

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For The Quarterly Period Ended June 30, 1999

Commission file number 0-24710

CD RADIO INC.

-----  
(Exact name of registrant as specified in its charter)

<TABLE>		
<S>	DELAWARE	<C> 52-1700207
	(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
</TABLE>		

1221 AVENUE OF THE AMERICAS, 36TH FLOOR  
NEW YORK, NEW YORK 10020

-----  
(Address of principal executive offices)  
(Zip code)

212-584-5100

-----  
(Registrant's telephone number, including area code)

-----  
(Former name, former address and former fiscal year, if changed since last  
report)

Indicate by check mark whether the registrant (1) has filed all reports required  
to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during  
the preceding 12 months (or for such shorter period that the registrant was  
required to file such reports), and (2) has been subject to such filing  
requirements for the past 90 days.

Yes    X        No  
\_\_\_\_\_

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

COMMON STOCK, \$.001 PAR VALUE	23,341,731 SHARES
----- (Class)	----- (Outstanding as of August 9, 1999)

CD RADIO INC.  
(A DEVELOPMENT STAGE ENTERPRISE)

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CD RADIO INC. AND SUBSIDIARY  
(A DEVELOPMENT STAGE ENTERPRISE)  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(UNAUDITED)

Cumulative for the period May 17, 1990 (date of inception) June 30, 1999	For the Three Months Ended June 30,		For the Six Months Ended June 30,		to
	1999	1998	1999	1998	
	-----	-----	-----	-----	-----
<S> Revenue	<C> \$ -	<C> \$ -	<C> \$ -	<C> \$ -	<C> \$
-					
Operating expenses:					
Engineering, design and development	(7,433,000)	(395,000)	(14,344,000)	(774,000)	
(20,759,000)					
General and administrative	(6,454,000)	(2,488,000)	(11,418,000)	(4,442,000)	
(41,963,000)					
Special charges	--	(25,682,000)	--	(25,682,000)	
(27,682,000)					
-----					-
Total operating expenses	(13,887,000)	(28,565,000)	(25,762,000)	(30,898,000)	
(90,404,000)					
-----					-
Other income (expense):					
Interest and investment income	3,536,000	1,585,000	6,400,000	3,903,000	
18,052,000					
Interest expense	(2,250,000)	(3,159,000)	(3,683,000)	(8,982,000)	
(20,067,000)					
-----					-

(2,015,000)	1,286,000	(1,574,000)	2,717,000	(5,079,000)	
Income (loss) before income taxes (92,419,000)	(12,601,000)	(30,139,000)	(23,045,000)	(35,977,000)	
Income taxes:					
Federal (1,982,000)	--	(38,000)	--	(38,000)	
State (313,000)	--	--	--	--	
Net loss (94,714,000)	(12,601,000)	(30,177,000)	(23,045,000)	(36,015,000)	
Preferred stock dividend (36,570,000)	(7,522,000)	(4,438,000)	(14,852,000)	(9,219,000)	
Preferred stock deemed dividend (68,184,000)	(2,278,000)	--	(4,534,000)	--	
Accretion of dividends in connection with the issuance of warrants on preferred stock (6,649,000)	(74,000)	(2,097,000)	(148,000)	(6,372,000)	
Net loss applicable to common stockholders \$(206,117,000)	\$ (22,475,000)	\$ (36,712,000)	\$ (42,579,000)	\$ (51,606,000)	
Net loss per share applicable to common stockholders (basic and diluted)	\$ (0.97)	\$ (2.18)	\$ (1.83)	\$ (3.13)	
Weighted average common shares outstanding (basic and diluted)	23,265,000	16,826,000	23,245,000	16,493,000	

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The accompanying notes are an integral part of these consolidated financial statements.

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CD RADIO INC. AND SUBSIDIARY  
(A DEVELOPMENT STAGE ENTERPRISE)  
CONSOLIDATED BALANCE SHEETS

	June 30, 1999	December 31, 1998
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 235,670,000	\$ 204,753,000
Marketable securities, at market	40,555,000	60,870,000
Restricted investments, at amortized cost	79,803,000	--
Prepaid expense and other	935,000	166,000

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Total current assets	356,963,000	265,789,000
	-----	-----
Property and equipment, at cost:		
Satellite construction in process	269,833,000	188,849,000
Launch construction in process	157,058,000	87,492,000
Broadcast studio equipment	9,185,000	87,000
Leasehold improvements	12,623,000	5,081,000
Terrestrial repeater network in process	4,548,000	1,990,000
Other	6,595,000	156,000
	-----	-----
	459,842,000	283,655,000
Less accumulated depreciation	(265,000)	(21,000)
	-----	-----
	459,577,000	283,634,000
	-----	-----
Other assets:		
FCC license	83,368,000	83,368,000
Debt issue costs, net	19,362,000	9,313,000
Other	1,662,000	1,776,000
	-----	-----
Total other assets	104,392,000	94,457,000
	-----	-----
Total assets	\$ 920,932,000	\$ 643,880,000
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 15,698,000	\$ 5,481,000
Satellite & launch construction payable	41,046,000	8,479,000
Short-term notes payable	95,526,000	70,863,000
	-----	-----
Total current liabilities	152,270,000	84,823,000
Long-term notes payable and accrued interest	338,098,000	153,033,000
Deferred satellite payments and accrued interest	46,102,000	31,324,000
Deferred income taxes	2,237,000	2,237,000
	-----	-----
Total liabilities	538,707,000	271,417,000
	-----	-----
Commitments and contingencies		
10 1/2% Series C Convertible Preferred Stock, no par value: 2,025,000 shares authorized, 1,465,916 and 1,467,416 shares issued and outstanding at June 30, 1999 and December 31, 1998, respectively (liquidation preferences of \$146,591,600 and \$146,741,600), at net carrying value including accrued dividends	165,627,000	156,755,000
9.2% Series A Junior Cumulative Convertible Preferred Stock, \$.001 par value: 4,300,000 shares authorized, 1,350,000 shares issued and outstanding at June 30, 1999 and December 31, 1998 (liquidation preference of \$135,000,000), at net carrying value including accrued dividends	143,855,000	137,755,000
9.2% Series B Junior Cumulative Convertible Preferred Stock, \$.001 par value: 2,100,000 shares authorized, no shares issued or outstanding	-	-
Stockholders' equity:		
Preferred stock, \$.001 par value; 50,000,000 shares authorized 8,000,000 shares designated as 5% Delayed Convertible Preferred Stock; none issued or outstanding	-	-
Common stock, \$.001 par value; 200,000,000 shares authorized, 23,340,424 and 23,208,949 shares issued and outstanding at June 30, 1999 and December 31, 1998, respectively	23,000	23,000
Additional paid-in capital	167,434,000	149,599,000
Deficit accumulated during the development stage	(94,714,000)	(71,669,000)
	-----	-----
Total stockholders' equity	72,743,000	77,953,000
	-----	-----
Total liabilities and stockholders' equity	\$ 920,932,000	\$ 643,880,000
	=====	=====

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

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CD RADIO INC. AND SUBSIDIARY  
(A DEVELOPMENT STAGE ENTERPRISE)  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

	For the Six Months Ended June 30, -----		Cumulative for the period May 17, 1990 (date of inception)
	1999 -----	1998 -----	to June 30, 1999 -----
--			
<S>	<C>	<C>	<C>
Cash flows from development stage activities:			
Net loss	\$ (23,045,000)	\$ (36,015,000)	\$ (94,714,000)
Adjustments to reconcile net loss to net cash (used in) development stage activities:			
Depreciation and amortization	246,000	21,000	1,976,000
Unrealized (gain) loss on marketable securities	181,000	98,000	(52,000)
(Gain) loss on disposal of assets	10,000	310,000	115,000
Special charges	--	23,557,000	25,557,000
Accretion of note payable charged as interest expense	3,489,000	11,335,000	31,355,000
Sales (purchases) of marketable securities and restricted investments, net	(59,141,000)	103,288,000	(119,778,000)
Compensation expense in connection with issuance of common stock and stock options	659,000	--	3,995,000
Increase (decrease) in cash and cash equivalents resulting from changes in assets and liabilities:			
Prepaid expense and other	(769,000)	(675,000)	(935,000)
Due to related party	--	--	351,000
Other assets	(2,046,000)	(623,000)	(6,072,000)
Accounts payable and accrued expenses	6,632,000	2,135,000	12,184,000
Deferred taxes	--	--	2,237,000
	-----	-----	-----
Net cash provided by (used in) development stage activities	(73,784,000)	103,431,000	(143,781,000)
	-----	-----	-----
Cash flows from investing activities:			
Purchase of FCC license	--	--	(83,368,000)
Payments for satellite construction	(41,717,000)	(14,407,000)	(190,663,000)
Payments for launch services	(43,362,000)	(25,071,000)	(153,217,000)
Other capital expenditures	(25,649,000)	(148,000)	(33,349,000)
Acquisition of Sky-Highway Radio Corp.	--	--	(2,000,000)
	-----	-----	-----
Net cash used in investing activities	(110,728,000)	(39,626,000)	(462,597,000)
	-----	-----	-----
Cash flows from financing activities:			
Proceeds from issuance of notes payable	24,663,000	--	95,526,000
Proceeds from issuance of common stock, net	67,000	--	183,510,000
Proceeds from issuance of preferred stock, net	--	--	250,068,000
Proceeds from exercise of stock options and warrants	699,000	36,000	5,639,000
Proceeds from issuance of promissory note and units, net	190,000,000	--	306,535,000
Proceeds from issuance of promissory notes to related parties	--	--	2,965,000
Repayment of promissory notes	--	--	(2,635,000)
Loan from officer	--	--	440,000
	-----	-----	-----
Net cash provided by financing activities	215,429,000	36,000	842,048,000
	-----	-----	-----
Net increase in cash and cash equivalents	30,917,000	63,841,000	235,670,000
Cash and cash equivalents at the beginning of period	204,753,000	900,000	-----
	-----	-----	-----
Cash and cash equivalents at the end of period	\$ 235,670,000	\$ 64,741,000	\$ 235,670,000
	=====	=====	=====

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

CD RADIO INC. AND SUBSIDIARY  
(A DEVELOPMENT STAGE ENTERPRISE)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 1999  
(UNAUDITED)

GENERAL

The accompanying consolidated financial statements do not include all of the information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles. In the opinion of management, all adjustments (consisting only of normal, recurring adjustments) considered necessary to fairly state our consolidated financial position and consolidated results of operations have been included. These financial statements should be read in connection with our consolidated financial statements and the notes thereto for the fiscal year ended December 31, 1998 included in our Annual Report on Form 10-K as filed with the Securities and Exchange Commission.

NET LOSS PER SHARE

Net loss per common share is based on the weighted average number of common shares outstanding during such periods. Options and warrants granted by us have not been included in the calculation of net loss per share because such items were antidilutive.

The following is a reconciliation of net loss per common share before preferred stock dividend requirements to net loss per share applicable to common stockholders:

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	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	1999	1998	1999	1998
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Per common shares (basic and diluted):				
Net loss	\$ (0.55)	\$ (1.79)	\$ (0.99)	\$ (2.18)
Preferred stock dividend requirements	(0.42)	(0.26)	(0.83)	(0.56)
Accretion of dividends in connection with the issuance of warrants on preferred stock	-	(0.13)	(0.01)	(0.39)
	-----	-----	-----	-----
Net loss applicable to common stockholders	\$ (0.97)	\$ (2.18)	\$ (1.83)	\$ (3.13)
	-----	-----	-----	-----

</TABLE>

MARKETABLE SECURITIES

Marketable securities consist of fixed income securities and are stated at market value. Marketable securities are defined as trading securities under the provision of SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS No. 115"), and unrealized holding gains and losses are reflected in earnings. Unrealized holding gains were \$52,000 and \$233,000 at June 30, 1999 and December 31, 1998, respectively.

RESTRICTED INVESTMENTS

Restricted investments consist of fixed income securities and are stated at amortized cost plus accrued interest income. Restricted investments are defined as held-to-maturity securities under the provision of SFAS No. 115 and unrealized holding gains and losses are not reflected in earnings. Unrealized holding losses were \$234,000 at June 30, 1999. The securities included in Restricted Investments are restricted to provide for the first six scheduled interest payments on our 14 1/2% Senior Secured Notes due 2009.

## PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost and include interest on funds borrowed to finance construction. Capitalized interest was \$39,635,000 and \$16,243,000 at June 30, 1999 and December 31, 1998, respectively.

## SHORT-TERM NOTES PAYABLE

We entered into a credit agreement with Bank of America and other lenders in July 1998 under which Bank of America and other lenders agreed to provide us a term loan facility of up to \$115 million. This term loan facility matures on the earlier of February 29, 2000 and ten days prior to the launch of our second satellite. The proceeds of this facility are being used to fund progress payments for the purchase of launch services and to pay interest, fees and other related expenses. The amounts advanced under this facility bear interest at a variable rate that we select.

## DEFERRED SATELLITE PAYMENTS

Under an amended and restated contract (the "Loral Satellite Contract") with Space Systems/Loral, Inc. ("Loral"), Loral has agreed to defer certain amounts due under the Loral Satellite Contract. The amounts deferred bear interest at 10% per year and are due in quarterly installments beginning in June 2002. We have the right to prepay any deferred payments together with accrued interest, without penalty.

## ENGINEERING DESIGN AND DEVELOPMENT COSTS

We have entered into an agreement with Lucent Technologies, Inc. ("Lucent") pursuant to which Lucent has agreed to use commercially reasonable efforts to deliver integrated circuits ("chip sets"), which will be used in consumer electronic devices capable of receiving our broadcasts. In addition, we have entered into agreements with Alpine, Panasonic, Recoton, Visteon and Delco to design and develop equipment that will be used to receive our broadcasts, whereby we have agreed to pay certain development costs. We record expenses under these contracts as the work is performed. Total expenses related to these contracts were \$6,398,000 and \$12,448,000 in the three month period and six month period ended June 30, 1999, respectively.

## SPECIAL CHARGES

During the quarter ended June 30, 1998, we decided to enhance our satellite delivery system to include a third in-orbit satellite and to terminate certain launch and orbit related contracts. We recorded special charges totaling approximately \$25.7 million related primarily to the termination of such contracts.

## RECLASSIFICATIONS

Certain amounts in the prior period's financial statements have been reclassified to conform to the current period presentation.

CD RADIO INC. AND SUBSIDIARY  
(A DEVELOPMENT STAGE ENTERPRISE)

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

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

In connection with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 (the "Reform Act"), we are hereby providing cautionary statements identifying important factors that could cause our actual results to differ materially from those projected in forward-looking statements (as such term is defined in the Reform Act) made in this report. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "will likely result," "are expected to," "will continue," "is anticipated," "estimated," "intends," "plans," "projection" and "outlook") are not historical facts and may be forward-looking and, accordingly, such statements involve estimates, assumptions and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Accordingly, any such statements are qualified in their entirety by reference to, and are accompanied by, the factors discussed in our Annual Report on Form 10-K for the year ended December 31, 1998. Among the key factors that have a direct bearing on our future results of operations are the potential risk of delay in implementing our business plan; possible increased costs of construction and launch of necessary satellites; dependence on Space Systems/Loral, Inc., Lucent Technologies, Inc. and consumer electronics manufacturers; the unavailability of receivers and antennas; risk of launch failure; unproven market for our proposed service; unproven applications of existing technology; and our need for additional financing.

#### OVERVIEW

CD Radio was organized in May 1990 and is in its development stage. Our principal activities to date have included technology development, our terrestrial repeater network development, arranging for design and development of chip sets and receivers, obtaining regulatory approval for the CD Radio service, commencement of construction of four satellites, acquisition of content for our programming, strategic planning, market research, recruitment of our management team and securing financing for working capital and capital expenditures. We require additional capital to complete development and commence commercial operations of CD Radio. We cannot assure you that we will ever commence operations, that we will attain any particular level of revenues or that we will achieve profitability.

We have recently announced the following alliances in connection with the development of CD Radio.

FORD. On June 11, 1999, we entered into an agreement with Ford Motor Company ("Ford") which anticipates Ford manufacturing, marketing and selling vehicles that include receivers capable of receiving CD Radio's broadcasts. This exclusive agreement includes all seven Ford brands -- Ford, Lincoln, Mercury, Mazda, Jaguar, Aston Martin and Volvo.

ALPINE. On July 13, 1999, we announced an agreement with Alpine Electronics Inc. pursuant to which Alpine will design and develop CD Radio receivers for installation by automotive manufacturers and for sale directly to consumers in the electronics aftermarket.

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PANASONIC. On July 27, 1999, we announced an agreement pursuant to which a division of Matsushita, the world's largest consumer electronics company and the maker of Panasonic products, will design and develop CD Radio receivers for installation by automotive manufacturers and for sale to consumers in the electronics aftermarket.

NATIONAL PUBLIC RADIO. On June 8, 1999, we entered into an agreement with National Public Radio ("NPR") pursuant to which NPR will provide programming for two of CD Radio's non-music channels as well as classical and jazz related interviews and features for use on CD Radio music channels.

JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS AND NATIONAL SYMPHONY ORCHESTRA. On June 23, 1999, we announced a strategic alliance with the John F. Kennedy Center for the Performing Arts and the National Symphony Orchestra pursuant to which the Kennedy Center and the National Symphony Orchestra will provide new and archival music, artist interviews, children's entertainment and other targeted programming for broadcast on CD Radio.

BRITISH BROADCASTING COMPANY AND PUBLIC RADIO INTERNATIONAL. On



May 10, 1999, we entered into an agreement with the British Broadcasting Company and Public Radio International ("PRI") pursuant to which CD Radio will broadcast both the English and Spanish language versions of the BBC World Service and PRI will create a news, information and entertainment channel for broadcast on CD Radio.

During the terms of the programming and broadcast agreements described above, CD Radio will be the exclusive satellite digital audio radio service to carry programming produced by NPR, PRI, the Kennedy Center and the National Symphony Orchestra and will be the only satellite digital audio radio service to carry the Spanish language version of the BBC World Service.

Each of the elements of the CD Radio system - satellites, terrestrial repeater network, National Broadcast Studio and CD Radio receivers -- is on schedule to permit us to begin operations at the end of the fourth quarter of 2000.

SATELLITES. Loral is constructing our four satellites. Our first satellite has been fully assembled and is undergoing testing; the last major components of our second satellite, the communications panels, are currently being integrated into the satellite; and our third satellite is in the process of being assembled. In addition, the major structural parts for our spare fourth satellite have been manufactured and will be assembled shortly. We have ordered certain long lead time elements for a fifth satellite.

Each of our first three satellites will be launched on a Proton launch vehicle. These launches are currently scheduled for next January, March and May. Proton launch vehicles have an overall reliability of 92% based on their last 50 flights.

Loral SkyNet, an affiliate of Loral, is constructing for us tracking, telemetry and command earth stations in Quito, Ecuador, and Utiwe, Panama. These stations are on schedule to be completed and fully operational in January 2000. All necessary satellite uplink facilities will be completed and fully operational in the first quarter of 2000.

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TERRESTRIAL REPEATER NETWORK. We currently expect to deploy approximately 105 terrestrial repeaters in 46 metropolitan areas. During 1998, we completed the construction and testing of our terrestrial repeater network in San Francisco on an experimental basis. During 1999 and 2000, we expect to execute agreements for site acquisition, site design and site construction services for the remainder of our terrestrial repeaters, acquire all necessary sites and complete construction at all of these sites. In addition, in 1999 we expect to purchase the digital broadcast equipment necessary to operate our terrestrial repeater network. Our terrestrial repeater network is scheduled to be completed, tested and fully operational during the fourth quarter of 2000.

NATIONAL BROADCAST STUDIO. Construction of our National Broadcast Studio has been completed and state-of-the-art digital broadcast equipment is currently being installed. Our National Broadcast Studio is expected to be fully operational in October 1999.

CD RADIO RECEIVERS. CD Radio receivers are currently being developed by Alpine, Panasonic, Recoton, Visteon and Delco. We expect that limited quantities of CD Radio receivers will be available to purchasers of vehicles manufactured by Ford beginning at the end of the fourth quarter of 2000, with increasing quantities of such receivers becoming available in each subsequent quarter of 2001. CD Radio receivers are expected to be available in the autosound aftermarket starting in the first quarter of 2001, with increasing quantities of CD Radio receivers becoming available in each subsequent quarter of 2001.

Based upon this schedule, we do not expect to recognize revenues from operations until the first quarter of 2001, at the earliest.

Upon commencing commercial operations, we expect our primary source of revenues to be monthly subscription fees. We currently anticipate that our subscription fee will be \$9.95 per month to receive CD Radio broadcasts, with a one time, modest activation fee per subscriber. In addition, we expect to derive

revenues from directly selling or bartering advertising on our non-music channels. We do not intend to manufacture the receivers necessary to receive CD Radio and thus we will not receive any revenues from their sale. Although we hold patents covering some of the technology which will be used in these receivers, we expect to license our technology to manufacturers at no charge.

We expect that the operating expenses associated with commercial operations will consist primarily of marketing, sales, programming, maintenance of our satellite and broadcasting system and general and administrative costs. Costs to acquire programming are expected to include payments to build and maintain an extensive music library and royalty payments for broadcasting music (calculated based on a percentage of revenues). Marketing, sales, general and administrative costs are expected to consist primarily of advertising costs, salaries of employees, rent and other administrative expenses. As of August 6, 1999, we had 65 employees and 15 part-time consultants. We expect to have approximately 150 employees by the time we commence commercial operations.

In addition to funding initial operating losses, we require funds for working capital, interest and financing costs on borrowings and capital expenditures in the near term.

## RESULTS OF OPERATIONS

### THREE MONTHS ENDED JUNE 30, 1999 COMPARED WITH THREE MONTHS ENDED JUNE 30, 1998

We recorded net losses of \$12,601,000 and \$30,177,000 for the three months ended June 30, 1999 and 1998, respectively. Our total operating expenses were \$13,887,000 and \$28,565,000 for the three months ended June 30, 1999 and 1998, respectively. In the 1998 quarter, we decided to enhance our satellite delivery system to include a third in-orbit satellite and to terminate certain launch and orbit related contracts. We recorded special charges totaling approximately \$25.7 million related primarily to the termination of such contracts. Excluding these special charges, we recorded a net loss of \$4,495,000 and operating expenses of \$2,883,000 for the three months ended June 30, 1998.

Engineering design and development costs were \$7,433,000 and \$395,000 for the three months ended June 30, 1999 and 1998, respectively. Engineering costs increased in the 1999 quarter primarily due to payments to Lucent in connection with the chip set development effort and payments to consumer electronic manufacturers in connection with receiver development efforts.

General and administrative expenses increased for the three months ended June 30, 1999 to \$6,454,000 from \$2,488,000 for the three months ended June 30, 1998. General and administrative expenses increased due to the occupancy of our new offices and national broadcast studio and the growth of our management team and the workforce necessary to develop and commence the broadcast of CD Radio. The major components of general and administrative expenses in the 1999 quarter were salaries and employment related costs (32%), rent and occupancy costs (21%) and legal and regulatory fees (13%), while in the 1998 quarter the major components were salaries and employment related costs (30%), rent and occupancy costs (24%), and legal and regulatory fees (16%). The remaining portion of general and administrative expenses (34% in the 1999 quarter and 30% in the 1998 quarter) consisted of other costs such as insurance, market research, consulting, travel, depreciation and supplies, with no such amount exceeding 10% of the total in the 1999 quarter and only consulting (12%) exceeding 10% of the total in the 1998 quarter.

The increase in interest and investment income to \$3,536,000 for the three months ended June 30, 1999, from \$1,585,000 in the three months ended June 30, 1998, was the result of higher average balances of cash, marketable securities and restricted investments during the 1999 quarter. The higher average balances of cash, marketable securities and restricted investments during the quarter were due to the proceeds from the issuance of notes in the second quarter of 1999 and stock sales during the fourth quarter of 1998 exceeding the amount of expenditures for satellite and launch vehicle construction, other capital expenditures and operating expenses.

Interest expense, net of capitalized interest, was \$2,250,000 for the three months ended June 30, 1999 and was \$3,159,000 in the three months ended June 30, 1998. This decrease in net interest expense was due to capitalized interest increasing by an amount (\$10,476,000) greater than the corresponding increase in interest expense (\$9,567,000).

### SIX MONTHS ENDED JUNE 30, 1999 COMPARED WITH SIX MONTHS ENDED JUNE 30, 1998

We recorded net losses of \$23,045,000 and \$36,015,000 for the six months ended June 30, 1999 and 1998, respectively. Our total operating expenses were \$25,762,000 and \$30,898,000 for the six months ended June 30, 1999 and 1998, respectively. Excluding the special charges totaling \$25.7 million recorded in the 1998 second quarter, we recorded a net loss of \$10,333,000 and operating expenses of \$5,216,000 for the six months ended June 30, 1998.

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Engineering design and development costs were \$14,344,000 and \$774,000 for the six months ended June 30, 1999 and 1998, respectively. Engineering costs increased in the 1999 period primarily due to payments to Lucent in connection with the chip set development effort and payments to consumer electronic manufacturers in connection with receiver development efforts.

General and administrative expenses increased for the six months ended June 30, 1999 to \$11,418,000 from \$4,442,000 for the six months ended June 30, 1998. General and administrative expenses increased due to the occupancy of our new offices and national broadcast studio and the growth of our management team and the workforce necessary to develop and commence the broadcast of CD Radio. The major components of general and administrative expenses in the 1999 period were salaries and employment related costs (30%), rent and occupancy costs (25%) and legal and regulatory fees (14%), while in the 1998 period the major components were salaries and employment related costs (27%), rent and occupancy costs (16%), and legal and regulatory fees (15%). The remaining portion of general and administrative expenses (31% in the 1999 period and 42% in the 1998 period) consisted of other costs such as insurance, market research, consulting, travel, depreciation and supplies, with no such amount exceeding 10% of the total in the 1999 period and only consulting (16%) exceeding 10% of the total in the 1998 period.

The increase of interest income to \$6,400,000 for the six months ended June 30, 1999, from \$3,903,000 in the six months ended June 30, 1998, was the result of higher average balances of cash, marketable securities and restricted investments during the 1999 period. The higher average balances of cash, marketable securities and restricted investments during the period were due to the proceeds from the issuance of notes in the second quarter of 1999 and stock sales during the fourth quarter of 1998 exceeding the amount of expenditures for satellite and launch vehicle construction, other capital expenditures and operating expenses.

Interest expense, net of capitalized interest, decreased to \$3,683,000 for the six months ended June 30, 1999, from \$8,982,000 in the 1998 period. This decrease in net interest expense was due to capitalized interest increasing by an amount (\$20,326,000) greater than the corresponding increase in interest expense (\$15,027,000).

#### LIQUIDITY AND CAPITAL RESOURCES

At June 30, 1999, we had a total of cash, cash equivalents, marketable securities and restricted investments of \$356,028,000 and working capital of \$204,693,000 compared with cash, cash equivalents and marketable securities of approximately \$265,623,000 and working capital of \$180,966,000 at December 31, 1998. The increases in the respective balances are due primarily to the proceeds from the issuance of units consisting of our 14 1/2% Senior Secured Notes due 2009 and related warrants during the 1999 second quarter (see - Sources of Funding) exceeding capital expenditures and operating expenses for the first six months of 1999. As part of the issuance of the notes in the 1999 second quarter, we were required to place approximately \$79 million of government securities in a restricted account to be used only to pay the interest on these notes during their first three years.

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## FUNDING REQUIREMENTS

We require near term funding to continue building our system. We can fund our planned operations and the construction of our system into the first quarter of 2000 from our existing working capital. We estimate that we will require approximately \$1,170 million to develop and commence operations by the end of the fourth quarter of 2000. This amount reflects additional engineering design and development costs for CD Radio receivers; increased capital requirements for our terrestrial repeater network; increases in premiums in the market for satellite launch and in-orbit insurance; costs for engineering analysis on potential alternative satellite launch platforms; and other increased operating costs. Of the total amount required, we have raised, have access to or have identified sources for approximately \$1 billion (which includes \$115 million of debt that must be repaid by the earlier of February 29, 2000 and ten days prior to the launch of our second satellite), leaving anticipated additional cash needs of approximately \$170 million to fund our operations through the end of the fourth quarter of 2000. If Bank of America is unable to arrange a new credit facility for us, we will need to raise an additional \$221 million to fund our operations through the end of the fourth quarter of 2000. We anticipate additional cash requirements of approximately \$150 million to fund our operating costs during the first full year of operations. This amount reflects additional engineering design and development costs for CD Radio receivers; increases in the amount of chip set subsidies for CD Radio receivers; increases in premiums in the market for satellite launch and in-orbit insurance; and other increased operating costs. We expect to finance the remainder of our funding requirements through the future issuance of debt or equity securities, or a combination of debt and equity securities.

To build and launch the satellites necessary for the operations of CD Radio, we entered into the Loral Satellite Contract with Loral. The Loral Satellite Contract provides for Loral to construct, launch and deliver three satellites, in-orbit and checked-out, to construct for us a fourth satellite for use as a ground spare and to become our launch service provider. We are committed to make aggregate payments of approximately \$718 million under the Loral Satellite Contract. We have also entered into an amendment to the Loral Satellite Contract pursuant to which we will purchase \$15 million of certain long-lead time parts for a fifth satellite. As of June 30, 1999, \$303 million of this obligation had been satisfied. Under the Loral Satellite Contract, with the exception of a payment made to Loral in March 1993, payments are made in installments that commenced in April 1997 and will end in December 2003. Approximately half of these payments are contingent upon Loral meeting specified milestones in the construction of our satellites.

If there is a satellite launch failure, we will be required to pay Loral the deferred amount for the affected satellite no later than 120 days after the date of the failure. If we elect to put one of our first three satellites into ground storage, rather than having it shipped to the launch site, the deferred amount for that satellite will become due within 60 days of this election.

We will also require funds for working capital, interest on borrowings, acquisition of programming, financing costs and operating expenses until some time after the commencement of our commercial operations. We expect our interest expense will increase significantly when compared to our 1998 interest expense as a result of the issuance of our 14 1/2% Senior Secured Notes due 2009 in the 1999 second quarter; however, our 15% Senior Secured Discount Notes due 2007 will not require cash payments of interest until June 2003. A portion of the net proceeds from the issuance of our 14 1/2% Senior Secured Notes due 2009 was used to purchase a portfolio of U.S. government securities in an amount sufficient to pay the first six payments of interest on our 14 1/2% Senior Secured Notes due 2009.

We cannot be sure that we will be able to obtain additional financing on favorable terms, or at all, or that we will be able to do so in a timely fashion. The agreements and instruments governing our existing indebtedness contain, and documents governing any indebtedness incurred in the future are expected to contain, provisions limiting our ability to incur additional indebtedness. If additional financing were not available on a timely basis, we would be required to delay satellite and/or launch vehicle construction to conserve cash and to fund continued operations, which would cause delays in the commencement of operations and increase costs.

deployment of our satellite system and terrestrial repeater network, costs associated with the design and development of chip sets and receivers, the rate of growth of our business after commencing service, costs of financing and the possibility of unanticipated costs. Additional funds would be required if there are delays, cost overruns, unanticipated expenses, launch failures, launch services or satellite system change orders, or any shortfalls in estimated levels of operating cash flow.

#### SOURCES OF FUNDING

To date, we have funded our capital needs through the issuance of debt and equity. As of June 30, 1999, we had received a total of \$441 million in net equity capital. Of this amount, \$192 million of our equity capital was received in 1997 as a result of the issuance of 5,400,000 shares of 5% Delayed Preferred Stock, resulting in net proceeds of \$121 million, and 4,955,488 shares of common stock, resulting in net proceeds of \$71 million. A total of 1,905,488 shares of our common stock were sold to Loral Space & Communications, Ltd. in August 1997 and 3,050,000 shares of common stock were sold to the public in November 1997. In November 1997, we exchanged 1,846,799 shares of our newly issued 10 1/2% Series C Cumulative Convertible Preferred Stock (the "Series C Preferred Stock") for all of the outstanding shares of 5% Delayed Preferred Stock. On November 2, 1998, we sold 5,000,000 shares of common stock to Prime 66 Partners, L.P., resulting in net proceeds of \$98 million and on December 23, 1998, we sold 1,350,000 shares of our 9.2% Series A Junior Cumulative Convertible Preferred Stock to Apollo Investment Fund IV, L.P. and Apollo Overseas Partners IV, L.P. (the "Apollo Investors"), resulting in net proceeds of \$129 million. Also on December 23, 1998, the Apollo Investors granted us an option to sell them 650,000 shares of our 9.2% Series B Junior Cumulative Convertible Preferred Stock for estimated net proceeds of \$63 million. As long as there has been no material adverse change to our business, management or financial condition, and subject to satisfying customary conditions, we may exercise our option to require the Apollo Investors to purchase our 9.2% Series B Junior Cumulative Convertible Preferred Stock at any time before September 30, 1999.

In May 1999, we received net proceeds of approximately \$190 million from the issuance of 200,000 units, each consisting of \$1,000 aggregate principal amount of 14 1/2% Senior Secured Notes due 2009 and three warrants, each to purchase 3.65 shares of our common stock. We invested approximately \$79.3 million of these net proceeds in a portfolio of U.S. government securities, which we pledged as security for the payment in full of interest on the notes through May 15, 2002. In November 1997, we received net proceeds of \$116 million from the issuance of 12,910 units, each consisting of \$20,000 aggregate principal amount at maturity of 15% Senior Discount Notes due 2007 and a warrant to purchase additional 15% Senior Discount Notes due 2007 with an aggregate principal amount at maturity of \$3,000. All warrants were exercised in 1997. The aggregate value at maturity of the 15% Senior Discount Notes due 2007 is \$297 million. The 15% Senior Discount Notes mature on November 15, 2007 and the first cash interest payment is due in June 2003. The indentures governing the 15% Senior Discount Notes due 2007 and the 14 1/2% Senior Secured Notes due 2009 contain limitations on our ability to incur additional indebtedness. The 15% Senior Discount Notes due 2007 and the 14 1/2% Senior Secured Notes due 2009 are secured by pledges of the stock of Satellite CD Radio Inc., our subsidiary that holds our FCC license.

On July 28, 1998, we entered into a credit agreement with a group of financial institutions, including Bank of America as agent and a lender, under which the lenders agreed to provide us a term loan facility in an aggregate principal amount of up to \$115 million (the "Tranche A Loans"). The proceeds of the Tranche A Loans are being used to fund a portion of the progress payments required to be made by us under the Loral Satellite Contract for the purchase of launch services and to pay interest, fees and other expenses related to this facility. The Tranche A Loans are due on the earlier of February 29, 2000 and ten days prior to the launch of our second satellite. As of June 30, 1999, we had borrowed \$95.5 million under this facility, substantially all of which was used to make progress payments under the Loral Satellite Contract.

In connection with this facility, Loral agreed with Bank of America that at maturity of the Tranche A Loans (including maturity as a result of an acceleration), upon the occurrence of our bankruptcy or upon the occurrence of an event of default by Loral under its agreement with Bank of America, Loral will repurchase from the lenders the Tranche A Loans at a price equal to the

principal amount of the Tranche A Loans plus accrued and unpaid interest. In exchange for providing this credit support, Loral receives a fee from us equal to 1.25% per annum of the outstanding amount of the Tranche A Loans from time to time.

We have also entered into an agreement with Bank of America under which Bank of America has agreed to attempt to arrange a syndicate of lenders to provide a second term loan facility for us in the aggregate principal amount of \$225 million. It is anticipated that a portion of the proceeds of these loans would be used to repay the Tranche A Loans and for other general corporate purposes. Bank of America has not committed to provide this second term loan facility. The closing of this second term loan facility is expected to be conditioned on the satisfaction of specific significant conditions and there is no assurance that these loans will be arranged or that the proposed terms of such loans will be acceptable to us. If we are unable to close this facility, we will seek to repay the Tranche A Loans from the proceeds of the sale of debt securities, equity securities, or a combination of debt and equity securities.

Shares of our 9.2% Series A Junior Cumulative Convertible Preferred Stock and our 9.2% Series B Junior Cumulative Convertible Preferred Stock (collectively, the "Junior Preferred Stock") are convertible into shares of our common stock at a price of \$30 per share. The Junior Preferred Stock is callable by us beginning November 15, 2001 if the current market price, as defined in the Certificate of Designation of the Junior Preferred Stock, of our common stock exceeds \$60 per share for a period of 20 consecutive trading days, and in all events will be callable beginning November 15, 2003 at a price of 100% and must be redeemed by us on November 15, 2011. Dividends on the Junior Preferred Stock are payable in-kind or in cash annually, at our option. Holders of the Junior Preferred Stock have the right to vote, on an as-converted basis, on matters upon which the holders of our common stock have the right to vote.

Loral has agreed to defer a total of \$50 million of the payments under the Loral Satellite Contract originally scheduled for payment in 1999. These deferred amounts bear interest at 10% per annum, which interest will accrue until December 2001, at which time such interest will become payable quarterly in cash. The principal amounts of the deferred payments under the Loral Satellite Contract are required to be paid in six installments between June 2002 and December 2003. As collateral security for these deferred payments, we have agreed to grant Loral a security interest in our terrestrial repeater network.

#### OTHER MATTERS- THE YEAR 2000 ISSUE

The Year 2000 Issue will test the capability of business processes to function correctly. The Year 2000 Issue is the result of computer programs being written using two digits (rather than four) to define a year, which could result in miscalculations or system failures resulting from recognition of a date occurring after December 31, 1999 as falling in the year 1900 (or another year in the 1900s) rather than the year 2000 or thereafter. We have undertaken an effort to identify and mitigate The Year 2000 Issue in our information systems, product, suppliers and facilities. Our approach to the Year 2000 Issue can be separated into four phases: (1) define/measure-identify and inventory possible sources of Year 2000 Issues; (2) analyze-determine the nature and extent of Year 2000 Issues and develop project plans to address those issues; (3) improve-execute project plans and perform a majority of the testing; and (4) control-complete testing, continue monitoring readiness and complete necessary contingency plans. The first three phases of the program have been completed for a substantial majority of our mission-critical activities. Management plans to have nearly all significant information systems and facilities through the control phase of the program by late-1999.

We have also communicated with our significant vendors and suppliers to determine the extent to which we are vulnerable to the failure of these parties to remedy Year 2000 Issues. We can give no assurance that failure to address the Year 2000 Issues by third parties on whom our systems and business processes rely would not have a material adverse effect on our operations or financial condition.

The total Year 2000 Issue remediation expenditures are expected to be approximately \$100,000, of which 50% was spent by June 30, 1999. Substantially all of the remainder is expected to be spent in 1999. The activities involved in the Year 2000 effort necessarily involve estimates and projections of activities and resources that will be required in the future. These estimates and projections could change as work progresses.

## PART II

## OTHER INFORMATION

## ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

(c) On May 18, 1999, we sold 200,000 units (the "1999 Units"), each unit consisting of \$1,000 principal amount of our 14-1/2% Senior Secured Notes due 2009 and three warrants each to purchase 3.65 shares of our common stock, for an aggregate purchase price of \$200 million. The warrants which are part of the 1999 Units may be exercised on the earliest to occur of (i) the effective date of a change of control in CD Radio and (ii) May 18, 2000.

The 1999 Units were offered and sold only to qualified institutional buyers in compliance with Rule 144A under the Securities Act and to a limited number of institutional "accredited investors" in a private sale exempt from the registration requirements of the Securities Act. We did not sell the 1999 Units by any form of general solicitation or general advertising. In connection with the sale of the 1999 Units, we paid an aggregate \$8 million in initial purchaser discounts and fees to investment banking firms. The proceeds from the sale of the 1999 Units will be used for general corporate purposes.

## ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At the Company's annual meeting of stockholders held on June 22, 1999, the persons whose names are set forth below were elected as directors. The relevant voting information for each person is set forth opposite such person's name:

<TABLE>  
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	VOTES CAST	
	FOR	WITHHELD
	---	-----
<S>	<C>	<C>
David Margolese.....	25,122,482	45,970
Robert D. Briskman.....	25,122,832	45,620
Lawrence F. Gilberti.....	25,122,342	46,110
Joseph V. Vittoria.....	25,122,272	46,180
Ralph V. Whitworth.....	25,121,472	46,980

</TABLE>

In addition to the election of directors, the following matters were acted upon:

(a) The appointment of Arthur Andersen LLP as our independent auditors for the fiscal year ending December 31, 1999 was ratified by a vote of 25,152,092 shares in favor, 6,564 shares against, and 9,796 shares abstained.

(b) The ratification of the CD Radio 1999 Long-Term Stock Incentive Plan was approved by a vote of 17,607,630 shares in favor, 1,168,394 shares against, 22,167 shares abstained, and 6,370,261 broker nonvotes.

## ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

See Exhibit Index attached hereto.

(b) Reports on Form 8-K:

On April 9, 1999, we filed a Current Report on Form 8-K to report that on April 6, 1999, we dismissed our independent auditors, PricewaterhouseCoopers LLP, and engaged Arthur Andersen LLP as our independent auditors. On April 16, 1999, we filed a Current Report on Form 8-K to report that representatives of General Motors Corporation ("GM") had informed us that GM expected shortly to conclude an agreement with XM Satellite Radio Inc. ("XM") to manufacture and sell vehicles capable of receiving XM's satellite radio broadcasts. On April 30, 1999, we filed a Current Report on Form 8-K to report that we had launched an offering of \$200 million of securities, in the form of units consisting of Senior Secured Notes with attached warrants to purchase shares of our common stock. On May 25, 1999, we filed a Current Report on Form 8-K to report that on May 18, 1999, GM resumed substantive discussions with us regarding a possible agreement to manufacture and sell vehicles capable of receiving CD Radio broadcasts. On June 15, 1999, we filed a Current Report on Form 8-K to report that we had executed an agreement with Ford Motor Company to manufacture, market and sell vehicles that include receivers capable of receiving CD Radio broadcasts.

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#### SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CD RADIO INC.

By: /s/ John T. McClain

\_\_\_\_\_  
John T. McClain  
Vice President and Controller  
(Chief Accounting Officer)

August 12, 1999

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#### Exhibit Index

<TABLE>  
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EXHIBIT  
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<S>	<C>
3.1	Certificate of Amendment, dated June 16, 1997, to the CD Radio Inc. (the "Company") Certificate of Incorporation and the Company's Amended and Restated Certificate of Incorporation, dated January 31, 1994 (filed herewith).
3.2	Amended and Restated By-Laws (incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-1 (File No. 33-74782) (the "S-1 Registration Statement")).



- 3.3 Certificate of Designations of 5% Delayed Convertible Preferred Stock (incorporated by reference to Exhibit 10.24 to the Company's Form 10-K/A for the year ended December 31, 1996 (the "1996 Form 10-K")).
- 3.4 Form of Certificate of Designations of Series B Preferred Stock (incorporated by reference to Exhibit A to Exhibit 1 to the Company's Registration Statement on Form 8-A, filed with the Commission on October 30, 1997 (the "Form 8-A")).
- 3.5.1 Certificate of Designations, Preferences and Relative, Participating, Optional and Other Special Rights of 10 1/2% Series C Convertible Preferred Stock (the "Series C Certificate of Designations") (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-4 (File No. 333-34761) (the "S-4 Registration Statement")).
- 3.5.2 Certificate of Correction of the Series C Certificate of Designations (incorporated by reference to Exhibit 3.5.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 (the "1997 Form 10-K")).
- 3.5.3 Certificate of Increase of 10 1/2% Series C Convertible Preferred Stock (incorporated by reference to Exhibit 3.5.3 to the Company's Form 10-Q for the period ended March 31, 1998).
- 3.6 Form of Certificate of Designations, Preferences and Relative, Participating, Optional and Other Special Rights of 9.2% Series A Junior Cumulative Convertible Preferred Stock (incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K filed with the Commission on November 17, 1998).
- 3.7 Form of Certificate of Designations, Preferences and Relative, Participating, Optional and Other Special Rights of 9.2% Series B Junior Cumulative Convertible Preferred Stock (incorporated by reference to Exhibit 99.3 to the Company's Current Report on Form 8-K filed with the Commission on November 17, 1998).
- 4.1 Form of Certificate for Shares of Common Stock (incorporated by reference to Exhibit 4.3 to the S-1 Registration Statement).
- 4.2 Form of Certificate for Shares of 10 1/2% Series C Convertible Preferred Stock (incorporated by reference to Exhibit 4.4 to the S-4 Registration Statement).
- 4.3.1 Rights Agreement, dated as of October 22, 1997, between the Company and Continental Stock Transfer & Trust Company, as Rights Agent (incorporated by reference to Exhibit 1 to the Form 8-A).

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- <S>                    <C>
- 4.3.2                  Form of Right Certificate (incorporated by reference to Exhibit B to Exhibit 1 to the Form 8-A).
- 4.3.3                  Amendment to Rights Agreement, dated as of October 22, 1997, between the Company and Continental Stock Transfer & Trust Company, as Rights Agent, dated as of October 13, 1998 (incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K dated October 8, 1998).
- 4.3.4                  Amendment to Rights Agreement, dated as of October 22, 1997, between the Company and Continental Stock Transfer & Trust Company, as Rights Agent, dated as of November 13, 1998 (incorporated by reference to Exhibit 99.7 to the Company's Current Report on Form 8-K dated November 17, 1998).
- 4.3.5                  Amended and Restated Amendment to Rights Agreement, dated as of October 22, 1997, between the Company and Continental Stock

Transfer & Trust Company, as Rights Agent, dated as of December 22, 1998 (incorporated by reference to Exhibit 6 to the Amendment No. 1 to the Form 8-A, filed with the Commission on January 6, 1999).

- 4.3.6 Amendment to the Rights Agreement, dated as of October 22, 1997, between the Company and Continental Stock Transfer & Trust Company, as Rights Agent, dated as of June 11, 1999 (incorporated by reference to Exhibit 4.1.8 to the Company's Registration Statement on Form S-4 (File No. 333-82303) (the "1999 Form S-4").
- 4.4 Indenture, dated as of November 26, 1997, between the Company and IBJ Schroder Bank & Trust Company, as Trustee (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-3 (File No. 333-34769) (the "1997 Units Registration Statement").
- 4.5 Form of Note (incorporated by reference to Exhibit 4.2 to the 1997 Units Registration Statement).
- 4.6.1 Warrant Agreement, dated as of November 26, 1997, between the Company and IBJ Schroder Bank & Trust Company, as Warrant Agent (incorporated by reference to Exhibit 4.3 to the 1997 Units Registration Statement).
- 4.6.2 Form of Warrant (incorporated by reference to Exhibit 4.4 to the 1997 Units Registration Statement).
- 4.7 Form of Preferred Stock Warrant Agreement, dated as of April 9, 1997, between the Company and each Warrantholder thereof (incorporated by reference to Exhibit 4.12 to the 1997 Form 10-K).
- 4.8 Form of Common Stock Purchase Warrant granted by the Company to Everest Capital Master Fund, L.P. and to The Ravich Revocable Trust of 1989 (incorporated by reference to Exhibit 4.11 to the 1997 Form 10-K).
- 4.9.1 Form of Certificate for shares of 9.2% Series A Junior Cumulative Convertible Preferred Stock (incorporated by reference to Exhibit 4.10.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998 (the "1998 Form 10-K").

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- <S>
- 4.9.2 Form of Certificate for shares of 9.2% Series B Junior Cumulative Convertible Preferred Stock (incorporated by reference to Exhibit 4.10.2 to the 1998 Form 10-K).
- 4.10 Notes Registration Rights Agreement, dated as of May 13, 1999, among the Company and Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Lehman Brothers Inc., Bear, Stearns & Co. Inc., NationsBanc Montgomery Securities LLC, U.S. Bancorp Libra (incorporated by reference to Exhibit 4.4.1 to the 1999 Form S-4).
- 4.11 Indenture, dated as of May 15, 1999, between the Company and United States Trust Company of New York, as Trustee (incorporated by reference to Exhibit 4.4.2 to the 1999 Form S-4).
- 4.12 Form of the Company's 14 1/2% Senior Secured Notes due 2009 (included in Exhibit 4.4.3 to the 1999 Form S-4).
- 4.13 Warrant Agreement, dated as of May 15, 1999, between the Company

and United States Trust Company of New York, as Warrant Agent (incorporated by reference to Exhibit 4.4.4 to the 1999 Form S-4).

- 4.14 Amended and Restated Pledge Agreement, dated as of May 15, 1999, among the Company, as pledgor, IBJ Whitehall Bank & Trust Company, as trustee, United States Trust Company of New York, as trustee, and IBJ Whitehall Bank & Trust Company, as collateral agent (incorporated by reference to Exhibit 4.4.5 to the 1999 Form S-4).
- 4.15 Collateral Pledge and Security Agreement, dated as of May 15, 1999, between the Company, as pledgor, and United States Trust Company of New York, as trustee (incorporated by reference to Exhibit 4.4.6 to the 1999 Form S-4).
- 4.16 Intercreditor Agreement, dated May 15, 1999, by and between IBJ Whitehall Bank & Trust Company, as trustee, and United States Trust Company of New York, as trustee (incorporated by reference to Exhibit 4.4.7 to the 1999 Form S-4).
- 4.17 Common Stock Purchase Warrant granted by the Company to Ford Motor Company, dated June 11, 1999 (incorporated by reference to Exhibit 4.5.1 to the 1999 Form S-4).
- 9.1 Voting Trust Agreement, dated as of August 26, 1997, by and among Darlene Friedland, as Grantor, David Margolese, as Trustee, and the Company (incorporated by reference to Exhibit (c) to the Company's Issuer Tender Offer Statement on Form 13E-4, filed with the Commission on October 16, 1997).
- 10.1 Lease Agreement, dated as of March 31, 1998, between Rock-McGraw, Inc. and the Company (incorporated by reference to Exhibit 10.1.2 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 1998).
- 10.2.1 Engagement Letter Agreement, dated November 18, 1992, between the Company and Batchelder & Partners, Inc. (incorporated by reference to Exhibit 10.4 to the S-1 Registration Statement).

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EXHIBIT  
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DESCRIPTION  
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- <S>
- 10.2.2 Engagement Termination Letter Agreement, dated December 4, 1997, between the Company and Batchelder & Partners, Inc. (incorporated by reference to Exhibit 10.2.2 to the 1997 Form 10-K).
- \*10.3.1 Proprietary Information and Non-Competition Agreement, dated February 9, 1993, for Robert D. Briskman (incorporated by reference to Exhibit 10.8.1 to the S-1 Registration Statement).
- \*10.3.2 Amendment No. 1 to Proprietary Information and Non-Competition Agreement between the Company and Robert D. Briskman (incorporated by reference to Exhibit 10.8.2 to the S-1 Registration Statement).
- 'D'10.4.1 Amended and Restated Contract, dated as of June 30, 1998, between the Company and Space Systems/Loral, Inc. (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q/A for the period ended June 30, 1998).
- 10.5.1 Assignment of Technology Agreement, dated April 15, 1993, between Robert D. Briskman and the Company (incorporated by reference to Exhibit 10.10 to the S-1 Registration Statement).
- \*10.5.2 Stock Option Agreement, dated as of October 15, 1997, between the Company and Robert D. Briskman (incorporated by reference to Exhibit 10.6.2 to the 1997 Form 10-K).

- \*10.5.3 Amended and Restated Option Agreement between the Company and Robert D. Briskman (incorporated by reference to Exhibit 10.13 to the S-1 Registration Statement).
- \*10.6 Employment Agreement, dated as of January 1, 1999, between the Company and David Margolese (incorporated by reference to Exhibit 10.6 to the 1998 Form 10-K).
- \*10.7.1 Employment and Non-Competition Agreement between the Company and Robert D. Briskman (incorporated by reference to Exhibit 10.19.1 to the S-1 Registration Statement).
- \*10.7.2 First Amendment to Employment Agreement between the Company and Robert D. Briskman (incorporated by reference to Exhibit 10.19.2 to the S-1 Registration Statement).
- \*10.7.3 Second Amendment to Employment Agreement between the Company and Robert D. Briskman (incorporated by reference to Exhibit 10.12.3 to the 1996 Form 10-K).
- \*10.8 Employment and Non-Competition Agreement, dated as of July 10, 1997, between the Company and Andrew J. Greenebaum (incorporated by reference to Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 1997).
- \*10.9 Employment and Non-Competition Agreement, dated as of April 16, 1997, between the Company and Joseph S. Capobianco (incorporated by reference to Exhibit 10.17 to the Company's Quarterly Report on Form 10-Q/A for the period ended March 31, 1997).

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EXHIBIT  
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- | <S>      | <C>   |
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| *10.10.1 | Employment and Non-Competition Agreement, dated as of April 28, 1997, between the Company and Keno V. Thomas (incorporated by reference to Exhibit 10.18 to the Company's Quarterly Report on Form 10-Q/A for the period ended March 31, 1997). |
| *10.10.2 | Separation Agreement, dated as of July 6, 1998, between the Company and Keno V. Thomas (incorporated by reference to Exhibit 10.11.2 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 1998).                        |
| *10.11   | Employment and Non-Competition Agreement, dated as of May 18, 1998, between the Company and Patrick L. Donnelly (incorporated by reference to Exhibit 10.12 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 1998). |
| 10.12    | Registration Agreement, dated January 2, 1994, between the Company and M.A. Rothblatt and B.A. Rothblatt (incorporated by reference to Exhibit 10.20 to the S-1 Registration Statement).  |
| *10.13   | 1994 Stock Option Plan (incorporated by reference to Exhibit 10.21 to the S-1 Registration Statement).  |
| *10.14   | Amended and Restated 1994 Directors' Nonqualified Stock Option Plan (incorporated by reference to Exhibit 10.22 to the Annual Report on Form 10-K for the year ended December 31, 1995).  |
| 10.15.1  | Option Agreement, dated as of October 21, 1992, between the Company and Batchelder & Partners, Inc. (incorporated by reference to Exhibit 10.24 to the S-1 Registration Statement).   |
| 10.15.2  | Form of Option Agreement, dated as of December 29, 1997, between the Company and each Optionee (incorporated by reference to Exhibit 10.16.2 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 1998).                |

- 10.16 Settlement Agreement, dated as of April 1, 1994, among the Company, M.A. Rothblatt, B.A. Rothblatt and Marcor, Inc. (incorporated by reference to Exhibit 10.27 to the S-1 Registration Statement).
- 10.17.1 Preferred Stock Investment Agreement dated October 23, 1996 between the Company and certain investors (incorporated by reference to Exhibit 10.24 to the 1996 Form 10-K).
- 10.17.2 First Amendment to Preferred Stock Investment Agreement dated March 7, 1997 between the Company and certain investors (incorporated by reference to Exhibit 10.24.1 to the 1996 Form 10-K).
- 10.17.3 Second Amendment to Preferred Stock Investment Agreement dated March 14, 1997 between the Company and certain investors (incorporated by reference to Exhibit 10.24.2 to the 1996 Form 10-K).
- 10.18 Stock Purchase Agreement, dated as of August 5, 1997, between the Company, David Margolese and Loral Space & Communications Ltd. (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed on August 19, 1997).

</TABLE>

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 EXHIBIT  
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- 10.19 <C>  
 Letter, dated May 29, 1998, terminating Launch Services Agreement dated July 22, 1997 between the Company and Arianespace S.A.; Arianespace Customer Loan Agreements dated July 22, 1997 for Launches #1 and #2 between the Company and Arianespace Finance S.A.; and the Multiparty Agreements dated July 22, 1997 for Launches #1 and #2 among the Company, Arianespace S.A. and Arianespace Finance S.A. (incorporated by reference to Exhibit 10.21 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 1998).
- 10.20 Credit Agreement, dated as of June 30, 1998 (the "Credit Agreement"), among the Company, the financial institutions from time to time parties thereto and Bank of America National Trust and Savings Association, as Administrative Agent (incorporated by reference to Exhibit 10.22 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 1998).
- 10.21 First Amendment, dated as of May 4, 1999, to the Credit Agreement (filed herewith).
- 10.22 Pledge Agreement, dated as of June 30, 1998, made by the Company in favor of Bank of America National Trust and Savings Association, as Administrative Agent (incorporated by reference to Exhibit 10.23 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 1998).
- 10.23 Summary Term Sheet/Commitment, dated June 15, 1997, among the Company and Everest Capital International, Ltd., Everest Capital Fund, L.P. and The Ravich Revocable Trust of 1989 (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed on July 8, 1997).
- 10.24.1 Engagement Letter Agreement, dated June 14, 1997, between the Company and Libra Investments, Inc. (incorporated by reference to Exhibit 10.26.1 to the 1997 Form 10-K).
- 10.24.2 Engagement Letter Agreement, dated August 6, 1997, between the Company and Libra Investments, Inc. (incorporated by reference to Exhibit 10.26.2 to the 1997 Form 10-K).

'D'10.25 Radio License Agreement, dated January 21, 1998 between the Company and Bloomberg Communications Inc. (incorporated by reference to Exhibit 10.28 to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 1998).

'D'10.26 Amended and Restated Agreement, dated as of February 1, 1999, between Lucent Technologies Inc. and the Company (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed with the Commission on February 4, 1999).

\*10.27 CD Radio Inc. 401(k) Savings Plan (incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-8 (File No. 333-65473)).

10.28 Stock Purchase Agreement, dated as of October 8, 1998, between the Company and Prime 66 Partners, L.P. (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K dated October 8, 1998).

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10.29	Stock Purchase Agreement, dated as of November 13, 1998, by and among the Company, Apollo Investment Fund IV, L.P. and Apollo Overseas Partners IV, L.P. (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K dated November 17, 1998).
10.30	Voting Agreement, dated as of November 13, 1998, by and among Apollo Investment Fund IV, L.P., Apollo Overseas Partners IV, L.P. and David Margolese (incorporated by reference to Exhibit 99.5 to the Company's Current Report on Form 8-K dated November 17, 1998).
10.31	Tag-Along Agreement, dated as of November 13, 1998, by and among Apollo Investment Fund IV, L.P., Apollo Overseas Partners IV, L.P., the Company and David Margolese (incorporated by reference to Exhibit 99.6 to the Company's Current Report on Form 8-K dated November 17, 1998).
10.32*	CD Radio 1999 Long-Term Stock Incentive Plan (incorporated by reference to Appendix I of the Company's definitive Schedule 14A filed with the Commission on May 26, 1999).
'D'10.33	Agreement, dated as of June 11, 1999, between the Company and Ford Motor Company (filed herewith, except for Exhibit A thereto, which is included as Exhibit 4.17 hereto).
27.1	Financial Data Schedule (filed herewith).

</TABLE>

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\* This document has been identified as a management contract or compensatory plan or arrangement.

'D' Portions of these exhibits have been omitted pursuant to Orders or Applications for Confidential treatment filed by the Company with the Securities and Exchange Commission.

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The dagger symbol shall be expressed as..... 'D'  
The section symbol shall be expressed as..... 'SS'

CERTIFICATE OF AMENDMENT  
TO THE  
CERTIFICATE OF INCORPORATION  
OF  
CD RADIO INC.

CD Radio Inc., a Delaware corporation (the "Corporation"), certifies pursuant to Section 242 of the Delaware General Corporation Law that:

The amendment to the Certificate of Incorporation of the Corporation set forth in the following resolution adopted by written consent of the Corporation's Board of Directors and stockholders has been duly declared to be advisable by the Board of Directors to the stockholders of the Corporation. A majority of the stockholders of the Corporation duly approved said proposed amendment by written consent in accordance with Sections 228 and 242 of the Delaware General Corporation Law, and written notice of such consent has been or will promptly be given to all stockholders who have not consented in writing to said amendment. The resolution setting forth such amendment is as follows:

"RESOLVED, that the Certificate of Incorporation of the Company be amended to increase the authorized number of shares of Common Stock by 150,000,000 shares to an aggregate of 200,000,000 shares and to increase the authorized number of shares of Preferred Stock by 40,000,000 shares to an aggregate of 50,000,000 shares; and be it further

"RESOLVED, that, to implement the foregoing resolution, it is advisable to amend the Certificate of Incorporation of the Company by amending and restating the first paragraph of Article FOURTH thereof to read as follows:

"The total number of shares of all classes of stock which the corporation shall have the authority to issue is 250,000,000 shares, consisting of 200,000,000 shares of Common Stock, par value \$0.001 per share ("Common Stock") and 50,000,000 shares of Preferred Stock, par value of \$0.001 per share ("Preferred Stock")."

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IN WITNESS WHEREOF, the undersigned officer of the Corporation does hereby certify under penalties of perjury that this Certificate of Amendment to the Certificate of Incorporation is the act and deed of the Corporation and the facts stated therein are true and, accordingly, has hereunto set his hand this 16th day of June, 1997.

CD RADIO INC.

By: /s/ David Margolese

-----  
David Margolese  
Chairman and Chief Executive Officer

AMENDED AND RESTATED  
CERTIFICATE OF INCORPORATION  
OF  
CD RADIO INC.

CD RADIO INC., a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), hereby certifies as follows:

1. The name of the Corporation is "CD Radio Inc." The name under which the corporation was originally incorporated is "Satellite CD Radio, Inc." The date of filing of its original Certificate of Incorporation with the Secretary of State was May 17, 1990.

2. This Restated Certificate of Incorporation amends the provisions of the Certificate of Incorporation of the Corporation as heretofore amended or supplemented.

3. The text of the Certificate of Incorporation as amended or supplemented heretofore is hereby amended and restated to read as herein set forth in full:

ARTICLE 1. NAME

The name of the corporation is:

CD Radio Inc.



ARTICLE 2. REGISTERED OFFICE AND AGENT

The address of its registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of its registered agent at such address is The Corporation Trust Company.

ARTICLE 3. PURPOSES

The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of Delaware.

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ARTICLE 4. SHARES

The total number of shares of all classes of stock which the corporation shall have authority to issue is 60,000,000 shares, consisting of 50,000,000 shares of Common Stock, par value \$0.001 per share ("Common Stock"), and 10,000,000 shares of Preferred Stock, par value of \$0.001 per share ("Preferred Stock").

A. Preferred Stock. The board of directors is expressly authorized to provide for the issue of all or any shares of the Preferred Stock, in one or more series, and to specify the number of shares in any series, and to fix for each such series such voting powers, full or limited, or no voting powers, and such designations, preferences and relative, participating, optional or other special rights and such qualifications, limitations, or restrictions thereof, as shall be stated and expressed in the resolution or resolutions adopted by the board of directors providing for the issue of such series (a "Preferred Stock Designation") and as may be permitted by the General Corporation Law of the State of Delaware. The number of authorized shares of Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the voting power of all of the then outstanding shares of capital stock of the corporation entitled to vote generally in the election of directors (the "Voting Stock"), voting together as a single class, without a separate vote of the holders of the Preferred Stock, or any series thereof, unless a vote of any such holders is required pursuant to any Preferred Stock Designation.

B. Common Stock. Except as otherwise required by law or as otherwise provided in any Preferred Stock Designation, the holders of the Common Stock shall exclusively possess all voting power.

C. Share Conversion. (1) Effective immediately after the effective date of the amendments contained in this Amended and Restated Certificate of Incorporation (the "Effective Date"), each share of the Company's Common Stock, par value \$0.001 per share, issued and outstanding as of the Effective Date shall be converted into one-fifth (1/5) of one share of fully paid and nonassessable common stock, par value \$0.001 per share, without change in the aggregate number of shares of Common Stock the Corporation shall be authorized to issue pursuant to this Article 4.

(2) Following the effectiveness of this amendment, certificates for the shares of Common Stock to be outstanding after the Effective Date shall be issued pursuant to procedures adopted by the corporation's board of directors and communicated to those who are to receive new certificates.

(3) Following the issuance of certificates pursuant to paragraph (2) of this Section C, the officers of the corporation may restate the corporation's Certificate of Incorporation pursuant to Delaware General Corporation Law 'SS' 245 to

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eliminate Section C of this Article 4 without approval of the stockholders of the corporation.

ARTICLE 5. CUMULATIVE VOTING

The right to cumulate votes in the election of directors shall not exist with respect to shares of stock of this corporation.

ARTICLE 6. PREEMPTIVE RIGHTS

No preemptive rights shall exist with respect to shares of stock or

securities convertible into shares of stock of this corporation.

#### ARTICLE 7. DIRECTORS

The business and affairs of the corporation shall be managed by or under the direction of the board of directors. The directors need not be elected by ballot unless required by the bylaws of the corporation.

#### ARTICLE 8. BY-LAWS

In furtherance and not in limitation of the powers conferred by statute, the board of directors is expressly authorized to make, alter or repeal the bylaws of the corporation.

#### ARTICLE 9. AMENDMENT

The corporation reserves the right to amend, alter, change or repeal any provision contained in this Amended and Restated Certificate of Incorporation, in the manner now or hereafter proscribed by statute, and all rights conferred upon stockholders herein are granted subject to such reservation.

#### ARTICLE 10. DURATION

The corporation is to have perpetual existence.

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#### ARTICLE 11. LIMITATION OF DIRECTOR LIABILITY AND DIRECTOR AND OFFICER INDEMNIFICATION

A. Liability. A director of the corporation shall not be held personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director except for liability (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived improper personal benefit. If the Delaware General Corporation Law is amended after the effective date of this article to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the corporation shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as so amended.

B. Indemnification. The corporation shall indemnify, in the manner and to the full extent permitted by law, any person (or the estate of any person) who was or is a party to, or is threatened to be made a party to any threatened, pending or complete action, suit or proceeding, whether or not by or in the right of the corporation, and whether civil, criminal, administrative, investigative or otherwise, by reason of the fact that such person is or was a director, officer or employee of the corporation, or is or was serving at the request of the corporation as a director, officer or employee of another corporation, partnership, joint venture, trust or other enterprise. The corporation may, to the full extent permitted by law, purchase and maintain insurance on behalf of any such person against any liability which may be asserted against him or her. To the full extent permitted by law, the indemnification provided herein shall include expenses (including attorneys' fees), judgments, fines and amounts paid in settlement, and, in the manner provided by law, any such expenses may be paid by the corporation in advance of the final disposition of such action, suit or proceeding. The indemnification provided herein shall not be deemed to limit the right of the corporation to indemnify any other person for any such expenses to the full extent permitted by law, nor shall it be deemed exclusive of any other rights to which any person seeking indemnification from the corporation may be entitled under any agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office.

Any repeal or modification of the foregoing paragraphs by the stockholders of the corporation shall not adversely affect any right or protection of a director of the corporation existing at the time of such repeal or modification.

This Restated Certificate of Incorporation was duly adopted by the Board of Directors and stockholders in accordance with Sections 242 and 245 of the General Corporation Law of the State of Delaware.

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IN WITNESS WHEREOF, said CD RADIO INC. has caused this Certificate to be signed by David Margoese, its Chief Executive Officer, and attested by Lawrence F. Gilberti, its Secretary, this 31st day of January, 1994.

/s/ David Margoese

-----  
David Margoese,  
Chief Executive officer

ATTEST:

/s/ Lawrence F. Gilberti

-----  
Lawrence F. Gilberti, Secretary

AGREEMENT (1)

AGREEMENT, dated as of June 11, 1999, between CD RADIO INC., a Delaware corporation (together with its subsidiaries and affiliates, "CD Radio"), and FORD MOTOR COMPANY, a Delaware corporation (together with its majority owned subsidiaries and affiliates, and Mazda, "Ford").

WITNESSETH:

WHEREAS, CD Radio is constructing and developing a digital quality radio system which will broadcast up to 100 channels of programming directly from satellites to vehicles in the continental United States (the "CD Radio System");

WHEREAS, CD Radio owns intellectual property, including patents covering space and time diversity, necessary to construct and operate a satellite digital audio radio service such as the CD Radio System in North America;

WHEREAS, CD Radio has entered into an agreement with Space Systems/Loral, Inc. to construct, launch and deliver, in orbit and checked-out, three satellites for use in the CD Radio System and to construct for CD Radio a fourth satellite for use as a ground spare;

WHEREAS, CD Radio has also entered into an agreement with Lucent Technologies, Inc. to develop and manufacture a chip set that represents an essential element of receivers which will be capable of receiving CD Radio broadcasts;

WHEREAS, Ford is engaged in the business of manufacturing, marketing and selling vehicles throughout the continental United States; and

WHEREAS, subject to the terms and conditions of this Agreement, CD Radio and Ford desire to execute and deliver this Agreement with the intent of manufacturing, marketing and selling vehicles, for distribution in the United States, that include receivers capable of receiving CD Radio broadcasts;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Ford and CD Radio hereby agree as follows:

- -----

- (1) This agreement is subject to a confidential treatment request. The confidential portions have been omitted from this Form 10-Q and have been replaced by asterisks (\*). The confidential portions have been filed separately with the Commission in accordance with Rule 24b-2 under the Securities Exchange Act of 1934 and Rule 83 of the Commission's Regulation Concerning Information and Requests.

ARTICLE I

Definitions

SECTION 1.01. Defined Terms. Capitalized terms used herein and not otherwise defined herein shall have the meaning assigned to such terms below:

"Agreement" shall mean this Agreement, as amended, supplemented or otherwise modified from time to time in accordance with the terms hereof.

"Business Day" shall mean any day other than a Saturday or Sunday or any day in which banks in The City of New York or Dearborn, Michigan, are authorized or required to close.

"CD Radio" shall have the meaning assigned to such term in the first paragraph of this Agreement.

"CD Radio Receiver" shall mean a Head Unit which is capable of providing the user interface for CD Radio broadcasts, including displaying the artist and title information transmitted as part of the CD Radio broadcast, and receiving the CD Radio signal, either as a result of circuitry included in the unit itself or as a result of another device, and an antenna suitable for receiving the CD Radio signal.

"CD Radio Service" shall mean the digital audio radio service that CD Radio will offer to Subscribers which will permit such Subscribers to receive a multichannel audio service broadcast from satellites and, in certain instances,

terrestrial repeaters.

"CD Radio System" shall have the meaning assigned to such term in the Preamble to this Agreement.

"Chip Sets" shall mean a set of integrated circuits capable of receiving the CD Radio Service, which integrated circuits shall be comprised of: (a) analog radio frequency chip(s) used to convert S-band signals to some intermediate frequency; (b) analog intermediate frequency chip(s) used to convert analog signals to lower frequency analog signals; (c) conversion signal processor chip(s) used to convert the encoded channel analog signals to digital and the audio signal from digital to analog; and (d) baseband signal processor chip(s) used to filter, decode the encoded channel and output the digital audio signal and other channel data.

"Competitor" shall mean XM Satellite Radio, Inc. and its subsidiaries and affiliates or any future holder of the FCC license held by XM Satellite Radio, Inc. to provide a satellite transmitted digital audio radio service on a frequency located in the S-band.

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"Disclosing Party" shall have the meaning assigned to such term in Section 10.01(a) of this Agreement.

"Electronic Serial Number" shall mean, with respect to any CD Radio Receiver, the unique identity required by the CD Radio conditional access system.

\*

"Existing Intellectual Property" shall have the meaning assigned to such term in Section 7.01(a) of this Agreement.

"FCC" shall mean the United States Federal Communications Commission or any successor agency thereto.

"Ford" shall have the meaning assigned to such term in the first paragraph of this Agreement.

"Ford Associated Company" shall mean a company, foreign or domestic, at least 20% of whose capital, assets or voting stock is directly or indirectly owned or controlled by Ford Motor Company.

"Ford Channels" shall mean \* on the CD Radio Service, each of which is capable of transmitting at least 64 kilobits per second of information and, subject to the terms of this Agreement, is accessible in each Ford Enabled Vehicle regardless of whether the owner or lessee of such vehicle subscribes to the CD Radio Service.

"Ford Enabled Vehicle" shall mean any new vehicle which contains a CD Radio Receiver that was installed in a factory owned or operated by Ford, a \* which is owned or operated by Ford or any present or future majority owned subsidiary of Ford, or any other service facility designated in writing by Ford which may include dealerships as long as such installation principally results from a program authorized by Ford.

"Ford Subscriber" shall mean a Subscriber using a Ford Enabled Vehicle.

"GAAP" shall mean United States generally accepted accounting principles, as in effect on the date of this Agreement.

"Head Unit" shall mean a device, which is integrated in the dashboard of a vehicle, which provides the user interface for the reception of radio signals and, in some cases, the playback of recorded media, such as cassette tapes, compact discs, minidisks and DVDs.

"Information" shall have the meaning assigned to such term in Section 10.01(a) of this Agreement.

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"Launch Date" shall mean the date on which CD Radio commences commercial broadcasts of its signal from orbiting satellites, which is expected to be at the end of the fourth quarter of 2000.

"Lucent" shall mean Lucent Technologies, Inc., a Delaware corporation, and its Microelectronics Group and their respective successors and assigns.

"Lucent Agreement" shall mean the Amended and Restated Integrated Circuits Agreement, dated as of February 1, 1999, between CD Radio and Lucent, as amended, modified or supplemented from time to time.

"New Intellectual Property" shall have the meaning specified in Section 7.01(a) of this Agreement.

"OEM" shall mean an original equipment manufacturer of vehicles, such as General Motors Corporation, DaimlerChrysler AG, Honda Motor Corp., Toyota and BMW AG.

\*

"Production Program" shall mean all times during the Term in which Ford Enabled Vehicles, not designated as Early Introduction Program, Ford Enabled Vehicles, are manufactured and sold.

"Receiving Party" shall have the meaning assigned to such term in Section 10.01(a) of this Agreement.

"Revenues" shall mean, for any period,

(a) all revenues (determined in accordance with GAAP) recognized by CD Radio from the sale to Ford Subscribers of subscriptions to the CD Radio Service, excluding (i) sales, use and other taxes and similar charges collected by CD Radio from Ford Subscribers, (ii) subscriber activation and reactivation fees, (iii) all amounts payable to credit card companies, such as Visa International and American Express, and other third parties in connection with Ford Subscriber bill processing and collecting; and (iv) a provision, determined by CD Radio in its reasonable discretion based on actual loss experience for Ford Subscribers, for uncollectible accounts, plus

(b) (i) all revenues (determined in accordance with GAAP) recognized by CD Radio from the sale of advertising, to the extent, and only to the extent, that such revenues exceed 10% of subscription revenues determined in accordance with clause (a) of this definition multiplied by (ii) a fraction the numerator of which is the average number of Ford Subscribers during the immediately preceding calendar quarter and the denominator of which is the average number of Subscribers (including Ford Subscribers) during the immediately preceding calendar quarter, minus

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(c) all discounts, allowances, refunds and similar inducements to Ford Subscribers, if any

"SEC" shall have the meaning assigned to such term in Section 10.01(b) of this Agreement.

"Subscribers" shall mean any person or entity that has agreed to pay, and in fact does pay, CD Radio for the right to receive the CD Radio Service.

"Term" shall have the meaning assigned to such term in Section 4.01 of this Agreement.

"Trial Period" shall mean the period commencing on the Launch Date and ending on the date that is \* after the Launch Date.

"Trial Period Subscriber" shall mean a Subscriber using a Ford Enabled Vehicle which has been designated by Ford to CD Radio by written or electronic notice as a recipient of an Early Introduction Program, Ford Enabled Vehicle pursuant to Section 2.01.

SECTION 1.02. Other Definitional Matters. Definitions in this Agreement apply equally to the singular and plural forms of the defined terms. The words "include" and "including" shall be deemed to be followed by the phrase "without limitation" when such phrase does not otherwise appear. The terms "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular section, paragraph or subdivision. All article, section, paragraph, clause, exhibit or schedule references not attributed to a particular document shall be references to such parts of this Agreement.

SECTION 1.03. Applicability of Agreement. (a) Ford and CD Radio agree that the terms of this Agreement presently apply to Ford vehicles marketed and sold in the United States. In the event the applicable rules, regulation, terms and conditions to provide the CD Radio Service in Mexico or Canada are successfully negotiated by CD Radio, CD Radio agrees that Ford may include the volumes of such Ford Enabled Vehicles in Mexico and Canada under this Agreement.

(b) CD Radio understands and agrees that the terms of this Agreement do not apply to Visteon Automotive Systems, an enterprise of Ford ("Visteon"), unless

Visteon is a manufacturer of the CD Radio Receiver for Ford. In that event, all provisions which would apply to Ford suppliers providing CD Radio Receivers to Ford would also apply to Visteon.

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## ARTICLE II

### Early Introduction Program

SECTION 2.01. Manufacturing of Ford Enabled Vehicles during the Early Introduction Program. (a) During the Trial Period, Ford intends to make available, for trial purposes, \*. These vehicles will be designated by Ford to CD Radio by written or electronic notice as Early Introduction Program, Ford Enabled Vehicles. It is the intention of CD Radio and Ford that the Early Introduction Program, Ford Enabled Vehicles, shall be used by both parties to (i) test the service system and installation process for CD Radio Receivers, (ii) acquire and evaluate early market data and (iii) permit the CD Radio Service to be introduced prior to the service of any Competitor. CD Radio and Ford target the commencement of the Trial Period to be fourth quarter 2000.

(b) Ford shall be responsible for the negotiation and execution of agreements with suppliers and subcontractors for the manufacturing of CD Radio Receivers for installation in Ford vehicles. CD Radio shall provide Ford, and its suppliers and subcontractors, with all assistance they may reasonably request to design and develop CD Radio Receivers. Ford shall cooperate with Lucent to coordinate the production and shipping of Chip Sets produced by Lucent for use in CD Radio Receivers. Ford will cooperate with Lucent in the integration of the Chip Sets produced by Lucent in the final production model of each CD Radio Receiver.

(c) Ford agrees to allocate the resources it deems appropriate to provide Ford Enabled Vehicles during the Trial Period.

(d) Ford and CD Radio will jointly agree upon the methodology and protocols for testing the CD Radio Service and consumer acceptance and attitudes regarding the CD Radio Service. The results of all such tests shall be shared by CD Radio and Ford.

(e) It is understood by both parties that many factors may influence the start of the Trial Period, including, without limitation, the timing of the Launch Date, the timing of the launch of the satellites, the timing and availability of prototype CD Radio Receivers for testing by Ford of the satellite and terrestrial repeater coverage and reception quality, the ability to complete the development and manufacture of CD Radio Receivers at acceptable cost and quality levels. If the start of the Trial Period is delayed beyond that targeted neither party will have any liability to the other for such a delay.

### SECTION 2.02.\*

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SECTION 2.03. Trial Period Warranty. During the Trial Period, Ford agrees to inform the purchaser or lessee of new Ford Enabled Vehicles that there is no warranty with respect to the CD Radio Receivers provided to the purchasers or lessees of those vehicles.

## ARTICLE III

### Manufacturing, Sales and Marketing of Ford Enabled Vehicles Marketing

SECTION 3.01. Manufacturing of Ford Enabled Vehicles. (a) Ford and CD Radio agree that the Production Program of Ford Enabled Vehicles is targeted to commence on \* and both agree to allocate resources they individually deem appropriate to achieve that timing. It is understood by both parties that many factors may influence this timing, including, without limitation, the timing of the Launch Date, the timing of the launch of the satellites, the timing and availability of prototype CD Radio Receivers for testing by Ford of the satellite and terrestrial repeater coverage and reception quality and the ability to complete the development and manufacture of CD Radio Receivers at acceptable cost and quality levels. If the start timing of this phase is different than that targeted, neither party shall have any liability to the other as a result of such delay. In addition, CD Radio understands and agrees that there is no minimum commitment for installation of CD Radio Receivers on any specific number of vehicles.

(b)\*

(c) So long as Lucent has the exclusive right to manufacture or distribute

Chip Sets pursuant to the Lucent Agreement, Ford shall cooperate with Lucent to coordinate the production and shipping of Chip Sets produced by Lucent for use in CD Radio Receivers. So long as Lucent has the exclusive right to manufacture or distribute Chip Sets pursuant to the Lucent Agreement, Ford will cooperate with Lucent in the integration of the Chip Sets produced by Lucent in the final production model of each CD Radio Receiver.

SECTION 3.02. Sales and Marketing Matters. (a) Ford shall develop a marketing and sales plan for the sale in the United States of Ford Enabled Vehicles and will provide ongoing marketing and sales support at a level it deems appropriate. If in the future, CD Radio elects to assist in the funding of any Ford unique marketing and sales plans, then CD Radio shall be provided the opportunity to review and approve those portions of the plans CD Radio funds. CD Radio shall provide assistance at a level it deems appropriate to support Ford in developing marketing and sales plans if Ford requests such assistance.

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(b) At CD Radio's commercial launch of its services, and so long as Ford is then diligently pursuing the introduction of Ford Enabled Vehicles, CD Radio will feature exclusively Ford vehicles in advertising containing images of automotive vehicles. The brand and make of the vehicles to be included in such advertising will be mutually agreed upon by Ford and CD Radio prior to the Launch Date.

(c) By mutual agreement, Ford may display on the face of each CD Radio Receiver and, if the antenna is visible from the inside or outside of the vehicle, the antenna, the CD Radio trade name and trademark. Any such display shall be made in a manner approved in advance by CD Radio in writing and shall be pursuant to a royalty-free license agreement acceptable to CD Radio and Ford.

(d) From time to time, Ford may, at its option, offer special terms, conditions, discount and packaging of the CD Radio Service to its customers. Ford agrees that any such offer of special terms, conditions, discount and packaging of the CD Radio Service to its customers shall only be done if (i) it is, in all respects, not adverse to CD Radio in any financial respect; and (ii) the value of the CD Radio Service, as merchandised by Ford to its customers, is consistent with CD Radio's national pricing policy then in effect.

SECTION 3.03. Lucent; the Lucent Agreement. (a) Ford acknowledges that CD Radio has entered into the Lucent Agreement for the purpose of developing and producing Chip Sets for, among other applications, incorporation into CD Radio Receivers. Ford agrees that it will honor the exclusivity provisions contained in the Lucent Agreement (Section 6.0 of Part I of the Lucent Agreement) and will cause each of its suppliers and subcontractors which manufacture CD Radio Receivers for Ford, to honor such exclusivity provision in favor of Lucent.

(b) Without the prior written consent of Ford, CD Radio agrees that it will not amend, modify or supplement the exclusivity provisions contained in the Lucent Agreement in any manner adverse to Ford.

SECTION 3.04. Reports and Subscriber Activation System. (a) Both Ford and CD Radio recognize the need to exchange data including, without limitation, the customer, vehicle ID number, Electronic Serial Number, type of vehicle and, to the extent permitted by applicable law, the name and mailing address of the purchaser or lessee of each Ford Enabled Vehicle. Details of such reporting requirements will be developed and agreed to prior to the Launch Date.

(b) CD Radio agrees to provide Ford selected customer data (to be defined and agreed to prior to the Launch Date) for all Ford Subscribers, including all Subscribers that are not the original vehicle owners.

SECTION 3.05. Billing Matters. (a) During the Term, CD Radio shall be responsible for all customer billing and customer service functions in connection

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with Ford Subscribers. All billing and customer service functions shall be done using CD Radio's name. If desired by Ford, CD Radio agrees that Ford's name and trademark, or any other name or trademark requested by Ford, shall be prominently displayed on any bill sent to a Ford Subscriber. Such display shall always be in a manner approved in advance by Ford in writing and shall be pursuant to a royalty-free license agreement acceptable to Ford and CD Radio.

(b) During the Term, and at the mutual agreement of both Ford and CD Radio, Ford may assume the customer billing and customer service functions in connection with Ford Subscribers. All costs and expenses associated with any such transfer of the billing and/or customer service functions shall be paid by



Ford. Ford agrees that if at any time it assumes the customer billing and customer service functions for Ford Subscribers, then CD Radio's name and trademark, or any other name or trademark requested by CD Radio, shall be prominently displayed on any bill sent to a Ford Subscriber. Such display shall always be in a manner approved in advance by CD Radio in writing and shall be pursuant to a royalty-free license agreement acceptable to CD Radio and Ford.

ARTICLE IV

Term; Exclusivity

SECTION 4.01. Term. The term of this Agreement (the "Term") shall Term; Exclusivity commence on the date hereof and shall extend until the fifth (5th) anniversary of the date hereof, unless earlier terminated in accordance with the terms of Section 9.01 of this Agreement. Upon the expiration of the initial Term, this Agreement shall automatically be renewed for one additional five (5) year term, unless Ford notifies CD Radio in writing ninety (90) days prior to the expiration of the initial Term.

SECTION 4.02. Ford Exclusivity. Prior to the Exclusivity Termination Date, Ford hereby covenants and agrees not to market, sell or distribute any new vehicles capable of receiving any satellite transmitted digital audio radio service of a Competitor. The agreement of Ford contained in this Section 4.02 shall terminate and be of no force and effect in the event that the Launch Date fails to occur, or is reasonably likely not to occur, on or before \*.

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ARTICLE V

Economic Terms

SECTION 5.01. Warrant. In order to induce Ford to execute and deliver this Agreement to it, CD Radio has delivered to Ford on the date hereof the warrant attached to this Agreement as Exhibit A.

SECTION 5.02.\*

(b) On a date to be specified of each month during the Trial Period, Ford shall deliver to CD Radio documentation, authenticated at a level to be mutually agreed between Ford and CD Radio, indicating (i) the number of Ford Enabled Vehicles manufactured by Ford during the preceding month and (ii) the expenses incurred by Ford in connection with the purchase and installation of CD Radio Receivers in Ford vehicles during the preceding month. Such documentation shall include evidence, which shall be reasonably satisfactory to CD Radio, regarding (i) the number of Ford Enabled Vehicles manufactured by Ford during such month (including the Electronic Serial Number of each CD Radio Receiver installed in such vehicle) and (ii) the expenses incurred by Ford in connection with the purchase and installation of CD Radio Receivers in Ford vehicles during the preceding month.

\*

SECTION 5.03. Trial Period Subscribers. Notwithstanding anything to the contrary contained in this Agreement, during the Term and for the life of such vehicle, CD Radio shall have the right to 100% of the Revenues recognized by CD Radio from Trial Period Subscribers. Ford acknowledges and agrees that during the Term and for the life of such vehicle it shall not be entitled to participate in any Revenues recognized by CD Radio from Trial Period Subscribers.

SECTION 5.04. Ford Revenue Participation. (a) Subject to the terms and conditions of this Article V, during the Term and for the life of each Ford Enabled Vehicle, CD Radio shall pay Ford a quarterly fee based on Revenues (other than any Revenues recognized by CD Radio from Trial Period Subscribers). Such fee shall be payable by CD Radio to Ford quarterly in accordance with the table set forth below:

Percentage of Revenues (other than Revenues Recognized by CD Radio from Trial Period Subscribers) Payable to Ford	
Number of Ford Enabled Vehicles	<C>
<S>	*

In order to track Ford Enabled Vehicles, CD Radio shall assign each Ford Enabled Vehicle a unique identification number, beginning with the number 1, and such Ford Enabled Vehicle shall at all times during the Term, and for the life of that Ford Enabled Vehicle, be entitled to the percentage of Revenues set forth above depending upon the number of such Ford Enabled Vehicle. For purpose of this Section 5.04, Ford Enabled Vehicles manufactured and sold during the Trial Period shall not be included in calculating Ford Enabled Vehicles.

(b) Subject to the terms and conditions of this Article V, during the Term and for the life of each such Ford Enabled Vehicle, CD Radio shall pay Ford a quarterly fee in an amount equal to \* of the Revenues recognized from Ford Enabled Vehicles manufactured (other than Revenues recognized by CD Radio from Trial Period Subscribers) from and after the date that CD Radio has more than \* Ford Subscribers at any time during the Term; provided that all then existing Ford Enabled Vehicles shall continue to be paid based on the percentage of Revenues set forth above. For purpose of this Section 5.04, Ford Enabled Vehicles manufactured and sold during the Trial Period shall not be included in calculating Ford Enabled Vehicles.

(c) After the Trial Period, on a date to be specified in January, April, July and October of each year during the Term, Ford shall deliver to CD Radio documentation, authenticated at a level to be mutually agreed between Ford and CD Radio, indicating the number of Ford Enabled Vehicles sold and leased by Ford during the Term and the preceding calendar quarter. Such documentation shall include evidence, which shall be reasonably satisfactory to CD Radio, regarding the number of Ford Enabled Vehicles sold and leased by Ford during the Term and such calendar quarter (including the Electronic Serial Number of each CD Radio Receiver installed in such vehicle) and a copy of such information in computer readable form.

(d) Upon receipt of such documentation, CD Radio shall promptly compare the information provided by Ford regarding Ford Enabled Vehicles to lists of Subscribers. As soon as practicable following the receipt of such information, but in no event later than thirty (30) days after receipt of such information, CD Radio shall deliver to Ford a certificate signed by an officer of CD Radio certifying the number of Ford Subscribers at the end of the preceding calendar quarter.

(e) Within thirty (30) Business Days of the date on which CD Radio delivers to Ford the officer's certificate required by Section 5.04(d), CD Radio shall pay Ford, by wire transfer of immediately available funds to an account designated in writing by Ford, an amount equal to the applicable percentage of Revenues (other than any Revenues recognized by CD Radio from Trial Period Subscribers) for the preceding calendar quarter determined in accordance with Sections 5.04(a) and (b).

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(f) For purposes of this Agreement, a Ford Enabled Vehicle shall be considered sold or leased by Ford when the end user of such vehicle completes the purchase or lease transaction for such vehicle.

SECTION 5.05. Hardware Subsidy. (a) Subject to Section 5.05(c), during the Production Program, at the written request of Ford, CD Radio shall enter into agreements or arrangements with manufacturers of CD Radio Receivers for installation in Ford vehicles pursuant to which CD Radio \*. All such agreements and arrangements with manufacturers of CD Radio Receivers for installation in Ford vehicles shall be in form and substance acceptable to CD Radio, with the understanding that Ford and Ford's manufacturers of CD Radio Receivers shall be free, subject to the terms of the Lucent Agreement, to select Chip Set suppliers acceptable to them in terms of quality, delivery and technology.

(b) Subject to the terms of this Agreement, CD Radio and Ford agree that the Chip Sets referred to in this Section 5.05 shall include the functionality of the Chip Sets as defined in Section 1.01, as well as future enhancements including, but not limited to, enhanced data retrieval and data throughput, and all firmware/software upgrades as they become available.

(c) In the event that at any time during the Term Ford manufactures, markets or sells Ford vehicles which contain a device which is capable of receiving both the CD Radio signal and the signal of a Competitor, then (notwithstanding the provisions of Section 5.05(a)) CD Radio will only be required to \*.

SECTION 5.06. The Ford Channels; Revenue Participation. (a) Notwithstanding Section 5.02, any \* from the use of the Ford Channels shall be split, \* to Ford and \* to CD Radio.

(b) On a date to be specified in January, April, July and October of each year during the Term, Ford shall deliver to CD Radio documentation, authenticated at a level to be mutually agreed between Ford and CD Radio, indicating the amount of \* for the preceding fiscal quarter. Within thirty (30)

Business Days following delivery of such documentation to CD Radio, Ford shall pay CD Radio, by wire transfer of immediately available funds to an account designated in writing by CD Radio, \* of the \* for the preceding fiscal quarter.

SECTION 5.07. No Other Payments. CD Radio and Ford agree that, except as set forth in this Article V, neither Ford, any of its subsidiaries or affiliates nor any of its suppliers or subcontractors shall be entitled to any other payments from CD Radio in connection with manufacturing, marketing, selling and distributing Ford Enabled Vehicles, including, without limitation, any payments or reimbursement of manufacturing costs, hardware costs, advertising costs, promotion costs, warranty costs or validation costs.

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SECTION 5.08. Audit Rights. During the Term, each party shall, upon reasonable request, afford to the other party and its counsel, accountants and other authorized representatives reasonable access during normal business hours to the books, records and other data of the other party (and permit the other party and its counsel, accountants and authorized representatives to make copies thereof) for the purpose of confirming any information or data which may be contained in a certificate or electronic notice delivered to the other party, including, without limitation, the number of Ford Enabled Vehicles or Ford Subscribers or the amount of Revenues. Each party agrees to hold all information received pursuant to this Section 5.08 in confidence in accordance with the terms of Section 10.01.

#### ARTICLE VI

##### The Ford Channels

SECTION 6.01. License. (a) Subject to the terms and conditions of this Agreement (including Section 6.05 of this Agreement), from the Launch Date until the end of the Term, CD Radio hereby grants Ford a nontransferable license to transmit information or data on the Ford Channels.

(b) The information, data or other material on the Ford Channels shall be subject to the prior approval of CD Radio, which approval shall not be unreasonably withheld or delayed. Ford and CD Radio expect that they will jointly develop content for the Ford Channels. With respect to Ford owned information, data or other material on the Ford Channels, Ford agrees to grant to CD Radio a non-exclusive license solely for the purpose of distribution, transmission and performance of such information, data or other material on the Ford Channels.

SECTION 6.02. Distribution of Ford Channels. (a) CD Radio shall provide the CD Radio Service to each Ford Subscriber on the same basis as it provides the CD Radio Service to other CD Radio customers; provided that CD Radio shall be required to provide the Ford Channels only to Ford Enabled Vehicles and Ford Subscribers. The Ford Channels shall be offered on channels selected by CD Radio in its sole discretion. All numeric channel designations are subject to CD Radio's sole discretion, and no representation or assurance in that regard is made by CD Radio in this Agreement. CD Radio will not unreasonably change the numeric channel designation once assigned.

(b) CD Radio may remove from the Ford Channels, or insist upon the removal from the Ford Channels, any material which CD Radio reasonably determines to be, (i) misleading or deceptive, (ii) in violation of any Federal, state or local law or regulation, any radio industry standard, or the rights of any third party, including the rules and regulations of the FCC and the Federal Trade Commission, (iii) likely, in CD Radio's judgment, to have an adverse effect on any

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completed or pending proceeding before the FCC applicable to the CD Radio Service, or (iv) otherwise detrimental to CD Radio or inconsistent with CD Radio's standards of appropriateness. Notwithstanding anything to the contrary contained in this Agreement, as long as CD Radio remains the holder of an FCC license to provide the CD Radio Service, CD Radio shall have full authority, power and control over operation of the CD Radio Service. CD Radio shall bear the responsibility for compliance with all applicable laws, including FCC regulations, for the CD Radio Service. Nothing in this Agreement shall prevent CD Radio from (i) rejecting or refusing content for the Ford Channels that CD Radio in good-faith believes is unsuitable or not in the public interest, (ii) preempting any content in the event of a local, state or national emergency, or (iii) refusing to broadcast any content that may be in violation of applicable FCC regulations. CD Radio agrees that music or non-music programming may be broadcast on the Ford Channels; provided that such programming is not reasonably likely to directly compete with any specific format (e.g. an all jazz channel or

a business news channel) then appearing on the CD Radio Service.

(c) Ford agrees that it shall not sell, barter or grant any time on the Ford Channels to any Competitor or any subsidiary or affiliate of any Competitor. Ford also agrees that it will not sell or barter any advertising, sponsorship or underwriting on the Ford Channels if such activity could have an adverse effect on the ability of CD Radio, or any content provider to the CD Radio Service, to sell or barter advertising, sponsorship or underwriting on any channel on the CD Radio Service.

(d) Ford will consider advertising the CD Radio Service on the Ford Channels.

SECTION 6.03. Non-infringement. (a) With respect to information, data or other material provided solely by or through Ford for distribution, transmission or performance on the Ford Channels, Ford warrants to CD Radio that it will have all requisite rights, power and authority to provide such information, data or other material to CD Radio as contemplated in this Agreement and that CD Radio's distribution, transmission and performance of such information, data or other material (i) will not give rise to any claim by any third party, including, without limitation, claims arising from or relating to copyright, rights of publicity, patent or trademark infringement, unfair competition, idea misappropriation, plagiarism, defamation, libel, slander or any other intellectual property right, intentional infliction of emotional distress or related torts, obscenity, indecency, professional malpractice, violation of statutory, common law or contractual rights of privacy or confidentiality or of any other right of any third party, including, without limitation, any royalty, reuse, residual, guild or union obligations, all of which shall be borne exclusively by Ford, and (ii) will not otherwise result in injury or damage to any third party. Ford represents and warrants to CD Radio that Ford will obtain all rights, waivers, permissions and clearances necessary for transmission, distribution and performance of such information, data or other material on the Ford Channels. Ford expressly acknowledges and agrees that CD Radio shall

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have no liability or responsibility for payment of any fee or license to any copyright owner as a result of the transmission, distribution or performance of such information, data or other material on the Ford Channels. CD Radio and Ford agree that Ford shall have no responsibility or liability for obtaining or paying for any intellectual property rights (including rights relating to the encoding or encrypting of the CD Radio signal) which are used in order to physically transmit the CD Radio signal.

(b) With respect to information, data or other material provided solely by or through CD Radio for distribution, transmission or performance on the Ford Channels, CD Radio warrants to Ford that it will have all requisite rights, power and authority (other than copyright, rights of publicity, patent or trademark rights embodied in such information, data or other material) to provide such information, data or other material as contemplated in this Agreement and that CD Radio's distribution, transmission and performance of such information, data or other material on the Ford Channels (i) will not give rise to any claim by any third party, including, without limitation, claims arising from or relating to unfair competition, defamation, libel, slander or any other intellectual property right, intentional infliction of emotional distress or related torts, obscenity, indecency, professional malpractice, violation of statutory, common law or contractual rights of privacy or confidentiality or of any other right of any third party, and (ii) will not otherwise result in injury or damage to any third party. Ford expressly acknowledges and agrees that Ford shall be responsible for payment of any fee or license to any owner of copyright, rights of publicity, patent or trademark rights as a result of the transmission, distribution or performance of such information, data or other material on the Ford Channels. CD Radio agrees to bring such requirement for such a fee or license to Ford's attention in a timely manner prior to such transmission, distribution or performance; provided that CD Radio's failure to do so shall not relieve Ford of any obligations with respect to such fee or license under this Agreement, except for any additional amounts directly attributable to CD Radio's failure to notify Ford.

SECTION 6.04. Indemnity. (a) Ford shall defend, indemnify and hold CD Radio harmless from and against any loss, damage, expense or claim, including, without limitation, reasonable attorney's fees and expenses, of any nature or kind arising from or out of a breach by Ford of Section 6.03(a).

(b) CD Radio shall defend, indemnify and hold Ford harmless from and against any loss, damage, expense or claim, including, without limitation, reasonable attorney's fees and expenses, of any nature or kind arising from or out of a breach by CD Radio of Section 6.03(b).

(c) CD Radio shall defend, indemnify and hold Ford harmless from and against any loss, damage, expense or claim, including, without limitation, reasonable attorney's fees and expenses, of any nature or kind arising from or

out of the transmission, distribution, performance or content of the CD Radio Service (other than the Ford Channels), including, without limitation, any loss, damage,

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expense or claim based upon alleged violation or infringement of any intellectual property right, including, without limitation, libel, slander, defamation, invasion of the right of privacy, or violation or infringement of copyright (including music performance rights), literary or music synchronization rights.

(d) Ford and CD Radio shall equally share responsibility with respect to any loss, damage or claim, including, without limitation, reasonable attorney's fees and expenses, of any nature or kind arising from or out of the content of the Ford Channels jointly created by Ford and CD Radio, including, without limitation libel, slander, defamation, invasion of the right of privacy, but excluding violations or infringements of copyright (including music performance rights), literary or music synchronization rights.

SECTION 6.05. Termination of License to Use Ford Channels. (a) Ford agrees not to sell any device which is only capable of receiving the Ford Channels without also having the capability of receiving the CD Radio Service. The license granted to Ford pursuant to this Agreement to use the Ford Channels shall immediately terminate, without any further act by CD Radio, in the event that Ford does not comply with the obligations contained in this Section 6.05(a).

(b) After the date that is twenty (24) months after the Launch Date, Ford shall utilize \* in Ford Enabled Vehicles. The license granted to Ford pursuant to this Agreement to use such \* shall immediately terminate, in whole or in part and without any further act by CD Radio, in the event that Ford does not comply with the obligations contained in this Section 6.05(b). In the event that the license granted to Ford pursuant to this Agreement to use such \* is terminated, in whole or in part, pursuant to this Section 6.05(b), then Ford may from time to time after such termination provide CD Radio written suggestions for manners to use such channels on the CD Radio Service to enhance the value of both the CD Radio Service and Ford Enabled Vehicles. CD Radio shall consider all such written suggestions in good-faith; provided that CD Radio shall have no liability to Ford in the event any such written suggestions are not implemented by CD Radio.

(c) After the date that is forty eight (48) months after the Launch Date, Ford shall utilize its remaining \* in Ford Enabled Vehicles. The license granted to Ford pursuant to this Agreement to use such \* shall immediately terminate, in whole or in part and without any further act by CD Radio, in the event that Ford does not comply with the obligations contained in this Section 6.05(c). In the event that the license granted to Ford pursuant to this Agreement to use such \* is terminated, in whole or in part, pursuant to this Section 6.05(c), then Ford may from time to time after such termination provide CD Radio written suggestions for manners to use such channels on the CD Radio Service to enhance the value of both the CD Radio Service and Ford Enabled Vehicles. CD Radio shall consider all such written suggestions in good-faith; provided that CD Radio shall have no liability to Ford in the event any such written suggestions are not implemented by CD Radio.

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## ARTICLE VII

### Intellectual Property Matters

SECTION 7.01. Ownership. (a) All intellectual property developed or Intellectual Property Matters created prior to the date of this Agreement (the "Existing Intellectual Property") is and shall remain the property of the party who made, developed or created or presently owns such Existing Intellectual Property and, unless otherwise expressed in this Agreement, no license is implied or granted herein to any Existing Intellectual Property by virtue of this Agreement. The parties acknowledge and agree that, as between CD Radio and Ford, any new intellectual property that is jointly developed or created (as "jointly developed" or "jointly created" is defined by the applicable intellectual property laws) pursuant to this Agreement for use in, or in connection with, the CD Radio System, CD Radio Receivers or antennas (other than intellectual property which is developed by CD Radio for concurrent use for purposes outside, but not in conflict with, the purposes of this Agreement) (the "New Intellectual Property") shall be the joint property of CD Radio and Ford and each party shall be free to use and exploit such jointly owned New Intellectual Property without accounting in any way to the other party. CD Radio and Ford agree that they will consult with one another regarding prosecuting, in

the name of both CD Radio and Ford, patents and other protections for any New Intellectual Property. The costs and expenses of prosecuting, protecting and defending any New Intellectual Property will be shared equally by CD Radio and Ford, where CD Radio and Ford have agreed on such prosecution, protection or defense.

SECTION 7.02. Licensing Matters. (a) During the Term, CD Radio hereby grants and agrees to grant to Ford a non-exclusive, royalty-free license to make, have made, use, have used, and sell CD Radio Receivers (or for other purposes contemplated by this Agreement) under all intellectual property now owned or thereafter developed or acquired by CD Radio or which CD Radio has or acquires the right to license relating to CD Radio Receivers and the CD Radio System.

(b) Notwithstanding the foregoing paragraph, Ford acknowledges and agrees that, with respect to patents included in paragraph (a), the license granted in this Section does not extend to receiving the signal of a Competitor. If a specific Competitor becomes a licensee of CD Radio, this limitation shall not longer apply to receiving the signal of that Competitor in a CD Radio Receiver.

(c) This license shall not be sold, assigned, sublicensed or otherwise transferred without the prior written consent of CD Radio, which may be withheld in its sole discretion. Any such sale, assignment, sublicense or other transfer of this license without the prior written consent of CD Radio shall be null and void.

(d) The license contained in this Section 7.02 will become permanent and irrevocable upon the manufacture of the four millionth Ford Enabled Vehicle. If,

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at the end of the Term, four million Ford Enabled Vehicles have not been manufactured, CD Radio agrees to grant the license contained in this Section 7.02 to Ford, at Ford's request, under commercially reasonable terms.

(e) Any transfer of intellectual property rights by CD Radio shall be subject to the license provided in this section.

(f) The license contained in this Section 7.02 shall extend worldwide.

SECTION 7.03. Indemnity. CD Radio agrees to defend, indemnify and hold Ford harmless from any loss, damage, expense, including, without limitation, reasonable attorney fees and expenses, arising from claims by third parties of intellectual property infringement based on the use or sale by Ford or any suppliers to Ford or customers of Ford of CD Radio Receivers embodying or using any designs, information or intellectual property rights licensed or provided to Ford in writing by or through CD Radio or Lucent in furtherance of this Agreement. This obligation shall survive termination or expiration of this Agreement.

SECTION 7.04. Use of Trademarks. The parties recognize each other's rights in their respective trademarks, service marks, trade names and logos. Except as permitted by United States trademark law and except as expressly provided herein, nothing in this Agreement shall imply the grant by CD Radio or Ford to the other of a license to use (i) any trademark, service mark, trade name or logo of that party or any of its affiliates in connection with advertising, licensing, marketing or any other use, or (ii) any trademark, service mark, trade name or logo that is confusingly similar to a name or mark used by that party or any of its affiliates.

## ARTICLE VIII

### Representations and Warranties

SECTION 8.01. Representations and Warranties of CD Radio. CD Radio represents and warrants to Ford that:

(a) CD Radio is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. CD Radio has the power and authority and all governmental licenses, authorizations, consents and approvals to perform its obligations under this Agreement. CD Radio is duly qualified as a foreign corporation and in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification.

(b) The execution, delivery and performance by CD Radio of this Agreement has been duly authorized by all necessary corporate action,

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and does not and will not contravene the terms of CD Radio's Amended and Restated Articles of Incorporation or Amended and Restated By-Laws, conflict with, or result in any breach or contravention of, any contractual obligation to which CD Radio is a party or any order, injunction, writ or decree of any governmental authority to which CD Radio or its property is subject or violate any requirement of law.

(c) This Agreement constitutes the legal, valid and binding obligation of CD Radio, enforceable against CD Radio in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, or similar laws affecting the enforcement of creditors' rights generally or by equitable principles relating to enforceability.

(d) CD Radio has delivered to Ford a true and complete copy of the Lucent Agreement.

SECTION 8.02. Representations and Warranties of Ford. Ford represents and warrants to CD Radio that:

(a) Ford is a corporation duly organized, validly existing and in good standing under the laws of State of Delaware. Ford has the power and authority and all governmental licenses, authorizations, consents and approvals to own its assets, carry on its business and to execute, deliver and perform its obligations under this Agreement. Ford is duly qualified as a foreign corporation and in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification.

(b) The execution, delivery and performance by Ford of this Agreement has been duly authorized by all necessary corporate action, and does not and will not contravene the terms Ford's Articles of Incorporation or By-Laws, conflict with, or result in any breach or contravention of, any contractual obligation to which Ford is a party or any order, injunction, writ or decree of any governmental authority to which Ford or its property is subject or violate any requirement of law.

(c) This Agreement constitutes the legal, valid and binding obligation of Ford, enforceable against Ford in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, or similar laws affecting the enforcement of creditors' rights generally or by equitable principles relating to enforceability.

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## ARTICLE IX

### Termination

SECTION 9.01. Termination for Cause. Either party may terminate this Termination Agreement upon the occurrence of any of the following events:

(a) the other party becomes the subject of a bankruptcy petition filed in a court in any jurisdiction, whether voluntary or involuntary; or

(b) a receiver or a trustee is appointed for all or a substantial portion of the other party's assets; or

(c) the other party makes an assignment for the benefit of its creditors; or

(d) the other party fails to perform any material covenant or obligation contained in this Agreement, or any representation or warranty in this Agreement ceases to be true and correct in all material respects.

Any termination of this Agreement pursuant to this Section shall be effective thirty (30) days after receipt of notice of termination by the other party, unless within such thirty (30) day period the other party cures any applicable breach.

## ARTICLE X

### Confidentiality

SECTION 10.01. General. (a) All information furnished or disclosed by either CD Radio or Ford (a "Disclosing Party") to the other (a "Receiving Party") which is marked with a restrictive notice or otherwise tangibly designated as proprietary (hereinafter "Information") shall be deemed the property of the Disclosing Party and shall be returned to the Disclosing Party promptly upon request. Unless such Information: (i) was previously known to the Receiving Party free of any obligation to keep it confidential, or (ii) has been or is subsequently made public by the Disclosing Party or a third party under no

obligation of confidentiality, or (iii) is independently developed by the Receiving Party, then the Receiving Party shall, for a period ending three (3) years after first disclosure of a specific item of Information, use the same degree of care, but no less than a reasonable standard of care, as it uses with regard to its own proprietary information to prevent disclosure, use or publication.

(b) Neither CD Radio nor Ford shall disclose any of the terms and conditions of this Agreement without the prior written consent of the other party. Notwithstanding the foregoing, Ford agrees that CD Radio may disclose this Agreement in its reports, registration statements and other documents required to be filed with the Securities and Exchange Commission (the "SEC"), may file this

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Agreement as an exhibit to such reports and as otherwise may be required by the rules and regulations of the SEC, any other applicable regulatory agencies or any national securities exchange.

(c) The parties agree that their obligations under this Section shall survive any termination of this Agreement.

#### ARTICLE XI

##### Miscellaneous

SECTION 11.01. Notices. All notices and other communications hereunder shall be in writing and shall be deemed given when delivered personally, three (3) Business Days after being delivered to a nationally recognized overnight courier or when telecopied (with a confirmatory copy sent by overnight courier) to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

(a) if to CD Radio to:

CD Radio Inc.  
1221 Avenue of the Americas  
36th Floor  
New York, New York 10020  
Attention: Patrick L. Donnelly  
Executive Vice President and General Counsel  
Facsimile No.: (212) 584-5353

with a copy to:

CD Radio Inc.  
1221 Avenue of the Americas  
36th Floor  
New York, New York 10020  
Attention: Ira Bahr  
Executive Vice President, Marketing  
Facsimile No.: (212) 584-5115

(b) if to Ford, to:

Ford Motor Company  
The American Road  
Dearborn, Michigan 48121  
Attention: Phil Wright  
Facsimile No.: (313) 390-7898

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SECTION 11.02. Amendment. Neither this Agreement nor any of the terms hereof may be amended, supplemented, waived or modified except by an instrument in writing signed by the party against which the enforcement of such amendment, supplement, waiver or modification shall be sought.

SECTION 11.03. Counterparts. This Agreement may be executed in counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties.

SECTION 11.04. Entire Agreement. This Agreement constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof. Nothing in this Agreement shall be interpreted or construed as limiting in any way the ability of CD Radio to sell or distribute CD Radio Receivers or the CD Radio



Service in any manner whatsoever, including through or to OEMs.

SECTION 11.05. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, regardless of principles of conflicts of laws that may require the application of the laws of another jurisdiction.

SECTION 11.06. Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by CD Radio or Ford (whether by operation of law or otherwise) without the prior written consent of the other party; provided that, upon written notice to CD Radio, Ford shall have the right to assign this Agreement to a Ford Associated Company so long as Ford remains primarily liable with respect to all of its obligations contained in this Agreement.

SECTION 11.07. Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other terms, conditions and provisions of this Agreement shall nevertheless remain in full force and effect. If any provision of this Agreement is finally determined by the FCC to be in violation of any license held by CD Radio, then CD Radio agrees that it will not seek to enforce such provision against Ford.

SECTION 11.08. Dispute Resolution. (a) If either party initiates litigation on such contractual causes, the other party shall have the right to initiate mediation and binding arbitration in accordance with the following: (i) In the case of Ford Motor Company or any of its U.S. subsidiaries, joint ventures or other operations located in the U.S., the Model Procedure for Mediation of Business Disputes of the Center for Public Resources and, in the case of arbitration, the CPR Rules for Non-Administered Arbitration of Business Disputes ("CPR"); (ii) In the case of any Ford Company subsidiary, joint venture or other operation located in Europe, with the then-current Model Procedure for Mediation of Business Disputes of the CPR Institute for Business Resolution or the mediation procedures of the Centre for Dispute Resolution ("CEDR") in London and, in the case of arbitration, the Rules of

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the London Court of International Arbitration. Each party will bear equally the costs of the mediation and arbitration.

(b) The parties will jointly appoint a mutually acceptable mediator or arbitrator, seeking assistance in such regard from CPR or CEDR, as appropriate, if they have been unable to agree upon such appointment within 20 days.

(c) The parties agree to participate in good faith in the mediation and negotiations related thereto for a period of 30 days. If the parties are not successful in resolving the dispute through the mediation, then the parties agree to submit the matter to binding arbitration by a sole arbitrator in accordance with the CPR Rules for Non-Administered Arbitration of Business Disputes, or, where the mediation procedures of CEDR have been adopted, in accordance with the Rules of the London Court of International Arbitration.

(d) Unless otherwise agreed by the parties in writing, mediation or arbitration involving Ford Motor Company and any U.S. subsidiary, joint venture or other operation located in the U.S. shall take place in the City of Dearborn, Michigan and this clause 11.08 is subject to the Federal Arbitration Act, 9 U.S.C.A. 'SS' 1 et seq. and judgment upon the award rendered by the Arbitrator, if any, may be entered by any U.S. court having jurisdiction thereof. Mediation or arbitration involving any Ford Company, subsidiary, joint venture or other operation located in Europe shall take place in London and the language shall be English. Equitable remedies shall be available in any arbitration. Punitive and exemplary damages shall not be awarded.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

CD RADIO INC.

By: /s/ Ira Bahr

-----  
Ira Bahr  
Executive Vice President,  
Marketing

FORD MOTOR COMPANY

By: /s/ R. Parry-Jones

-----  
Name: Richard Parry-Jones

Title: Group Vice President  
Product Development & Quality

AGREEMENT (1)

AGREEMENT, dated as of June 11, 1999, between CD RADIO INC., a Delaware corporation (together with its subsidiaries and affiliates, "CD Radio"), and FORD MOTOR COMPANY, a Delaware corporation (together with its majority owned subsidiaries and affiliates, and Mazda, "Ford").

WITNESSETH:

WHEREAS, CD Radio is constructing and developing a digital quality radio system which will broadcast up to 100 channels of programming directly from satellites to vehicles in the continental United States (the "CD Radio System");

WHEREAS, CD Radio owns intellectual property, including patents covering space and time diversity, necessary to construct and operate a satellite digital audio radio service such as the CD Radio System in North America;

WHEREAS, CD Radio has entered into an agreement with Space Systems/Loral, Inc. to construct, launch and deliver, in orbit and checked-out, three satellites for use in the CD Radio System and to construct for CD Radio a fourth satellite for use as a ground spare;

WHEREAS, CD Radio has also entered into an agreement with Lucent Technologies, Inc. to develop and manufacture a chip set that represents an essential element of receivers which will be capable of receiving CD Radio broadcasts;

WHEREAS, Ford is engaged in the business of manufacturing, marketing and selling vehicles throughout the continental United States; and

WHEREAS, subject to the terms and conditions of this Agreement, CD Radio and Ford desire to execute and deliver this Agreement with the intent of manufacturing, marketing and selling vehicles, for distribution in the United States, that include receivers capable of receiving CD Radio broadcasts;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Ford and CD Radio hereby agree as follows:

- -----

(1) This agreement is subject to a confidential treatment request. The confidential portions have been omitted from this Form 10-Q and have been replaced by asterisks (\*). The confidential portions have been filed separately with the Commission in accordance with Rule 24b-2 under the Securities Exchange Act of 1934 and Rule 83 of the Commission's Regulation Concerning Information and Requests.

ARTICLE I

Definitions

SECTION 1.01. Defined Terms. Capitalized terms used herein and not otherwise defined herein shall have the meaning assigned to such terms below:

"Agreement" shall mean this Agreement, as amended, supplemented or otherwise modified from time to time in accordance with the terms hereof.

"Business Day" shall mean any day other than a Saturday or Sunday or any day in which banks in The City of New York or Dearborn, Michigan, are authorized or required to close.

"CD Radio" shall have the meaning assigned to such term in the first paragraph of this Agreement.

"CD Radio Receiver" shall mean a Head Unit which is capable of providing the user interface for CD Radio broadcasts, including displaying the artist and title information transmitted as part of the CD Radio broadcast, and receiving the CD Radio signal, either as a result of circuitry included in the unit itself or as a result of another device, and an antenna suitable for receiving the CD Radio signal.

"CD Radio Service" shall mean the digital audio radio service that CD Radio will offer to Subscribers which will permit such Subscribers to receive a multichannel audio service broadcast from satellites and, in certain instances,

terrestrial repeaters.

"CD Radio System" shall have the meaning assigned to such term in the Preamble to this Agreement.

"Chip Sets" shall mean a set of integrated circuits capable of receiving the CD Radio Service, which integrated circuits shall be comprised of: (a) analog radio frequency chip(s) used to convert S-band signals to some intermediate frequency; (b) analog intermediate frequency chip(s) used to convert analog signals to lower frequency analog signals; (c) conversion signal processor chip(s) used to convert the encoded channel analog signals to digital and the audio signal from digital to analog; and (d) baseband signal processor chip(s) used to filter, decode the encoded channel and output the digital audio signal and other channel data.

"Competitor" shall mean XM Satellite Radio, Inc. and its subsidiaries and affiliates or any future holder of the FCC license held by XM Satellite Radio, Inc. to provide a satellite transmitted digital audio radio service on a frequency located in the S-band.

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"Disclosing Party" shall have the meaning assigned to such term in Section 10.01(a) of this Agreement.

"Electronic Serial Number" shall mean, with respect to any CD Radio Receiver, the unique identity required by the CD Radio conditional access system.

\*

"Existing Intellectual Property" shall have the meaning assigned to such term in Section 7.01(a) of this Agreement.

"FCC" shall mean the United States Federal Communications Commission or any successor agency thereto.

"Ford" shall have the meaning assigned to such term in the first paragraph of this Agreement.

"Ford Associated Company" shall mean a company, foreign or domestic, at least 20% of whose capital, assets or voting stock is directly or indirectly owned or controlled by Ford Motor Company.

"Ford Channels" shall mean \* on the CD Radio Service, each of which is capable of transmitting at least 64 kilobits per second of information and, subject to the terms of this Agreement, is accessible in each Ford Enabled Vehicle regardless of whether the owner or lessee of such vehicle subscribes to the CD Radio Service.

"Ford Enabled Vehicle" shall mean any new vehicle which contains a CD Radio Receiver that was installed in a factory owned or operated by Ford, a \* which is owned or operated by Ford or any present or future majority owned subsidiary of Ford, or any other service facility designated in writing by Ford which may include dealerships as long as such installation principally results from a program authorized by Ford.

"Ford Subscriber" shall mean a Subscriber using a Ford Enabled Vehicle.

"GAAP" shall mean United States generally accepted accounting principles, as in effect on the date of this Agreement.

"Head Unit" shall mean a device, which is integrated in the dashboard of a vehicle, which provides the user interface for the reception of radio signals and, in some cases, the playback of recorded media, such as cassette tapes, compact discs, minidisks and DVDs.

"Information" shall have the meaning assigned to such term in Section 10.01(a) of this Agreement.

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"Launch Date" shall mean the date on which CD Radio commences commercial broadcasts of its signal from orbiting satellites, which is expected to be at the end of the fourth quarter of 2000.

"Lucent" shall mean Lucent Technologies, Inc., a Delaware corporation, and its Microelectronics Group and their respective successors and assigns.

"Lucent Agreement" shall mean the Amended and Restated Integrated Circuits Agreement, dated as of February 1, 1999, between CD Radio and Lucent, as amended, modified or supplemented from time to time.

"New Intellectual Property" shall have the meaning specified in Section 7.01(a) of this Agreement.

"OEM" shall mean an original equipment manufacturer of vehicles, such as General Motors Corporation, DaimlerChrysler AG, Honda Motor Corp., Toyota and BMW AG.

\*

"Production Program" shall mean all times during the Term in which Ford Enabled Vehicles, not designated as Early Introduction Program, Ford Enabled Vehicles, are manufactured and sold.

"Receiving Party" shall have the meaning assigned to such term in Section 10.01(a) of this Agreement.

"Revenues" shall mean, for any period,

(a) all revenues (determined in accordance with GAAP) recognized by CD Radio from the sale to Ford Subscribers of subscriptions to the CD Radio Service, excluding (i) sales, use and other taxes and similar charges collected by CD Radio from Ford Subscribers, (ii) subscriber activation and reactivation fees, (iii) all amounts payable to credit card companies, such as Visa International and American Express, and other third parties in connection with Ford Subscriber bill processing and collecting; and (iv) a provision, determined by CD Radio in its reasonable discretion based on actual loss experience for Ford Subscribers, for uncollectible accounts, plus

(b) (i) all revenues (determined in accordance with GAAP) recognized by CD Radio from the sale of advertising, to the extent, and only to the extent, that such revenues exceed 10% of subscription revenues determined in accordance with clause (a) of this definition multiplied by (ii) a fraction the numerator of which is the average number of Ford Subscribers during the immediately preceding calendar quarter and the denominator of which is the average number of Subscribers (including Ford Subscribers) during the immediately preceding calendar quarter, minus

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(c) all discounts, allowances, refunds and similar inducements to Ford Subscribers, if any

"SEC" shall have the meaning assigned to such term in Section 10.01(b) of this Agreement.

"Subscribers" shall mean any person or entity that has agreed to pay, and in fact does pay, CD Radio for the right to receive the CD Radio Service.

"Term" shall have the meaning assigned to such term in Section 4.01 of this Agreement.

"Trial Period" shall mean the period commencing on the Launch Date and ending on the date that is \* after the Launch Date.

"Trial Period Subscriber" shall mean a Subscriber using a Ford Enabled Vehicle which has been designated by Ford to CD Radio by written or electronic notice as a recipient of an Early Introduction Program, Ford Enabled Vehicle pursuant to Section 2.01.

SECTION 1.02. Other Definitional Matters. Definitions in this Agreement apply equally to the singular and plural forms of the defined terms. The words "include" and "including" shall be deemed to be followed by the phrase "without limitation" when such phrase does not otherwise appear. The terms "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular section, paragraph or subdivision. All article, section, paragraph, clause, exhibit or schedule references not attributed to a particular document shall be references to such parts of this Agreement.

SECTION 1.03. Applicability of Agreement. (a) Ford and CD Radio agree that the terms of this Agreement presently apply to Ford vehicles marketed and sold in the United States. In the event the applicable rules, regulation, terms and conditions to provide the CD Radio Service in Mexico or Canada are successfully negotiated by CD Radio, CD Radio agrees that Ford may include the volumes of such Ford Enabled Vehicles in Mexico and Canada under this Agreement.

(b) CD Radio understands and agrees that the terms of this Agreement do not apply to Visteon Automotive Systems, an enterprise of Ford ("Visteon"), unless

Visteon is a manufacturer of the CD Radio Receiver for Ford. In that event, all provisions which would apply to Ford suppliers providing CD Radio Receivers to Ford would also apply to Visteon.

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## ARTICLE II

### Early Introduction Program

SECTION 2.01. Manufacturing of Ford Enabled Vehicles during the Early Introduction Program. (a) During the Trial Period, Ford intends to make available, for trial purposes, \*. These vehicles will be designated by Ford to CD Radio by written or electronic notice as Early Introduction Program, Ford Enabled Vehicles. It is the intention of CD Radio and Ford that the Early Introduction Program, Ford Enabled Vehicles, shall be used by both parties to (i) test the service system and installation process for CD Radio Receivers, (ii) acquire and evaluate early market data and (iii) permit the CD Radio Service to be introduced prior to the service of any Competitor. CD Radio and Ford target the commencement of the Trial Period to be fourth quarter 2000.

(b) Ford shall be responsible for the negotiation and execution of agreements with suppliers and subcontractors for the manufacturing of CD Radio Receivers for installation in Ford vehicles. CD Radio shall provide Ford, and its suppliers and subcontractors, with all assistance they may reasonably request to design and develop CD Radio Receivers. Ford shall cooperate with Lucent to coordinate the production and shipping of Chip Sets produced by Lucent for use in CD Radio Receivers. Ford will cooperate with Lucent in the integration of the Chip Sets produced by Lucent in the final production model of each CD Radio Receiver.

(c) Ford agrees to allocate the resources it deems appropriate to provide Ford Enabled Vehicles during the Trial Period.

(d) Ford and CD Radio will jointly agree upon the methodology and protocols for testing the CD Radio Service and consumer acceptance and attitudes regarding the CD Radio Service. The results of all such tests shall be shared by CD Radio and Ford.

(e) It is understood by both parties that many factors may influence the start of the Trial Period, including, without limitation, the timing of the Launch Date, the timing of the launch of the satellites, the timing and availability of prototype CD Radio Receivers for testing by Ford of the satellite and terrestrial repeater coverage and reception quality, the ability to complete the development and manufacture of CD Radio Receivers at acceptable cost and quality levels. If the start of the Trial Period is delayed beyond that targeted neither party will have any liability to the other for such a delay.

### SECTION 2.02.\*

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SECTION 2.03. Trial Period Warranty. During the Trial Period, Ford agrees to inform the purchaser or lessee of new Ford Enabled Vehicles that there is no warranty with respect to the CD Radio Receivers provided to the purchasers or lessees of those vehicles.

## ARTICLE III

### Manufacturing, Sales and Marketing of Ford Enabled Vehicles Marketing

SECTION 3.01. Manufacturing of Ford Enabled Vehicles. (a) Ford and CD Radio agree that the Production Program of Ford Enabled Vehicles is targeted to commence on \* and both agree to allocate resources they individually deem appropriate to achieve that timing. It is understood by both parties that many factors may influence this timing, including, without limitation, the timing of the Launch Date, the timing of the launch of the satellites, the timing and availability of prototype CD Radio Receivers for testing by Ford of the satellite and terrestrial repeater coverage and reception quality and the ability to complete the development and manufacture of CD Radio Receivers at acceptable cost and quality levels. If the start timing of this phase is different than that targeted, neither party shall have any liability to the other as a result of such delay. In addition, CD Radio understands and agrees that there is no minimum commitment for installation of CD Radio Receivers on any specific number of vehicles.

(b)\*

(c) So long as Lucent has the exclusive right to manufacture or distribute

Chip Sets pursuant to the Lucent Agreement, Ford shall cooperate with Lucent to coordinate the production and shipping of Chip Sets produced by Lucent for use in CD Radio Receivers. So long as Lucent has the exclusive right to manufacture or distribute Chip Sets pursuant to the Lucent Agreement, Ford will cooperate with Lucent in the integration of the Chip Sets produced by Lucent in the final production model of each CD Radio Receiver.

SECTION 3.02. Sales and Marketing Matters. (a) Ford shall develop a marketing and sales plan for the sale in the United States of Ford Enabled Vehicles and will provide ongoing marketing and sales support at a level it deems appropriate. If in the future, CD Radio elects to assist in the funding of any Ford unique marketing and sales plans, then CD Radio shall be provided the opportunity to review and approve those portions of the plans CD Radio funds. CD Radio shall provide assistance at a level it deems appropriate to support Ford in developing marketing and sales plans if Ford requests such assistance.

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(b) At CD Radio's commercial launch of its services, and so long as Ford is then diligently pursuing the introduction of Ford Enabled Vehicles, CD Radio will feature exclusively Ford vehicles in advertising containing images of automotive vehicles. The brand and make of the vehicles to be included in such advertising will be mutually agreed upon by Ford and CD Radio prior to the Launch Date.

(c) By mutual agreement, Ford may display on the face of each CD Radio Receiver and, if the antenna is visible from the inside or outside of the vehicle, the antenna, the CD Radio trade name and trademark. Any such display shall be made in a manner approved in advance by CD Radio in writing and shall be pursuant to a royalty-free license agreement acceptable to CD Radio and Ford.

(d) From time to time, Ford may, at its option, offer special terms, conditions, discount and packaging of the CD Radio Service to its customers. Ford agrees that any such offer of special terms, conditions, discount and packaging of the CD Radio Service to its customers shall only be done if (i) it is, in all respects, not adverse to CD Radio in any financial respect; and (ii) the value of the CD Radio Service, as merchandised by Ford to its customers, is consistent with CD Radio's national pricing policy then in effect.

SECTION 3.03. Lucent; the Lucent Agreement. (a) Ford acknowledges that CD Radio has entered into the Lucent Agreement for the purpose of developing and producing Chip Sets for, among other applications, incorporation into CD Radio Receivers. Ford agrees that it will honor the exclusivity provisions contained in the Lucent Agreement (Section 6.0 of Part I of the Lucent Agreement) and will cause each of its suppliers and subcontractors which manufacture CD Radio Receivers for Ford, to honor such exclusivity provision in favor of Lucent.

(b) Without the prior written consent of Ford, CD Radio agrees that it will not amend, modify or supplement the exclusivity provisions contained in the Lucent Agreement in any manner adverse to Ford.

SECTION 3.04. Reports and Subscriber Activation System. (a) Both Ford and CD Radio recognize the need to exchange data including, without limitation, the customer, vehicle ID number, Electronic Serial Number, type of vehicle and, to the extent permitted by applicable law, the name and mailing address of the purchaser or lessee of each Ford Enabled Vehicle. Details of such reporting requirements will be developed and agreed to prior to the Launch Date.

(b) CD Radio agrees to provide Ford selected customer data (to be defined and agreed to prior to the Launch Date) for all Ford Subscribers, including all Subscribers that are not the original vehicle owners.

SECTION 3.05. Billing Matters. (a) During the Term, CD Radio shall be responsible for all customer billing and customer service functions in connection

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with Ford Subscribers. All billing and customer service functions shall be done using CD Radio's name. If desired by Ford, CD Radio agrees that Ford's name and trademark, or any other name or trademark requested by Ford, shall be prominently displayed on any bill sent to a Ford Subscriber. Such display shall always be in a manner approved in advance by Ford in writing and shall be pursuant to a royalty-free license agreement acceptable to Ford and CD Radio.

(b) During the Term, and at the mutual agreement of both Ford and CD Radio, Ford may assume the customer billing and customer service functions in connection with Ford Subscribers. All costs and expenses associated with any such transfer of the billing and/or customer service functions shall be paid by

Ford. Ford agrees that if at any time it assumes the customer billing and customer service functions for Ford Subscribers, then CD Radio's name and trademark, or any other name or trademark requested by CD Radio, shall be prominently displayed on any bill sent to a Ford Subscriber. Such display shall always be in a manner approved in advance by CD Radio in writing and shall be pursuant to a royalty-free license agreement acceptable to CD Radio and Ford.

ARTICLE IV

Term; Exclusivity

SECTION 4.01. Term. The term of this Agreement (the "Term") shall Term; Exclusivity commence on the date hereof and shall extend until the fifth (5th) anniversary of the date hereof, unless earlier terminated in accordance with the terms of Section 9.01 of this Agreement. Upon the expiration of the initial Term, this Agreement shall automatically be renewed for one additional five (5) year term, unless Ford notifies CD Radio in writing ninety (90) days prior to the expiration of the initial Term.

SECTION 4.02. Ford Exclusivity. Prior to the Exclusivity Termination Date, Ford hereby covenants and agrees not to market, sell or distribute any new vehicles capable of receiving any satellite transmitted digital audio radio service of a Competitor. The agreement of Ford contained in this Section 4.02 shall terminate and be of no force and effect in the event that the Launch Date fails to occur, or is reasonably likely not to occur, on or before \*.

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ARTICLE V

Economic Terms

SECTION 5.01. Warrant. In order to induce Ford to execute and deliver this Agreement to it, CD Radio has delivered to Ford on the date hereof the warrant attached to this Agreement as Exhibit A.

SECTION 5.02.\*

(b) On a date to be specified of each month during the Trial Period, Ford shall deliver to CD Radio documentation, authenticated at a level to be mutually agreed between Ford and CD Radio, indicating (i) the number of Ford Enabled Vehicles manufactured by Ford during the preceding month and (ii) the expenses incurred by Ford in connection with the purchase and installation of CD Radio Receivers in Ford vehicles during the preceding month. Such documentation shall include evidence, which shall be reasonably satisfactory to CD Radio, regarding (i) the number of Ford Enabled Vehicles manufactured by Ford during such month (including the Electronic Serial Number of each CD Radio Receiver installed in such vehicle) and (ii) the expenses incurred by Ford in connection with the purchase and installation of CD Radio Receivers in Ford vehicles during the preceding month.

\*

SECTION 5.03. Trial Period Subscribers. Notwithstanding anything to the contrary contained in this Agreement, during the Term and for the life of such vehicle, CD Radio shall have the right to 100% of the Revenues recognized by CD Radio from Trial Period Subscribers. Ford acknowledges and agrees that during the Term and for the life of such vehicle it shall not be entitled to participate in any Revenues recognized by CD Radio from Trial Period Subscribers.

SECTION 5.04. Ford Revenue Participation. (a) Subject to the terms and conditions of this Article V, during the Term and for the life of each Ford Enabled Vehicle, CD Radio shall pay Ford a quarterly fee based on Revenues (other than any Revenues recognized by CD Radio from Trial Period Subscribers). Such fee shall be payable by CD Radio to Ford quarterly in accordance with the table set forth below:

<TABLE>  
<CAPTION>

Number of Ford Enabled Vehicles	Percentage of Revenues (other than Revenues Recognized by CD Radio from Trial Period Subscribers) Payable to Ford
<S>	<C>

</TABLE>



In order to track Ford Enabled Vehicles, CD Radio shall assign each Ford Enabled Vehicle a unique identification number, beginning with the number 1, and such Ford Enabled Vehicle shall at all times during the Term, and for the life of that Ford Enabled Vehicle, be entitled to the percentage of Revenues set forth above depending upon the number of such Ford Enabled Vehicle. For purpose of this Section 5.04, Ford Enabled Vehicles manufactured and sold during the Trial Period shall not be included in calculating Ford Enabled Vehicles.

(b) Subject to the terms and conditions of this Article V, during the Term and for the life of each such Ford Enabled Vehicle, CD Radio shall pay Ford a quarterly fee in an amount equal to \* of the Revenues recognized from Ford Enabled Vehicles manufactured (other than Revenues recognized by CD Radio from Trial Period Subscribers) from and after the date that CD Radio has more than \* Ford Subscribers at any time during the Term; provided that all then existing Ford Enabled Vehicles shall continue to be paid based on the percentage of Revenues set forth above. For purpose of this Section 5.04, Ford Enabled Vehicles manufactured and sold during the Trial Period shall not be included in calculating Ford Enabled Vehicles.

(c) After the Trial Period, on a date to be specified in January, April, July and October of each year during the Term, Ford shall deliver to CD Radio documentation, authenticated at a level to be mutually agreed between Ford and CD Radio, indicating the number of Ford Enabled Vehicles sold and leased by Ford during the Term and the preceding calendar quarter. Such documentation shall include evidence, which shall be reasonably satisfactory to CD Radio, regarding the number of Ford Enabled Vehicles sold and leased by Ford during the Term and such calendar quarter (including the Electronic Serial Number of each CD Radio Receiver installed in such vehicle) and a copy of such information in computer readable form.

(d) Upon receipt of such documentation, CD Radio shall promptly compare the information provided by Ford regarding Ford Enabled Vehicles to lists of Subscribers. As soon as practicable following the receipt of such information, but in no event later than thirty (30) days after receipt of such information, CD Radio shall deliver to Ford a certificate signed by an officer of CD Radio certifying the number of Ford Subscribers at the end of the preceding calendar quarter.

(e) Within thirty (30) Business Days of the date on which CD Radio delivers to Ford the officer's certificate required by Section 5.04(d), CD Radio shall pay Ford, by wire transfer of immediately available funds to an account designated in writing by Ford, an amount equal to the applicable percentage of Revenues (other than any Revenues recognized by CD Radio from Trial Period Subscribers) for the preceding calendar quarter determined in accordance with Sections 5.04(a) and (b).

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(f) For purposes of this Agreement, a Ford Enabled Vehicle shall be considered sold or leased by Ford when the end user of such vehicle completes the purchase or lease transaction for such vehicle.

SECTION 5.05. Hardware Subsidy. (a) Subject to Section 5.05(c), during the Production Program, at the written request of Ford, CD Radio shall enter into agreements or arrangements with manufacturers of CD Radio Receivers for installation in Ford vehicles pursuant to which CD Radio \*. All such agreements and arrangements with manufacturers of CD Radio Receivers for installation in Ford vehicles shall be in form and substance acceptable to CD Radio, with the understanding that Ford and Ford's manufacturers of CD Radio Receivers shall be free, subject to the terms of the Lucent Agreement, to select Chip Set suppliers acceptable to them in terms of quality, delivery and technology.

(b) Subject to the terms of this Agreement, CD Radio and Ford agree that the Chip Sets referred to in this Section 5.05 shall include the functionality of the Chip Sets as defined in Section 1.01, as well as future enhancements including, but not limited to, enhanced data retrieval and data throughput, and all firmware/software upgrades as they become available.

(c) In the event that at any time during the Term Ford manufactures, markets or sells Ford vehicles which contain a device which is capable of receiving both the CD Radio signal and the signal of a Competitor, then (notwithstanding the provisions of Section 5.05(a)) CD Radio will only be required to \*.

SECTION 5.06. The Ford Channels; Revenue Participation. (a) Notwithstanding Section 5.02, any \* from the use of the Ford Channels shall be split, \* to Ford and \* to CD Radio.

(b) On a date to be specified in January, April, July and October of each year during the Term, Ford shall deliver to CD Radio documentation, authenticated at a level to be mutually agreed between Ford and CD Radio, indicating the amount of \* for the preceding fiscal quarter. Within thirty (30)

Business Days following delivery of such documentation to CD Radio, Ford shall pay CD Radio, by wire transfer of immediately available funds to an account designated in writing by CD Radio, \* of the \* for the preceding fiscal quarter.

SECTION 5.07. No Other Payments. CD Radio and Ford agree that, except as set forth in this Article V, neither Ford, any of its subsidiaries or affiliates nor any of its suppliers or subcontractors shall be entitled to any other payments from CD Radio in connection with manufacturing, marketing, selling and distributing Ford Enabled Vehicles, including, without limitation, any payments or reimbursement of manufacturing costs, hardware costs, advertising costs, promotion costs, warranty costs or validation costs.

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SECTION 5.08. Audit Rights. During the Term, each party shall, upon reasonable request, afford to the other party and its counsel, accountants and other authorized representatives reasonable access during normal business hours to the books, records and other data of the other party (and permit the other party and its counsel, accountants and authorized representatives to make copies thereof) for the purpose of confirming any information or data which may be contained in a certificate or electronic notice delivered to the other party, including, without limitation, the number of Ford Enabled Vehicles or Ford Subscribers or the amount of Revenues. Each party agrees to hold all information received pursuant to this Section 5.08 in confidence in accordance with the terms of Section 10.01.

#### ARTICLE VI

##### The Ford Channels

SECTION 6.01. License. (a) Subject to the terms and conditions of this Agreement (including Section 6.05 of this Agreement), from the Launch Date until the end of the Term, CD Radio hereby grants Ford a nontransferable license to transmit information or data on the Ford Channels.

(b) The information, data or other material on the Ford Channels shall be subject to the prior approval of CD Radio, which approval shall not be unreasonably withheld or delayed. Ford and CD Radio expect that they will jointly develop content for the Ford Channels. With respect to Ford owned information, data or other material on the Ford Channels, Ford agrees to grant to CD Radio a non-exclusive license solely for the purpose of distribution, transmission and performance of such information, data or other material on the Ford Channels.

SECTION 6.02. Distribution of Ford Channels. (a) CD Radio shall provide the CD Radio Service to each Ford Subscriber on the same basis as it provides the CD Radio Service to other CD Radio customers; provided that CD Radio shall be required to provide the Ford Channels only to Ford Enabled Vehicles and Ford Subscribers. The Ford Channels shall be offered on channels selected by CD Radio in its sole discretion. All numeric channel designations are subject to CD Radio's sole discretion, and no representation or assurance in that regard is made by CD Radio in this Agreement. CD Radio will not unreasonably change the numeric channel designation once assigned.

(b) CD Radio may remove from the Ford Channels, or insist upon the removal from the Ford Channels, any material which CD Radio reasonably determines to be, (i) misleading or deceptive, (ii) in violation of any Federal, state or local law or regulation, any radio industry standard, or the rights of any third party, including the rules and regulations of the FCC and the Federal Trade Commission, (iii) likely, in CD Radio's judgment, to have an adverse effect on any

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completed or pending proceeding before the FCC applicable to the CD Radio Service, or (iv) otherwise detrimental to CD Radio or inconsistent with CD Radio's standards of appropriateness. Notwithstanding anything to the contrary contained in this Agreement, as long as CD Radio remains the holder of an FCC license to provide the CD Radio Service, CD Radio shall have full authority, power and control over operation of the CD Radio Service. CD Radio shall bear the responsibility for compliance with all applicable laws, including FCC regulations, for the CD Radio Service. Nothing in this Agreement shall prevent CD Radio from (i) rejecting or refusing content for the Ford Channels that CD Radio in good-faith believes is unsuitable or not in the public interest, (ii) preempting any content in the event of a local, state or national emergency, or (iii) refusing to broadcast any content that may be in violation of applicable FCC regulations. CD Radio agrees that music or non-music programming may be broadcast on the Ford Channels; provided that such programming is not reasonably likely to directly compete with any specific format (e.g. an all jazz channel or

a business news channel) then appearing on the CD Radio Service.

(c) Ford agrees that it shall not sell, barter or grant any time on the Ford Channels to any Competitor or any subsidiary or affiliate of any Competitor. Ford also agrees that it will not sell or barter any advertising, sponsorship or underwriting on the Ford Channels if such activity could have an adverse effect on the ability of CD Radio, or any content provider to the CD Radio Service, to sell or barter advertising, sponsorship or underwriting on any channel on the CD Radio Service.

(d) Ford will consider advertising the CD Radio Service on the Ford Channels.

SECTION 6.03. Non-infringement. (a) With respect to information, data or other material provided solely by or through Ford for distribution, transmission or performance on the Ford Channels, Ford warrants to CD Radio that it will have all requisite rights, power and authority to provide such information, data or other material to CD Radio as contemplated in this Agreement and that CD Radio's distribution, transmission and performance of such information, data or other material (i) will not give rise to any claim by any third party, including, without limitation, claims arising from or relating to copyright, rights of publicity, patent or trademark infringement, unfair competition, idea misappropriation, plagiarism, defamation, libel, slander or any other intellectual property right, intentional infliction of emotional distress or related torts, obscenity, indecency, professional malpractice, violation of statutory, common law or contractual rights of privacy or confidentiality or of any other right of any third party, including, without limitation, any royalty, reuse, residual, guild or union obligations, all of which shall be borne exclusively by Ford, and (ii) will not otherwise result in injury or damage to any third party. Ford represents and warrants to CD Radio that Ford will obtain all rights, waivers, permissions and clearances necessary for transmission, distribution and performance of such information, data or other material on the Ford Channels. Ford expressly acknowledges and agrees that CD Radio shall

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have no liability or responsibility for payment of any fee or license to any copyright owner as a result of the transmission, distribution or performance of such information, data or other material on the Ford Channels. CD Radio and Ford agree that Ford shall have no responsibility or liability for obtaining or paying for any intellectual property rights (including rights relating to the encoding or encrypting of the CD Radio signal) which are used in order to physically transmit the CD Radio signal.

(b) With respect to information, data or other material provided solely by or through CD Radio for distribution, transmission or performance on the Ford Channels, CD Radio warrants to Ford that it will have all requisite rights, power and authority (other than copyright, rights of publicity, patent or trademark rights embodied in such information, data or other material) to provide such information, data or other material as contemplated in this Agreement and that CD Radio's distribution, transmission and performance of such information, data or other material on the Ford Channels (i) will not give rise to any claim by any third party, including, without limitation, claims arising from or relating to unfair competition, defamation, libel, slander or any other intellectual property right, intentional infliction of emotional distress or related torts, obscenity, indecency, professional malpractice, violation of statutory, common law or contractual rights of privacy or confidentiality or of any other right of any third party, and (ii) will not otherwise result in injury or damage to any third party. Ford expressly acknowledges and agrees that Ford shall be responsible for payment of any fee or license to any owner of copyright, rights of publicity, patent or trademark rights as a result of the transmission, distribution or performance of such information, data or other material on the Ford Channels. CD Radio agrees to bring such requirement for such a fee or license to Ford's attention in a timely manner prior to such transmission, distribution or performance; provided that CD Radio's failure to do so shall not relieve Ford of any obligations with respect to such fee or license under this Agreement, except for any additional amounts directly attributable to CD Radio's failure to notify Ford.

SECTION 6.04. Indemnity. (a) Ford shall defend, indemnify and hold CD Radio harmless from and against any loss, damage, expense or claim, including, without limitation, reasonable attorney's fees and expenses, of any nature or kind arising from or out of a breach by Ford of Section 6.03(a).

(b) CD Radio shall defend, indemnify and hold Ford harmless from and against any loss, damage, expense or claim, including, without limitation, reasonable attorney's fees and expenses, of any nature or kind arising from or out of a breach by CD Radio of Section 6.03(b).

(c) CD Radio shall defend, indemnify and hold Ford harmless from and against any loss, damage, expense or claim, including, without limitation, reasonable attorney's fees and expenses, of any nature or kind arising from or

out of the transmission, distribution, performance or content of the CD Radio Service (other than the Ford Channels), including, without limitation, any loss, damage,

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expense or claim based upon alleged violation or infringement of any intellectual property right, including, without limitation, libel, slander, defamation, invasion of the right of privacy, or violation or infringement of copyright (including music performance rights), literary or music synchronization rights.

(d) Ford and CD Radio shall equally share responsibility with respect to any loss, damage or claim, including, without limitation, reasonable attorney's fees and expenses, of any nature or kind arising from or out of the content of the Ford Channels jointly created by Ford and CD Radio, including, without limitation libel, slander, defamation, invasion of the right of privacy, but excluding violations or infringements of copyright (including music performance rights), literary or music synchronization rights.

SECTION 6.05. Termination of License to Use Ford Channels. (a) Ford agrees not to sell any device which is only capable of receiving the Ford Channels without also having the capability of receiving the CD Radio Service. The license granted to Ford pursuant to this Agreement to use the Ford Channels shall immediately terminate, without any further act by CD Radio, in the event that Ford does not comply with the obligations contained in this Section 6.05(a).

(b) After the date that is twenty (24) months after the Launch Date, Ford shall utilize \* in Ford Enabled Vehicles. The license granted to Ford pursuant to this Agreement to use such \* shall immediately terminate, in whole or in part and without any further act by CD Radio, in the event that Ford does not comply with the obligations contained in this Section 6.05(b). In the event that the license granted to Ford pursuant to this Agreement to use such \* is terminated, in whole or in part, pursuant to this Section 6.05(b), then Ford may from time to time after such termination provide CD Radio written suggestions for manners to use such channels on the CD Radio Service to enhance the value of both the CD Radio Service and Ford Enabled Vehicles. CD Radio shall consider all such written suggestions in good-faith; provided that CD Radio shall have no liability to Ford in the event any such written suggestions are not implemented by CD Radio.

(c) After the date that is forty eight (48) months after the Launch Date, Ford shall utilize its remaining \* in Ford Enabled Vehicles. The license granted to Ford pursuant to this Agreement to use such \* shall immediately terminate, in whole or in part and without any further act by CD Radio, in the event that Ford does not comply with the obligations contained in this Section 6.05(c). In the event that the license granted to Ford pursuant to this Agreement to use such \* is terminated, in whole or in part, pursuant to this Section 6.05(c), then Ford may from time to time after such termination provide CD Radio written suggestions for manners to use such channels on the CD Radio Service to enhance the value of both the CD Radio Service and Ford Enabled Vehicles. CD Radio shall consider all such written suggestions in good-faith; provided that CD Radio shall have no liability to Ford in the event any such written suggestions are not implemented by CD Radio.

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## ARTICLE VII

### Intellectual Property Matters

SECTION 7.01. Ownership. (a) All intellectual property developed or Intellectual Property Matters created prior to the date of this Agreement (the "Existing Intellectual Property") is and shall remain the property of the party who made, developed or created or presently owns such Existing Intellectual Property and, unless otherwise expressed in this Agreement, no license is implied or granted herein to any Existing Intellectual Property by virtue of this Agreement. The parties acknowledge and agree that, as between CD Radio and Ford, any new intellectual property that is jointly developed or created (as "jointly developed" or "jointly created" is defined by the applicable intellectual property laws) pursuant to this Agreement for use in, or in connection with, the CD Radio System, CD Radio Receivers or antennas (other than intellectual property which is developed by CD Radio for concurrent use for purposes outside, but not in conflict with, the purposes of this Agreement) (the "New Intellectual Property") shall be the joint property of CD Radio and Ford and each party shall be free to use and exploit such jointly owned New Intellectual Property without accounting in any way to the other party. CD Radio and Ford agree that they will consult with one another regarding prosecuting, in

the name of both CD Radio and Ford, patents and other protections for any New Intellectual Property. The costs and expenses of prosecuting, protecting and defending any New Intellectual Property will be shared equally by CD Radio and Ford, where CD Radio and Ford have agreed on such prosecution, protection or defense.

SECTION 7.02. Licensing Matters. (a) During the Term, CD Radio hereby grants and agrees to grant to Ford a non-exclusive, royalty-free license to make, have made, use, have used, and sell CD Radio Receivers (or for other purposes contemplated by this Agreement) under all intellectual property now owned or thereafter developed or acquired by CD Radio or which CD Radio has or acquires the right to license relating to CD Radio Receivers and the CD Radio System.

(b) Notwithstanding the foregoing paragraph, Ford acknowledges and agrees that, with respect to patents included in paragraph (a), the license granted in this Section does not extend to receiving the signal of a Competitor. If a specific Competitor becomes a licensee of CD Radio, this limitation shall not longer apply to receiving the signal of that Competitor in a CD Radio Receiver.

(c) This license shall not be sold, assigned, sublicensed or otherwise transferred without the prior written consent of CD Radio, which may be withheld in its sole discretion. Any such sale, assignment, sublicense or other transfer of this license without the prior written consent of CD Radio shall be null and void.

(d) The license contained in this Section 7.02 will become permanent and irrevocable upon the manufacture of the four millionth Ford Enabled Vehicle. If,

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at the end of the Term, four million Ford Enabled Vehicles have not been manufactured, CD Radio agrees to grant the license contained in this Section 7.02 to Ford, at Ford's request, under commercially reasonable terms.

(e) Any transfer of intellectual property rights by CD Radio shall be subject to the license provided in this section.

(f) The license contained in this Section 7.02 shall extend worldwide.

SECTION 7.03. Indemnity. CD Radio agrees to defend, indemnify and hold Ford harmless from any loss, damage, expense, including, without limitation, reasonable attorney fees and expenses, arising from claims by third parties of intellectual property infringement based on the use or sale by Ford or any suppliers to Ford or customers of Ford of CD Radio Receivers embodying or using any designs, information or intellectual property rights licensed or provided to Ford in writing by or through CD Radio or Lucent in furtherance of this Agreement. This obligation shall survive termination or expiration of this Agreement.

SECTION 7.04. Use of Trademarks. The parties recognize each other's rights in their respective trademarks, service marks, trade names and logos. Except as permitted by United States trademark law and except as expressly provided herein, nothing in this Agreement shall imply the grant by CD Radio or Ford to the other of a license to use (i) any trademark, service mark, trade name or logo of that party or any of its affiliates in connection with advertising, licensing, marketing or any other use, or (ii) any trademark, service mark, trade name or logo that is confusingly similar to a name or mark used by that party or any of its affiliates.

## ARTICLE VIII

### Representations and Warranties

SECTION 8.01. Representations and Warranties of CD Radio. CD Radio represents and warrants to Ford that:

(a) CD Radio is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. CD Radio has the power and authority and all governmental licenses, authorizations, consents and approvals to perform its obligations under this Agreement. CD Radio is duly qualified as a foreign corporation and in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification.

(b) The execution, delivery and performance by CD Radio of this Agreement has been duly authorized by all necessary corporate action,

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and does not and will not contravene the terms of CD Radio's Amended and Restated Articles of Incorporation or Amended and Restated By-Laws, conflict with, or result in any breach or contravention of, any contractual obligation to which CD Radio is a party or any order, injunction, writ or decree of any governmental authority to which CD Radio or its property is subject or violate any requirement of law.

(c) This Agreement constitutes the legal, valid and binding obligation of CD Radio, enforceable against CD Radio in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, or similar laws affecting the enforcement of creditors' rights generally or by equitable principles relating to enforceability.

(d) CD Radio has delivered to Ford a true and complete copy of the Lucent Agreement.

SECTION 8.02. Representations and Warranties of Ford. Ford represents and warrants to CD Radio that:

(a) Ford is a corporation duly organized, validly existing and in good standing under the laws of State of Delaware. Ford has the power and authority and all governmental licenses, authorizations, consents and approvals to own its assets, carry on its business and to execute, deliver and perform its obligations under this Agreement. Ford is duly qualified as a foreign corporation and in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification.

(b) The execution, delivery and performance by Ford of this Agreement has been duly authorized by all necessary corporate action, and does not and will not contravene the terms Ford's Articles of Incorporation or By-Laws, conflict with, or result in any breach or contravention of, any contractual obligation to which Ford is a party or any order, injunction, writ or decree of any governmental authority to which Ford or its property is subject or violate any requirement of law.

(c) This Agreement constitutes the legal, valid and binding obligation of Ford, enforceable against Ford in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, or similar laws affecting the enforcement of creditors' rights generally or by equitable principles relating to enforceability.

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## ARTICLE IX

### Termination

SECTION 9.01. Termination for Cause. Either party may terminate this Termination Agreement upon the occurrence of any of the following events:

(a) the other party becomes the subject of a bankruptcy petition filed in a court in any jurisdiction, whether voluntary or involuntary; or

(b) a receiver or a trustee is appointed for all or a substantial portion of the other party's assets; or

(c) the other party makes an assignment for the benefit of its creditors; or

(d) the other party fails to perform any material covenant or obligation contained in this Agreement, or any representation or warranty in this Agreement ceases to be true and correct in all material respects.

Any termination of this Agreement pursuant to this Section shall be effective thirty (30) days after receipt of notice of termination by the other party, unless within such thirty (30) day period the other party cures any applicable breach.

## ARTICLE X

### Confidentiality

SECTION 10.01. General. (a) All information furnished or disclosed by either CD Radio or Ford (a "Disclosing Party") to the other (a "Receiving Party") which is marked with a restrictive notice or otherwise tangibly designated as proprietary (hereinafter "Information") shall be deemed the property of the Disclosing Party and shall be returned to the Disclosing Party promptly upon request. Unless such Information: (i) was previously known to the Receiving Party free of any obligation to keep it confidential, or (ii) has been or is subsequently made public by the Disclosing Party or a third party under no

obligation of confidentiality, or (iii) is independently developed by the Receiving Party, then the Receiving Party shall, for a period ending three (3) years after first disclosure of a specific item of Information, use the same degree of care, but no less than a reasonable standard of care, as it uses with regard to its own proprietary information to prevent disclosure, use or publication.

(b) Neither CD Radio nor Ford shall disclose any of the terms and conditions of this Agreement without the prior written consent of the other party. Notwithstanding the foregoing, Ford agrees that CD Radio may disclose this Agreement in its reports, registration statements and other documents required to be filed with the Securities and Exchange Commission (the "SEC"), may file this

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Agreement as an exhibit to such reports and as otherwise may be required by the rules and regulations of the SEC, any other applicable regulatory agencies or any national securities exchange.

(c) The parties agree that their obligations under this Section shall survive any termination of this Agreement.

#### ARTICLE XI

##### Miscellaneous

SECTION 11.01. Notices. All notices and other communications hereunder shall be in writing and shall be deemed given when delivered personally, three (3) Business Days after being delivered to a nationally recognized overnight courier or when telecopied (with a confirmatory copy sent by overnight courier) to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

(a) if to CD Radio to:

CD Radio Inc.  
1221 Avenue of the Americas  
36th Floor  
New York, New York 10020  
Attention: Patrick L. Donnelly  
Executive Vice President and General Counsel  
Facsimile No.: (212) 584-5353

with a copy to:

CD Radio Inc.  
1221 Avenue of the Americas  
36th Floor  
New York, New York 10020  
Attention: Ira Bahr  
Executive Vice President, Marketing  
Facsimile No.: (212) 584-5115

(b) if to Ford, to:

Ford Motor Company  
The American Road  
Dearborn, Michigan 48121  
Attention: Phil Wright  
Facsimile No.: (313) 390-7898

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SECTION 11.02. Amendment. Neither this Agreement nor any of the terms hereof may be amended, supplemented, waived or modified except by an instrument in writing signed by the party against which the enforcement of such amendment, supplement, waiver or modification shall be sought.

SECTION 11.03. Counterparts. This Agreement may be executed in counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties.

SECTION 11.04. Entire Agreement. This Agreement constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof. Nothing in this Agreement shall be interpreted or construed as limiting in any way the ability of CD Radio to sell or distribute CD Radio Receivers or the CD Radio

Service in any manner whatsoever, including through or to OEMs.

SECTION 11.05. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, regardless of principles of conflicts of laws that may require the application of the laws of another jurisdiction.

SECTION 11.06. Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by CD Radio or Ford (whether by operation of law or otherwise) without the prior written consent of the other party; provided that, upon written notice to CD Radio, Ford shall have the right to assign this Agreement to a Ford Associated Company so long as Ford remains primarily liable with respect to all of its obligations contained in this Agreement.

SECTION 11.07. Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other terms, conditions and provisions of this Agreement shall nevertheless remain in full force and effect. If any provision of this Agreement is finally determined by the FCC to be in violation of any license held by CD Radio, then CD Radio agrees that it will not seek to enforce such provision against Ford.

SECTION 11.08. Dispute Resolution. (a) If either party initiates litigation on such contractual causes, the other party shall have the right to initiate mediation and binding arbitration in accordance with the following: (i) In the case of Ford Motor Company or any of its U.S. subsidiaries, joint ventures or other operations located in the U.S., the Model Procedure for Mediation of Business Disputes of the Center for Public Resources and, in the case of arbitration, the CPR Rules for Non-Administered Arbitration of Business Disputes ("CPR"); (ii) In the case of any Ford Company subsidiary, joint venture or other operation located in Europe, with the then-current Model Procedure for Mediation of Business Disputes of the CPR Institute for Business Resolution or the mediation procedures of the Centre for Dispute Resolution ("CEDR") in London and, in the case of arbitration, the Rules of

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the London Court of International Arbitration. Each party will bear equally the costs of the mediation and arbitration.

(b) The parties will jointly appoint a mutually acceptable mediator or arbitrator, seeking assistance in such regard from CPR or CEDR, as appropriate, if they have been unable to agree upon such appointment within 20 days.

(c) The parties agree to participate in good faith in the mediation and negotiations related thereto for a period of 30 days. If the parties are not successful in resolving the dispute through the mediation, then the parties agree to submit the matter to binding arbitration by a sole arbitrator in accordance with the CPR Rules for Non-Administered Arbitration of Business Disputes, or, where the mediation procedures of CEDR have been adopted, in accordance with the Rules of the London Court of International Arbitration.

(d) Unless otherwise agreed by the parties in writing, mediation or arbitration involving Ford Motor Company and any U.S. subsidiary, joint venture or other operation located in the U.S. shall take place in the City of Dearborn, Michigan and this clause 11.08 is subject to the Federal Arbitration Act, 9 U.S.C.A. 'SS' 1 et seq. and judgment upon the award rendered by the Arbitrator, if any, may be entered by any U.S. court having jurisdiction thereof. Mediation or arbitration involving any Ford Company, subsidiary, joint venture or other operation located in Europe shall take place in London and the language shall be English. Equitable remedies shall be available in any arbitration. Punitive and exemplary damages shall not be awarded.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

CD RADIO INC.

By: /s/ Ira Bahr

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Ira Bahr  
Executive Vice President,  
Marketing

FORD MOTOR COMPANY

By: /s/ R. Parry-Jones

-----  
Name: Richard Parry-Jones



Title: Group Vice President  
Product Development & Quality

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