Risk Factors Comparison 2024-02-01 to 2023-02-02 Form: 10-K

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In addition to the other information in this Annual Report on Form 10- K, including the information under the caption Item 1. Business " Competition, " the following risk factors should be considered carefully in evaluating us and our business. This Annual Report on Form 10- K contains forward- looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results and the timing of events could differ materially from those projected in forward- looking statements due to a number of factors, including those set forth below and elsewhere in this Annual Report on Form 10- K. See " Special Note About Forward- Looking Statements " following this Item 1A. Risk Factors. Risks Relating to our Business and Operations We ~~have been, and may continue to be, adversely affected by supply chain issues. The issues associated with the global supply chain for parts and components is having wide- ranging effects across multiple industries, including direct and indirect effects on our business. Automakers are experiencing, and may continue to experience, delays in securing certain components that are essential to the production of new vehicles for a variety of reasons, including due to the global semiconductor supply shortage and the war in Ukraine. These affected automakers manufacture and sell vehicles that include our satellite radios. For example, some automobile plants in North America and elsewhere have at times halted or reduced vehicle production due to the shortage of certain components used in the production of their vehicles. As a result, these supply chain shortages have had, and may continue to have, an impact on new vehicle production and deliveries, which in turn may affect our subscriber acquisition efforts. We also have experienced, and may continue to experience, delays in securing certain application specific integrated circuits (which are commonly referred to as " chipsets ") that are essential components of our satellite radios. Delays or the unavailability of these components could have an adverse impact on our operations and financial conditions. We may be adversely affected by the war in Ukraine. The war in Ukraine, and any expansion of the war in Ukraine to surrounding areas, could adversely affect our business and operations. The war in Ukraine could affect the supply of certain components that we rely on in connection with our business and operations, such as software and certain subsystems that may be planned to be integrated as part of our satellites currently under construction for our system. In addition, our AdsWizz subsidiary is headquartered in Romania and we rely on other contractors in Eastern European countries, such as Poland. An expansion of the war in Ukraine to other countries, particularly Romania, could materially affect our ability to deliver advertisements on our Pandora services and for third parties. We~~ face substantial competition and that competition is likely to increase over time. We compete for the time and attention of our listeners with other content providers on the basis of a number of factors, including quality of experience, relevance, acceptance and perception of content quality, ease of use, price, accessibility, brand awareness, reputation and, in the case of our ad- supported Pandora service, perception of ad load, features and functionality. As consumer tastes and preferences change on the internet and with mobile and other connected products, including cars, in- home, and wearable devices, we will need to enhance and improve our existing services, introduce new services and features, and attempt to maintain our competitive position with additional technological advances and adaptable platforms. **The** ~~Neither the Sirius XM App nor the~~ Pandora App has **not** been significantly updated in several years. If we fail to keep pace with technological advances or fail to offer compelling product offerings and state- of- the- art delivery platforms to meet consumer demands, our ability to grow or maintain the reach of our services, attract and retain users, and attract listeners and subscribers across our services will be adversely affected. Our ability to attract and retain subscribers and listeners also depends on our success in creating and providing popular or unique programming. A summary of certain services that compete with us is contained in the section entitled " Item 1. Business- Competition " of this Annual Report on Form 10- K. Our subscribers and listeners can obtain similar content for free through terrestrial radio stations, **Spotify,** YouTube and other internet services. We also compete for the time and attention of our listeners with providers of other in- home and mobile entertainment services, and we compete for advertising sales with large scale online advertising platforms, such as Amazon, Facebook and Google, and with traditional media outlets. Our streaming services also compete for listeners on the basis of the presence and visibility of our apps, which are distributed via app stores operated by Apple and Google. We face significant competition for listeners from these companies, which also promote their own music and content. In addition, our competitors' streaming products may be pre- loaded or integrated into consumer electronics products or automobiles more broadly than our streaming products, creating a visibility advantage. If we are unable to compete successfully for listeners against other media providers, then our business may suffer. Additionally, the operator of an app store may reject our app or amend the terms of their license in a way that inhibits our ability to distribute our apps, negatively affects our business, or limits our ability to increase subscribers and listeners. Competition could result in lower subscription, advertising or other revenue and an increase in our expenses and, consequently, lower our earnings and free cash flow. We cannot assure you we will be able to compete successfully with our existing or future competitors or that competition will not have an adverse impact on our operations and financial condition. If our efforts to attract and retain subscribers and listeners, or convert listeners into subscribers, are not successful, our business will be adversely affected. Our business will be adversely affected if we are unable to attract new subscribers and listeners and retain our current subscribers and listeners. Our ability to increase the number of subscribers and listeners to our services, retain our subscribers and listeners or convert listeners into subscribers, is uncertain and subject to many factors, including: • the price of our ~~service~~ **services** ; • the ease of use of our ~~service~~ **services** ; • the effectiveness of our marketing programs; • with respect to our Sirius XM service, the sale or lease rate of new vehicles in the United States; • the rate at which our self- pay subscribers to our Sirius XM service buy and sell new and used vehicles in the United States; • our ability to convince owners and lessees of new and used vehicles that include satellite radios to purchase subscriptions to our Sirius XM service; • the perceived value of our programming and the packages and services we offer; • our ability to introduce features in a manner that is favorably received by consumers; • our ability to keep up with rapidly evolving technology and features in audio entertainment; • our ability to respond to evolving consumer tastes; and • actions by our competitors, such as Spotify, Apple, Google, Amazon and other audio entertainment and information providers. We engage in extensive marketing efforts and the continued effectiveness of those efforts is an important part of our business. We engage in extensive marketing efforts across a broad range of media to attract and retain subscribers and listeners to our services. We employ a wide variety of communications tools as part of our marketing campaigns, including telemarketing efforts and email solicitations. The effectiveness of our marketing efforts is affected by a broad range of factors, including creative and execution factors. Our ability to reach consumers with radio and television advertising, **performance and digital media,** direct mail materials, email solicitations and telephone calls is an important part of our efforts and a significant factor in the effectiveness of our marketing. If we are unable to reach consumers through email solicitations or telemarketing, including as a result of " spam " and email filters, call blocking technologies, **restriction in digital media on identifying users, such as limits on " cookies, "** consumer privacy regulations or ~~"~~**"** do- not- call ~~"~~**"** or other marketing regulations, our marketing efforts will be adversely affected. A decline in the effectiveness of our marketing efforts could have an adverse impact on our operations and financial condition. We rely on third parties for the operation of our business, and the failure of third parties to perform could adversely affect our business. Our business depends, in part, on various third parties, including: • **creators and licensors of software that support our apps and services; • programming providers, including agreements with owners of various copyrights in music, and on- air talent; •** manufacturers that build and distribute satellite radios; • companies that manufacture and sell integrated circuits for satellite radios; • ~~third- party software that supports our apps and services; • programming providers, including agreements with owners of various copyrights in music, and on- air talent; •~~ vendors that operate our call centers; • vendors that have designed or built, and vendors that support or operate, other important elements of our systems, including our satellites and **the** cloud- based systems we use; • Apple, who distributes our apps through its App Store and who ~~, in the case of our Pandora service,~~ we rely on to collect fees and approve the terms of our consumer offers; and • Google, who distributes our apps through its App Store and who ~~, in the case of our Pandora service,~~ we rely on to collect fees and approve the terms of our consumer offers, and who plays an important role in the fulfillment of the ads we sell on our Pandora platform. If one or more of these third parties do not perform in a satisfactory or timely manner, including complying with our standards and practices relating to business integrity, personnel and cybersecurity, our business could be adversely affected. The operation of our apps and service offerings could be impaired if errors occur in the third party software that supports our apps and services. It ~~is~~ **may be** difficult for us to correct any defects in third party software because the development and maintenance of the software is not within our control. Our third party licensors may not continue to make their software available to us on acceptable terms, invest the appropriate levels of resources in their software to maintain and enhance its capabilities, or remain in business. Failure of these third party licensors could harm our streaming services. In addition, a number of third parties on which we depend have experienced, and may in the future experience, financial difficulties or file for bankruptcy protection. Such third parties may not be able to perform their obligations to us in a timely manner, if at all, as a result of their financial condition or may be relieved of their obligations to us as part of seeking bankruptcy protection **. We are migrating our billing system and payment processing functions to a new service provider. We are migrating our payment processing and related billing functions from a large multinational bank to a private company that offers online payment processing and commerce solutions for digital and internet businesses. Our new vendor is not a bank, bank holding company or affiliated with a large multinational bank. In addition, financial statements for our new payment processor are not publicly available and nationally recognized statistical rating organizations (such as Standard & Poor' s) have not issued ratings evaluating its creditworthiness and ability to pay. We are subject to various risks associated with our new payment processor, including the risks of being an unsecured creditor, actions by credit card issuers (such as Visa, MasterCard and American Express) that could adversely affect its operations and payment processing functions, actions by government authorities that regulate financial transactions that may affect our new vendor' s business, operations and financial condition, and general data privacy and cybersecurity risks associated with its systems and operations. Our new payment processor commingles our funds arising from credit and debit card transactions with other amounts owing to third parties and those commingled accounts are subject to the claims of third parties, it does not pay us interest on amounts it holds for our benefit, including funds held overnight, and it has broad rights to establish reserves and debit our bank accounts to pay itself fees and reimburse itself and customers in the event of disputes. In addition, we are subject to the general risk that it may not comply with its obligations relating to the settlement of transactions or the investment of our funds held on an intra- day and overnight basis. If our new payment processing and commerce solution does not function as provided in our agreement or access to these new systems are disrupted, our business could be adversely affected** . Failure to successfully monetize and generate revenues from podcasts and other non- music content could adversely affect our business, operating results, and financial condition. Delivering podcasts and other non- music content involves risks and challenges, including increased competition and the need to develop new relationships with creators. We have entered into multi- year commitments for original podcast content that is produced by third parties. These agreements generally provide us the right to distribute the content and act as the exclusive agent for the sale of advertising in the podcasts. Payment terms for certain podcast content typically requires more upfront cash payments, including minimum guarantees to the owner or creator of the podcast, than other content licenses or arrangements. Given the multiple- year duration and largely fixed- cost nature of such commitments, if the attractiveness of such podcast content to our listeners and subscribers do not meet our expectations, our margins could be adversely impacted. In addition, the advertising market for podcasts is still developing, including the advertising technology necessary to efficiently sell ~~podcast~~ **audio** advertising **within podcasts** at scale. As a result, our ability to profitably monetize the available advertising opportunities in podcasts remains uncertain. Growing our podcasting business may require additional changes to our business model and cost structure, modifications to our infrastructure, and could expose us to new regulatory, legal and reputational risks, including infringement liability. There is no guarantee that we will be able to generate sufficient revenue from podcasts to offset the costs of creating or acquiring this content. Our failure to successfully monetize and generate revenues from such content, including failure to obtain or retain rights to podcasts or other non- music content on acceptable terms, or at all, or to effectively manage the numerous risks and challenges associated with such expansion, could adversely affect our business, operating results, and financial condition. We may not realize the benefits of acquisitions or other strategic investments and initiatives. Our strategy **has included and may** ~~includes~~ **include** selective acquisitions, other strategic investments and initiatives ~~in an effort~~ to expand our business. The success of any acquisition depends upon effective integration, cultural assimilation and management of acquired businesses and assets into our operations, which is subject to risks and uncertainties, including realizing the growth potential, the anticipated synergies and cost savings, the ability to retain and attract personnel, the diversion of management' s attention for other business concerns, and undisclosed or potential legal liabilities of the acquired business or assets. The integration process could distract our management, disrupt our ongoing business or result in inconsistencies in our services, standards, controls, procedures and policies, any of which could adversely affect our ability to maintain relationships with customers, vendors and employees or to achieve the anticipated benefits of the acquisition ~~. The ongoing COVID- 19 pandemic has introduced significant uncertainty to our business. The COVID- 19 pandemic has introduced uncertainties to our business. The extent to which the COVID- 19 pandemic may impact our results depends on future developments, which are highly uncertain and cannot be predicted with certainty, including the resurgence of COVID- 19 and its variants that may be occurring. Another broad shutdown of businesses, either in the United States or globally, as a result of the COVID- 19 pandemic would have an adverse effect on our business~~. The impact of economic conditions may adversely affect our business, operating results, and financial condition. Our success depends to a significant extent on discretionary consumer spending. Some of the factors that may influence consumer spending on entertainment include general economic conditions, the availability of discretionary income, consumer confidence, interest rates, inflationary pressure, and general uncertainty regarding the overall economic environment. The demand for entertainment generally is sensitive to downturns in the economy and the corresponding impact on discretionary consumer spending. Any actual or perceived deterioration or weakness in general, regional or local economic conditions, as well as other adverse economic or market conditions ~~due to COVID- 19 or otherwise~~, could reduce our subscribers' or potential subscribers' discretionary income. To the extent that overall economic conditions reduce spending on discretionary items, our ability to attract and retain subscribers could be hindered, which could reduce our subscription revenue and negatively impact our business. Additionally, our financial performance is subject to economic conditions and their impact on levels of advertising spending. Expenditures by advertisers generally tend to reflect overall economic conditions, and reductions in spending by advertisers could have an adverse impact on our revenue and business. See " Our Pandora business generates a significant portion of its revenues from advertising, and reduced spending by advertisers could harm our business. " **We may be adversely affected by the war in Ukraine. The war in Ukraine, and any expansion of the war in Ukraine to surrounding areas, could adversely affect our business and operations. Our AdsWizz subsidiary is headquartered in Romania and we rely on other contractors in Eastern European countries, such as Poland. An expansion of the war in Ukraine to other countries, particularly Romania, could materially affect our ability to deliver advertisements on our Pandora services and for third parties.** Risks Relating to our Sirius XM Business A substantial number of our Sirius XM service subscribers periodically cancel their subscriptions and we cannot predict how successful we will be at retaining customers. As part of our business, we experience, and expect to experience in the future, subscriber turnover (i. e., churn) **. The number of subscribers to our Sirius XM service declined in 2023 and may further contract in the future** . If we are unable to retain current subscribers at expected rates, or the costs of retaining subscribers are higher than expected, our financial performance and operating results could be adversely affected. We cannot predict how successful we will be at retaining customers who purchase or lease vehicles that include a subscription to our Sirius XM service. A substantial percentage of our Sirius XM subscribers are on ~~discounted~~ **promotional** pricing plans and our ability to retain these subscribers or migrate them to higher priced plans is uncertain. Our ~~discounted~~ **promotional** pricing strategy is widely known, and this may interfere with our ability to collect our ordinary subscription prices. In addition, a substantial number of those subscribers periodically cancel their subscriptions when offered a subscription at a higher price. Our ability to profitably attract and retain subscribers to our Sirius XM service is uncertain. A number of factors may affect our ability to attract and retain subscribers to our Sirius XM service. **The** ~~Over time the~~ changing demographics of **trialers to** our **service** ~~subscriber base~~, such as the increase in " Millennial generation customers, " may increase the number of subscribers accustomed to consuming entertainment through ad- supported products. These changing demographics may affect our ability to convert trial subscribers into self- paying subscribers. Similarly, our efforts to acquire subscribers purchasing or leasing used vehicles may attract price sensitive consumers. Consumers purchasing or leasing used vehicles may be more price sensitive than consumers purchasing or leasing new vehicles, ~~may~~ convert from trial subscribers to self- paying subscribers at a lower rate, and ~~may~~ cancel their subscriptions more frequently than consumers purchasing or leasing new vehicles. Some of our marketing efforts may also attract more price sensitive subscribers, and our efforts to increase the penetration of satellite radios in new, lower- priced vehicle lines may result in the growth of more economy- minded subscribers. Each of these factors may harm our revenue or require additional spending on marketing efforts to demonstrate the value of our Sirius XM service. Our business depends in part upon the auto industry. A substantial portion of the subscription growth for our satellite radio service has come from purchasers and lessees of new and used automobiles in the United States, and we expect this to be an important source of subscribers for our satellite radio service in the future. We have agreements with major automakers 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. **Many of** ~~These~~ **these** agreements also require automakers to provide us data on sales of satellite radio enabled vehicles, including in many cases the consumer' s name and address. Our business could be adversely affected if automakers do not continue to include our Sirius XM service in their products or provide us with such data. Automotive production and sales are dependent on many factors, including **labor relations matters,** the availability of vehicle components, consumer credit, general economic conditions, consumer confidence and fuel costs. To the extent vehicle sales by automakers decline, or the penetration of factory- installed satellite radios in those vehicles is reduced, ~~subscriber growth for~~ our satellite radio service may be adversely impacted. Sales of used vehicles represent a significant source of new subscribers for our satellite radio service. We have agreements with auto dealers and companies operating in the used vehicle market to provide us with data on sales of used satellite radio enabled vehicles, including in many cases the consumer' s name and address. The continuing availability of this data is important, and the loss of such data may harm our revenue and business. Failure of our satellites would significantly damage our business. The lives of the satellites required to operate our Sirius XM service vary depending on a number of factors, including: • degradation and durability of solar panels; • quality of construction; • random failure of satellite components, which could result in significant damage to or loss of a satellite; • amount of fuel the satellite consumes; • the performance of third parties that manage the operation of our satellites; and • damage or destruction as a result of electrostatic storms, terrorist attacks, collisions with other objects in space or other events, such as nuclear detonations, occurring in space. In the ordinary course of operation, satellites experience failures of component parts and operational and performance anomalies. Components on several of our in- orbit satellites have failed, and from time to time we have experienced anomalies in the operation and performance of these satellites. These failures and anomalies are expected to continue in the ordinary course, and we cannot predict if any of these possible future events will have a material adverse effect on our operations or the life of our existing in- orbit satellites. In addition, **we have entered into agreements for the construction and launch of** ~~our~~ **four new satellites that are expected to be launched over the next four years, and material delays in the deployment of these satellites could be harmful to our business. Our** Sirius network of terrestrial repeaters communicates with a single third party satellite. Our XM network of terrestrial repeaters communicates with a single XM satellite. If the satellites communicating with the applicable repeater network fail unexpectedly, the services would be disrupted for several hours or longer. Any material failure of our operating satellites could cause us to lose customers for our Sirius XM service and could materially harm our reputation and our operating results. We do not have insurance for our in- orbit satellites. Additional information regarding our fleet of satellites is contained in the section entitled " Item 1. Business- Satellites, Terrestrial Repeaters and Other Satellite Facilities " of this Annual Report on Form 10- K. Our Sirius XM service may experience harmful interference from wireless operations. The development of applications and services in spectrum adjacent to the frequencies licensed to us, as well as the combination of signals in other frequencies, may cause harmful interference to our satellite radio service in certain areas of the United States. ~~Certain operations or combination of operations permitted by the FCC in spectrum, other than our licensed frequencies, results in the loss of signal to our service, and the reception of our satellite radio service can be adversely affected in certain areas.~~ Elimination of this interference may not be possible in all cases. In other cases, our efforts to reduce this interference may require extensive engineering efforts and additions to our terrestrial infrastructure. These mitigation efforts may be costly and take several years to implement and may not be entirely effective. In certain cases, we are dependent on the FCC to assist us in preventing harmful interference to our service. Risks Relating to our Pandora **and Off- platform** Business Our Pandora ad- supported ~~business~~ **service** has suffered a substantial and consistent loss of monthly active users, which may adversely affect our Pandora **and Off- platform** business. The number of monthly active users to our ad- supported Pandora ~~business~~ **service** has declined consistently for several years, including in ~~2022~~ **2023** , and is likely to further contract in the future. The size of our ad- supported listener base is an important element of our Pandora ~~business~~ **service** . The decline in our listener base has resulted in fewer listener hours and available advertising spots on our Pandora service, which ultimately may result in declines in our advertising revenue, and adversely affect our Pandora **and Off- platform** business. The contraction of our ad- supported listener base also decreases the size of demographic groups targeted by advertisers, which may hurt our ability to deliver advertising in a manner that maximizes advertisers' return on investment and compete with other streaming advertising platforms. Our Pandora **and Off- platform business generates a significant portion of its revenues from advertising, and reduced spending by advertisers could harm our business. Our Pandora and Off- platform** business currently generates a majority of its revenues from third parties advertising on ~~its~~ **the Pandora** ad- supported service **and other platforms** . As is common in the audio entertainment industry, **these** ~~Pandora' s~~ advertisers do not have long- term advertising commitments with us and can terminate their contracts at any time. Expenditures by advertisers tend to be cyclical, reflecting overall economic conditions and budgeting and buying patterns. Adverse macroeconomic conditions have affected, and may **continue to** ~~in the future~~ affect, the demand for audio advertising, resulting in fluctuations in the amounts advertisers spend on advertising, which could harm our financial condition and operating results. Our failure to convince advertisers of the benefits of our Pandora ad- supported service could harm our business. Our ability to attract and retain advertisers, and ultimately to sell our advertising inventory, depends on a number of factors, including: • the number of listener hours on the Pandora ad- supported service, particularly the number of listener hours attributable to high- value demographics; • keeping pace with changes in technology and our competitors, some of which have significant influence over the distribution of our Pandora app; • competing effectively for advertising with other dominant online services, such as Spotify, Google ~~and~~ **,** Facebook **and YouTube** , as well as other marketing and media outlets; • successfully competing for local radio advertising; • demonstrating the ability of advertisements to reach targeted audiences, including the value of mobile digital advertising; • ensuring that new ad formats and ad product offerings are attractive to advertisers and that inventory management decisions (such as changes to ad load, frequency, prominence and quality of ads that we serve listeners) do not have a negative impact on listener hours; and • adapting to technologies designed to block the display of our ads. Advertisers may leave us for competing alternatives at any time. Failure to demonstrate to advertisers the value of our Pandora service would result in reduced spending by, or loss of, advertisers, which would harm our revenue and business. If we are unable to maintain revenue growth from our advertising products our results of operations will be adversely affected. In order to effectively monetize listener hours, we must, among other things, penetrate local advertising markets and develop compelling ad product solutions. The substantial majority of the total listening to our Pandora service occurs on mobile devices. We are engaged in efforts to continue to convince advertisers of the capabilities and value of mobile digital advertising and to direct an increasing portion of their advertising spend to our ad- supported Pandora service. We are continuing to build our sales capability to penetrate local advertising markets, which places us in competition with terrestrial radio. We may not be able to capture an increasing share of local and audio advertising revenue, which may have an adverse impact on our future revenue. Changes to mobile operating systems and browsers may hinder our ability to sell advertising and market our services. We use shared common device identifiers that are universal in the advertising technology ecosystem, such as Apple' s Identifier for Advertisers, a random device identifier assigned by Apple to a user' s device. We use these common device identifiers for targeting, advertising effectiveness and measurement for the Pandora' s advertising business and for Pandora' s consumer marketing purposes. These common device identifiers enable us to match audiences, including with second- and third- party data providers and measurement vendors, and enhance Pandora' s advertising targeting segments with additional data. In our programmatic advertising business, we use common identifiers for several important functions, such as targeting and bidding. We also use common device identifiers to evaluate the success of our Pandora brand consumer marketing campaigns. Apple, as well as mobile operating system and browser providers, have implemented product features and plans that may adversely impact our ability to use these common identifiers and data collected in connection with these common identifiers in our Pandora business. If we fail to accurately predict and play music, comedy or other content that our Pandora listeners enjoy, we may fail to retain existing and attract new listeners. A key differentiating factor between our Pandora service and other music content providers is our ability to predict music that our listeners will enjoy. The effectiveness of our personalized playlist generating system depends, in part, on our ability to gather and effectively analyze large amounts of listener data and feedback. We may not continue to be successful in enticing listeners to our Pandora service to give a thumbs- up or thumbs- down to enough songs to effectively predict and select new and existing songs. In addition, our ability to offer listeners songs that they have not previously heard and impart a sense of discovery depends on our ability to acquire and appropriately categorize additional tracks that will appeal to our listeners' diverse and changing tastes. Many of our competitors currently have larger music and content catalogs than we offer and they may be more effective in providing their listeners with an appealing listener experience. We also provide comedy and podcast content on our Pandora service, and we try to predict what our listeners will enjoy using technology similar to the technology that we use to generate personalized playlists for music. The risks that apply to our ability to satisfy our listeners' musical tastes apply to comedy, podcasts and other content to an even greater extent, particularly since we do not yet have as large a data set on listener preferences for comedy, podcasts and other content, and have a smaller catalog of such content as compared to music. Our ability to predict and select music, comedy, podcasts and other content that our listeners enjoy is important to the perceived value of our Pandora service to consumers and the failure to make accurate predictions would adversely affect our ability to attract and retain subscribers and listeners, increase listener hours and sell advertising. Risks Relating to Laws and Governmental Regulations Privacy and data security laws and regulations may hinder our ability to market our services, sell advertising and impose legal liabilities. We receive a substantial amount of personal data on purchasers and lessees of new and used vehicles from third parties. We use this personal data to market our services. We collect and use demographic, service usage, purchase history and other information, including location information, from and about our listeners through the internet. Further, we and third parties use tracking technologies, including " cookies " and related technologies, to help us manage and track our listeners' interactions with our services and deliver relevant advertising. Various federal and state laws and regulations, as well as the laws of foreign jurisdictions, govern the collection, use, retention, sharing and security of the personal data we receive. Privacy groups and government authorities have increasingly scrutinized the ways in which companies collect and share personal data, including linking personal identities and data associated with particular users or devices with data collected through the internet, and we expect such scrutiny to increase. Alleged violations of laws and regulations relating to privacy and personal data may expose us to potential liability, may require us to expend significant resources in responding to and defending such allegations and claims and could in the future result in negative publicity and a loss of confidence in us by our subscribers, listeners, advertisers and other third parties with whom we do business. Privacy- related laws and regulations, such as the California Consumer Privacy Act and the European General Data Protection Regulation, are evolving and subject to potentially differing interpretations. Various federal and state legislative and regulatory bodies as well as foreign legislative and regulatory bodies may expand current or enact new laws regarding privacy and data security- related matters. New laws, amendments to or re- interpretations of existing laws and contractual obligations, as well as changes in our listeners' expectations and demands regarding privacy and data security, may limit our ability to collect and use consumer data. Restrictions on our ability to receive, collect and use consumer data could limit our ability to attract and retain subscribers and listeners to our services. In addition, restrictions on our ability to collect, access and process listener data, or to use or disclose listener data or profiles that we develop using such data, could limit our ability to market our content and services to our potential listeners and offer targeted advertising opportunities to our advertisers, each of which are important to our business. Increased regulation of personal data utilization practices and compliance administration could increase our costs of operation or otherwise adversely affect our business. Consumer protection laws and our failure to comply with them could damage our business. Federal and state consumer protection laws, rules and regulations cover nearly all aspects of our marketing efforts, including the content of our advertising, the terms of consumer offers and the manner in which we communicate with consumers. ~~A number~~ **The State** of **New York has filed a suit against us relating to our subscription cancellation practices, and other** governmental authorities have commenced investigations into our consumer practices, including the manner in which we allow consumers to cancel subscriptions to our services. The nature of our business requires us to expend significant resources to try to ensure that our marketing activities comply with consumer protection laws, including laws relating to telemarketing activities and privacy. These efforts may not be successful, and we may have to expend even greater resources in our compliance efforts. Modifications to consumer protection laws, including **laws regarding the pricing of our services and**

the manner in which consumers can cancel our services as well as decisions by courts and administrative agencies interpreting these laws, could have an adverse impact on our ability to attract and retain subscribers and listeners to our services. There can be no assurance that new laws or regulations will not be enacted or adopted, preexisting laws or regulations will not be more strictly enforced or that our operations will comply with all applicable laws, which could have an adverse impact on our operations and financial condition. Failure to comply with FCC requirements could damage our business. We hold FCC licenses and authorizations to operate commercial satellite radio services in the United States, including satellites, terrestrial repeaters and related authorizations. The FCC generally grants licenses and authorizations for a fixed term. Although we expect our licenses and authorizations to be renewed in the ordinary course upon their expiration, there can be no assurance that this will be the case. Any assignment or transfer of control of any of our FCC licenses or authorizations must be approved in advance by the FCC. The **transactions described under the heading " Business- Liberty Media Split- Off Transaction " involve a transfer of our FCC licenses and must be approved by the FCC. The** operation of our satellite radio systems is subject to significant regulation by the FCC under authority granted through the Communications Act of 1934 and related federal law. We are required, among other things, to operate only within specified frequencies; to coordinate our satellite radio services with radio systems operating in the same range of frequencies in neighboring countries; and to coordinate our communications links to our satellites with other systems that operate in the same frequency band. Noncompliance by us with these requirements or other conditions or with other applicable FCC rules and regulations could result in fines, additional license conditions, license revocation or other detrimental FCC actions. There is no guarantee that Congress will not modify the statutory framework governing our services, or that the FCC will not modify its rules and regulations in a manner that would have an adverse impact on our operations. **Environmental, social and governance expectations and related reporting obligations may expose us to potential liabilities, increased costs, reputational harm, and other adverse effects. Many governments, regulators, investors, employees, customers and other stakeholders are focused on environmental, social and governance (or " ESG ") considerations, including climate change and greenhouse gas emissions; human capital management, including diversity, equity and inclusion; cybersecurity; content moderation; and human and civil rights. Our reporting and disclosures in response to these expectations may require additional investments and reporting processes, introduce additional compliance risk, and depend in part on third- party performance or data that is outside our control. Related initiatives, and implementation of these initiatives, also involve risks and uncertainties, and we cannot guarantee that we will achieve any announced environmental, social and governance objectives. In addition, some stakeholders may disagree with our initiatives and objectives. Any failure, or perceived failure, to further our initiatives, adhere to public statements, comply with federal or state ESG laws and regulations, or meet evolving and varied stakeholder expectations and standards could result in legal and regulatory proceedings against us and adversely affect our business, reputation, financial condition, and operations results. We may face lawsuits, incur liability or suffer reputational harm as a result of content published or made available through our services. The nature of our business could expose us to claims or public criticism related to defamation, illegal content, misinformation, and content regulation. We could incur costs investigating and defending any such claims. In addition, some stakeholders may disagree with third- party content provided through our services, and negative public criticism of this content could damage our reputation and brands. If we incur material costs, liability, or negative consumer reaction as a result of these occurrences, our business, financial condition and operating results could be adversely impacted.** Risks Associated with Data and Cybersecurity and the Protection of Consumer Information If we fail to protect the security of personal information about our customers, we could be subject to costly government enforcement actions and private litigation and our reputation could suffer. The nature of our business involves the receipt and storage of personal information about our subscribers and listeners including ~~, in many cases,~~ credit and debit card information. We have a program in place to detect and respond to data security incidents. However, the techniques used to gain unauthorized access to data systems are constantly evolving and may **not** be ~~difficult to detect~~ **detected** for long periods of time. We may be unable to anticipate or prevent unauthorized access to data pertaining to our customers, including credit card and debit card information and other personally identifiable information. Our services, which are supported by our own systems and those of third- party vendors, could be subject to computer malware and attacks as well as to catastrophic events (such as fires, floods, hurricanes, or tornadoes), any of which could lead to system interruptions, delays, or shutdowns, causing loss of critical data or the unauthorized access to personally identifiable information. If we fail to protect the security of personal information about our customers or if an actual or perceived breach of security occurs on our systems or a vendor' s systems, we could be exposed to costly government enforcement actions and private litigation and our reputation could suffer. We may also be required to expend significant resources to address these problems, including notification under various data privacy regulations, and our reputation and operating results could suffer. In addition, our subscribers and listeners, as well as potential customers, could lose confidence in our ability to protect their personal information, which could cause them to discontinue the use of our services. This loss of confidence would also harm our efforts to attract and retain advertisers and to obtain personal information from third parties, and unauthorized access to our programming would potentially create additional royalty expense with no corresponding revenue. Such events could adversely affect our results of operations. The costs of maintaining adequate protection, including insurance protection, against such threats as they develop in the future (or as legal requirements related to data security increase) could be material. In addition, hardware, software, or applications we develop or procure from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Unauthorized parties may also attempt to gain access to our systems or facilities, or those of third parties with whom we do business, through fraud, trickery, or other forms of deceiving our employees, contractors or other agents. We may not be able to effectively control the unauthorized actions of third parties who may have access to the data we collect ~~. We may integrate the Pandora service with apps provided by third parties. In such case, we may not be able to control such third parties' use of listeners' data, ensure their compliance with the terms of our contracts and our privacy policies, or prevent~~

~~unauthorized access to, or use or disclosure of, information, any of which could expose us to potential liability and negative publicity and could cause our listeners and advertisers to discontinue use of our services~~. To date, we are not aware that we have had a significant cyber- attack or breach that has had a material impact on our business or results of operations. We have implemented systems and processes intended to secure our information technology systems and prevent unauthorized access to or loss of sensitive, confidential and personal data, including through the use of encryption and authentication technologies. Additionally, we have increased our monitoring capabilities to enhance early detection and timely response to potential security anomalies. The cyber security measures we have implemented, however, may not be sufficient to prevent all possible attacks and may be vulnerable to hacking, employee error, ransom attacks, malfeasance, system error, faulty password management or other irregularities. Further, the development and maintenance of these measures are costly and require ongoing monitoring and updating as technologies change and efforts to overcome security measures become increasingly sophisticated. **We use artificial intelligence in our business, and challenges with properly managing its use could result in reputational harm, competitive harm, and legal liability, and adversely affect our results of operations. We incorporate artificial intelligence (" AI ") solutions into our digital infrastructure, services, offerings and features, and these applications may become important in our operations over time. Our competitors or other third parties may incorporate AI into their products more quickly or more successfully than us, which could impair our ability to compete effectively and adversely affect our results of operations. Additionally, if the content, analyses, search results or recommendations that AI applications assist in producing are, or are alleged to be, deficient, inaccurate, or biased, our business, reputation, financial condition, and results of operations could be adversely affected. The use of AI applications may result in cybersecurity incidents that implicate the personal data of consumers. Any such cybersecurity incidents related to our use of AI applications could adversely affect our reputation and results of operations. AI also presents emerging ethical issues, such as the proper use of copyrighted material with AI applications, and if our use of AI becomes controversial, we may experience brand or reputational harm, competitive harm, or legal liability. The rapid evolution of AI, including potential government regulation of AI, will require significant resources to develop, test and maintain our platform, offerings, services, and features to help us implement AI ethically in order to minimize unintended, harmful impact.** Interruption or failure of our information technology and communications systems could impair the delivery of our service and harm our business. We rely on **our own** systems ~~housed at our own premises~~ and **systems** ~~at those~~ of third party vendors to enable subscribers and listeners to access our Pandora and Sirius XM services in a dependable and efficient manner. Any degradation in the quality, or any failure, of our systems could reduce our revenues, cause us to lose customers and damage our brands. Although we have implemented practices designed to maintain the availability of the information technology **and service delivery** systems we rely on and mitigate the harm of any unplanned interruptions, we cannot anticipate all eventualities. We occasionally experience unplanned outages or technical difficulties. We could also experience loss of data or processing capabilities, which could cause us to lose customers and could harm our reputation and operating results. We rely on internal systems and external systems maintained by manufacturers, distributors and service providers to take, fulfill and handle customer service requests and host certain online activities. Any interruption or failure of our internal or external systems could prevent us from servicing customers or cause data to be unintentionally disclosed. Our services have experienced, and we expect them to continue to experience, periodic service interruptions and delays involving our own systems and those of our vendors. Our data centers and our information technology and communications systems are vulnerable to damage or interruption from natural disasters, malicious attacks, fire, power loss, telecommunications failures, computer viruses or other attempts to harm our systems. The occurrence of any of these events could result in interruptions in our services and unauthorized access to, or alteration of, the content and data contained on our systems and that these third party vendors store and deliver on our behalf. Damage or interruption to ~~our~~ data centers and information technology and communications centers could expose us to data loss or manipulation, disruption of service, monetary and reputational damages, competitive disadvantage and significant increases in compliance costs and costs to improve the security and resiliency of our computer systems. The compromise of personal, confidential or proprietary information could also subject us to legal liability or regulatory action under evolving cybersecurity, data protection and privacy laws and regulations enacted by the U. S. federal and state governments or other foreign jurisdictions or by various regulatory organizations. As a result, our ability to conduct our business and our results of operations might be adversely affected. Risks Associated with Certain Intellectual Property Rights The market for music rights is changing and is subject to significant uncertainties. We must maintain music programming royalty arrangements with, and pay license fees to, owners of rights in musical works in order to operate our services. Traditionally, BMI, ASCAP, SESAC and GMR have negotiated for these copyright users, collected royalties and distributed them to songwriters and music publishers. These traditional arrangements are changing. The fracturing of the traditional system for licensing rights in musical works may have significant consequences to our business, including increasing licensing costs and reducing the availability of certain pieces for use on our services. Under the United States Copyright Act, we also must pay royalties to copyright owners of sound recordings for the performance of such sound recordings on our Sirius XM service. Those royalty rates may be established through negotiation or, if negotiation is unsuccessful, by the Copyright Royalty Board. Owners of copyrights in sound recordings have created SoundExchange, **an** ~~a collective~~ organization ~~, to~~ **which negotiates licenses and** ~~collect~~ **collects** and ~~distribute~~ **distributes** royalties **on behalf of record companies and performing artists** . 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 Copyright Royalty Board' s existing decision governing sound recording royalties for satellite radio, we are required to pay a royalty based on our gross revenues associated with our satellite radio service, subject to certain exclusions, of 15. 5 % per year through December 31, 2027. Our Pandora services depend upon maintaining complex licenses with copyright owners, and these licenses contain onerous terms. Pandora has direct license agreements with many sound recording copyright and musical work copyright owners. These agreements grant us the right to operate Pandora Premium, and add interactive features, such as replays, additional skips and offline play, to Pandora' s ad- supported service and to Pandora Plus. The economic terms of these direct licenses are onerous and, as a result, we may not be able to profitably operate the Pandora services. However, the economic terms of these direct licenses may be " market, " given the rates paid by Pandora' s competitors. Competition for Pandora' s services are primarily offered by entities that provide music and entertainment services as a small part of a larger business, such as Apple, Google and Amazon. These competitors have the ability to bear these onerous economic provisions to a much greater extent than our Pandora business. We may not be able to negotiate or obtain lower royalty rates under these direct licenses. These direct licenses are complex. We may not be in compliance with the terms of these licenses, which could result in the loss of some or all of these licenses and some or all of the rights they convey. Similarly, many of these licenses provide that if the licensor loses rights in a portion of the content licensed under the agreement, that content may be removed from the license going- forward. If Pandora fails to maintain these direct licenses, or if rights to certain music were no longer available under these licenses, then we may have to remove the affected music from Pandora' s services, or discontinue certain interactive features for such music, and it might become commercially impractical for us to operate Pandora Premium, Pandora Plus or certain features of our advertising supported service. Any of these occurrences could have an adverse effect on our business, financial condition and results of operations. Several of these direct licenses also include provisions related to the terms of those agreements relative to other content licensing arrangements, which are commonly referred to as " most favored nation " clauses. These provisions have caused, and may in the future cause, our payments under those agreements to escalate substantially. In addition, **SoundExchange,** many record labels, music publishers and performing rights organizations have the right to audit our royalty payments, and these audits often result in disputes over whether we have paid the proper amounts. As a result of such audits, we could be required to pay additional amounts, audit fees and interest or penalties, and the amounts involved could adversely affect our business, financial condition and results of operations. There is no guarantee that these direct licenses will be renewed in the future or that such licenses will be available on the economic terms associated with the current licenses. If we are unable to secure and maintain direct licenses for the rights to provide music on our Pandora services on terms similar to those under our current direct licenses, our content costs could rise and adversely affect our business, financial condition and results of operations. ~~The rates we must pay for " mechanical rights " to use musical works on our Pandora service have increased substantially and these rates may adversely affect our business. Pandora has direct licenses with thousands of music publishers. Those licenses provide that the royalty rate for " reproduction rights " or " mechanical rights ", which are required to offer the interactive features of our Pandora services, are determined by the rate formula set by the CRB for the compulsory license made available by Section 115 of the Copyright Act. These royalty rates also apply to Pandora' s use of musical works for which we do not have a direct license with the copyright owners. The CRB significantly increased the rates for these rights for the period commencing January 1, 2018 through December 31, 2022, and the participating music publishers and digital music services, including Pandora, have reached a settlement for the period commencing January 1, 2023 through December 31, 2027 which will further significantly increase these rates. These higher rates for mechanical rights may have an adverse effect the business, financial condition and results of operations of Pandora. For additional information on these mechanical royalty rates, See " Business – Copyrights to Programming – Sound Recordings – Pandora Business. "~~ Failure to protect our intellectual property or actions by third parties to enforce their intellectual property rights could substantially harm our business and operating results. Development of our systems has depended upon the intellectual property that we have developed, as well as intellectual property licensed from third parties. If the intellectual property that we have developed or use is not adequately protected, others will be permitted to and may duplicate portions of our systems or services without liability. In addition, others may challenge, invalidate, render unenforceable or circumvent our intellectual property rights, patents or existing licenses or we may face significant legal costs in connection with defending and enforcing those intellectual property rights. Some of the know-how and technology we have developed, and plan to develop, is not now, nor will it be, covered by U. S. patents or trade secret protections. Trade secret protection and contractual agreements may not provide adequate protection if there is any unauthorized use or disclosure. The loss of necessary technologies could require us to substitute technologies of lower quality performance standards, at greater cost or on a delayed basis, which could harm us. Other parties may have patents or pending patent applications, which will later mature into patents or inventions that may block or put limits on our ability to operate our system or license our technologies. We may have to resort to litigation to enforce our rights under license agreements or to determine the scope and validity of other parties' proprietary rights in the subject matter of those licenses. This may be expensive and we may not succeed in any such litigation. Third parties may assert claims or bring suit against us for patent, trademark or copyright infringement, or for other infringement or misappropriation of intellectual property rights. Any such litigation could be costly, divert our efforts from our business, subject us to significant liabilities to third parties, require us to seek licenses from third parties, block our ability to operate our services or license our technology, or otherwise adversely affect our ability to successfully develop and market our services. Some of our services and technologies may use " open source " software, which may restrict how we use or distribute our services or require that we release the source code subject to those licenses. We may incorporate in some products software licensed under " open source " licenses. Open source licenses often require that the source code be made available to the public and that any modifications or derivative works to the open source software continue to be licensed under open source licenses. Few courts have interpreted open source licenses, and the manner in which these licenses may be interpreted and enforced is therefore subject to uncertainty. In the event that portions of our proprietary technology are determined to be subject to an open source license, we may be required to publicly release portions of our source code, be forced to re- engineer all or a portion of our technologies, or otherwise be limited in the licensing of our technologies, each of which could adversely affect our ability to sustain and grow our business. Rapid technological and industry changes and new entrants could adversely impact our services. The audio entertainment industry is characterized by rapid technological change, frequent product and feature innovations, changes in customer requirements and expectations, evolving standards and new entrants offering products and services. If we are unable to keep pace with these changes, our business may not succeed.

Products using new technologies could make our services less competitive in the marketplace. Risks Related to our Capital and Ownership Structure We have a significant amount of indebtedness, and our debt contains certain covenants that restrict our operations. As of December 31, ~~2022~~ **2023**, we had an aggregate principal amount of approximately $ 9. ~~5~~ **3** billion of indebtedness outstanding. Our indebtedness increases our vulnerability to general adverse economic and industry conditions; requires us to dedicate a portion of our cash flow from operations to payments on indebtedness, reducing the availability of cash flow to fund capital expenditures, marketing and other general corporate activities; limits our ability to borrow additional funds; and may limit our flexibility in planning for, or reacting to, changes in our business and the audio entertainment industry. In addition, our borrowings under our Senior Secured Revolving Credit Facility carry a variable interest rate based on ~~London Inter- bank Offered Rate (" LIBOR ") as a benchmark for establishing the rate of interest (except for the Incremental Term Loan which carries a variable interest rate based on~~ the Secured Overnight Financing Rate (" SOFR ") ~~)~~. **We** ~~LIBOR is the subject of national, international and other regulatory guidance and proposals for reform. On July 27, 2017, the United Kingdom' s Financial Conduct Authority (" FCA "), which regulates LIBOR, announced that it intends to phase out LIBOR. On March 5, 2021, the FCA announced that all LIBOR settings will either cease to be provided by any administrator or no longer be representative: (a) immediately after December 31, 2021, in the case of the one week and two month U. S. dollar settings; and (b) immediately after June 30, 2023, in the case of the remaining U. S. dollar settings. The United States Federal Reserve has also advised banks to cease entering into new contracts that use USD LIBOR as a reference rate. The Alternative Reference Rate Committee, a committee convened by the Federal Reserve that includes major market participants, has identified SOFR, a new index calculated by short- term repurchase agreements, backed by Treasury securities, as its preferred alternative rate for LIBOR. At this time, it is not possible to predict how markets will respond to SOFR or other alternative reference rates as the transition away from the LIBOR benchmarks is anticipated in coming years. Accordingly, the outcome of these reforms is uncertain and any changes in the methods by which LIBOR is determined or regulatory activity related to LIBOR' s phaseout could cause LIBOR to perform differently than in the past or cease to exist. The consequences of these developments cannot be entirely predicted, but could include an increase in the cost of our borrowings under the Credit Facility. In addition, we~~ may, in the future, hedge against interest rate fluctuations by using hedging instruments such as swaps, caps, options, forwards, futures or other similar products. These instruments may be used to selectively manage risks, but there can be no assurance that we will be fully protected against material interest rate fluctuations. We are a " controlled company " within the meaning of the NASDAQ listing rules and, as a result, qualify for, and rely on, exemptions from certain corporate governance requirements. We are a " controlled company " for the purposes of the NASDAQ Stock Market listing rules. As such, we have elected not to comply with certain NASDAQ corporate governance requirements. Although a majority of our board of directors consists of independent directors, we do not have a compensation committee and nominating and corporate governance committee that consist entirely of independent directors. Accordingly, you may not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of NASDAQ. ~~While~~ **Following the consummation of the Transactions,** we ~~currently pay~~ **will no longer be** a **" controlled company " for** ~~quarterly cash dividend to holders of our common stock, we may change our dividend policy at any time. We currently pay a quarterly cash dividend to holders of our common stock, although we have no obligation to do so, and our dividend policy may change at any time without notice to our stockholders. The declaration and payment of dividends is at~~ the ~~discretion~~ **purposes** of **the NASDAQ corporate governance** ~~our board of directors in accordance with applicable law after considering various factors, including our financial condition, operating results, current and anticipated cash needs, limitations imposed by our indebtedness, legal~~ requirements and ~~other factors that our board of directors deems relevant~~ **will be unable to qualify for, and rely on, exemptions from certain NASDAQ corporate governance requirements**. **See " Business- Liberty Media Split- Off Transaction. "** Our principal stockholder has significant influence, including over actions requiring stockholder approval, and its interests may differ from the interests of other holders of our common stock. As of December 31, ~~2022~~ **2023**, Liberty Media beneficially owned ~~approximately 82~~ **83. 4** % of Holdings' common stock and has the ability to influence our affairs, policies and operations. Three Liberty Media executives and one other member of the board of directors of Liberty Media are members of our board of directors. Our board of directors currently has thirteen members. Gregory B. Maffei, the President and Chief Executive Officer of Liberty Media, is the Chairman of Holdings' board of directors. Our board of directors is responsible for, among other things, the appointment of executive management, future issuances of common stock or other securities, the payment of dividends, if any, the incurrence of debt, and the approval of various transactions. Liberty Media can also determine the outcome of all matters requiring general stockholder approval, including the election of the board of directors and changes to our certificate of incorporation or by- laws. Liberty Media can also cause or prevent a change of control of Holdings and could preclude any unsolicited acquisition of our company. The concentration of ownership could deprive our stockholders of an opportunity to receive a premium for their common stock as part of a sale of our company and might ultimately affect the market price of our common stock. In certain cases, the interests of Liberty Media may not be aligned with the interests of other stockholders of Holdings. **Following the consummation of the Transactions, Liberty Media will no longer beneficially own Holdings' common stock. See " Business- Liberty Media Split- Off Transaction. " The Transactions may adversely affect our business and financial condition. The Transactions and our efforts to consummate the Transactions have required, and may continue to require, our management to divert a disproportionate amount of attention away from their respective day- to- day activities and operations in order to devote time and effort to consummating the Transactions. The risks, and adverse effects, of such disruptions and diversions could be exacerbated by a delay in the completion of the Transactions. Any such disruptions or diversions could adversely affect our financial position or results of operations, regardless of whether the Transactions are completed. Moreover, the Transactions impose certain restrictive interim covenants on us during the pendency of the Transactions. These restrictions may prevent us from taking certain actions during the relevant period, including repurchasing our stock, making certain acquisitions or otherwise pursuing certain**

business opportunities that our board of directors may deem beneficial. Further, we have incurred, and expect to further incur, certain nonrecurring costs in connections with the Transactions, which may adversely affect our short- term operating results and cash flows. Although we expect that the realization of benefits related to the Transactions will offset such costs and expenses over time, we cannot assure that the net benefits will be achieved in the near term, or at all. Additionally, while we anticipate the realization of strategic and financial benefits to our stockholders as a result of the consummation of the Transactions, including the creation of stockholder value because, among other things, there will be a single class of " one share, one vote " common stock following the consummation of the Transactions, Holdings will no longer have a controlling stockholder, and the Transactions will result in more trading liquidity for our common stock and the potential for future eligibility for inclusion in stock market indexes, there can be no assurance that these benefits will be realized and to what exact impact will they have on stockholder value. See " Business- Liberty Media Split- Off Transaction. " While we currently pay a quarterly cash dividend to holders of our common stock, we may change our dividend policy at any time. We currently pay a quarterly cash dividend to holders of our common stock, although we have no obligation to do so, and our dividend policy may change at any time without notice to our stockholders. The declaration and payment of dividends is at the discretion of our board of directors in accordance with applicable law after considering various factors, including our financial condition, operating results, current and anticipated cash needs, limitations imposed by our indebtedness, legal requirements and other factors that our board of directors deems relevant. Other Operational Risks If we are unable to attract and retain qualified personnel, our business could be harmed. We believe that our success depends on our continued ability to attract and retain qualified management, sales, technical and other personnel. All of our employees, including our executive officers, are free to terminate their employment with us at any time, and their knowledge of our business may be difficult to replace. Qualified individuals are in high demand, particularly in the media and technology industries and we may incur significant costs to attract and retain employees. If we are unable to attract and retain our key employees, we may not be able to achieve our objectives, and our business could be harmed. Our facilities could be damaged by natural catastrophes or terrorist activities. An earthquake, hurricane, tornado, flood, cyber- attack, terrorist attack, civil unrest or other catastrophic event could damage our data centers, studios, terrestrial repeater networks or satellite uplink facilities, interrupt our services and harm our business. We also have significant operations in the San Francisco Bay Area, a region known for seismic activity. Natural disasters and ~~adverse~~ **extreme** weather conditions can be caused or exacerbated by climate change. Any damage to the satellites that transmit to our terrestrial repeater networks would likely result in degradation of the affected service for some Sirius XM subscribers and could result in complete loss of Sirius XM satellite service in certain or all areas. Damage to our satellite uplink facilities could result in a complete loss of our Sirius XM satellite service until we could transfer operations to suitable back- up facilities. The unfavorable outcome of pending or future litigation could have an adverse impact on our operations and financial condition. We are parties to several legal proceedings arising out of various aspects of our business, including possible class actions arising out of our marketing practices **and governmental actions and possible class actions and mass arbitrations arising from our pricing and cancellation practices** . The outcome of these proceedings may not be favorable, and one or more unfavorable outcomes could have an adverse impact on our financial condition **. See" Item 3. Legal Proceedings" of this Annual Report on Form 10- K for information on our material legal proceedings** . We may be exposed to liabilities that other entertainment service providers would not customarily be subject to. We design, establish specifications, source or specify parts and components, and manage various aspects of the logistics of the production of satellite radios and our apps. As a result of these activities, we may be exposed to liabilities associated with the design, manufacture and distribution of radios and apps 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 business and prospects depend on the strength of our brands. Maintaining and enhancing our brands is an important part of our strategy to expand our base of subscribers, listeners and advertisers. Our brands may be impaired by a number of factors, including service outages, data privacy and security issues and exploitation of our trademarks by others without permission. Our ability to maintain and enhance our brands also depends in part on our ability to continue to develop and provide an innovative and high- quality entertainment experience, which we may not do successfully. We have made various statements in this Annual Report on Form 10- K that may constitute " forward- looking statements " within the meaning of the Private Securities Litigation Reform Act of 1995. Forward- looking statements may also be made in our other reports filed with or furnished to the SEC, in our press releases and in other documents. In addition, from time to time, we, through our management, may make oral forward- looking statements. For example, these forward- looking statements may include, among other things, our statements about our outlook and our future results of operations and financial condition; share repurchase plans; the impact of economic and market conditions; and the impact of recent acquisitions. The words " will likely result, " " are expected to, " " will continue, " " is anticipated, " " estimated, " " believe, " " intend, " " plan, " " may, " " should, " " could, " " would, " " likely, " " projection, " " outlook " and similar expressions are intended to identify forward- looking statements. Forward- looking statements are subject to risks and uncertainties, including those identified above, which could cause actual results to differ materially from such statements. We caution you that the risk factors described above are not exclusive. There may also be other risks that we are unable to predict at this time that may cause actual results to differ materially from those in forward- looking statements. New factors emerge from time to time, and it is not possible for us to predict which will arise or to assess with any precision the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward- looking statements. Readers are cautioned not to place undue reliance on these forward- looking statements, which speak only as of the date on which they are made. We undertake no obligation to update publicly or revise any forward- looking statements, except as required by law.