SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Amendment No. 2

to

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 Margolese
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

Item 1. Security and Issuer.

(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 1,846,799 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" was 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 was upon the terms and subject to the conditions set forth in the Prospectus dated December 8, 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. In the Exchange Offer, all of the outstanding shares of 5% Preferred Stock were tendered for 1,846,799 shares of the New Preferred Stock.

(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 Capital Stock -- 10 1/2% Series C Convertible 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" in the Prospectus is incorporated herein by reference. Following consummation of the Exchange Offer, all Shares tendered for exchange and not withdrawn were 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 "Financing" in the Prospectus is incorporated herein by reference.

(b)-(d) None.

(e) The information set forth under the captions "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.

(a)(5) 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 September 30, 1997, attached to this Schedule as Exhibit (g)(3), is incorporated herein by reference.

(a)(6) The book value per share of the Company's Common Stock, par value $.001 per share, as of the end of the September 30, 1997 was $2.57.

(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 December 8, 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: December 8, 1997

CD RADIO INC.

By: /s/ Andrew J. Greenebaum

Andrew J. Greenebaum
Executive Vice President and
Chief Financial Officer

STATEMENT OF DIFFERENCES

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

EXHIBIT INDEX

Exhibit No.	Description
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(c) -- Voting Trust Agreement, dated August 26, 1997, among CD Radio Inc., Darlene Friedland and David Margolese, as Trustee.

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(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.

(g)(3) -- The information set forth in pages 1 through page 6 of Part I, "Financial Information" of the Company's Quarterly Report on Form 10-Q for the period ended September 30, 1997, incorporated herein by reference.*

- ---------------------
* previously filed

[PAGES 1 THROUGH 6 OF PART I OF THE COMPANY'S QUARTERLY REPORT ON FORM 10-Q FOR THE PERIOD ENDED 6/30/97]

Exhibit (g)(2)

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

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<CAPTION>

	Three months end		Six months ended		For the period May 17,1990 (date of inception) to June 30,
	June 30, 1997	June 30, 1996	June 30, 1997	June 30, 1996	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	

</TABLE>

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)

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<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

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

<TABLE>
<CAPTION>

<S>	<C> Six months ended June 30, 1997	<C> Six months ended June 30, 1996	<C> For the period May 17,1990 (date of inception) to June 30, 1997
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.

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.

<TABLE>
<CAPTION>

	3 months ended June 30, 1997	6 months ended June 30, 1997
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.

[PAGES 1 THROUGH 6 OF PART I OF THE COMPANY'S QUARTERLY REPORT ON FORM 10-Q FOR THE PERIOD ENDED 6/30/97]

Exhibit (g)(2)

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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)
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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

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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

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.

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.

<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.

[PAGES 1 THROUGH 6 OF PART I OF THE COMPANY'S QUARTERLY REPORT ON FORM 10-Q FOR THE PERIOD ENDED 6/30/97]

Exhibit (g)(2)

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

<TABLE>
<CAPTION>

	Three months end		Six months ended		For the period May 17,1990 (date of inception) to June 30,
	June 30, 1997	June 30, 1996	June 30, 1997	June 30, 1996	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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CD RADIO INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

<TABLE>
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ASSETS

<S>	June 30, 1997 <C>	December 31, 1996 <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

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

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	Six months ended June 30, 1997	Six months ended June 30, 1996	For the period May 17,1990 (date of inception) 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
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Repayment of promissory note	-	-	(200,000)
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Deferred offering costs	-	-	-
Net cash provided by financing activities	120,078,361	316,800	140,349,931
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CD RADIO INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE ENTERPRISE)

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JUNE 30, 1997
(UNAUDITED)

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Per common share:		
Net loss	$ (.03)	$ (.08)
Deemed dividends on on preferred stock	(4.20)	(4.20)
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(UNAUDITED)

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<S>	<C>	<C>	<C>	<C>	<C>
Revenue	$ -	$ -	$ -	$ -	$ -
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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
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Designated cash	66,676,800	-
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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.

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.

<TABLE>
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	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.

[PAGES 1 THROUGH 6 OF PART I OF THE COMPANY'S QUARTERLY REPORT ON FORM 10-Q FOR THE PERIOD ENDED 6/30/97]

Exhibit (g)(2)

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

	Three months end		Six months ended		For the period May 17,1990 (date of inception) to June 30,
	June 30, 1997	June 30, 1996	June 30, 1997	June 30, 1996	1997
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)

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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

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(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

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<S> <C> <C> <C>

	Six months ended June 30, 1997	Six months ended June 30, 1996	For the period May 17,1990 (date of inception) to June 30, 1997
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.

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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.

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Per common share:		
Net loss	$ (.03)	$ (.08)
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Net loss attributable to common stockholders	$ (4.23)	$ (4.28)

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[PAGES 1 THROUGH 6 OF PART I OF THE COMPANY'S QUARTERLY REPORT ON FORM 10-Q FOR THE PERIOD ENDED 6/30/97]

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

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	Three months end		Six months ended		For the period May 17,1990 (date of inception) to June 30,
	June 30, 1997	June 30, 1996	June 30, 1997	June 30, 1996	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)
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Designated cash	66,676,800	-
Other deposits	303,793	303,793
Total other assets	87,069,793	303,793
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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.

<TABLE>
<CAPTION>

	3 months ended June 30, 1997	6 months ended June 30, 1997
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.

[PAGES 1 THROUGH 6 OF PART I OF THE COMPANY'S QUARTERLY REPORT ON FORM 10-Q FOR THE PERIOD ENDED 6/30/97]

Exhibit (g)(2)

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

<TABLE>
<CAPTION>

	Three months end		Six months ended		For the period May 17,1990 (date of inception) to June 30,
	June 30, 1997	June 30, 1996	June 30, 1997	June 30, 1996	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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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>
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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

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CONSOLIDATED STATEMENTS OF CASH FLOWS
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	Six months ended June 30, 1997	Six months ended June 30, 1996	For the period May 17,1990 (date of inception) 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.

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.

	3 months ended June 30, 1997	6 months ended June 30, 1997
Net loss	$ (353,825)	$ (834,985)
Deemed dividends on preferred stock	(43,312,500)	(43,312,500)
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Per common share:		
Net loss	$ (.03)	$ (.08)
Deemed dividends on on preferred stock	(4.20)	(4.20)
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[PAGES 1 THROUGH 6 OF PART I OF THE COMPANY'S QUARTERLY REPORT ON FORM 10-Q FOR THE PERIOD ENDED 6/30/97]

Exhibit (g)(2)

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

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<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)	
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CONSOLIDATED BALANCE SHEETS
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Designated cash	66,676,800	-
Other deposits	303,793	303,793
Total other assets	87,069,793	303,793
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Other	20,082	20,174
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Total liabilities	212,997	167,087
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Cash flows from investing activities:			
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License fee payments to the FCC	(16,669,200)	-	(16,669,200)
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Deferred offering costs	-	-	-
Net cash provided by financing activities	120,078,361	316,800	140,349,931
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(UNAUDITED)

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NET LOSS PER COMMON SHARE

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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	

</TABLE>

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

	June 30, 1997	December 31, 1996
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

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

<TABLE>
<CAPTION>

	Six months ended June 30, 1997	Six months ended June 30, 1996	For the period May 17,1990 (date of inception) 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.

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.

<TABLE>
<CAPTION>

	3 months ended June 30, 1997	6 months ended June 30, 1997
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.