled to use of aircraft owned or leased by the Company on the terms and conditions (except as otherwise provided in [Section 5.2](#) and [Section 5.3](#)) set forth in the letter agreement dated February 5, 2013 between the Company and the Executive (the “**Aircraft Usage Agreement**”). For so long as the Executive is employed by both the Company and LIC, such entities will allocate the cost of the perquisites and benefits provided pursuant to this [Section 4.5](#) and the Aircraft Usage Agreement between them in accordance with such method as they may agree, provided that such allocation has no adverse impact on Executive.

4.6 **Business Expenses.** The Company will promptly pay or reimburse the Executive for reasonable expenses incurred in connection with the Executive’s employment in accordance with the Company’s standard policies and practices as in effect from time to time. For so long as the Executive is employed by both the Company and LIC, to the extent such expenses relate to the Executive’s service with both entities, such entities will allocate the cost of such expenses between them in accordance with such method as they may agree, provided that such allocation has no adverse impact on Executive.

4.7 **Code Section 409A Timing of Reimbursements.** All reimbursements under this Agreement, including without limitation [Section 4.6](#), will be made as soon as practicable following submission of a reimbursement request, but no later than the end of the year following the year during which the underlying expense was incurred (or as may be later provided in [Section 9.7](#)). Additionally, reimbursements or in-kind benefits made or provided to the Executive during any taxable year will not affect the expenses eligible for reimbursement or in-kind benefits provided in any other taxable year and no such reimbursements or in-kind benefits will be subject to liquidation or exchange for another benefit.

4.8 **LMC Term Options.** As part of the consideration for the Executive’s services to the Company during the Employment Period, on December 24, 2014 the Company granted to the Executive pursuant to the 2013 Incentive Plan the term options to acquire Series C Common

Stock (the “**LMC Term Options**”) evidenced by and described in the nonqualified stock option agreement attached hereto as **Exhibit B**.

4.9 LMC Performance Equity Awards.

(a) As part of the consideration for the Executive’s services to the Company during the Employment Period, for each of calendar years 2015, 2016, 2017, 2018 and 2019, the Company will grant the following types of equity awards to the Executive in the amounts determined in accordance with this **Section 4.9**: (i) performance-based Restricted Stock Units issued pursuant to **Section 4.9(d)** as Target Awards and any Restricted Stock Units issued as Above Target Awards pursuant to **Section 4.11(c)**, in each case with respect to Series C Common Stock (collectively, the “**LMC Performance RSUs**”), which grants will be made pursuant to a Restricted Stock Unit award agreement in the form attached as **Exhibit C** and (ii) performance-based Options issued pursuant to **Section 4.9(d)** as Target Awards and any Options issued as Above Target Awards pursuant to **Section 4.11(c)**, in each case to acquire Series C Common Stock (collectively, the “**LMC Performance Options**”), which grants will be made pursuant to an Option award agreement in the form attached as **Exhibit D**. As specified in **Exhibit C**, any LMC Performance RSUs issued as Above Target Awards will be fully vested as of the Close of Business on the date of grant and, as specified in **Exhibit D**, any LMC Performance Options issued as Above Target Awards will be fully vested and exercisable as of the date of grant. The LMC Performance RSUs and the LMC Performance Options granted to the Executive pursuant to this Agreement as Target Awards, and any Above Target Awards, are collectively referred to as the “**LMC Performance Equity Awards**.” The 162(m) Objectives and any Negative Discretion Criteria governing each grant of LMC Performance Equity Awards will be established in accordance with **Section 4.10**. Notwithstanding anything to the contrary in this Agreement, in no event will any LMC Performance Equity Awards be granted to the Executive after the date of the Executive’s Separation, except with respect to any Above Target Awards related to a performance period prior to the Executive’s Separation that may thereafter be granted pursuant to **Section 4.11(c)** and the applicable Equity Award Agreement.

(b) Pursuant to the LIC Employment Agreement, LIC has also agreed to issue LIC Performance Equity Awards to the Executive for each of calendar years 2015, 2016, 2017, 2018 and 2019. For each such calendar year, unless LMC, LIC and the Executive otherwise agree in writing with respect to any year after 2015, the Aggregate LMC/LIC Target Amount will be allocated between LMC Performance Equity Awards and LIC Performance Equity Awards based on the relative market capitalization of all series of common stock of LMC, on the one hand, and the relative market capitalization of all series of common stock of LIC, on the other hand, in each case, as of a date determined in accordance with the Company’s administrative requirements and procedures, but in any event as of a date within the 15 day-period preceding the earlier of the grant date of the Target Awards for such year and the grant date of the Target Awards (as defined in the LIC Employment Agreement) included in the LIC Performance Equity Awards for such year. That portion of the Aggregate LMC/LIC Target Amount for a given year that is allocated to LMC Performance Equity Awards in accordance with the foregoing is referred to in this Agreement as the “**LMC Target Amount**” for such year. The Company will promptly notify the Executive in writing following the determination of the LMC Target Amount for each calendar year during the Employment Period.

(c) Within 5 days following the date as of which the Company has notified the Executive in writing of (i) the LMC Target Amount for such year and (ii) the 162(m) Objectives and any Negative Discretion Criteria for such year as finally determined pursuant to Section 4.10 (or, if such notice is given by the Company during a blackout period with respect to the Series C Common Stock, by the later of the last day of such 5 day period or two days following the end of such blackout period), the Executive will send notice to the Company (each, an “**Executive Election Notice**”) specifying the percentage of the LMC Target Amount that the Executive desires to be issued in the form of LMC Performance RSUs and the percentage of the LMC Target Amount that the Executive desires to be issued in the form of LMC Performance Options, in each case, for such year; provided, that the Executive may not elect to have more than 80% of the LMC Target Amount for a given year be issued in the form of one type of award or the other. If the Executive does not timely deliver an Executive Election Notice for a given year, unless the Company and the Executive otherwise agree, the LMC Target Amount for such year will be allocated 50/50 between LMC Performance RSUs and LMC Performance Options. Not less than 5 days prior to the end of each of 2015, 2016, 2017, 2018 and 2019, the Executive shall provide the Company with written notice of the percentage of any Above Target Awards that may thereafter be granted in respect of such calendar year to be granted as LMC Performance RSUs (which grants will be made pursuant to an award agreement in the form attached as Exhibit C) and the percentage of any such Above Target Awards to be granted as LMC Performance Options (which grants will be made pursuant to an award agreement in the form attached as Exhibit D). Such elections described in this Section 4.9(c) shall be annual, such that the election for one year shall not impact the election for another year. If the Executive does not timely deliver such an election with respect to Above Target Awards for a given year, the percentage of any Above Target Award for such year granted as LMC Performance RSUs shall be equal to the percentage of the LMC Target Amount for such year granted in LMC Performance RSUs and the percentage of any Above Target Award for such year granted as LMC Performance Options shall be equal to the percentage of the LMC Target Amount for such year granted in LMC Performance Options. The Company shall honor all elections timely made by Executive under this Section 4.9(c).

(d) Subject to any blackouts pursuant to the Company’s insider trading policy, the Target Awards for a given year will be issued by the Company within two Business Days following the date as of which the following conditions have been met: (i) the 162(m) Objectives and any Negative Discretion Criteria for such year have been finally determined in accordance with Section 4.10, and (ii) the Company has received the Executive Election Notice for such year or the LMC Target Amount has otherwise been allocated between LMC Performance RSUs and LMC Performance Options in accordance with Section 4.9(c). The aggregate value of the LMC Performance Equity Awards issued pursuant to this Section 4.9(d) will be 100% of the LMC Target Amount for such year. Above Target Awards will be issued to the Executive, if at all, pursuant to Section 4.11(c).

(e) With respect to any calendar year, the required number of LMC Performance RSUs (other than Above Target Awards) to be granted for such calendar year shall be based on the average closing sale price of the Series C Common Stock during a ten consecutive trading day period that ends on a trading day that is within ten days preceding the grant date of such LMC Performance RSUs. With respect to any calendar year, the number of LMC Performance Options (other than Above Target Awards) to be granted shall have a Black Scholes value equal

to the dollar value of the portion of the LMC Target Amount to be granted in the form of LMC Performance Options.

(f) With respect to any calendar year, the number of LMC Performance RSUs, if any, granted in respect of an Above Target Award shall be based on the closing sale price of the Series C Common Stock on the grant date. With respect to any calendar year, the number of LMC Performance Options, if any, granted in respect of an Above Target Award shall have a Black Scholes Value equal to the dollar value of the portion of the Above Target Award to be granted in the form of LMC Performance Options.

4.10 Establishment of 162(m) Objectives and Negative Discretion Criteria.

(a) The initial determination of the amount of the LMC Maximum Amount that may be earned with respect to any calendar year shall be based solely on the achievement of the 162(m) Objectives, but such amount that may be earned by the Executive shall be subject to reduction based on the Compensation Committee's application of the Negative Discretion Criteria in accordance with Section 4.10(b) and Section 4.11.

(b) The Compensation Committee may (but is not required to) structure a plan with respect to vesting of the LMC Performance Equity Awards (or, in the case of Above Target Awards, granting) that provides that once the Compensation Committee has certified that portion, if any, of the 162(m) Objectives that has been achieved (the "**Achieved 162(m) Objectives**"), the Compensation Committee may, in good faith and its sole discretion, but subject to the limitation in Section 4.11(b) with respect to the Target Awards, exercise negative discretion with respect to reducing the number of LMC Performance Equity Awards that would otherwise vest (or, in the case of Above Target Awards, be awarded) based solely on the Achieved 162(m) Objectives. The Performance Metrics relating to the Compensation Committee's exercise of such negative discretion with respect to the Target Awards and the Performance Metrics relating to the Compensation Committee's exercise of such negative discretion with respect to the Above Target Awards (such Performance Metrics collectively, the "**Negative Discretion Criteria**") will be established by the Compensation Committee in good faith and its sole discretion in compliance with the timing requirements of Section 162(m) of the Code and in accordance with the Section 4.10 Process. Notwithstanding anything to the contrary in this Agreement, it is agreed that the Negative Discretion Criteria with respect to all or any part of the Above Target Awards may be limited to a statement that the grant of all or any part of the Above Target Awards will be made by the Compensation Committee in its sole discretion.

(c) The "Section 4.10 Process" means the following process with respect to the 162(m) Objectives and any Negative Discretion Criteria established by the Compensation Committee, which process is subject to the provisions of Section 4.10(a), Section 4.10(b) and the limitations in Section 4.11(b):

(i) Not later than February 25 of each year the Compensation Committee will adopt by resolution and provide the Executive with a written proposal regarding (and separately identifying) the 162(m) Objectives and any Negative Discretion Criteria to be applicable to the LMC Performance Equity Awards for that year.

(ii) If the Executive disagrees with or objects to such proposed 162(m) Objectives, any Negative Discretion Criteria or any component of either, he will notify the Company's General Counsel (a "**Disagreement Notice**") within 10 days of receipt of such proposed objectives. If the Executive does not timely deliver a Disagreement Notice, the 162(m) Objectives and any Negative Discretion Criteria proposed by the Compensation Committee will be the 162(m) Objectives and Negative Discretion Criteria that apply to the LMC Performance Equity Awards for that year.

(iii) If the Executive timely delivers a Disagreement Notice, then the Executive and the Compensation Committee will each provide its position to the Chairman of the Company's Board (the "**Chairman**") within 5 days of the General Counsel's receipt of the Disagreement Notice. If the Executive does not timely deliver his position to the Chairman, the 162(m) Objectives and any Negative Discretion Criteria proposed by the Compensation Committee will be the 162(m) Objectives and Negative Discretion Criteria that apply to the LMC Performance Equity Awards for that year.

(iv) Within 2 days of receiving the last of such positions, the Chairman will provide input to the Compensation Committee with respect to the Chairman's position on the proposed 162(m) Objectives and any proposed Negative Discretion Criteria.

(v) Within 5 days of receiving input from the Chairman (or at such later date that is in compliance with the timing requirements of Section 162(m)), the Compensation Committee, in good faith and in its sole discretion, will establish the 162(m) Objectives and any Negative Discretion Criteria applicable to that year's LMC Performance Equity Awards and will notify the Executive in writing regarding (and separately identifying) such 162(m) Objectives and any Negative Discretion Criteria. Notwithstanding anything to the contrary in this Section 4.10 or elsewhere in this Agreement, the Compensation Committee retains the sole discretion to determine the 162(m) Objectives and any Negative Discretion Criteria applicable to the LMC Performance Equity Awards, subject only to the limitations on its exercise of negative discretion in relation to the Target Awards that are set forth in Section 4.11(b).

(d) Notwithstanding anything in this Agreement or any LMC Performance Equity Award to the contrary, the only Performance Metrics applicable to an LMC Performance Equity Award shall be the 162(m) Objectives and any Negative Discretion Criteria communicated to Executive in writing in accordance with Section 4.10(c) above and as set forth in Schedule 1 of the applicable Equity Award Agreement.

4.11 **Annual Compensation Committee Determinations.**

(a) **Compensation Committee Certification.** On or prior to March 15th of each calendar year beginning with March 15, 2016 and ending on March 15, 2020, the Compensation

Committee will certify any Achieved 162(m) Objectives (the date each year as of which such certification is made being referred to as the “**Committee Certification Date**”).

(b) **Target Awards.** If the Equity Award Agreements pursuant to which the Target Awards for the preceding calendar year were issued include Negative Discretion Criteria, the Compensation Committee may then in good faith and in its sole discretion, exercise such discretion with respect to those Target Awards that would otherwise vest and be earned based solely on the Achieved 162(m) Objectives, and will certify on the Committee Certification Date in accordance with the applicable Equity Award Agreements, the number, if any, of the Target Awards that have become vested and earned in accordance with the applicable Equity Award Agreements after giving effect to the Compensation Committee’s exercise, if any, of the Negative Discretion Criteria for such Target Awards. Notwithstanding the foregoing or anything else contained herein to the contrary, to the extent that the Negative Discretion Criteria with respect to the Target Awards include objective performance criteria in relation to the performance or value of the Company, its Subsidiaries, its affiliates and/or any division or business unit of any of the foregoing, the Compensation Committee will not exercise negative discretion with respect to vesting that number, if any, of such Target Awards that relate solely to such objective performance criteria. In addition, any such objective performance criteria will not alone result in a payout in excess of the LMC Target Amount for such LMC Performance Equity Awards. As specified in the applicable Equity Award Agreements, any Target Awards that do not become vested on the applicable Committee Certification Date will be forfeited in their entirety.

(c) **Above Target Awards.** The Compensation Committee may, in its sole discretion, apply the Negative Discretion Criteria to reduce all or any part of the Above Target Awards for a particular calendar year that would otherwise be awarded based solely on the Achieved 162(m) Objectives, and will certify on the Committee Certification Date the number, if any, of Above Target Awards that will be issued to the Executive after giving effect to the Compensation Committee’s exercise, if any, of the Negative Discretion Criteria for such Above Target Awards. In no event is the Compensation Committee required to issue any Above Target Awards. Subject to any blackouts pursuant to the Company’s insider trading policy, any Above Target Awards that are awarded to the Executive will be issued by the Company no later than March 15th of the year following the year in respect of which such Above Target Award was earned (e.g., by March 15, 2016 in respect of the Above Target Award, if any, relating to the 2015 calendar year).

4.12 **Replacement Awards.** Any restricted stock unit, restricted stock, option or other equity or equity derivative that is issued after the Effective Date to the Executive by the Company or any other Person pursuant to a Fundamental Corporate Event in full or partial replacement of, as an adjustment to, or otherwise with respect to, an Equity Award (a “**Replacement Award**”), will (a) in the case of LMC Term Options, have the same term and the same vesting and exercisability terms and conditions as the LMC Term Option in respect of which it was issued, and (b) in the case of LMC Performance Equity Awards, be adjusted in accordance with Section 4.2 of the Plan in such a manner that the value and benefits or potential value and benefits intended to be made available under the Plan to the Executive with respect to the LMC Performance Equity Award in respect of which it was issued are preserved and, without limiting the Compensation Committee’s sole discretion to establish the same, the Compensation

Committee will consult with the Executive in good faith regarding any 162(m) Objectives or Negative Discretion Criteria or components thereof that are proposed to be changed. Notwithstanding the foregoing, if the Company is not the issuer of a Replacement Award, the definition of Change in Control with respect to such Replacement Award will be applied with respect to the issuer of such Replacement Award as if it were the “Company” for purposes of such definition. By way of illustration, a Change in Control of the Company will not cause acceleration of any Replacement Awards that are not issued by the Company and a Change in Control of the issuer of any Replacement Awards with respect to which the Company is not the issuer will not cause acceleration of any remaining Equity Awards with respect to which the Company is the issuer. All Replacement Equity Awards will have the same net settlement rights as the replaced Equity Award.

5. **Termination of Employment.**

5.1 **Termination Due to Death.**

(a) **Payments and Benefits.** In the event of the Executive’s death, the Executive’s estate or his legal representative, as the case may be, will receive:

- (i) a lump sum payment equal to any Base Salary earned but unpaid as of the date of Separation;
- (ii) a lump sum payment of any unpaid expense reimbursement and any amounts required by law to be paid to the Executive;
- (iii) a lump sum payment of any accrued but unpaid bonus for the prior year (together with the amounts specified in Section 5.1(a)(i) and Section 5.1(a)(ii), the “**Standard Entitlements**”);
- (iv) if such Separation occurs during the Employment Period, a lump sum payment in an amount equal to 1.5 times the amount of the Executive’s Base Salary for the calendar year in which the Separation occurs;
- (v) if such Separation occurs during the Employment Period, a lump sum payment in the amount of \$17,500,000; provided, that in the sole discretion of the Company, up to 25% of such amount may be paid in fully vested shares of Series C Common Stock (provided that if (i) such Series C Common Stock is not covered by a Form S-8 or other registration statement or (ii) such Series C Common Stock is not then publicly traded, then 100% of such amount shall be paid in cash), with the remainder of such amount to be paid in cash; and
- (vi) if such Separation occurs during the Employment Period, a lump sum payment in the amount of \$11,750,000, multiplied by a fraction, the numerator of which is the number of calendar days within such year that have elapsed through and including the date of Separation and the denominator of which is 365; provided, that in the sole discretion of the Company, up to 25% of such amount may be paid in fully vested shares of Series C Common Stock (provided that if (i) such Series C Common Stock is not covered by a Form S-8 or other registration

statement or (ii) such Series C Common Stock is not then publicly traded, then 100% of such amount shall be paid in cash), with the remainder of such amount to be paid in cash.

Except to the extent earlier payment of any such amounts is required by law, all such payments will be made, and any shares of Series C Common Stock will be issued, on the date that is the 55th day after the date of the Executive's Separation, unless that day is not a Business Day, in which case such payments will be made on the immediately succeeding Business Day. Notwithstanding the foregoing, the Company may delay the issuance of any Series C Common Stock, but not beyond 90 days after the date of the Executive's Separation, if necessary to comply with applicable law or any rule or regulation of any governmental authority or any rule or regulation of, or agreement of the Company with, any securities exchange or association upon which shares of Series C Common Stock are listed or quoted. The number of shares of Series C Common Stock to be delivered to the Executive under this Section 5.1(a), if any, shall be determined by dividing the dollar value payable to the Executive in Series C Common Stock by the per share closing price of the Series C Common Stock on the date of the Executive's Separation.

(b) **Equity Awards.** The impact on the Equity Awards of a Separation as a result of the Executive's death will be as specified in the Equity Award Agreements.

5.2 Termination Due to the Executive's Disability.

(a) **Payments and Benefits.** Upon 30 days' prior written notice to the Executive, the Company may terminate the Executive's employment due to Disability. If such event occurs, the Executive or his legal representative, as the case may be, will receive:

- (i) the Standard Entitlements;
- (ii) if such Separation occurs during the Employment Period, a lump sum payment in an amount equal to 1.5 times the amount of the Executive's Base Salary for the calendar year in which the Separation occurs;
- (iii) if such Separation occurs during the Employment Period, a lump sum payment in the amount of \$17,500,000; provided, that in the sole discretion of the Company, up to 25% of such amount may be paid in fully vested shares of Series C Common Stock (provided that if (i) such Series C Common Stock is not covered by a Form S-8 or other registration statement or (ii) such Series C Common Stock is not then publicly traded, then 100% of such amount shall be paid in cash), with the remainder of such amount to be paid in cash;
- (iv) if such Separation occurs during the Employment Period, a lump sum payment in the amount of \$11,750,000, multiplied by a fraction, the numerator of which is the number of calendar days within such year that have elapsed through and including the date of Separation and the denominator of which is 365; provided, that in the sole discretion of the Company, up to 25% of such amount may be paid in fully vested shares of Series C Common Stock (provided that if (i) such Series C Common Stock is not covered by a Form S-8 or other registration

statement or (ii) such Series C Common Stock is not then publicly traded, then 100% of such amount shall be paid in cash), with the remainder of such amount to be paid in cash; and

(v) if such Separation occurs during the Employment Period, for a period of 12 months following such Separation during the Employment Period, the Executive will be entitled to: (x) continued use of the Company's aircraft (consistent with the terms of Executive's use of such aircraft during the Employment Period), (y) information technology support from the Company, as reasonably requested by the Executive and (z) continuation of such other perquisites as the Executive was entitled to receive under Section 4.5 immediately prior to such Separation.

Except to the extent earlier payment of any such amounts is required by law, the payments to be made pursuant to Sections 5.2(a)(i), (ii), (iii) and (iv) will be made, and any shares of Series C Common Stock will be issued, on the date that is the 55th day after the date of the Executive's Separation, or, if that day is not a Business Day, on the next succeeding Business Day. Notwithstanding the foregoing, the Company may delay the issuance of any Series C Common Stock, but not beyond 90 days after the date of the Executive's Separation, if necessary to comply with applicable law or any rule or regulation of any governmental authority or any rule or regulation of, or agreement of the Company with, any securities exchange or association upon which shares of Series C Common Stock are listed or quoted. The number of shares of Series C Common Stock to be delivered to the Executive under this Section 5.2(a), if any, shall be determined by dividing the dollar value payable to the Executive in Series C Common Stock by the per share closing price of the Series C Common Stock on the date of the Executive's Separation.

(b) **Equity Awards.** The impact on the Equity Awards of a Separation as a result of the Executive's Disability will be as specified in the Equity Award Agreements.

5.3 Termination by the Company Without Cause or by the Executive for Good Reason.

(a) **Payments and Benefits.** Upon 30 days' prior written notice to the Executive, the Company may terminate the Executive's employment without Cause. Upon 30 days' prior written notice to the Company, the Executive may terminate his employment with the Company for Good Reason. If either such event occurs, the Executive will receive:

- (i) the Standard Entitlements;
- (ii) if such Separation occurs during the Employment Period, a severance payment equal to 1.5 times the amount of Executive's Base Salary for the calendar year in which the Separation occurs, which amount will be paid in equal monthly installments over the 18 month period commencing on the first payroll period following the date of such Separation;
- (iii) if such Separation occurs during the Employment Period, a lump sum payment in the amount of \$17,500,000; provided, that in the sole discretion of the

Company, up to 25% of such amount may be paid in fully vested shares of Series C Common Stock (provided that if (i) such Series C Common Stock is not covered by a Form S-8 or other registration statement or (ii) such Series C Common Stock is not then publicly traded, then 100% of such amount shall be paid in cash), with the remainder of such amount to be paid in cash;

(iv) if such Separation occurs during the Employment Period, a lump sum payment in the amount of \$11,750,000, multiplied by a fraction, the numerator of which is the number of calendar days within such year that have elapsed through and including the date of Separation and the denominator of which is 365; provided, that in the sole discretion of the Company, up to 25% of such amount may be paid in fully vested shares of Series C Common Stock (provided that if (i) such Series C Common Stock is not covered by a Form S-8 or other registration statement or (ii) such Series C Common Stock is not then publicly traded, then 100% of such amount shall be paid in cash), with the remainder of such amount to be paid in cash; and

(v) if such Separation occurs during the Employment Period, for a period of 12 months following such Separation during the Employment Period, the Executive will be entitled to: (x) continued use of the Company's aircraft (consistent with the terms of Executive's use of such aircraft during the Employment Period), (y) information technology support from the Company, as reasonably requested by the Executive and (z) continuation of such other perquisites as the Executive was entitled to receive under Section 4.5 immediately prior to such Separation.

Except to the extent earlier payment of any such amounts is required by law, the payments to be made pursuant to Sections 5.3(a)(i), (iii) and (iv) will be made, and any shares of Series C Common Stock will be issued, on the date that is the 55th day after the date of the Executive's Separation, or, if that day is not a Business Day, on the next succeeding Business Day. Notwithstanding the foregoing, the Company may delay the issuance of any Series C Common Stock, but not beyond 90 days after the date of the Executive's Separation, if necessary to comply with applicable law or any rule or regulation of any governmental authority or any rule or regulation of, or agreement of the Company with, any securities exchange or association upon which shares of Series C Common Stock are listed or quoted. The number of shares of Series C Common Stock to be delivered to the Executive under this Section 5.3(a), if any, shall be determined by dividing the dollar value payable to the Executive in Series C Common Stock by the per share closing price of the Series C Common Stock on the date of the Executive's Separation.

(b) **Equity Awards.** The impact on the Equity Awards of a Separation pursuant to Section 5.3(a) will be as specified in the Equity Award Agreements.

5.4 **Termination For Cause.**

(a) **Payments and Benefits.** Subject to the provisions of Section 1(h), the Company may terminate the Executive's employment for Cause. In such event, the Executive will receive:

- (i) a lump sum payment equal to any Base Salary earned but unpaid as of the date of Separation; and
- (ii) a lump sum payment of any unpaid expense reimbursements and any amounts required by law to be paid to the Executive.

Except to the extent earlier payment of any such amounts is required by law, all such payments will be made on the 55th day after the Separation date or, if that day is not a Business Day, on the next succeeding Business Day.

(b) **Equity Awards.** The impact on the Equity Awards of a Separation for Cause will be as specified in the Equity Award Agreements.

5.5 Termination Without Good Reason.

(a) **Payments and Benefits.** Upon 30 days' prior written notice to the Company, the Executive will have the right to terminate his employment without Good Reason or any reason at all. If such event occurs, the Executive will receive:

- (i) the Standard Entitlements; and
- (ii) if such Separation occurs during the Employment Period, a lump sum payment in the amount of \$11,750,000, multiplied by a fraction, the numerator of which is the number of calendar days within such year that have elapsed through and including the date of Separation and the denominator of which is 365; provided, that in the sole discretion of the Company, up to 25% of such amount may be paid in fully vested shares of Series C Common Stock (provided that if (i) such Series C Common Stock is not covered by a Form S-8 or other registration statement or (ii) such Series C Common Stock is not then publicly traded, then 100% of such amount shall be paid in cash), with the remainder of such amount to be paid in cash.

Except to the extent earlier payment of any such amounts is required by law, all such payments will be made, and any shares of Series C Common Stock will be issued, on the 55th day after the Separation date or, if that day is not a Business Day, on the next succeeding Business Day. Notwithstanding the foregoing, the Company may delay the issuance of any Series C Common Stock, but not beyond 90 days after the date of the Executive's Separation, if necessary to comply with applicable law or any rule or regulation of any governmental authority or any rule or regulation of, or agreement of the Company with, any securities exchange or association upon which shares of Series C Common Stock are listed or quoted. The number of shares of Series C Common Stock to be delivered to the Executive under this [Section 5.5\(a\)](#), if any, shall be determined by dividing the dollar value payable to the Executive in Series C Common Stock by the per share closing price of the Series C Common Stock on the date of the Executive's Separation.

(b) **Equity Awards.** The impact on the Equity Awards of a Separation without Good Reason will be as specified in the Equity Award Agreements.

5.6 **Expiration of Employment Period.** For the avoidance of doubt, the voluntary or involuntary termination of the Executive's employment at or after the Close of Business on December 31, 2019 for any reason does not constitute a Separation "during the Employment Period" for purposes of any Severance Benefits to be paid to the Executive pursuant to any of Section 5.1, Section 5.2, Section 5.3 or Section 5.5.

5.7 **Specified Employee.** Notwithstanding any other provision of this Agreement, if (i) the Executive is to receive payments or benefits under any provision of Section 5 by reason of his Separation other than as a result of his death, (ii) the Executive is a "specified employee" with respect to the Company within the meaning of Section 409A of the Code for the period in which the payment or benefits would otherwise commence, and (iii) such payment or benefit would otherwise subject the Executive to any tax, interest or penalty imposed under Section 409A of the Code (or any regulation promulgated thereunder) if the payment or benefit were to commence within six months after a termination of the Executive's employment, then such payment or benefit required under Section 5 will instead be paid as provided in this Section 5.7. Each severance payment contemplated under this Section 5 will be treated as a separate payment in a series of separate payments under Treasury Regulation Section 1.409A-2(b)(2)(iii). Such payments or benefits which would have otherwise been required to be made over such six month period will be paid, without interest, to the Executive in one lump sum payment or otherwise provided to the Executive on the first Business Day that is six months and one day after the termination of the Executive's employment. Thereafter, the payments and benefits will continue, if applicable, for the relevant period set forth above. For purposes of this Agreement, all references to "Separation," "termination of employment" and other similar language will be deemed to refer to the Executive's "separation from service" with the Company as defined in Treasury Regulation Section 1.409A-1(h), including, without limitation, the default presumptions thereof.

5.8 **Full Settlement; No Mitigation.** The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder will not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company or any Subsidiary may have against the Executive; provided, that the foregoing does not affect the terms of any Equity Award Agreement, including with respect to the circumstances under which stock issued thereunder may be forfeited. In no event will the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement.

5.9 **Non-exclusivity of Rights.** Nothing in this Agreement will prevent or limit the Executive's continuing or future participation in any employee benefit plan, program, policy or practice provided by the Company or a Subsidiary and for which the Executive may qualify, except as specifically provided herein. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice or program of the Company or a Subsidiary at or subsequent to a Separation will be payable in accordance with such plan, policy, practice or program, except as explicitly modified by this Agreement.

5.10 **Existing Employment Agreement.** For the avoidance of doubt, if the Executive experiences a Separation prior to January 1, 2015, the provisions of this Section 5 shall not apply with respect to such Separation, it being agreed that any severance benefits to which the

Executive is entitled will be determined in accordance with the Amended and Restated Executive Employment Agreement dated September 23, 2011 between the Executive and the Company (the “**2011 Employment Agreement**”).

6. **Confidential Information.** The Executive will not, during or after the Employment Period, without the prior express written consent of the Company, directly or indirectly use or divulge, disclose or make available or accessible any Confidential Information (as defined below) to any person, firm, partnership, corporation, trust or any other entity or third party (other than when required to do so in good faith to perform the Executive’s duties and responsibilities under this Agreement or when (i) required to do so by a lawful order of a court of competent jurisdiction, any governmental authority or agency, or any recognized subpoena power, or (ii) necessary to prosecute the Executive’s rights against the Company or its Subsidiaries or to defend himself against any allegations). The Executive will also proffer to the Company, no later than the effective date of any termination of the Executive’s engagement with the Company for any reason, and without retaining any copies, notes or excerpts thereof, all memoranda, computer disks or other media, computer programs, diaries, notes, records, data, customer or client lists, marketing plans and strategies, and any other documents consisting of or containing Confidential Information that are in the Executive’s actual or constructive possession or which are subject to the Executive’s control at such time. For purposes of this Agreement, “**Confidential Information**” will mean all information respecting the business and activities of the Company or any Subsidiary, including, without limitation, the clients, customers, suppliers, employees, consultants, computer or other files, projects, products, computer disks or other media, computer hardware or computer software programs, marketing plans, financial information, methodologies, know-how, processes, practices, approaches, projections, forecasts, formats, systems, trade secrets, data gathering methods and/or strategies of the Company or any Subsidiary. Notwithstanding the immediately preceding sentence, Confidential Information will not include any information that is, or becomes, generally available to the public (unless such availability occurs as a result of the Executive’s breach of any of his obligations under this Section). If the Executive is in breach of any of the provisions of this Section 6 or if any such breach is threatened by the Executive, in addition to and without limiting or waiving any other rights or remedies available to the Company at law or in equity, the Company shall be entitled to immediate injunctive relief in any court, domestic or foreign, having the capacity to grant such relief, without the necessity of posting a bond, to restrain any such breach or threatened breach and to enforce the provisions of this Section 6. The Executive agrees that there is no adequate remedy at law for any such breach or threatened breach and, if any action or proceeding is brought seeking injunctive relief, the Executive will not use as a defense thereto that there is an adequate remedy at law.

7. **Successors and Assigns.** This Agreement will bind and inure to the benefit of and be enforceable by the Executive, the Company, the Executive’s and the Company’s respective successors and assigns and the Executive’s estate, heirs and legal representatives (as applicable). The Company will require any successor to all or substantially all of its business and/or assets, whether direct or indirect, by purchase, merger, consolidation, acquisition of stock, or, by an agreement in form and substance reasonably satisfactory to the Executive, expressly to assume and agree to perform this Agreement in the same manner and to the same extent as the Company would be required to perform if no such succession had taken place.

8. **Notices.** Any notice provided for in this Agreement must be in writing and must be either personally delivered, mailed by first class mail (postage prepaid and return receipt requested) or sent by reputable overnight courier service (charges prepaid) to the recipient at the address below indicated:

To the Company: Liberty Media Corporation
12300 Liberty Boulevard
Englewood, CO 80112
Attention: Chairman of the Board

With a copy to the Company's
counsel at: Liberty Media Corporation
12300 Liberty Boulevard
Englewood, CO 80112
Attention: Legal Department

To the Executive: at the address listed in the Company's personnel records

With a copy to the Executive's
counsel at: Dechert LLP
1095 Avenue of the Americas
New York, NY 10036-6797
Attention: Stephen W. Skonieczny, Esq.
Telephone: (212) 698-3524
Facsimile: (212) 314-0024

9. **General Provisions.**

9.1 **Severability.** Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will (except as otherwise expressly provided herein) be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

9.2 **Entire Agreement.** This Agreement, together with any agreement evidencing the grant of an Equity Award, contains the entire agreement between the parties concerning the subject matter hereof and supersedes all prior agreements, understandings, discussions, negotiations and undertakings, whether written or oral, between the parties with respect thereto, including without limitation any non-binding term sheets addressing potential provisions of this Agreement; provided, however, that the provisions of the 2011 Employment Agreement that have obligations that have not been fully performed or that by their nature would be intended to survive the expiration of such agreement shall remain in full force and effect and shall not be superseded by this Agreement.

9.3 **No Strict Construction; headings.** The language used in this Agreement will be deemed to be the language chosen by the parties hereto to express their mutual intent, and no rule of strict construction will be applied against any party. The headings of the sections contained in this Agreement are for convenience only and will not be deemed to control or affect the meaning or construction of any provision of this Agreement.

9.4 **Counterparts.** This Agreement may be executed and delivered in separate counterparts (including by means of facsimile), each of which is deemed to be an original and all of which taken together constitute one and the same agreement. This Agreement will become effective only when counterparts have been executed and delivered by all parties whose names are set forth on the signature page(s) hereof.

9.5 **Applicable Law.** This Agreement will be governed by and construed in accordance with the laws of the State of Colorado, applied without reference to principles of conflict of laws.

9.6 **Legal Fees and Other Expenses.** The Company will pay or reimburse the Executive for all legal fees and expenses incurred by the Executive in connection with the review, preparation and negotiation of this Agreement, any option agreement, restricted stock award, Equity Award and/or any other agreements or plans referenced herein and any documents related thereto and will also pay or reimburse the Executive for any HSR filing fees incurred by him in connection with his receipt of Equity Awards in accordance with this Agreement. Any such reimbursement will be made as soon as practicable following submission of a reimbursement request, but no later than the end of the year following the year during which the underlying expense was incurred.

9.7 **Compliance with Section 409A.** To the extent that the provisions of Section 409A of the Code or any Treasury regulations promulgated thereunder are applicable to any amounts payable hereunder, the parties intend that this Agreement will meet the requirements of such Code section and regulations and that the provisions hereof will be interpreted in a manner that is consistent with such intent. If, however, the Executive is liable for the payment of any tax, penalty or interest pursuant to Section 409A of the Code, or any successor or like provision (the "**409A Tax**"), with respect to any payments or property transfers received or to be received under this Agreement or otherwise, the Company will pay the Executive an amount (the "**Special Reimbursement**") which, after payment to the Executive (or on the Executive's behalf) of any federal, state and local taxes, including, without limitation, any further tax, penalty or interest under Section 409A of the Code, with respect to or resulting from the Special Reimbursement, equals the net amount of the 409A Tax. Any payment due to the Executive under this Section will be made to the Executive, or on behalf of the Executive, as soon as practicable after the determination of the amount of such payment, but no sooner than the date on which the Company is required to withhold such amount or the Executive is required to pay such amount to the Internal Revenue Service. Notwithstanding the foregoing, all payments under this Section will be made to the Executive, or on the Executive's behalf, no later than the end of the year following the year in which the Executive or the Company paid the related taxes, interest or penalties. The Executive will cooperate with the Company in taking such actions as the Company may reasonably request to assure that this Agreement will meet the requirements of

Section 409A of the Code and any regulations promulgated thereunder and to limit the amount of any additional payments required by this Section 9.7 to be made to the Executive.

9.8 **Amendment and Waiver.** The provisions of this Agreement may be amended only by a writing signed by the Company and the Executive. No waiver by a party of a breach or default hereunder will be valid unless in a writing signed by the waiving party, and no such waiver will be deemed a waiver of any subsequent breach or default.

9.9 **Withholding.** All payments to the Executive or under this Agreement will be subject to withholding on account of federal, state and local taxes as required by law.

9.10 **Business Days.** If the giving of any notice or the taking of any other action under this Agreement is required to be taken on a day that is not a Business Day, the time for performance of such action shall be extended until the next succeeding Business Day.

9.11 **Survival.** This Agreement will survive a Separation or the expiration of the Employment Period and will remain in full force and effect after such Separation or expiration, but only to the extent that obligations existing as of the date of Separation or expiration have not been fully performed or by their nature would be intended to survive a Separation or expiration, including that the provisions of Sections 6, 7, 8 and 9 will continue in effect in accordance with their terms. Notwithstanding the foregoing or anything else in this Agreement to the contrary, if the Executive continues to be employed by the Company following December 31, 2019 such employment will be on an "at will" basis unless and until a new employment agreement is entered into. For the avoidance of doubt, the provisions of Section 5.1(a), Section 5.2(a), Section 5.3(a) and Section 5.5(a) entitling the Executive to various cash payments and other benefits upon Separation will not apply to any such Separation that occurs at or after the Close of Business on December 31, 2019, but he will be entitled to enforce those rights as to any such Separation that occurs prior to the Close of Business on December 31, 2019.

9.12 **Arbitration.** Except as provided in Section 6, any controversy, claim or dispute arising out of or in any way relating to this Agreement, the Executive's employment with, or termination of employment from, the Company, or the Equity Award Agreements (including whether such controversy, claim or dispute is subject to arbitration), excepting only claims that may not, by statute, be arbitrated, will be submitted to binding arbitration. Both the Executive and the Company acknowledge that they are relinquishing their right to a jury trial. The Executive and the Company agree that arbitration will be the exclusive method for resolving disputes arising out of or related to this Agreement, the Executive's employment with, or termination of employment from, the Company, or the Equity Award Agreements.

The arbitration will be administered by JAMS in accordance with the Employment Arbitration Rules & Procedures of JAMS then in effect and subject to JAMS Policy on Employment Arbitration Minimum Standards, except as otherwise provided in this Agreement. Arbitration will be commenced and heard in the Denver, Colorado metropolitan area. Only one arbitrator will preside over the proceedings, who will be selected by agreement of the parties from a list of five or more qualified arbitrators provided by the arbitration tribunal, or if the parties are unable to agree on an arbitrator within 10 Business Days following receipt of such list, the arbitration tribunal will select the arbitrator. The arbitrator will apply the substantive law

(and the law of remedies, if applicable) of Colorado or federal law, or both, as applicable to the claim(s) asserted. In any arbitration, the burden of proof will be allocated as provided by applicable law. The arbitrator will have the authority to award any and all legal and equitable relief authorized by the law applicable to the claim(s) being asserted in the arbitration, as if the claim(s) were brought in a federal court of law. Either party may bring an action in court to compel arbitration under this Agreement and to enforce an arbitration award. Discovery, such as depositions or document requests, will be available to the Company and the Executive as though the dispute were pending in U.S. federal court. The arbitrator will have the ability to rule on pre-hearing motions as though the matter were in a U.S. federal court, including the ability to rule on a motion for summary judgment.

If permitted by applicable law, the fees of the arbitrator and any other fees for the administration of the arbitration that would not normally be incurred if the action were brought in a court of law (e.g., filing fees or room rental fees) will be shared equally by the parties. If the foregoing is not permitted by applicable law, the fees of the arbitrator and any other fees for the administration of the arbitration that would not normally be incurred if the action were brought in a court of law will be paid by the Company. Each party will pay its own attorneys' fees and other costs incurred in connection with the arbitration, unless the relief authorized by law allows otherwise and the arbitrator determines that such fees and costs will be paid in a different manner. The arbitrator must provide a written decision. If any part of this arbitration provision is deemed to be unenforceable by an arbitrator or a court of law, that part may be severed or reformed so as to make the balance of this arbitration provision enforceable.

[The remainder of this page is left intentionally blank.]

IN WITNESS WHEREOF, the parties hereto have executed this Executive Employment Agreement to be effective as of the Effective Date.

LIBERTY MEDIA CORPORATION

By: /s/Richard N. Baer

Name: Richard N. Baer

Title: Senior Vice President and General Counsel

Executed: December 29, 2014

EXECUTIVE:

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/s/Gregory B. Maffei

Gregory B. Maffei

Executed: December 29, 2014

Exhibit A
Current Permitted Activities

A-1

Exhibit B
LMC Term Option Agreement

B-1

Exhibit C
LMC Performance RSU Agreement

C-1

Exhibit D
LMC Performance Option Agreement

D-1

List of Omitted Schedules and Exhibits

The following schedules and exhibits to the Executive Employment Agreement, dated as of December 29, 2014, by and between Liberty Media Corporation and Gregory B. Maffei have not been provided herein:

Exhibit A: Current Permitted Activities

Exhibit B: LMC Term Option Agreement

Exhibit C: LMC Performance RSU Agreement

Exhibit D: LMC Performance Option Agreement

The Registrant hereby undertakes to furnish supplementally a copy of any omitted schedules or exhibits to the Securities and Exchange Commission upon request.

NAME	Domicile
Atlanta Braves, Inc.	GA
Atlanta National League Baseball Club, Inc.	GA
Barefoot Acquisition, LLC	DE
Braves Construction Company, LLC	DE
Braves Development Company, LLC	DE
Braves Holdings, LLC	DE
Braves Productions, Inc.	GA
Braves Stadium Company, LLC	DE
BRED Co., LLC	GA
Circle 75 Maintenance Association, Inc.	GA
Circle 75 Master Residential Association, Inc.	GA
LBTW I, LLC	DE
LCAP Investments, LLC	DE
LDIG 2, LLC	DE
LDIG Cars, Inc.	DE
LDIG Financing LLC	DE
Liberty Aero, LLC	DE
Liberty AGI, LLC	DE
Liberty Animal Planet, LLC	CO
Liberty Asset Management, LLC	DE
Liberty Associated Holdings LLC	DE
Liberty Associated, Inc.	DE
Liberty ATCL, Inc.	CO
Liberty BC Capital, LLC	DE
Liberty Centennial Holdings, Inc.	DE
Liberty Challenger, LLC	DE
Liberty Citation, Inc.	DE
Liberty CM, Inc.	DE
Liberty Crown, Inc.	DE
Liberty CTL Marginco, LLC	DE
Liberty Denver Arena LLC	DE
Liberty Fun Assets, LLC	DE
Liberty GI II, Inc.	DE
Liberty GI, Inc.	DE
Liberty GIC, Inc.	CO
Liberty IATV Holdings, Inc.	DE
Liberty IATV, Inc.	DE
Liberty IB2, LLC	DE
Liberty Israel Venture Fund, LLC	DE
Liberty Java, Inc.	CO
Liberty KV, LLC	DE
Liberty LYV Marginco, LLC	DE
Liberty MCNS Holdings, Inc.	CO

Liberty MLP, Inc.	CO
Liberty NC, LLC	DE
Liberty NEA, Inc.	DE
Liberty PL2, Inc.	DE
Liberty PL3, LLC	DE
Liberty Programming Company LLC	DE
Liberty Property Holdings, Inc.	DE
Liberty Radio, LLC	DE
Liberty Radio, 2, LLC	DE
Liberty Satellite Radio, Inc.	DE
Liberty SGH, LLC	DE
Liberty SIRI Marginco, LLC	DE
Liberty Sling, Inc.	DE
Liberty Sports Interactive, Inc.	DE
Liberty Telematics 2, LLC	DE
Liberty Telematics , LLC	DE
Liberty TM, Inc.	DE
Liberty Tower, Inc.	DE
Liberty TWC Marginco, LLC	DE
Liberty TWX Marginco, LLC	DE
Liberty VIA Marginco, LLC	DE
Liberty Virtual Pets, LLC	DE
Liberty WDIG, Inc.	DE
LMC BET, LLC	DE
LMC Brazil, LLC	DE
LMC Denver Arena, Inc.	DE
LMC Events, LLC	DE
LMC IATV Events, LLC	DE
LMC Israel Investment, LLC	DE
LMC VIV LOC, Inc.	DE
LSAT Astro LLC	DE
LSR Foreign Holdings 2, LLC	DE
LSR Foreign Holdings, LLC	DE
LTWX I, LLC	DE
LTWX V, Inc.	CO
MacNeil/Lehrer Productions, general partnership	VA
Sirius XM Holdings, Inc.	DE
The Stadium Club, Inc.	GA
TSAT Holding 2, Inc.	DE

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Liberty Media Corporation:

We consent to the incorporation by reference in the following registration statements of Liberty Media Corporation and subsidiaries (the Company) of our reports dated February 26, 2015, with respect to the consolidated balance sheets of the Company as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive earnings (loss), cash flows, and equity for each of the years in the three-year period ended December 31, 2014, and the effectiveness of internal control over financial reporting as of December 31, 2014, which reports appear in the December 31, 2014 annual report on Form 10-K of the Company.

<u>Description</u>	<u>Registration Statement No.</u>	<u>Description</u>
S-8	333-185992	Liberty Media Corporation Transitional Stock Adjustment Plan
S-8	333-185987	Liberty Media 401(k) Savings Plan
S-8	333-190018	Liberty Media Corporation 2013 Nonemployee Director Incentive Plan
S-8	333-190016	Liberty Media Corporation 2013 Incentive Plan
S-8	333-197588	Liberty Media Corporation Transitional Stock Adjustment Plan
S-8	333-197589	Liberty Media 401(k) Savings Plan
S-8	333-197590	Liberty Media Corporation 2013 Incentive Plan, as amended
S-8	333-197591	Liberty Media Corporation 2013 Nonemployee Director Incentive Plan, as amended

/s/ KPMG LLP

Denver, Colorado
February 26, 2015

Consent of Independent Registered Public Accounting Firm

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

We consent to the incorporation by reference in the following registration statements of Liberty Media Corporation of our report dated February 6, 2013, with respect to the consolidated balance sheets of SiriusXM 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 which report appears as part of the separate financial statements for Sirius XM Radio, Inc. and subsidiaries in Item 21 of the December 31, 2014 annual report on Form 10K of Liberty Media Corporation.

/s/KPMG LLP

New York, New York
February 26, 2015

CERTIFICATION

I, Gregory B. Maffei, certify that:

1. I have reviewed this annual report on Form 10-K of Liberty Media Corporation;
2. Based on my knowledge, this annual 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 annual report;
3. Based on my knowledge, the financial statements and other financial information included in this annual 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 annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this annual report based on such evaluation; and
 - d) disclosed in this annual report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 26, 2015

/s/ GREGORY B. MAFFEI

Gregory B. Maffei

President and Chief Executive Officer

CERTIFICATION

I, Christopher W. Shean, certify that:

1. I have reviewed this annual report on Form 10-K of Liberty Media Corporation;
2. Based on my knowledge, this annual 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 annual report;
3. Based on my knowledge, the financial statements and other financial information included in this annual 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 annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this annual report based on such evaluation; and
 - d) disclosed in this annual report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 26, 2015

/s/ CHRISTOPHER W. SHEAN

Christopher W. Shean
Senior Vice President and Chief Financial Officer

Certification

**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)**

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Liberty Media Corporation, a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Annual Report on Form 10-K for the period ended December 31, 2014 (the "Form 10-K") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 26, 2015

/s/ GREGORY B. MAFFEI

Gregory B. Maffei

President and Chief Executive Officer

Dated: February 26, 2015

/s/ CHRISTOPHER W. SHEAN

Christopher W. Shean

Senior Vice President and Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of the Form 10-K or as a separate disclosure document.
