

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 13E-4

Issuer Tender Offer Statement
(Pursuant to Section 13(e) (1)
of the Securities Exchange Act of 1934)
CD Radio Inc.
(Name of Issuer)

CD Radio Inc.
(Name of Person(s) Filing Statement)

5% Delayed Convertible Preferred Stock
(Title of Class of Securities)

None
(CUSIP Number of Class of Securities)

David Margoese
Chairman and Chief Executive Officer
CD Radio Inc.
Sixth Floor, 1001 - 22nd Street, N.W.
Washington, D.C. 20037
Telephone (202) 296-6192
(Name, Address and Telephone Number of Person Authorized
to Receive Notices and Commissions on Behalf
of the Person(s) Filing Statement)

Copy To:
Leonard V. Quigley
Mitchell S. Fishman
Paul, Weiss, Rifkind, Wharton & Garrison
1285 Avenue of the Americas
New York, New York 10019
(212) 373-3000

October 16, 1997
(Date Tender Offer First Published, Sent or Given to Security Holders)

CALCULATION OF FILING FEE

Transaction Valuation*	Amount of Filing Fee
\$120,016,756.00	\$24,003.36

*Calculated pursuant to Rule 0-11(b) (2) under the Securities Exchange Act of 1934, based on the book value of the 5% Delayed Convertible Preferred Stock to be received by the Issuer.

[X] Check box if any part of the fee is offset as provided by Rule 0-11(a) (2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Amount Previously Paid: \$35,369.00
Form or Registration No.: Form S-4
Filing Party: CD Radio Inc.
Date Filed: September 2, 1997

(a) The issuer to which this Schedule 13E-4 (the "Schedule") relates is CD Radio Inc. (the "Company"), which has its principal executive office located at Sixth Floor, 1001 - 22nd Street, N.W., Washington, D.C. 20037.

(b) This Schedule relates to an offer (the "Exchange Offer") by the Company to acquire up to all of the outstanding shares (the "Shares") of its 5% Delayed Convertible Preferred Stock (the "5% Preferred Stock") by exchanging up to 1,932,073 shares of its new 10 1/2% Series C Convertible Preferred Stock (the "New Preferred Stock") for the Shares at a rate of one share of New Preferred Stock for each \$100 in Exchange Rate Liquidation Preference represented by Shares not previously converted. The "Exchange Rate Liquidation Preference" shall be the amount determined by dividing the liquidation preference of the Shares being exchanged (including accrued and unpaid dividends on the Shares) by 0.696145. Such exchange will be upon the terms and subject to the conditions set forth in the Prospectus dated October 16, 1997 (the "Prospectus") and the related Letter of Transmittal, copies of which are attached to and filed with this Schedule as Exhibits (a) (1) and (a) (2) respectively. As of September 30, 1997, there were 5,222,608 Shares outstanding.

(c) The information set forth under the captions "Risk Factors -- Lack of Established Trading Market for New Preferred Stock" and "Market and Trading Information" in the Prospectus is incorporated herein by reference.

(d) Not applicable.

Item 2. Source and Amount of Funds or Other Consideration.

(a) The information set forth on the cover of the Prospectus and under the captions "The Exchange Offer -- Terms of the Exchange" and "Description of New Preferred Stock" in the Prospectus is incorporated herein by reference.

(b) Not applicable.

Item 3. Purpose of the Tender Offer and Plans or Proposals of the Issuer or Affiliate.

The information set forth on the cover of the Prospectus and under the captions "The Exchange Offer -- Purpose of the Exchange Offer," "-- The Solicitation" and "The Proposed Amendment" in the Prospectus is incorporated herein by reference. Upon consummation of the Exchange Offer, all Shares tendered for exchange and not withdrawn will be retired.

(a) The information set forth on the cover of the Prospectus and under the captions "Risk Factors -- Reduced Trading Market for 5% Preferred Stock" and "Proposed Financing" in the Prospectus is incorporated herein by reference.

(b)-(d) None.

2

(e) The information set forth under the captions "Proposed Financing," "Capitalization," "Description of Series D Preferred Stock," "Description of Certain Indebtedness" and "Description of Capital Stock" in the Prospectus is incorporated herein by reference.

(f) None.

(g) The information set forth under the caption "Risk Factors -- Anti-takeover Provisions" in the Prospectus is incorporated herein by reference.

(h)-(j) None.

Item 4. Interest in Securities of the Issuer.

The information set forth under the caption "Description of Capital Stock -- 5% Preferred Stock" in the Prospectus is incorporated herein by reference.

Item 5. Contracts, Arrangements, Understandings or Relationships with Respect to the Issuer's Securities.

The information set forth under the caption "Principal Stockholders -- Voting Trust Agreement" in the Prospectus is incorporated herein by reference.

Item 6. Persons Retained, Employed or to be Compensated.

The information set forth under the caption "The Exchange Offer -- Dealer Manager" in the Prospectus is incorporated herein by reference.

Item 7. Financial Information.

(a) (1) The information set forth under Item 8, "Financial Statements and Supplementary Data" of the Company's Annual Report on Form 10-K, as amended by the Annual Report on Form 10-K/A, for the year ended December 31, 1996, attached to this Schedule as Exhibit (g) (1), is incorporated herein by reference.

(a) (2) The information set forth in pages 1 through 6 of Part I, "Financial Information" of the Company's Quarterly Report on Form 10-Q for the period ended June 30, 1997, attached to this Schedule as Exhibit (g) (2), is incorporated herein by reference.

(a) (3) The information set forth under the captions "Prospectus Summary - -- Summary Consolidated Financial Data" and "Selected Historical Financial Information" in the Prospectus is incorporated herein by reference.

(a) (4) The book value per share of the Company's Common Stock, par value \$.001 per share, as of the end of the fiscal year ended December 31, 1996 and as of June 30, 1997 was \$0.48 and \$1.19 respectively.

3

(b) The information set forth under the caption "Capitalization" in the Prospectus is incorporated herein by reference.

Item 8. Additional Information.

The information set forth in the entire text of the Prospectus and the related Letter of Transmittal is incorporated herein by reference.

(a) None.

(b) None.

(c) Not applicable.

(d) None.

(e) None.

Item 9. Material to be Filed as Exhibits.

(a) (1) Prospectus, dated October 16, 1997.

(a) (2) Form of Letter of Transmittal.

(a) (3) Form of Notice of Guaranteed Delivery.

(a) (4) Form of Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.

(a) (5) Form of Letter to Clients.

(a) (6) Press Release dated September 2, 1997.

(b) None.

(c) Voting Trust Agreement, dated August 26, 1997, among CD Radio Inc., Darlene Friedland and David Margolese, as Trustee.

(d) None.

(e) See Exhibit (a) (1) hereto.

(f) None.

SIGNATURE

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date: October 16, 1997

CD RADIO INC.

By: /s/ David Margolese

David Margolese
Chairman and Chief Executive Officer

STATEMENT OF DIFFERENCES

The dagger symbol shall be expressed as 'D'

EXHIBIT INDEX

Exhibit No. -----	Description -----
(a) (1) --	Prospectus, dated October 16, 1997.
(a) (2) --	Form of Letter of Transmittal.
(a) (3) --	Form of Notice of Guaranteed Delivery.
(a) (4) --	Form of Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.
(a) (5) --	Form of Letter to Clients.
(a) (6) --	Press Release dated September 2, 1997.
(c) --	Voting Trust Agreement, dated August 26, 1997, among CD Radio Inc., Darlene Friedland and David Margolese, as Trustee.
(g) (1) --	Item 8 of the Company's Annual Report on Form 10-K/A for the year ended December 31, 1996.
(g) (2) --	Pages 1 through 6 of Part I of the Company's Quarterly Report on Form 10-Q for the period ended June 30, 1997.

Exhibit (g) (2)

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

period	Three months end		Six months ended		For the
	June 30,	June 30,	June 30,	June 30,	May
17,1990	1997	1996	1997	1996	(date of
inception)					to June
30,					1997
<S>	<C>	<C>	<C>	<C>	<C>
Revenue	\$ -	\$ -	\$ -	\$ -	\$
-					
Expenses:					
Legal, consulting and regulatory fees	1,009,110	347,495	1,245,751	575,169	
8,494,715					
Other general and administrative	566,250	330,151	846,915	611,832	
8,379,678					
Research and development	15,434	24,576	35,058	52,477	
1,951,413					
Write-off of investment in Sky-Highway Radio Corp.	-	-	-	-	
2,000,000					
Total expenses	1,590,794	702,222	2,127,724	1,239,478	
20,825,806					
Other income (expense)					
Interest income	1,237,003	20,099	1,297,684	45,389	
1,626,356					
Interest expense	(34)	(4,903)	(4,945)	(9,820)	
(171,395)					
	1,236,969	15,196	1,292,739	35,569	
1,454,961					
Net loss	\$ (353,825)	\$ (687,026)	\$ (834,985)	\$ (1,203,909)	
\$ (19,370,845)					
Net loss per common share	\$ (4.23)	\$ (0.07)	\$ (4.28)	\$ (0.13)	
Weighted average common shares outstanding	10,313,114	9,322,471	10,307,255	9,385,781	

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

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

<TABLE>
<CAPTION>

ASSETS

	June 30, 1997	December 31, 1996
	-----	-----
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	\$ 30,184,349	\$ 4,583,562
Interest receivable and other	447,141	9,368
	-----	-----
Total current assets	30,631,490	4,592,930
	-----	-----
Property and equipment in service, at cost:		
Technical equipment	254,200	254,200
Office equipment and other	93,720	89,220
Demonstration equipment	38,664	38,664
	-----	-----
	386,584	382,084
Less accumulated depreciation	(233,118)	(213,344)
	-----	-----
	153,466	168,740
	-----	-----
Satellite construction in process	6,500,000	-
Other assets		
Launch deposit	3,420,000	-
FCC license deposit	16,669,200	-
Designated cash	66,676,800	-
Other deposits	303,793	303,793
	-----	-----
Total other assets	87,069,793	303,793
	-----	-----
Total assets	\$ 124,354,749	\$ 5,065,463
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable and accrued expenses	\$ 187,172	\$ 131,118
Other	20,082	20,174
	-----	-----
Total current liabilities	207,254	151,292
Deferred rent and other	5,743	15,795
	-----	-----
Total liabilities	212,997	167,087
	=====	=====
Commitments and contingencies		
5% Delayed Convertible Preferred Stock, \$0.001 par value;		
8,000,000 shares authorized, 5,400,000 shares issued and		
outstanding at June 30, 1997 (liquidation preference		
of \$136,400,000), at net carrying value		
	111,855,311	
Stockholders' equity:		
Preferred stock, \$0.001 par value, 50,000,000 shares		
authorized; 8,000,000 shares designated as 5% Delayed		
Convertible Preferred Stock		
Common stock, \$0.001 par value; 200,000,000 shares		
authorized; 10,313,391 and 10,300,391 shares issued and		
outstanding at June 30, 1997 and December 31, 1996,		
respectively		
	10,313	10,300
Additional paid-in capital	75,424,923	23,423,936
Subscription receivable	(465,450)	-
Deficit accumulated during the development stage	(62,683,345)	(18,535,860)
	-----	-----
Total stockholders' equity	12,286,441	4,898,376

Total liabilities and stockholders' equity

\$ 124,354,749
=====

\$ 5,065,463
=====

</TABLE>

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

2

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

For the period	Six months ended		
May 17, 1990 (date of inception) to June 30, 1997	June 30, 1997	June 30, 1996	
	-----	-----	
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net loss	\$ (834,985)	\$ (1,203,909)	
\$(19,370,845)			
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	19,774	26,885	
243,817			
Write off of investment in Sky-Highway Radio Corp.	-	-	
2,000,000			
Compensation expense in connection with issuance of stock options	-	160,000	
1,715,500			
Common stock issued for services rendered	-	222,731	
901,576			
Common stock options granted for services rendered	-	-	
119,820			
Increase (decrease) in cash and cash equivalents resulting from changes in assets and liabilities:			
Interest receivable and other	(437,773)	4,713	
(447,141)			
Due to related party	-	-	
350,531			
Deposits	-	-	
303,793)			
Accounts payable and accrued expenses	56,054	57,405	
262,411			
Other liabilities	(10,144)	(12,995)	
25,825			
-----	-----	-----	-
Net cash used in development stage activities	(1,207,074)	(745,170)	
(14,502,299)			
-----	-----	-----	-
Cash flows from investing activities:			
Payments for satellite construction	(6,500,000)	-	
(6,500,000)			
Advance payment for launch services	(3,420,000)	-	
(3,420,000)			
License fee payments to the FCC	(16,669,200)	-	
(16,669,200)			
Designated cash	(66,676,800)	-	
(66,676,800)			
Capital expenditures	(4,500)	-	

(397,283)			
Acquisition of Sky-Highway Radio Corp.	-	-	
(2,000,000)			
-----	-----	-----	-----
Net cash used in investing activities	(93,270,500)	-	
(95,663,283)			
-----	-----	-----	-----
Cash flows from financing activities:			
Proceeds from issuance of units and common stock	-	-	
14,557,482			
Proceeds from issuance of preferred stock	120,052,361	-	
120,052,361			
Proceeds from exercise of stock warrants	-	211,800	
4,589,088			
Proceeds from issuance of promissory notes	-	-	
200,000			
Proceeds from issuance of promissory notes to related parties	-	-	
2,965,000			
Proceeds from exercise of stock options by Company employees	26,000	105,000	
181,000			
Repayment of promissory note	-	-	
(200,000)			
Repayment of promissory notes to related parties	-	-	
(2,435,000)			
Loan from officer	-	-	
440,000			
Deferred offering costs	-	-	
-			
-----	-----	-----	-----
Net cash provided by financing activities	120,078,361	316,800	
140,349,931			
-----	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	25,600,787	(428,370)	
30,184,349			
Cash and cash equivalents at the beginning of period	4,583,562	1,799,814	
-			
-----	-----	-----	-----
Cash and cash equivalents at the end of period	\$ 30,184,349	\$ 1,371,444	\$
30,184,349			
=====	=====	=====	

</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, 1997
(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 reflect the Company's consolidated financial position and consolidated results of

operations have been included.

SATELLITE CONSTRUCTION

In March 1997, the Company extended its satellite construction contract with Space Systems/Loral ("Loral") and amended the contract to allow Loral to commence work associated with the program schedule. In April 1997 the Company made its first payment of \$6.5 million under this agreement.

BROADCAST LICENSE

In April 1997, the Federal Communications Commission held an auction for two national satellite radio broadcast licenses. The Company was the winning bidder in such auction for one of these licenses (the "FCC License") with a bid price of \$83.3 million. Of the total bid price, \$16.7 million has been deposited with the FCC, with the remainder due within 10 business days following the public notice by the FCC that it is prepared to award the license. The Company has classified \$66.7 million as designated cash in the June 30, 1997 balance sheet reflecting the balance due the FCC if and when the license is awarded.

PRIVATE PLACEMENT

In April 1997, the Company completed a private placement of its 5% Delayed Convertible Preferred Stock (the "5% Preferred Stock"). The Company sold a total of 5.4 million shares of the 5% Preferred Stock for an aggregate sale price of \$135 million. In connection with the private placement, the Company paid \$10.1 million in fees to its placement agent, Libra Investments, Inc. ("Libra"), and \$2.7 million to Batchelder & Partners, Inc., a financial advisory firm. In addition, the Company agreed to grant a warrant to Libra to purchase 486,000 shares of the 5% Preferred Stock with an exercise price of \$25.00 per share. As a result of the private placement, options to purchase 200,000 shares of Common Stock held by Batchelder & Partners, Inc. vest and become exercisable for three years with an exercise price of \$6.25. Reference is made to the Company's report on Form 8-K filed May 5, 1997 for a description of the terms of the 5% Preferred Stock.

4

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 1997 (UNAUDITED)

SUBSEQUENT EVENTS

On July 22, 1997, the Company entered into two loan agreements (collectively the "AEF Agreements") with Arianespace Finance S.A. ("AEF"), a subsidiary of Arianespace S.A. ("Arianespace"), to finance approximately \$105 million of the estimated \$176 million price of the launch services to be provided by Arianespace. Under these agreements, the Company is able to borrow funds to meet the progress payments due to Arianespace for the construction of each launch vehicle and other launch costs (the "Loans"). The Company has the opportunity upon satisfying a variety of conditions specified in the AEF Agreements to extend the Loans. Otherwise, if not refinanced, the Company will be required to repay the Loans in full, together with accrued interest and all fees and other amounts due, approximately three months before the applicable launch date. The AEF Agreements impose restrictions on the Company's ability to permit liens on certain assets of the Company, other than liens in favor of AEF. If the loans are extended, the Company will be subject to provisions restricting its ability to incur additional indebtedness or make investments.

On August 5, 1997, Loral agreed to an amendment to the Company's satellite construction contract under which Loral agreed defer for three years \$20 million in payments to be made by the Company in connection with the contract. In addition, on the same date, Loral's parent company, Loral Space & Communications Ltd., purchased from the Company 1.9 million shares of common stock for \$25 million.

NET LOSS PER COMMON SHARE

Net loss per common share has been computed based on the weighted average number of common and common equivalent shares outstanding. Common equivalent shares representing the common shares that would be issued on conversion of convertible securities and exercise of outstanding stock options and warrants reduced by the number of shares which could be purchased from the related exercise proceeds are not included since their effect would be anti-dilutive.

The net loss attributable to common stockholders has been adjusted for deemed dividends. The deemed dividend relates to the discount feature associated with the Company's 5% Delayed Convertible Preferred Stock, computed in accordance with the SEC's position on accounting for preferred stock which is convertible at a discount to the market. The discount, which totaled approximately \$52 million, will be recognized as a return to the 5% Delayed Convertible Preferred Stock shareholders over the period April 1997 through July 1997, which is the minimum period in which the shareholders can realize that return.

5

<TABLE>
<CAPTION>

	3 months ended June 30, 1997 -----	6 months ended June 30, 1997 -----
<S>	<C>	<C>
Net loss	\$ (353,825)	\$ (834,985)
Deemed dividends on preferred stock	(43,312,500)	(43,312,500)
	-----	-----
Net loss attributable to common stockholders	(\$43,666,325)	(\$44,147,485)
	=====	=====
Per common share:		
Net loss	\$ (.03)	\$ (.08)
Deemed dividends on on preferred stock	(4.20)	(4.20)
	-----	-----
Net loss attributable to common stockholders	\$ (4.23)	\$ (4.28)
	=====	=====

</TABLE>

For reporting periods ending after December 15, 1997, the Company will be required to report earnings (loss) per share in accordance with Statement of Financial Accounting Standards No. 128, "Earnings Per Share" ("SFAS 128"). As long as the Company continues to experience net losses, there will be no material impact on the Company's net loss per share from adoption of SFAS 128.

6

Exhibit (g) (2)

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

period	Three months end		Six months ended		For the
	June 30,	June 30,	June 30,	June 30,	May
17,1990	1997	1996	1997	1996	(date of
inception)					to June
30,					1997
<S>	<C>	<C>	<C>	<C>	<C>
Revenue	\$ -	\$ -	\$ -	\$ -	\$
-					
Expenses:					
Legal, consulting and regulatory fees	1,009,110	347,495	1,245,751	575,169	
8,494,715					
Other general and administrative	566,250	330,151	846,915	611,832	
8,379,678					
Research and development	15,434	24,576	35,058	52,477	
1,951,413					
Write-off of investment in Sky-Highway Radio Corp.	-	-	-	-	
2,000,000					
Total expenses	1,590,794	702,222	2,127,724	1,239,478	
20,825,806					
Other income (expense)					
Interest income	1,237,003	20,099	1,297,684	45,389	
1,626,356					
Interest expense	(34)	(4,903)	(4,945)	(9,820)	
(171,395)					
	1,236,969	15,196	1,292,739	35,569	
1,454,961					
Net loss	\$ (353,825)	\$ (687,026)	\$ (834,985)	\$ (1,203,909)	
\$(19,370,845)					
Net loss per common share	\$ (4.23)	\$ (0.07)	\$ (4.28)	\$ (0.13)	
Weighted average common shares outstanding	10,313,114	9,322,471	10,307,255	9,385,781	

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(UNAUDITED)

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Property and equipment in service, at cost:		
Technical equipment	254,200	254,200
Office equipment and other	93,720	89,220
Demonstration equipment	38,664	38,664
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	386,584	382,084
Less accumulated depreciation	(233,118)	(213,344)
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	153,466	168,740
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Satellite construction in process	6,500,000	-
Other assets		
Launch deposit	3,420,000	-
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Designated cash	66,676,800	-
Other deposits	303,793	303,793
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Total other assets	87,069,793	303,793
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Current liabilities:		
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Total current liabilities	207,254	151,292
Deferred rent and other	5,743	15,795
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Total liabilities	212,997	167,087
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Commitments and contingencies		
5% Delayed Convertible Preferred Stock, \$0.001 par value; 8,000,000 shares authorized, 5,400,000 shares issued and outstanding at June 30, 1997 (liquidation preference of \$136,400,000), at net carrying value	111,855,311	
Stockholders' equity:		
Preferred stock, \$0.001 par value, 50,000,000 shares authorized; 8,000,000 shares designated as 5% Delayed Convertible Preferred Stock		
Common stock, \$0.001 par value; 200,000,000 shares authorized; 10,313,391 and 10,300,391 shares issued and outstanding at June 30, 1997 and December 31, 1996, respectively	10,313	10,300
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Total stockholders' equity	12,286,441	4,898,376

Total liabilities and stockholders' equity

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(A DEVELOPMENT STAGE ENTERPRISE)
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(UNAUDITED)

For the period	Six months ended		
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(date of inception)	1997	1996	
to June 30,			
1997			
-----	-----	-----	
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Compensation expense in connection with issuance of stock options	-	160,000	
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Common stock issued for services rendered	-	222,731	
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Common stock options granted for services rendered	-	-	
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Increase (decrease) in cash and cash equivalents resulting from changes in assets and liabilities:			
Interest receivable and other	(437,773)	4,713	
(447,141)			
Due to related party	-	-	
350,531			
Deposits	-	-	
303,793)			
Accounts payable and accrued expenses	56,054	57,405	
262,411			
Other liabilities	(10,144)	(12,995)	
25,825			
-----	-----	-----	-
Net cash used in development stage activities	(1,207,074)	(745,170)	
(14,502,299)			
-----	-----	-----	-
Cash flows from investing activities:			
Payments for satellite construction	(6,500,000)	-	
(6,500,000)			
Advance payment for launch services	(3,420,000)	-	
(3,420,000)			
License fee payments to the FCC	(16,669,200)	-	
(16,669,200)			
Designated cash	(66,676,800)	-	
(66,676,800)			
Capital expenditures	(4,500)	-	

(397,283)			
Acquisition of Sky-Highway Radio Corp.	-	-	
(2,000,000)			
-----	-----	-----	-----
Net cash used in investing activities	(93,270,500)	-	
(95,663,283)			
-----	-----	-----	-----
Cash flows from financing activities:			
Proceeds from issuance of units and common stock	-	-	
14,557,482			
Proceeds from issuance of preferred stock	120,052,361	-	
120,052,361			
Proceeds from exercise of stock warrants	-	211,800	
4,589,088			
Proceeds from issuance of promissory notes	-	-	
200,000			
Proceeds from issuance of promissory notes to related parties	-	-	
2,965,000			
Proceeds from exercise of stock options by Company employees	26,000	105,000	
181,000			
Repayment of promissory note	-	-	
(200,000)			
Repayment of promissory notes to related parties	-	-	
(2,435,000)			
Loan from officer	-	-	
440,000			
Deferred offering costs	-	-	
-			
-----	-----	-----	-----
Net cash provided by financing activities	120,078,361	316,800	
140,349,931			
-----	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	25,600,787	(428,370)	
30,184,349			
Cash and cash equivalents at the beginning of period	4,583,562	1,799,814	
-			
-----	-----	-----	-----
Cash and cash equivalents at the end of period	\$ 30,184,349	\$ 1,371,444	\$
30,184,349			
=====	=====	=====	=====

</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, 1997
(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 reflect the Company's consolidated financial position and consolidated results of

operations have been included.

SATELLITE CONSTRUCTION

In March 1997, the Company extended its satellite construction contract with Space Systems/Loral ("Loral") and amended the contract to allow Loral to commence work associated with the program schedule. In April 1997 the Company made its first payment of \$6.5 million under this agreement.

BROADCAST LICENSE

In April 1997, the Federal Communications Commission held an auction for two national satellite radio broadcast licenses. The Company was the winning bidder in such auction for one of these licenses (the "FCC License") with a bid price of \$83.3 million. Of the total bid price, \$16.7 million has been deposited with the FCC, with the remainder due within 10 business days following the public notice by the FCC that it is prepared to award the license. The Company has classified \$66.7 million as designated cash in the June 30, 1997 balance sheet reflecting the balance due the FCC if and when the license is awarded.

PRIVATE PLACEMENT

In April 1997, the Company completed a private placement of its 5% Delayed Convertible Preferred Stock (the "5% Preferred Stock"). The Company sold a total of 5.4 million shares of the 5% Preferred Stock for an aggregate sale price of \$135 million. In connection with the private placement, the Company paid \$10.1 million in fees to its placement agent, Libra Investments, Inc. ("Libra"), and \$2.7 million to Batchelder & Partners, Inc., a financial advisory firm. In addition, the Company agreed to grant a warrant to Libra to purchase 486,000 shares of the 5% Preferred Stock with an exercise price of \$25.00 per share. As a result of the private placement, options to purchase 200,000 shares of Common Stock held by Batchelder & Partners, Inc. vest and become exercisable for three years with an exercise price of \$6.25. Reference is made to the Company's report on Form 8-K filed May 5, 1997 for a description of the terms of the 5% Preferred Stock.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 1997 (UNAUDITED)

SUBSEQUENT EVENTS

On July 22, 1997, the Company entered into two loan agreements (collectively the "AEF Agreements") with Arianespace Finance S.A. ("AEF"), a subsidiary of Arianespace S.A. ("Arianespace"), to finance approximately \$105 million of the estimated \$176 million price of the launch services to be provided by Arianespace. Under these agreements, the Company is able to borrow funds to meet the progress payments due to Arianespace for the construction of each launch vehicle and other launch costs (the "Loans"). The Company has the opportunity upon satisfying a variety of conditions specified in the AEF Agreements to extend the Loans. Otherwise, if not refinanced, the Company will be required to repay the Loans in full, together with accrued interest and all fees and other amounts due, approximately three months before the applicable launch date. The AEF Agreements impose restrictions on the Company's ability to permit liens on certain assets of the Company, other than liens in favor of AEF. If the loans are extended, the Company will be subject to provisions restricting its ability to incur additional indebtedness or make investments.

On August 5, 1997, Loral agreed to an amendment to the Company's satellite construction contract under which Loral agreed defer for three years \$20 million in payments to be made by the Company in connection with the contract. In addition, on the same date, Loral's parent company, Loral Space & Communications Ltd., purchased from the Company 1.9 million shares of common stock for \$25 million.

NET LOSS PER COMMON SHARE

Net loss per common share has been computed based on the weighted average number of common and common equivalent shares outstanding. Common equivalent shares representing the common shares that would be issued on conversion of convertible securities and exercise of outstanding stock options and warrants reduced by the number of shares which could be purchased from the related exercise proceeds are not included since their effect would be anti-dilutive.

The net loss attributable to common stockholders has been adjusted for deemed dividends. The deemed dividend relates to the discount feature associated with the Company's 5% Delayed Convertible Preferred Stock, computed in accordance with the SEC's position on accounting for preferred stock which is convertible at a discount to the market. The discount, which totaled approximately \$52 million, will be recognized as a return to the 5% Delayed Convertible Preferred Stock shareholders over the period April 1997 through July 1997, which is the minimum period in which the shareholders can realize that return.

5

<TABLE>
<CAPTION>

	3 months ended June 30, 1997 -----	6 months ended June 30, 1997 -----
<S>	<C>	<C>
Net loss	\$ (353,825)	\$ (834,985)
Deemed dividends on preferred stock	(43,312,500)	(43,312,500)
	-----	-----
Net loss attributable to common stockholders	(\$43,666,325)	(\$44,147,485)
	=====	=====
Per common share:		
Net loss	\$ (.03)	\$ (.08)
Deemed dividends on on preferred stock	(4.20)	(4.20)
	-----	-----
Net loss attributable to common stockholders	\$ (4.23)	\$ (4.28)
	=====	=====

</TABLE>

For reporting periods ending after December 15, 1997, the Company will be required to report earnings (loss) per share in accordance with Statement of Financial Accounting Standards No. 128, "Earnings Per Share" ("SFAS 128"). As long as the Company continues to experience net losses, there will be no material impact on the Company's net loss per share from adoption of SFAS 128.

6

Exhibit (g) (2)

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

period	Three months end		Six months ended		For the
	June 30,	June 30,	June 30,	June 30,	May
17,1990	-----		-----		(date of
inception)	1997	1996	1997	1996	to June
30,	-----	-----	-----	-----	1997
-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
Revenue	\$ -	\$ -	\$ -	\$ -	\$
-	-----	-----	-----	-----	-----

Expenses:					
Legal, consulting and regulatory fees	1,009,110	347,495	1,245,751	575,169	
8,494,715					
Other general and administrative	566,250	330,151	846,915	611,832	
8,379,678					
Research and development	15,434	24,576	35,058	52,477	
1,951,413					
Write-off of investment in Sky-Highway Radio Corp.	-	-	-	-	
2,000,000	-----	-----	-----	-----	-----

Total expenses	1,590,794	702,222	2,127,724	1,239,478	
20,825,806	-----	-----	-----	-----	-----

Other income (expense)					
Interest income	1,237,003	20,099	1,297,684	45,389	
1,626,356					
Interest expense	(34)	(4,903)	(4,945)	(9,820)	
(171,395)	-----	-----	-----	-----	-----

	1,236,969	15,196	1,292,739	35,569	
1,454,961	-----	-----	-----	-----	-----

Net loss	\$ (353,825)	\$ (687,026)	\$ (834,985)	\$ (1,203,909)	
\$ (19,370,845)	=====	=====	=====	=====	
=====					
Net loss per common share	\$ (4.23)	\$ (0.07)	\$ (4.28)	\$ (0.13)	
	=====	=====	=====	=====	
Weighted average common shares outstanding	10,313,114	9,322,471	10,307,255	9,385,781	
	=====	=====	=====	=====	

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

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

<TABLE>
<CAPTION>

ASSETS

	June 30, 1997	December 31, 1996
	-----	-----
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	\$ 30,184,349	\$ 4,583,562
Interest receivable and other	447,141	9,368
	-----	-----
Total current assets	30,631,490	4,592,930
	-----	-----
Property and equipment in service, at cost:		
Technical equipment	254,200	254,200
Office equipment and other	93,720	89,220
Demonstration equipment	38,664	38,664
	-----	-----
	386,584	382,084
Less accumulated depreciation	(233,118)	(213,344)
	-----	-----
	153,466	168,740
	-----	-----
Satellite construction in process	6,500,000	-
Other assets		
Launch deposit	3,420,000	-
FCC license deposit	16,669,200	-
Designated cash	66,676,800	-
Other deposits	303,793	303,793
	-----	-----
Total other assets	87,069,793	303,793
	-----	-----
Total assets	\$ 124,354,749	\$ 5,065,463
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable and accrued expenses	\$ 187,172	\$ 131,118
Other	20,082	20,174
	-----	-----
Total current liabilities	207,254	151,292
Deferred rent and other	5,743	15,795
	-----	-----
Total liabilities	212,997	167,087
	=====	=====
Commitments and contingencies		
5% Delayed Convertible Preferred Stock, \$0.001 par value; 8,000,000 shares authorized, 5,400,000 shares issued and outstanding at June 30, 1997 (liquidation preference of \$136,400,000), at net carrying value	111,855,311	
Stockholders' equity:		
Preferred stock, \$0.001 par value, 50,000,000 shares authorized; 8,000,000 shares designated as 5% Delayed Convertible Preferred Stock		
Common stock, \$0.001 par value; 200,000,000 shares authorized; 10,313,391 and 10,300,391 shares issued and outstanding at June 30, 1997 and December 31, 1996, respectively	10,313	10,300
Additional paid-in capital	75,424,923	23,423,936
Subscription receivable	(465,450)	-
Deficit accumulated during the development stage	(62,683,345)	(18,535,860)
	-----	-----
Total stockholders' equity	12,286,441	4,898,376

Total liabilities and stockholders' equity

\$ 124,354,749
=====

\$ 5,065,463
=====

</TABLE>

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

2

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

For the period	Six months ended		
May 17, 1990 (date of inception) to June 30, 1997	June 30, 1997	June 30, 1996	
	-----	-----	
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net loss	\$ (834,985)	\$ (1,203,909)	
\$(19,370,845)			
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	19,774	26,885	
243,817			
Write off of investment in Sky-Highway Radio Corp.	-	-	
2,000,000			
Compensation expense in connection with issuance of stock options	-	160,000	
1,715,500			
Common stock issued for services rendered	-	222,731	
901,576			
Common stock options granted for services rendered	-	-	
119,820			
Increase (decrease) in cash and cash equivalents resulting from changes in assets and liabilities:			
Interest receivable and other	(437,773)	4,713	
(447,141)			
Due to related party	-	-	
350,531			
Deposits	-	-	
303,793)			
Accounts payable and accrued expenses	56,054	57,405	
262,411			
Other liabilities	(10,144)	(12,995)	
25,825			
-----	-----	-----	-
Net cash used in development stage activities	(1,207,074)	(745,170)	
(14,502,299)			
-----	-----	-----	-
Cash flows from investing activities:			
Payments for satellite construction	(6,500,000)	-	
(6,500,000)			
Advance payment for launch services	(3,420,000)	-	
(3,420,000)			
License fee payments to the FCC	(16,669,200)	-	
(16,669,200)			
Designated cash	(66,676,800)	-	
(66,676,800)			
Capital expenditures	(4,500)	-	

(397,283)			
Acquisition of Sky-Highway Radio Corp.	-	-	
(2,000,000)			
-----	-----	-----	-
Net cash used in investing activities	(93,270,500)	-	
(95,663,283)			
-----	-----	-----	-
Cash flows from financing activities:			
Proceeds from issuance of units and common stock	-	-	
14,557,482			
Proceeds from issuance of preferred stock	120,052,361	-	
120,052,361			
Proceeds from exercise of stock warrants	-	211,800	
4,589,088			
Proceeds from issuance of promissory notes	-	-	
200,000			
Proceeds from issuance of promissory notes to related parties	-	-	
2,965,000			
Proceeds from exercise of stock options by Company employees	26,000	105,000	
181,000			
Repayment of promissory note	-	-	
(200,000)			
Repayment of promissory notes to related parties	-	-	
(2,435,000)			
Loan from officer	-	-	
440,000			
Deferred offering costs	-	-	
-			
-----	-----	-----	-
Net cash provided by financing activities	120,078,361	316,800	
140,349,931			
-----	-----	-----	-
Net increase (decrease) in cash and cash equivalents	25,600,787	(428,370)	
30,184,349			
Cash and cash equivalents at the beginning of period	4,583,562	1,799,814	
-			
-----	-----	-----	-
Cash and cash equivalents at the end of period	\$ 30,184,349	\$ 1,371,444	\$
30,184,349			
=====	=====	=====	

</TABLE>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1997
(UNAUDITED)

GENERAL

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PRIVATE PLACEMENT

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4

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 1997 (UNAUDITED)

SUBSEQUENT EVENTS

On July 22, 1997, the Company entered into two loan agreements (collectively the "AEF Agreements") with Arianespace Finance S.A. ("AEF"), a subsidiary of Arianespace S.A. ("Arianespace"), to finance approximately \$105 million of the estimated \$176 million price of the launch services to be provided by Arianespace. Under these agreements, the Company is able to borrow funds to meet the progress payments due to Arianespace for the construction of each launch vehicle and other launch costs (the "Loans"). The Company has the opportunity upon satisfying a variety of conditions specified in the AEF Agreements to extend the Loans. Otherwise, if not refinanced, the Company will be required to repay the Loans in full, together with accrued interest and all fees and other amounts due, approximately three months before the applicable launch date. The AEF Agreements impose restrictions on the Company's ability to permit liens on certain assets of the Company, other than liens in favor of AEF. If the loans are extended, the Company will be subject to provisions restricting its ability to incur additional indebtedness or make investments.

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Net loss per common share has been computed based on the weighted average number of common and common equivalent shares outstanding. Common equivalent shares representing the common shares that would be issued on conversion of convertible securities and exercise of outstanding stock options and warrants reduced by the number of shares which could be purchased from the related exercise proceeds are not included since their effect would be anti-dilutive.

The net loss attributable to common stockholders has been adjusted for deemed dividends. The deemed dividend relates to the discount feature associated with the Company's 5% Delayed Convertible Preferred Stock, computed in accordance with the SEC's position on accounting for preferred stock which is convertible at a discount to the market. The discount, which totaled approximately \$52 million, will be recognized as a return to the 5% Delayed Convertible Preferred Stock shareholders over the period April 1997 through July 1997, which is the minimum period in which the shareholders can realize that return.

5

<TABLE>
<CAPTION>

	3 months ended June 30, 1997 -----	6 months ended June 30, 1997 -----
<S>	<C>	<C>
Net loss	\$ (353,825)	\$ (834,985)
Deemed dividends on preferred stock	(43,312,500)	(43,312,500)
	-----	-----
Net loss attributable to common stockholders	(\$43,666,325)	(\$44,147,485)
	=====	=====
Per common share:		
Net loss	\$ (.03)	\$ (.08)
Deemed dividends on on preferred stock	(4.20)	(4.20)
	-----	-----
Net loss attributable to common stockholders	\$ (4.23)	\$ (4.28)
	=====	=====

</TABLE>

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6

Exhibit (g) (2)

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

period	Three months end		Six months ended		For the
	June 30,	June 30,	June 30,	June 30,	May
17,1990	1997	1996	1997	1996	(date of
inception)					to June
30,					1997
<S>	<C>	<C>	<C>	<C>	<C>
Revenue	\$ -	\$ -	\$ -	\$ -	\$
-					
Expenses:					
Legal, consulting and regulatory fees	1,009,110	347,495	1,245,751	575,169	
8,494,715					
Other general and administrative	566,250	330,151	846,915	611,832	
8,379,678					
Research and development	15,434	24,576	35,058	52,477	
1,951,413					
Write-off of investment in Sky-Highway Radio Corp.	-	-	-	-	
2,000,000					
Total expenses	1,590,794	702,222	2,127,724	1,239,478	
20,825,806					
Other income (expense)					
Interest income	1,237,003	20,099	1,297,684	45,389	
1,626,356					
Interest expense	(34)	(4,903)	(4,945)	(9,820)	
(171,395)					
	1,236,969	15,196	1,292,739	35,569	
1,454,961					
Net loss	\$ (353,825)	\$ (687,026)	\$ (834,985)	\$ (1,203,909)	
\$ (19,370,845)					
Net loss per common share	\$ (4.23)	\$ (0.07)	\$ (4.28)	\$ (0.13)	
Weighted average common shares outstanding	10,313,114	9,322,471	10,307,255	9,385,781	

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

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

<TABLE>
<CAPTION>

ASSETS

	June 30, 1997	December 31, 1996
	-----	-----
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	\$ 30,184,349	\$ 4,583,562
Interest receivable and other	447,141	9,368
	-----	-----
Total current assets	30,631,490	4,592,930
	-----	-----
Property and equipment in service, at cost:		
Technical equipment	254,200	254,200
Office equipment and other	93,720	89,220
Demonstration equipment	38,664	38,664
	-----	-----
	386,584	382,084
Less accumulated depreciation	(233,118)	(213,344)
	-----	-----
	153,466	168,740
	-----	-----
Satellite construction in process	6,500,000	-
Other assets		
Launch deposit	3,420,000	-
FCC license deposit	16,669,200	-
Designated cash	66,676,800	-
Other deposits	303,793	303,793
	-----	-----
Total other assets	87,069,793	303,793
	-----	-----
Total assets	\$ 124,354,749	\$ 5,065,463
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable and accrued expenses	\$ 187,172	\$ 131,118
Other	20,082	20,174
	-----	-----
Total current liabilities	207,254	151,292
Deferred rent and other	5,743	15,795
	-----	-----
Total liabilities	212,997	167,087
	=====	=====
Commitments and contingencies		
5% Delayed Convertible Preferred Stock, \$0.001 par value; 8,000,000 shares authorized, 5,400,000 shares issued and outstanding at June 30, 1997 (liquidation preference of \$136,400,000), at net carrying value	111,855,311	
Stockholders' equity:		
Preferred stock, \$0.001 par value, 50,000,000 shares authorized; 8,000,000 shares designated as 5% Delayed Convertible Preferred Stock		
Common stock, \$0.001 par value; 200,000,000 shares authorized; 10,313,391 and 10,300,391 shares issued and outstanding at June 30, 1997 and December 31, 1996, respectively	10,313	10,300
Additional paid-in capital	75,424,923	23,423,936
Subscription receivable	(465,450)	-
Deficit accumulated during the development stage	(62,683,345)	(18,535,860)
	-----	-----
Total stockholders' equity	12,286,441	4,898,376

Total liabilities and stockholders' equity

\$ 124,354,749
=====

\$ 5,065,463
=====

</TABLE>

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

2

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

For the period	Six months ended		
May 17, 1990 (date of inception) to June 30, 1997	June 30, 1997	June 30, 1996	
	-----	-----	
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net loss	\$ (834,985)	\$ (1,203,909)	
\$(19,370,845)			
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	19,774	26,885	
243,817			
Write off of investment in Sky-Highway Radio Corp.	-	-	
2,000,000			
Compensation expense in connection with issuance of stock options	-	160,000	
1,715,500			
Common stock issued for services rendered	-	222,731	
901,576			
Common stock options granted for services rendered	-	-	
119,820			
Increase (decrease) in cash and cash equivalents resulting from changes in assets and liabilities:			
Interest receivable and other	(437,773)	4,713	
(447,141)			
Due to related party	-	-	
350,531			
Deposits	-	-	
303,793)			
Accounts payable and accrued expenses	56,054	57,405	
262,411			
Other liabilities	(10,144)	(12,995)	
25,825			
-----	-----	-----	-
Net cash used in development stage activities	(1,207,074)	(745,170)	
(14,502,299)			
-----	-----	-----	-
Cash flows from investing activities:			
Payments for satellite construction	(6,500,000)	-	
(6,500,000)			
Advance payment for launch services	(3,420,000)	-	
(3,420,000)			
License fee payments to the FCC	(16,669,200)	-	
(16,669,200)			
Designated cash	(66,676,800)	-	
(66,676,800)			
Capital expenditures	(4,500)	-	

(397,283)			
Acquisition of Sky-Highway Radio Corp.	-	-	
(2,000,000)			
-----	-----	-----	-----
Net cash used in investing activities	(93,270,500)	-	
(95,663,283)			
-----	-----	-----	-----
Cash flows from financing activities:			
Proceeds from issuance of units and common stock	-	-	
14,557,482			
Proceeds from issuance of preferred stock	120,052,361	-	
120,052,361			
Proceeds from exercise of stock warrants	-	211,800	
4,589,088			
Proceeds from issuance of promissory notes	-	-	
200,000			
Proceeds from issuance of promissory notes to related parties	-	-	
2,965,000			
Proceeds from exercise of stock options by Company employees	26,000	105,000	
181,000			
Repayment of promissory note	-	-	
(200,000)			
Repayment of promissory notes to related parties	-	-	
(2,435,000)			
Loan from officer	-	-	
440,000			
Deferred offering costs	-	-	
-			
-----	-----	-----	-----
Net cash provided by financing activities	120,078,361	316,800	
140,349,931			
-----	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	25,600,787	(428,370)	
30,184,349			
Cash and cash equivalents at the beginning of period	4,583,562	1,799,814	
-			
-----	-----	-----	-----
Cash and cash equivalents at the end of period	\$ 30,184,349	\$ 1,371,444	\$
30,184,349			
=====	=====	=====	

</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, 1997
(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 reflect the Company's consolidated financial position and consolidated results of

operations have been included.

SATELLITE CONSTRUCTION

In March 1997, the Company extended its satellite construction contract with Space Systems/Loral ("Loral") and amended the contract to allow Loral to commence work associated with the program schedule. In April 1997 the Company made its first payment of \$6.5 million under this agreement.

BROADCAST LICENSE

In April 1997, the Federal Communications Commission held an auction for two national satellite radio broadcast licenses. The Company was the winning bidder in such auction for one of these licenses (the "FCC License") with a bid price of \$83.3 million. Of the total bid price, \$16.7 million has been deposited with the FCC, with the remainder due within 10 business days following the public notice by the FCC that it is prepared to award the license. The Company has classified \$66.7 million as designated cash in the June 30, 1997 balance sheet reflecting the balance due the FCC if and when the license is awarded.

PRIVATE PLACEMENT

In April 1997, the Company completed a private placement of its 5% Delayed Convertible Preferred Stock (the "5% Preferred Stock"). The Company sold a total of 5.4 million shares of the 5% Preferred Stock for an aggregate sale price of \$135 million. In connection with the private placement, the Company paid \$10.1 million in fees to its placement agent, Libra Investments, Inc. ("Libra"), and \$2.7 million to Batchelder & Partners, Inc., a financial advisory firm. In addition, the Company agreed to grant a warrant to Libra to purchase 486,000 shares of the 5% Preferred Stock with an exercise price of \$25.00 per share. As a result of the private placement, options to purchase 200,000 shares of Common Stock held by Batchelder & Partners, Inc. vest and become exercisable for three years with an exercise price of \$6.25. Reference is made to the Company's report on Form 8-K filed May 5, 1997 for a description of the terms of the 5% Preferred Stock.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 1997 (UNAUDITED)

SUBSEQUENT EVENTS

On July 22, 1997, the Company entered into two loan agreements (collectively the "AEF Agreements") with Arianespace Finance S.A. ("AEF"), a subsidiary of Arianespace S.A. ("Arianespace"), to finance approximately \$105 million of the estimated \$176 million price of the launch services to be provided by Arianespace. Under these agreements, the Company is able to borrow funds to meet the progress payments due to Arianespace for the construction of each launch vehicle and other launch costs (the "Loans"). The Company has the opportunity upon satisfying a variety of conditions specified in the AEF Agreements to extend the Loans. Otherwise, if not refinanced, the Company will be required to repay the Loans in full, together with accrued interest and all fees and other amounts due, approximately three months before the applicable launch date. The AEF Agreements impose restrictions on the Company's ability to permit liens on certain assets of the Company, other than liens in favor of AEF. If the loans are extended, the Company will be subject to provisions restricting its ability to incur additional indebtedness or make investments.

On August 5, 1997, Loral agreed to an amendment to the Company's satellite construction contract under which Loral agreed defer for three years \$20 million in payments to be made by the Company in connection with the contract. In addition, on the same date, Loral's parent company, Loral Space & Communications Ltd., purchased from the Company 1.9 million shares of common stock for \$25 million.

NET LOSS PER COMMON SHARE

Net loss per common share has been computed based on the weighted average number of common and common equivalent shares outstanding. Common equivalent shares representing the common shares that would be issued on conversion of convertible securities and exercise of outstanding stock options and warrants reduced by the number of shares which could be purchased from the related exercise proceeds are not included since their effect would be anti-dilutive.

The net loss attributable to common stockholders has been adjusted for deemed dividends. The deemed dividend relates to the discount feature associated with the Company's 5% Delayed Convertible Preferred Stock, computed in accordance with the SEC's position on accounting for preferred stock which is convertible at a discount to the market. The discount, which totaled approximately \$52 million, will be recognized as a return to the 5% Delayed Convertible Preferred Stock shareholders over the period April 1997 through July 1997, which is the minimum period in which the shareholders can realize that return.

5

<TABLE>
<CAPTION>

	3 months ended June 30, 1997 -----	6 months ended June 30, 1997 -----
<S>	<C>	<C>
Net loss	\$ (353,825)	\$ (834,985)
Deemed dividends on preferred stock	(43,312,500)	(43,312,500)
	-----	-----
Net loss attributable to common stockholders	(\$43,666,325)	(\$44,147,485)
	=====	=====
Per common share:		
Net loss	\$ (.03)	\$ (.08)
Deemed dividends on on preferred stock	(4.20)	(4.20)
	-----	-----
Net loss attributable to common stockholders	\$ (4.23)	\$ (4.28)
	=====	=====

</TABLE>

For reporting periods ending after December 15, 1997, the Company will be required to report earnings (loss) per share in accordance with Statement of Financial Accounting Standards No. 128, "Earnings Per Share" ("SFAS 128"). As long as the Company continues to experience net losses, there will be no material impact on the Company's net loss per share from adoption of SFAS 128.

6

Exhibit (g) (2)

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

period	Three months end		Six months ended		For the
	June 30,	June 30,	June 30,	June 30,	May
17,1990	1997	1996	1997	1996	(date of
inception)					to June
30,					1997
<S>	<C>	<C>	<C>	<C>	<C>
Revenue	\$ -	\$ -	\$ -	\$ -	\$
-					
Expenses:					
Legal, consulting and regulatory fees	1,009,110	347,495	1,245,751	575,169	
8,494,715					
Other general and administrative	566,250	330,151	846,915	611,832	
8,379,678					
Research and development	15,434	24,576	35,058	52,477	
1,951,413					
Write-off of investment in Sky-Highway Radio Corp.	-	-	-	-	
2,000,000					
Total expenses	1,590,794	702,222	2,127,724	1,239,478	
20,825,806					
Other income (expense)					
Interest income	1,237,003	20,099	1,297,684	45,389	
1,626,356					
Interest expense	(34)	(4,903)	(4,945)	(9,820)	
(171,395)					
	1,236,969	15,196	1,292,739	35,569	
1,454,961					
Net loss	\$ (353,825)	\$ (687,026)	\$ (834,985)	\$ (1,203,909)	
\$ (19,370,845)					
Net loss per common share	\$ (4.23)	\$ (0.07)	\$ (4.28)	\$ (0.13)	
Weighted average common shares outstanding	10,313,114	9,322,471	10,307,255	9,385,781	

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

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

<TABLE>
<CAPTION>

ASSETS

	June 30, 1997	December 31, 1996
	-----	-----
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	\$ 30,184,349	\$ 4,583,562
Interest receivable and other	447,141	9,368
	-----	-----
Total current assets	30,631,490	4,592,930
	-----	-----
Property and equipment in service, at cost:		
Technical equipment	254,200	254,200
Office equipment and other	93,720	89,220
Demonstration equipment	38,664	38,664
	-----	-----
	386,584	382,084
Less accumulated depreciation	(233,118)	(213,344)
	-----	-----
	153,466	168,740
	-----	-----
Satellite construction in process	6,500,000	-
Other assets		
Launch deposit	3,420,000	-
FCC license deposit	16,669,200	-
Designated cash	66,676,800	-
Other deposits	303,793	303,793
	-----	-----
Total other assets	87,069,793	303,793
	-----	-----
Total assets	\$ 124,354,749	\$ 5,065,463
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable and accrued expenses	\$ 187,172	\$ 131,118
Other	20,082	20,174
	-----	-----
Total current liabilities	207,254	151,292
Deferred rent and other	5,743	15,795
	-----	-----
Total liabilities	212,997	167,087
	=====	=====
Commitments and contingencies		
5% Delayed Convertible Preferred Stock, \$0.001 par value; 8,000,000 shares authorized, 5,400,000 shares issued and outstanding at June 30, 1997 (liquidation preference of \$136,400,000), at net carrying value	111,855,311	
Stockholders' equity:		
Preferred stock, \$0.001 par value, 50,000,000 shares authorized; 8,000,000 shares designated as 5% Delayed Convertible Preferred Stock		
Common stock, \$0.001 par value; 200,000,000 shares authorized; 10,313,391 and 10,300,391 shares issued and outstanding at June 30, 1997 and December 31, 1996, respectively	10,313	10,300
Additional paid-in capital	75,424,923	23,423,936
Subscription receivable	(465,450)	-
Deficit accumulated during the development stage	(62,683,345)	(18,535,860)
	-----	-----
Total stockholders' equity	12,286,441	4,898,376

Total liabilities and stockholders' equity

\$ 124,354,749
=====

\$ 5,065,463
=====

</TABLE>

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

2

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

For the period	Six months ended		
May 17, 1990 (date of inception) to June 30, 1997	June 30, 1997	June 30, 1996	
	-----	-----	
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net loss	\$ (834,985)	\$ (1,203,909)	
\$(19,370,845)			
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	19,774	26,885	
243,817			
Write off of investment in Sky-Highway Radio Corp.	-	-	
2,000,000			
Compensation expense in connection with issuance of stock options	-	160,000	
1,715,500			
Common stock issued for services rendered	-	222,731	
901,576			
Common stock options granted for services rendered	-	-	
119,820			
Increase (decrease) in cash and cash equivalents resulting from changes in assets and liabilities:			
Interest receivable and other	(437,773)	4,713	
(447,141)			
Due to related party	-	-	
350,531			
Deposits	-	-	
303,793)			
Accounts payable and accrued expenses	56,054	57,405	
262,411			
Other liabilities	(10,144)	(12,995)	
25,825			
-----	-----	-----	-
Net cash used in development stage activities	(1,207,074)	(745,170)	
(14,502,299)			
-----	-----	-----	-
Cash flows from investing activities:			
Payments for satellite construction	(6,500,000)	-	
(6,500,000)			
Advance payment for launch services	(3,420,000)	-	
(3,420,000)			
License fee payments to the FCC	(16,669,200)	-	
(16,669,200)			
Designated cash	(66,676,800)	-	
(66,676,800)			
Capital expenditures	(4,500)	-	

(397,283)			
Acquisition of Sky-Highway Radio Corp.	-	-	
(2,000,000)			
-----	-----	-----	-----
Net cash used in investing activities	(93,270,500)	-	
(95,663,283)			
-----	-----	-----	-----
Cash flows from financing activities:			
Proceeds from issuance of units and common stock	-	-	
14,557,482			
Proceeds from issuance of preferred stock	120,052,361	-	
120,052,361			
Proceeds from exercise of stock warrants	-	211,800	
4,589,088			
Proceeds from issuance of promissory notes	-	-	
200,000			
Proceeds from issuance of promissory notes to related parties	-	-	
2,965,000			
Proceeds from exercise of stock options by Company employees	26,000	105,000	
181,000			
Repayment of promissory note	-	-	
(200,000)			
Repayment of promissory notes to related parties	-	-	
(2,435,000)			
Loan from officer	-	-	
440,000			
Deferred offering costs	-	-	
-			
-----	-----	-----	-----
Net cash provided by financing activities	120,078,361	316,800	
140,349,931			
-----	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	25,600,787	(428,370)	
30,184,349			
Cash and cash equivalents at the beginning of period	4,583,562	1,799,814	
-			
-----	-----	-----	-----
Cash and cash equivalents at the end of period	\$ 30,184,349	\$ 1,371,444	\$
30,184,349			
=====	=====	=====	

</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, 1997
(UNAUDITED)

GENERAL

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operations have been included.

SATELLITE CONSTRUCTION

In March 1997, the Company extended its satellite construction contract with Space Systems/Loral ("Loral") and amended the contract to allow Loral to commence work associated with the program schedule. In April 1997 the Company made its first payment of \$6.5 million under this agreement.

BROADCAST LICENSE

In April 1997, the Federal Communications Commission held an auction for two national satellite radio broadcast licenses. The Company was the winning bidder in such auction for one of these licenses (the "FCC License") with a bid price of \$83.3 million. Of the total bid price, \$16.7 million has been deposited with the FCC, with the remainder due within 10 business days following the public notice by the FCC that it is prepared to award the license. The Company has classified \$66.7 million as designated cash in the June 30, 1997 balance sheet reflecting the balance due the FCC if and when the license is awarded.

PRIVATE PLACEMENT

In April 1997, the Company completed a private placement of its 5% Delayed Convertible Preferred Stock (the "5% Preferred Stock"). The Company sold a total of 5.4 million shares of the 5% Preferred Stock for an aggregate sale price of \$135 million. In connection with the private placement, the Company paid \$10.1 million in fees to its placement agent, Libra Investments, Inc. ("Libra"), and \$2.7 million to Batchelder & Partners, Inc., a financial advisory firm. In addition, the Company agreed to grant a warrant to Libra to purchase 486,000 shares of the 5% Preferred Stock with an exercise price of \$25.00 per share. As a result of the private placement, options to purchase 200,000 shares of Common Stock held by Batchelder & Partners, Inc. vest and become exercisable for three years with an exercise price of \$6.25. Reference is made to the Company's report on Form 8-K filed May 5, 1997 for a description of the terms of the 5% Preferred Stock.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 1997 (UNAUDITED)

SUBSEQUENT EVENTS

On July 22, 1997, the Company entered into two loan agreements (collectively the "AEF Agreements") with Arianespace Finance S.A. ("AEF"), a subsidiary of Arianespace S.A. ("Arianespace"), to finance approximately \$105 million of the estimated \$176 million price of the launch services to be provided by Arianespace. Under these agreements, the Company is able to borrow funds to meet the progress payments due to Arianespace for the construction of each launch vehicle and other launch costs (the "Loans"). The Company has the opportunity upon satisfying a variety of conditions specified in the AEF Agreements to extend the Loans. Otherwise, if not refinanced, the Company will be required to repay the Loans in full, together with accrued interest and all fees and other amounts due, approximately three months before the applicable launch date. The AEF Agreements impose restrictions on the Company's ability to permit liens on certain assets of the Company, other than liens in favor of AEF. If the loans are extended, the Company will be subject to provisions restricting its ability to incur additional indebtedness or make investments.

On August 5, 1997, Loral agreed to an amendment to the Company's satellite construction contract under which Loral agreed defer for three years \$20 million in payments to be made by the Company in connection with the contract. In addition, on the same date, Loral's parent company, Loral Space & Communications Ltd., purchased from the Company 1.9 million shares of common stock for \$25 million.

NET LOSS PER COMMON SHARE

Net loss per common share has been computed based on the weighted average number of common and common equivalent shares outstanding. Common equivalent shares representing the common shares that would be issued on conversion of convertible securities and exercise of outstanding stock options and warrants reduced by the number of shares which could be purchased from the related exercise proceeds are not included since their effect would be anti-dilutive.

The net loss attributable to common stockholders has been adjusted for deemed dividends. The deemed dividend relates to the discount feature associated with the Company's 5% Delayed Convertible Preferred Stock, computed in accordance with the SEC's position on accounting for preferred stock which is convertible at a discount to the market. The discount, which totaled approximately \$52 million, will be recognized as a return to the 5% Delayed Convertible Preferred Stock shareholders over the period April 1997 through July 1997, which is the minimum period in which the shareholders can realize that return.

5

<TABLE>
<CAPTION>

	3 months ended June 30, 1997 -----	6 months ended June 30, 1997 -----
<S>	<C>	<C>
Net loss	\$ (353,825)	\$ (834,985)
Deemed dividends on preferred stock	(43,312,500)	(43,312,500)
	-----	-----
Net loss attributable to common stockholders	(\$43,666,325)	(\$44,147,485)
	=====	=====
Per common share:		
Net loss	\$ (.03)	\$ (.08)
Deemed dividends on on preferred stock	(4.20)	(4.20)
	-----	-----
Net loss attributable to common stockholders	\$ (4.23)	\$ (4.28)
	=====	=====

</TABLE>

For reporting periods ending after December 15, 1997, the Company will be required to report earnings (loss) per share in accordance with Statement of Financial Accounting Standards No. 128, "Earnings Per Share" ("SFAS 128"). As long as the Company continues to experience net losses, there will be no material impact on the Company's net loss per share from adoption of SFAS 128.

6

Exhibit (g) (2)

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

period	Three months end		Six months ended		For the
	June 30,	June 30,	June 30,	June 30,	May
17,1990	1997	1996	1997	1996	(date of
inception)					to June
30,					1997
<S>	<C>	<C>	<C>	<C>	<C>
Revenue	\$ -	\$ -	\$ -	\$ -	\$
-					
Expenses:					
Legal, consulting and regulatory fees	1,009,110	347,495	1,245,751	575,169	
8,494,715					
Other general and administrative	566,250	330,151	846,915	611,832	
8,379,678					
Research and development	15,434	24,576	35,058	52,477	
1,951,413					
Write-off of investment in Sky-Highway Radio Corp.	-	-	-	-	
2,000,000					
Total expenses	1,590,794	702,222	2,127,724	1,239,478	
20,825,806					
Other income (expense)					
Interest income	1,237,003	20,099	1,297,684	45,389	
1,626,356					
Interest expense	(34)	(4,903)	(4,945)	(9,820)	
(171,395)					
	1,236,969	15,196	1,292,739	35,569	
1,454,961					
Net loss	\$ (353,825)	\$ (687,026)	\$ (834,985)	\$ (1,203,909)	
\$ (19,370,845)					
Net loss per common share	\$ (4.23)	\$ (0.07)	\$ (4.28)	\$ (0.13)	
Weighted average common shares outstanding	10,313,114	9,322,471	10,307,255	9,385,781	

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

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

<TABLE>
<CAPTION>

ASSETS

	June 30, 1997	December 31, 1996
	-----	-----
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	\$ 30,184,349	\$ 4,583,562
Interest receivable and other	447,141	9,368
	-----	-----
Total current assets	30,631,490	4,592,930
	-----	-----
Property and equipment in service, at cost:		
Technical equipment	254,200	254,200
Office equipment and other	93,720	89,220
Demonstration equipment	38,664	38,664
	-----	-----
	386,584	382,084
Less accumulated depreciation	(233,118)	(213,344)
	-----	-----
	153,466	168,740
	-----	-----
Satellite construction in process	6,500,000	-
Other assets		
Launch deposit	3,420,000	-
FCC license deposit	16,669,200	-
Designated cash	66,676,800	-
Other deposits	303,793	303,793
	-----	-----
Total other assets	87,069,793	303,793
	-----	-----
Total assets	\$ 124,354,749	\$ 5,065,463
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable and accrued expenses	\$ 187,172	\$ 131,118
Other	20,082	20,174
	-----	-----
Total current liabilities	207,254	151,292
Deferred rent and other	5,743	15,795
	-----	-----
Total liabilities	212,997	167,087
	=====	=====
Commitments and contingencies		
5% Delayed Convertible Preferred Stock, \$0.001 par value; 8,000,000 shares authorized, 5,400,000 shares issued and outstanding at June 30, 1997 (liquidation preference of \$136,400,000), at net carrying value	111,855,311	
Stockholders' equity:		
Preferred stock, \$0.001 par value, 50,000,000 shares authorized; 8,000,000 shares designated as 5% Delayed Convertible Preferred Stock		
Common stock, \$0.001 par value; 200,000,000 shares authorized; 10,313,391 and 10,300,391 shares issued and outstanding at June 30, 1997 and December 31, 1996, respectively	10,313	10,300
Additional paid-in capital	75,424,923	23,423,936
Subscription receivable	(465,450)	-
Deficit accumulated during the development stage	(62,683,345)	(18,535,860)
	-----	-----
Total stockholders' equity	12,286,441	4,898,376

Total liabilities and stockholders' equity

\$ 124,354,749
=====

\$ 5,065,463
=====

</TABLE>

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

2

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

For the period	Six months ended		
May 17, 1990	June 30,	June 30,	
(date of inception)	1997	1996	
to June 30,			
1997			
-----	-----	-----	
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net loss	\$ (834,985)	\$ (1,203,909)	
\$(19,370,845)			
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	19,774	26,885	
243,817			
Write off of investment in Sky-Highway Radio Corp.	-	-	
2,000,000			
Compensation expense in connection with issuance of stock options	-	160,000	
1,715,500			
Common stock issued for services rendered	-	222,731	
901,576			
Common stock options granted for services rendered	-	-	
119,820			
Increase (decrease) in cash and cash equivalents resulting from changes in assets and liabilities:			
Interest receivable and other	(437,773)	4,713	
(447,141)			
Due to related party	-	-	
350,531			
Deposits	-	-	
303,793)			
Accounts payable and accrued expenses	56,054	57,405	
262,411			
Other liabilities	(10,144)	(12,995)	
25,825			
-----	-----	-----	-
Net cash used in development stage activities	(1,207,074)	(745,170)	
(14,502,299)			
-----	-----	-----	-
Cash flows from investing activities:			
Payments for satellite construction	(6,500,000)	-	
(6,500,000)			
Advance payment for launch services	(3,420,000)	-	
(3,420,000)			
License fee payments to the FCC	(16,669,200)	-	
(16,669,200)			
Designated cash	(66,676,800)	-	
(66,676,800)			
Capital expenditures	(4,500)	-	

(397,283)			
Acquisition of Sky-Highway Radio Corp.	-	-	
(2,000,000)			
-----	-----	-----	-----
Net cash used in investing activities	(93,270,500)	-	
(95,663,283)			
-----	-----	-----	-----
Cash flows from financing activities:			
Proceeds from issuance of units and common stock	-	-	
14,557,482			
Proceeds from issuance of preferred stock	120,052,361	-	
120,052,361			
Proceeds from exercise of stock warrants	-	211,800	
4,589,088			
Proceeds from issuance of promissory notes	-	-	
200,000			
Proceeds from issuance of promissory notes to related parties	-	-	
2,965,000			
Proceeds from exercise of stock options by Company employees	26,000	105,000	
181,000			
Repayment of promissory note	-	-	
(200,000)			
Repayment of promissory notes to related parties	-	-	
(2,435,000)			
Loan from officer	-	-	
440,000			
Deferred offering costs	-	-	
-			
-----	-----	-----	-----
Net cash provided by financing activities	120,078,361	316,800	
140,349,931			
-----	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	25,600,787	(428,370)	
30,184,349			
Cash and cash equivalents at the beginning of period	4,583,562	1,799,814	
-			
-----	-----	-----	-----
Cash and cash equivalents at the end of period	\$ 30,184,349	\$ 1,371,444	\$
30,184,349			
=====	=====	=====	

</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, 1997
(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 reflect the Company's consolidated financial position and consolidated results of

operations have been included.

SATELLITE CONSTRUCTION

In March 1997, the Company extended its satellite construction contract with Space Systems/Loral ("Loral") and amended the contract to allow Loral to commence work associated with the program schedule. In April 1997 the Company made its first payment of \$6.5 million under this agreement.

BROADCAST LICENSE

In April 1997, the Federal Communications Commission held an auction for two national satellite radio broadcast licenses. The Company was the winning bidder in such auction for one of these licenses (the "FCC License") with a bid price of \$83.3 million. Of the total bid price, \$16.7 million has been deposited with the FCC, with the remainder due within 10 business days following the public notice by the FCC that it is prepared to award the license. The Company has classified \$66.7 million as designated cash in the June 30, 1997 balance sheet reflecting the balance due the FCC if and when the license is awarded.

PRIVATE PLACEMENT

In April 1997, the Company completed a private placement of its 5% Delayed Convertible Preferred Stock (the "5% Preferred Stock"). The Company sold a total of 5.4 million shares of the 5% Preferred Stock for an aggregate sale price of \$135 million. In connection with the private placement, the Company paid \$10.1 million in fees to its placement agent, Libra Investments, Inc. ("Libra"), and \$2.7 million to Batchelder & Partners, Inc., a financial advisory firm. In addition, the Company agreed to grant a warrant to Libra to purchase 486,000 shares of the 5% Preferred Stock with an exercise price of \$25.00 per share. As a result of the private placement, options to purchase 200,000 shares of Common Stock held by Batchelder & Partners, Inc. vest and become exercisable for three years with an exercise price of \$6.25. Reference is made to the Company's report on Form 8-K filed May 5, 1997 for a description of the terms of the 5% Preferred Stock.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 1997 (UNAUDITED)

SUBSEQUENT EVENTS

On July 22, 1997, the Company entered into two loan agreements (collectively the "AEF Agreements") with Arianespace Finance S.A. ("AEF"), a subsidiary of Arianespace S.A. ("Arianespace"), to finance approximately \$105 million of the estimated \$176 million price of the launch services to be provided by Arianespace. Under these agreements, the Company is able to borrow funds to meet the progress payments due to Arianespace for the construction of each launch vehicle and other launch costs (the "Loans"). The Company has the opportunity upon satisfying a variety of conditions specified in the AEF Agreements to extend the Loans. Otherwise, if not refinanced, the Company will be required to repay the Loans in full, together with accrued interest and all fees and other amounts due, approximately three months before the applicable launch date. The AEF Agreements impose restrictions on the Company's ability to permit liens on certain assets of the Company, other than liens in favor of AEF. If the loans are extended, the Company will be subject to provisions restricting its ability to incur additional indebtedness or make investments.

On August 5, 1997, Loral agreed to an amendment to the Company's satellite construction contract under which Loral agreed defer for three years \$20 million in payments to be made by the Company in connection with the contract. In addition, on the same date, Loral's parent company, Loral Space & Communications Ltd., purchased from the Company 1.9 million shares of common stock for \$25 million.

NET LOSS PER COMMON SHARE

Net loss per common share has been computed based on the weighted average number of common and common equivalent shares outstanding. Common equivalent shares representing the common shares that would be issued on conversion of convertible securities and exercise of outstanding stock options and warrants reduced by the number of shares which could be purchased from the related exercise proceeds are not included since their effect would be anti-dilutive.

The net loss attributable to common stockholders has been adjusted for deemed dividends. The deemed dividend relates to the discount feature associated with the Company's 5% Delayed Convertible Preferred Stock, computed in accordance with the SEC's position on accounting for preferred stock which is convertible at a discount to the market. The discount, which totaled approximately \$52 million, will be recognized as a return to the 5% Delayed Convertible Preferred Stock shareholders over the period April 1997 through July 1997, which is the minimum period in which the shareholders can realize that return.

5

<TABLE>
<CAPTION>

	3 months ended June 30, 1997 -----	6 months ended June 30, 1997 -----
<S>	<C>	<C>
Net loss	\$ (353,825)	\$ (834,985)
Deemed dividends on preferred stock	(43,312,500)	(43,312,500)
	-----	-----
Net loss attributable to common stockholders	(\$43,666,325)	(\$44,147,485)
	=====	=====
Per common share:		
Net loss	\$ (.03)	\$ (.08)
Deemed dividends on on preferred stock	(4.20)	(4.20)
	-----	-----
Net loss attributable to common stockholders	\$ (4.23)	\$ (4.28)
	=====	=====

</TABLE>

For reporting periods ending after December 15, 1997, the Company will be required to report earnings (loss) per share in accordance with Statement of Financial Accounting Standards No. 128, "Earnings Per Share" ("SFAS 128"). As long as the Company continues to experience net losses, there will be no material impact on the Company's net loss per share from adoption of SFAS 128.

6

Exhibit (g) (2)

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

period	Three months end		Six months ended		For the
	June 30,	June 30,	June 30,	June 30,	May
17,1990	1997	1996	1997	1996	(date of
inception)					to June
30,					1997
<S>	<C>	<C>	<C>	<C>	<C>
Revenue	\$ -	\$ -	\$ -	\$ -	\$
-					
Expenses:					
Legal, consulting and regulatory fees	1,009,110	347,495	1,245,751	575,169	
8,494,715					
Other general and administrative	566,250	330,151	846,915	611,832	
8,379,678					
Research and development	15,434	24,576	35,058	52,477	
1,951,413					
Write-off of investment in Sky-Highway Radio Corp.	-	-	-	-	
2,000,000					
Total expenses	1,590,794	702,222	2,127,724	1,239,478	
20,825,806					
Other income (expense)					
Interest income	1,237,003	20,099	1,297,684	45,389	
1,626,356					
Interest expense	(34)	(4,903)	(4,945)	(9,820)	
(171,395)					
	1,236,969	15,196	1,292,739	35,569	
1,454,961					
Net loss	\$ (353,825)	\$ (687,026)	\$ (834,985)	\$ (1,203,909)	
\$ (19,370,845)					
Net loss per common share	\$ (4.23)	\$ (0.07)	\$ (4.28)	\$ (0.13)	
Weighted average common shares outstanding	10,313,114	9,322,471	10,307,255	9,385,781	

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

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

<TABLE>
<CAPTION>

ASSETS

	June 30, 1997	December 31, 1996
	-----	-----
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	\$ 30,184,349	\$ 4,583,562
Interest receivable and other	447,141	9,368
	-----	-----
Total current assets	30,631,490	4,592,930
	-----	-----
Property and equipment in service, at cost:		
Technical equipment	254,200	254,200
Office equipment and other	93,720	89,220
Demonstration equipment	38,664	38,664
	-----	-----
	386,584	382,084
Less accumulated depreciation	(233,118)	(213,344)
	-----	-----
	153,466	168,740
	-----	-----
Satellite construction in process	6,500,000	-
Other assets		
Launch deposit	3,420,000	-
FCC license deposit	16,669,200	-
Designated cash	66,676,800	-
Other deposits	303,793	303,793
	-----	-----
Total other assets	87,069,793	303,793
	-----	-----
Total assets	\$ 124,354,749	\$ 5,065,463
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable and accrued expenses	\$ 187,172	\$ 131,118
Other	20,082	20,174
	-----	-----
Total current liabilities	207,254	151,292
Deferred rent and other	5,743	15,795
	-----	-----
Total liabilities	212,997	167,087
	=====	=====
Commitments and contingencies		
5% Delayed Convertible Preferred Stock, \$0.001 par value; 8,000,000 shares authorized, 5,400,000 shares issued and outstanding at June 30, 1997 (liquidation preference of \$136,400,000), at net carrying value	111,855,311	
Stockholders' equity:		
Preferred stock, \$0.001 par value, 50,000,000 shares authorized; 8,000,000 shares designated as 5% Delayed Convertible Preferred Stock		
Common stock, \$0.001 par value; 200,000,000 shares authorized; 10,313,391 and 10,300,391 shares issued and outstanding at June 30, 1997 and December 31, 1996, respectively	10,313	10,300
Additional paid-in capital	75,424,923	23,423,936
Subscription receivable	(465,450)	-
Deficit accumulated during the development stage	(62,683,345)	(18,535,860)
	-----	-----
Total stockholders' equity	12,286,441	4,898,376

Total liabilities and stockholders' equity

\$ 124,354,749
=====

\$ 5,065,463
=====

</TABLE>

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

2

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

For the period	Six months ended		
May 17, 1990 (date of inception) to June 30, 1997	June 30, 1997	June 30, 1996	
	-----	-----	
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net loss	\$ (834,985)	\$ (1,203,909)	
\$(19,370,845)			
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	19,774	26,885	
243,817			
Write off of investment in Sky-Highway Radio Corp.	-	-	
2,000,000			
Compensation expense in connection with issuance of stock options	-	160,000	
1,715,500			
Common stock issued for services rendered	-	222,731	
901,576			
Common stock options granted for services rendered	-	-	
119,820			
Increase (decrease) in cash and cash equivalents resulting from changes in assets and liabilities:			
Interest receivable and other	(437,773)	4,713	
(447,141)			
Due to related party	-	-	
350,531			
Deposits	-	-	
303,793)			
Accounts payable and accrued expenses	56,054	57,405	
262,411			
Other liabilities	(10,144)	(12,995)	
25,825			
-----	-----	-----	-
Net cash used in development stage activities	(1,207,074)	(745,170)	
(14,502,299)			
-----	-----	-----	-
Cash flows from investing activities:			
Payments for satellite construction	(6,500,000)	-	
(6,500,000)			
Advance payment for launch services	(3,420,000)	-	
(3,420,000)			
License fee payments to the FCC	(16,669,200)	-	
(16,669,200)			
Designated cash	(66,676,800)	-	
(66,676,800)			
Capital expenditures	(4,500)	-	

(397,283)			
Acquisition of Sky-Highway Radio Corp.	-	-	
(2,000,000)			
-----	-----	-----	-----
Net cash used in investing activities	(93,270,500)	-	
(95,663,283)			
-----	-----	-----	-----
Cash flows from financing activities:			
Proceeds from issuance of units and common stock	-	-	
14,557,482			
Proceeds from issuance of preferred stock	120,052,361	-	
120,052,361			
Proceeds from exercise of stock warrants	-	211,800	
4,589,088			
Proceeds from issuance of promissory notes	-	-	
200,000			
Proceeds from issuance of promissory notes to related parties	-	-	
2,965,000			
Proceeds from exercise of stock options by Company employees	26,000	105,000	
181,000			
Repayment of promissory note	-	-	
(200,000)			
Repayment of promissory notes to related parties	-	-	
(2,435,000)			
Loan from officer	-	-	
440,000			
Deferred offering costs	-	-	
-			
-----	-----	-----	-----
Net cash provided by financing activities	120,078,361	316,800	
140,349,931			
-----	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	25,600,787	(428,370)	
30,184,349			
Cash and cash equivalents at the beginning of period	4,583,562	1,799,814	
-			
-----	-----	-----	-----
Cash and cash equivalents at the end of period	\$ 30,184,349	\$ 1,371,444	\$
30,184,349			
=====	=====	=====	

</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, 1997
(UNAUDITED)

GENERAL

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SATELLITE CONSTRUCTION

In March 1997, the Company extended its satellite construction contract with Space Systems/Loral ("Loral") and amended the contract to allow Loral to commence work associated with the program schedule. In April 1997 the Company made its first payment of \$6.5 million under this agreement.

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In April 1997, the Federal Communications Commission held an auction for two national satellite radio broadcast licenses. The Company was the winning bidder in such auction for one of these licenses (the "FCC License") with a bid price of \$83.3 million. Of the total bid price, \$16.7 million has been deposited with the FCC, with the remainder due within 10 business days following the public notice by the FCC that it is prepared to award the license. The Company has classified \$66.7 million as designated cash in the June 30, 1997 balance sheet reflecting the balance due the FCC if and when the license is awarded.

PRIVATE PLACEMENT

In April 1997, the Company completed a private placement of its 5% Delayed Convertible Preferred Stock (the "5% Preferred Stock"). The Company sold a total of 5.4 million shares of the 5% Preferred Stock for an aggregate sale price of \$135 million. In connection with the private placement, the Company paid \$10.1 million in fees to its placement agent, Libra Investments, Inc. ("Libra"), and \$2.7 million to Batchelder & Partners, Inc., a financial advisory firm. In addition, the Company agreed to grant a warrant to Libra to purchase 486,000 shares of the 5% Preferred Stock with an exercise price of \$25.00 per share. As a result of the private placement, options to purchase 200,000 shares of Common Stock held by Batchelder & Partners, Inc. vest and become exercisable for three years with an exercise price of \$6.25. Reference is made to the Company's report on Form 8-K filed May 5, 1997 for a description of the terms of the 5% Preferred Stock.

4

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 1997 (UNAUDITED)

SUBSEQUENT EVENTS

On July 22, 1997, the Company entered into two loan agreements (collectively the "AEF Agreements") with Arianespace Finance S.A. ("AEF"), a subsidiary of Arianespace S.A. ("Arianespace"), to finance approximately \$105 million of the estimated \$176 million price of the launch services to be provided by Arianespace. Under these agreements, the Company is able to borrow funds to meet the progress payments due to Arianespace for the construction of each launch vehicle and other launch costs (the "Loans"). The Company has the opportunity upon satisfying a variety of conditions specified in the AEF Agreements to extend the Loans. Otherwise, if not refinanced, the Company will be required to repay the Loans in full, together with accrued interest and all fees and other amounts due, approximately three months before the applicable launch date. The AEF Agreements impose restrictions on the Company's ability to permit liens on certain assets of the Company, other than liens in favor of AEF. If the loans are extended, the Company will be subject to provisions restricting its ability to incur additional indebtedness or make investments.

On August 5, 1997, Loral agreed to an amendment to the Company's satellite construction contract under which Loral agreed defer for three years \$20 million in payments to be made by the Company in connection with the contract. In addition, on the same date, Loral's parent company, Loral Space & Communications Ltd., purchased from the Company 1.9 million shares of common stock for \$25 million.

NET LOSS PER COMMON SHARE

Net loss per common share has been computed based on the weighted average number of common and common equivalent shares outstanding. Common equivalent shares representing the common shares that would be issued on conversion of convertible securities and exercise of outstanding stock options and warrants reduced by the number of shares which could be purchased from the related exercise proceeds are not included since their effect would be anti-dilutive.

The net loss attributable to common stockholders has been adjusted for deemed dividends. The deemed dividend relates to the discount feature associated with the Company's 5% Delayed Convertible Preferred Stock, computed in accordance with the SEC's position on accounting for preferred stock which is convertible at a discount to the market. The discount, which totaled approximately \$52 million, will be recognized as a return to the 5% Delayed Convertible Preferred Stock shareholders over the period April 1997 through July 1997, which is the minimum period in which the shareholders can realize that return.

5

<TABLE>
<CAPTION>

	3 months ended June 30, 1997 -----	6 months ended June 30, 1997 -----
<S>	<C>	<C>
Net loss	\$ (353,825)	\$ (834,985)
Deemed dividends on preferred stock	(43,312,500)	(43,312,500)
	-----	-----
Net loss attributable to common stockholders	(\$43,666,325)	(\$44,147,485)
	=====	=====
Per common share:		
Net loss	\$ (.03)	\$ (.08)
Deemed dividends on on preferred stock	(4.20)	(4.20)
	-----	-----
Net loss attributable to common stockholders	\$ (4.23)	\$ (4.28)
	=====	=====

</TABLE>

For reporting periods ending after December 15, 1997, the Company will be required to report earnings (loss) per share in accordance with Statement of Financial Accounting Standards No. 128, "Earnings Per Share" ("SFAS 128"). As long as the Company continues to experience net losses, there will be no material impact on the Company's net loss per share from adoption of SFAS 128.

6

Exhibit (g) (2)

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

period	Three months end		Six months ended		For the
	June 30,	June 30,	June 30,	June 30,	May
17,1990	1997	1996	1997	1996	(date of
inception)					to June
30,					1997
<S>	<C>	<C>	<C>	<C>	<C>
Revenue	\$ -	\$ -	\$ -	\$ -	\$
-					
Expenses:					
Legal, consulting and regulatory fees	1,009,110	347,495	1,245,751	575,169	
8,494,715					
Other general and administrative	566,250	330,151	846,915	611,832	
8,379,678					
Research and development	15,434	24,576	35,058	52,477	
1,951,413					
Write-off of investment in Sky-Highway Radio Corp.	-	-	-	-	
2,000,000					
Total expenses	1,590,794	702,222	2,127,724	1,239,478	
20,825,806					
Other income (expense)					
Interest income	1,237,003	20,099	1,297,684	45,389	
1,626,356					
Interest expense	(34)	(4,903)	(4,945)	(9,820)	
(171,395)					
	1,236,969	15,196	1,292,739	35,569	
1,454,961					
Net loss	\$ (353,825)	\$ (687,026)	\$ (834,985)	\$ (1,203,909)	
\$(19,370,845)					
Net loss per common share	\$ (4.23)	\$ (0.07)	\$ (4.28)	\$ (0.13)	
Weighted average common shares outstanding	10,313,114	9,322,471	10,307,255	9,385,781	

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

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

<TABLE>
<CAPTION>

ASSETS

	June 30, 1997	December 31, 1996
	-----	-----
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	\$ 30,184,349	\$ 4,583,562
Interest receivable and other	447,141	9,368
	-----	-----
Total current assets	30,631,490	4,592,930
	-----	-----
Property and equipment in service, at cost:		
Technical equipment	254,200	254,200
Office equipment and other	93,720	89,220
Demonstration equipment	38,664	38,664
	-----	-----
	386,584	382,084
Less accumulated depreciation	(233,118)	(213,344)
	-----	-----
	153,466	168,740
	-----	-----
Satellite construction in process	6,500,000	-
Other assets		
Launch deposit	3,420,000	-
FCC license deposit	16,669,200	-
Designated cash	66,676,800	-
Other deposits	303,793	303,793
	-----	-----
Total other assets	87,069,793	303,793
	-----	-----
Total assets	\$ 124,354,749	\$ 5,065,463
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable and accrued expenses	\$ 187,172	\$ 131,118
Other	20,082	20,174
	-----	-----
Total current liabilities	207,254	151,292
Deferred rent and other	5,743	15,795
	-----	-----
Total liabilities	212,997	167,087
	=====	=====
Commitments and contingencies		
5% Delayed Convertible Preferred Stock, \$0.001 par value; 8,000,000 shares authorized, 5,400,000 shares issued and outstanding at June 30, 1997 (liquidation preference of \$136,400,000), at net carrying value	111,855,311	
Stockholders' equity:		
Preferred stock, \$0.001 par value, 50,000,000 shares authorized; 8,000,000 shares designated as 5% Delayed Convertible Preferred Stock		
Common stock, \$0.001 par value; 200,000,000 shares authorized; 10,313,391 and 10,300,391 shares issued and outstanding at June 30, 1997 and December 31, 1996, respectively	10,313	10,300
Additional paid-in capital	75,424,923	23,423,936
Subscription receivable	(465,450)	-
Deficit accumulated during the development stage	(62,683,345)	(18,535,860)
	-----	-----
Total stockholders' equity	12,286,441	4,898,376

Total liabilities and stockholders' equity

\$ 124,354,749
=====

\$ 5,065,463
=====

</TABLE>

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

2

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

For the period	Six months ended		
May 17, 1990 (date of inception) to June 30, 1997	June 30, 1997	June 30, 1996	
	-----	-----	
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net loss	\$ (834,985)	\$ (1,203,909)	
\$(19,370,845)			
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	19,774	26,885	
243,817			
Write off of investment in Sky-Highway Radio Corp.	-	-	
2,000,000			
Compensation expense in connection with issuance of stock options	-	160,000	
1,715,500			
Common stock issued for services rendered	-	222,731	
901,576			
Common stock options granted for services rendered	-	-	
119,820			
Increase (decrease) in cash and cash equivalents resulting from changes in assets and liabilities:			
Interest receivable and other	(437,773)	4,713	
(447,141)			
Due to related party	-	-	
350,531			
Deposits	-	-	
303,793)			
Accounts payable and accrued expenses	56,054	57,405	
262,411			
Other liabilities	(10,144)	(12,995)	
25,825			
-----	-----	-----	-
Net cash used in development stage activities	(1,207,074)	(745,170)	
(14,502,299)			
-----	-----	-----	-
Cash flows from investing activities:			
Payments for satellite construction	(6,500,000)	-	
(6,500,000)			
Advance payment for launch services	(3,420,000)	-	
(3,420,000)			
License fee payments to the FCC	(16,669,200)	-	
(16,669,200)			
Designated cash	(66,676,800)	-	
(66,676,800)			
Capital expenditures	(4,500)	-	

(397,283)			
Acquisition of Sky-Highway Radio Corp.	-	-	
(2,000,000)			
-----	-----	-----	-----
Net cash used in investing activities	(93,270,500)	-	
(95,663,283)			
-----	-----	-----	-----
Cash flows from financing activities:			
Proceeds from issuance of units and common stock	-	-	
14,557,482			
Proceeds from issuance of preferred stock	120,052,361	-	
120,052,361			
Proceeds from exercise of stock warrants	-	211,800	
4,589,088			
Proceeds from issuance of promissory notes	-	-	
200,000			
Proceeds from issuance of promissory notes to related parties	-	-	
2,965,000			
Proceeds from exercise of stock options by Company employees	26,000	105,000	
181,000			
Repayment of promissory note	-	-	
(200,000)			
Repayment of promissory notes to related parties	-	-	
(2,435,000)			
Loan from officer	-	-	
440,000			
Deferred offering costs	-	-	
-			
-----	-----	-----	-----
Net cash provided by financing activities	120,078,361	316,800	
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-----	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	25,600,787	(428,370)	
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Cash and cash equivalents at the beginning of period	4,583,562	1,799,814	
-			
-----	-----	-----	-----
Cash and cash equivalents at the end of period	\$ 30,184,349	\$ 1,371,444	\$
30,184,349			
=====	=====	=====	

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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, 1997
(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 reflect the Company's consolidated financial position and consolidated results of

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SATELLITE CONSTRUCTION

In March 1997, the Company extended its satellite construction contract with Space Systems/Loral ("Loral") and amended the contract to allow Loral to commence work associated with the program schedule. In April 1997 the Company made its first payment of \$6.5 million under this agreement.

BROADCAST LICENSE

In April 1997, the Federal Communications Commission held an auction for two national satellite radio broadcast licenses. The Company was the winning bidder in such auction for one of these licenses (the "FCC License") with a bid price of \$83.3 million. Of the total bid price, \$16.7 million has been deposited with the FCC, with the remainder due within 10 business days following the public notice by the FCC that it is prepared to award the license. The Company has classified \$66.7 million as designated cash in the June 30, 1997 balance sheet reflecting the balance due the FCC if and when the license is awarded.

PRIVATE PLACEMENT

In April 1997, the Company completed a private placement of its 5% Delayed Convertible Preferred Stock (the "5% Preferred Stock"). The Company sold a total of 5.4 million shares of the 5% Preferred Stock for an aggregate sale price of \$135 million. In connection with the private placement, the Company paid \$10.1 million in fees to its placement agent, Libra Investments, Inc. ("Libra"), and \$2.7 million to Batchelder & Partners, Inc., a financial advisory firm. In addition, the Company agreed to grant a warrant to Libra to purchase 486,000 shares of the 5% Preferred Stock with an exercise price of \$25.00 per share. As a result of the private placement, options to purchase 200,000 shares of Common Stock held by Batchelder & Partners, Inc. vest and become exercisable for three years with an exercise price of \$6.25. Reference is made to the Company's report on Form 8-K filed May 5, 1997 for a description of the terms of the 5% Preferred Stock.

4

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 1997 (UNAUDITED)

SUBSEQUENT EVENTS

On July 22, 1997, the Company entered into two loan agreements (collectively the "AEF Agreements") with Arianespace Finance S.A. ("AEF"), a subsidiary of Arianespace S.A. ("Arianespace"), to finance approximately \$105 million of the estimated \$176 million price of the launch services to be provided by Arianespace. Under these agreements, the Company is able to borrow funds to meet the progress payments due to Arianespace for the construction of each launch vehicle and other launch costs (the "Loans"). The Company has the opportunity upon satisfying a variety of conditions specified in the AEF Agreements to extend the Loans. Otherwise, if not refinanced, the Company will be required to repay the Loans in full, together with accrued interest and all fees and other amounts due, approximately three months before the applicable launch date. The AEF Agreements impose restrictions on the Company's ability to permit liens on certain assets of the Company, other than liens in favor of AEF. If the loans are extended, the Company will be subject to provisions restricting its ability to incur additional indebtedness or make investments.

On August 5, 1997, Loral agreed to an amendment to the Company's satellite construction contract under which Loral agreed defer for three years \$20 million in payments to be made by the Company in connection with the contract. In addition, on the same date, Loral's parent company, Loral Space & Communications Ltd., purchased from the Company 1.9 million shares of common stock for \$25 million.

NET LOSS PER COMMON SHARE

Net loss per common share has been computed based on the weighted average number of common and common equivalent shares outstanding. Common equivalent shares representing the common shares that would be issued on conversion of convertible securities and exercise of outstanding stock options and warrants reduced by the number of shares which could be purchased from the related exercise proceeds are not included since their effect would be anti-dilutive.

The net loss attributable to common stockholders has been adjusted for deemed dividends. The deemed dividend relates to the discount feature associated with the Company's 5% Delayed Convertible Preferred Stock, computed in accordance with the SEC's position on accounting for preferred stock which is convertible at a discount to the market. The discount, which totaled approximately \$52 million, will be recognized as a return to the 5% Delayed Convertible Preferred Stock shareholders over the period April 1997 through July 1997, which is the minimum period in which the shareholders can realize that return.

5

<TABLE>
<CAPTION>

	3 months ended June 30, 1997 -----	6 months ended June 30, 1997 -----
<S>	<C>	<C>
Net loss	\$ (353,825)	\$ (834,985)
Deemed dividends on preferred stock	(43,312,500)	(43,312,500)
	-----	-----
Net loss attributable to common stockholders	(\$43,666,325)	(\$44,147,485)
	=====	=====
Per common share:		
Net loss	\$ (.03)	\$ (.08)
Deemed dividends on on preferred stock	(4.20)	(4.20)
	-----	-----
Net loss attributable to common stockholders	\$ (4.23)	\$ (4.28)
	=====	=====

</TABLE>

For reporting periods ending after December 15, 1997, the Company will be required to report earnings (loss) per share in accordance with Statement of Financial Accounting Standards No. 128, "Earnings Per Share" ("SFAS 128"). As long as the Company continues to experience net losses, there will be no material impact on the Company's net loss per share from adoption of SFAS 128.

6

Exhibit (g) (2)

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

period	Three months end		Six months ended		For the
	June 30,	June 30,	June 30,	June 30,	May
17,1990	1997	1996	1997	1996	(date of
inception)					to June
30,					1997
<S>	<C>	<C>	<C>	<C>	<C>
Revenue	\$ -	\$ -	\$ -	\$ -	\$
-					
Expenses:					
Legal, consulting and regulatory fees	1,009,110	347,495	1,245,751	575,169	
8,494,715					
Other general and administrative	566,250	330,151	846,915	611,832	
8,379,678					
Research and development	15,434	24,576	35,058	52,477	
1,951,413					
Write-off of investment in Sky-Highway Radio Corp.	-	-	-	-	
2,000,000					
Total expenses	1,590,794	702,222	2,127,724	1,239,478	
20,825,806					
Other income (expense)					
Interest income	1,237,003	20,099	1,297,684	45,389	
1,626,356					
Interest expense	(34)	(4,903)	(4,945)	(9,820)	
(171,395)					
	1,236,969	15,196	1,292,739	35,569	
1,454,961					
Net loss	\$ (353,825)	\$ (687,026)	\$ (834,985)	\$ (1,203,909)	
\$ (19,370,845)					
Net loss per common share	\$ (4.23)	\$ (0.07)	\$ (4.28)	\$ (0.13)	
Weighted average common shares outstanding	10,313,114	9,322,471	10,307,255	9,385,781	

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

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

<TABLE>
<CAPTION>

ASSETS

	June 30, 1997	December 31, 1996
	-----	-----
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	\$ 30,184,349	\$ 4,583,562
Interest receivable and other	447,141	9,368
	-----	-----
Total current assets	30,631,490	4,592,930
	-----	-----
Property and equipment in service, at cost:		
Technical equipment	254,200	254,200
Office equipment and other	93,720	89,220
Demonstration equipment	38,664	38,664
	-----	-----
	386,584	382,084
Less accumulated depreciation	(233,118)	(213,344)
	-----	-----
	153,466	168,740
	-----	-----
Satellite construction in process	6,500,000	-
Other assets		
Launch deposit	3,420,000	-
FCC license deposit	16,669,200	-
Designated cash	66,676,800	-
Other deposits	303,793	303,793
	-----	-----
Total other assets	87,069,793	303,793
	-----	-----
Total assets	\$ 124,354,749	\$ 5,065,463
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable and accrued expenses	\$ 187,172	\$ 131,118
Other	20,082	20,174
	-----	-----
Total current liabilities	207,254	151,292
Deferred rent and other	5,743	15,795
	-----	-----
Total liabilities	212,997	167,087
	=====	=====
Commitments and contingencies		
5% Delayed Convertible Preferred Stock, \$0.001 par value; 8,000,000 shares authorized, 5,400,000 shares issued and outstanding at June 30, 1997 (liquidation preference of \$136,400,000), at net carrying value	111,855,311	
Stockholders' equity:		
Preferred stock, \$0.001 par value, 50,000,000 shares authorized; 8,000,000 shares designated as 5% Delayed Convertible Preferred Stock		
Common stock, \$0.001 par value; 200,000,000 shares authorized; 10,313,391 and 10,300,391 shares issued and outstanding at June 30, 1997 and December 31, 1996, respectively	10,313	10,300
Additional paid-in capital	75,424,923	23,423,936
Subscription receivable	(465,450)	-
Deficit accumulated during the development stage	(62,683,345)	(18,535,860)
	-----	-----
Total stockholders' equity	12,286,441	4,898,376

Total liabilities and stockholders' equity

\$ 124,354,749
=====

\$ 5,065,463
=====

</TABLE>

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

2

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

For the period	Six months ended		
May 17, 1990 (date of inception) to June 30, 1997	June 30, 1997	June 30, 1996	
	-----	-----	
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net loss	\$ (834,985)	\$ (1,203,909)	
\$(19,370,845)			
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	19,774	26,885	
243,817			
Write off of investment in Sky-Highway Radio Corp.	-	-	
2,000,000			
Compensation expense in connection with issuance of stock options	-	160,000	
1,715,500			
Common stock issued for services rendered	-	222,731	
901,576			
Common stock options granted for services rendered	-	-	
119,820			
Increase (decrease) in cash and cash equivalents resulting from changes in assets and liabilities:			
Interest receivable and other	(437,773)	4,713	
(447,141)			
Due to related party	-	-	
350,531			
Deposits	-	-	
303,793)			
Accounts payable and accrued expenses	56,054	57,405	
262,411			
Other liabilities	(10,144)	(12,995)	
25,825			
-----	-----	-----	-
Net cash used in development stage activities	(1,207,074)	(745,170)	
(14,502,299)			
-----	-----	-----	-
Cash flows from investing activities:			
Payments for satellite construction	(6,500,000)	-	
(6,500,000)			
Advance payment for launch services	(3,420,000)	-	
(3,420,000)			
License fee payments to the FCC	(16,669,200)	-	
(16,669,200)			
Designated cash	(66,676,800)	-	
(66,676,800)			
Capital expenditures	(4,500)	-	

(397,283)			
Acquisition of Sky-Highway Radio Corp.	-	-	
(2,000,000)			
-----	-----	-----	-----
Net cash used in investing activities	(93,270,500)	-	
(95,663,283)			
-----	-----	-----	-----
Cash flows from financing activities:			
Proceeds from issuance of units and common stock	-	-	
14,557,482			
Proceeds from issuance of preferred stock	120,052,361	-	
120,052,361			
Proceeds from exercise of stock warrants	-	211,800	
4,589,088			
Proceeds from issuance of promissory notes	-	-	
200,000			
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(200,000)			
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(2,435,000)			
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440,000			
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-			
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JUNE 30, 1997
(UNAUDITED)

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6