



Consolidated Statements of Operations (unaudited) for the three month periods ended March 31, 1997 and 1996 and for the period May 17, 1990 (date of inception) to March 31, 1997	1
Consolidated Balance Sheets (unaudited) as of March 31, 1997 and December 31, 1996	2
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CD RADIO INC. AND SUBSIDIARY  
(A DEVELOPMENT STAGE ENTERPRISE)  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(UNAUDITED)

<TABLE>  
<CAPTION>

	Three months ended		For the period May 17, 1990 (date of inception) to March 31, 1997
	March 31, 1997	March 31, 1996	
---			
<S>	<C>	<C>	<C>
Revenue	\$ -	\$ -	\$ -
Expenses:			
Legal, consulting and regulatory fees	307,439	227,674	7,556,403
Other general and administrative	284,877	281,681	7,817,640
Research and development	19,603	27,901	1,935,958
Write-off of investment in Sky-Highway Radio Corp.	-	-	
2,000,000			
---			
Total expenses	611,919	537,256	19,310,001
---			
Other income (expense)			
Interest income	59,681	25,290	
388,353			
Interest expense	(4,910)	(4,917)	
(171,360)			
---			
216,993	54,771	20,373	
---			

Net loss (19,093,008)	\$ (557,148)	\$ (516,883)	\$
	=====	=====	
Net loss per common share	\$ (0.05)	\$ (0.06)	
	=====	=====	
Weighted average common shares and common share equivalents outstanding	10,301,331	9,357,793	
	=====	=====	

</TABLE>

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

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

<TABLE>  
<CAPTION>

ASSETS

	March 31, 1997	December 31, 1996
	-----	-----
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	\$ 1,079,668	\$
4,583,562		
Prepaid expense and other	6,558	
9,368		
	-----	-----
Total current assets	1,086,226	
4,592,930		
	-----	-----
Property and equipment, at cost:		
Technical equipment	254,200	
254,200		
Office equipment and other	89,220	
89,220		
Demonstration equipment	38,664	
38,664		
	-----	-----
	382,084	
Less accumulated depreciation	(223,915)	
(213,344)		
	-----	-----
	158,169	
168,740		
	-----	-----
Auction deposit	3,000,000	-
	-----	-----
Deposits	303,793	
303,793		
	-----	-----
Total Assets	\$ 4,548,188	\$
5,065,463		
	=====	

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable and accrued expenses	\$ 157,409	\$

131,118			
Other		20,700	
20,174			
-----		-----	-----
Total current liabilities		178,109	
151,292			
Deferred rent and other		10,051	
15,795			
-----		-----	-----
Total liabilities		188,160	
167,087			
-----		-----	-----
Commitments and contingencies			
Stockholders' equity:			
Preferred stock, \$0.001 par value, 10,000,000 shares			
authorized; none issued or outstanding		-	-
Common stock, \$0.001 par value; 50,000,000 shares			
authorized; 10,309,708 and 10,300,391 shares issued and			
outstanding at March 31, 1997 and December 31, 1996,			
respectively		10,310	
10,300			
Additional paid-in capital		23,442,726	
23,423,936			
Deficit accumulated during the development stage		(19,093,008)	
(18,535,860)			
-----		-----	-----
Total stockholders' equity		4,360,028	
4,898,376			
-----		-----	-----
Total liabilities and stockholders' equity	\$	4,548,188	\$
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)

<TABLE>				
<CAPTION>				
period				For the
17,1990		Three months ended		May
inception)		-----		(date of
March 31,		March 31,	March 31,	to
1997		1997	1996	
-----		-----	-----	-----
<S>	<C>		<C>	<C>
Cash flows from development stage activities:				
Net loss	\$	(557,148)	\$	(516,883)
(19,093,008)				\$
Adjustments to reconcile net loss to net				
cash used in development stage activities:				
Depreciation and amortization		10,571		14,472
234,613				
Write off of investment in Sky-Highway Radio Corp.		-		-
2,000,000				
Compensation expense in connection with				

1,715,500	issuance of stock options	-	80,000	
901,576	Common stock issued for services rendered	-	63,418	
119,820	Common stock options granted for services rendered	-	-	
(6,557)	Increase (decrease) in cash and cash equivalents resulting from changes in assets and liabilities: Prepaid expense and other	2,810	1,659	
350,531	Due to related party	-	-	
(303,793)	Deposits	-	-	
232,647	Accounts payable and accrued expenses	26,291	31,404	
30,752	Other liabilities	(5,218)	(5,155)	
-----		-----	-----	-----
(13,817,919)	Net cash used in development stage activities	(522,694)	(331,085)	
-----		-----	-----	-----
	Cash flows from investing activities:			
(392,783)	Capital expenditures	-	-	
(3,000,000)	Auction deposit	(3,000,000)	-	
(2,000,000)	Acquisition of Sky-Highway Radio Corp.	-	-	
-----		-----	-----	-----
(5,392,783)	Net cash used in investing activities	(3,000,000)	-	
-----		-----	-----	-----
	Cash flows from financing activities:			
14,557,482	Proceeds from issuance of units and common stock	-	-	
4,589,088	Proceeds from exercise of stock warrants	-	-	
200,000	Proceeds from issuance of promissory notes	-	-	
2,965,000	Proceeds from issuance of promissory notes to related parties	-	-	
173,800	Proceeds from exercise of stock options by Company officers	18,800	80,000	
(200,000)	Repayment of promissory note	-	-	
(2,435,000)	Repayment of promissory notes to related parties	-	-	
440,000	Loan from officer	-	-	
-	Deferred offering costs	-	-	
-----		-----	-----	-----
20,290,370	Net cash provided by financing activities	18,800	-	
-----		-----	-----	-----
1,079,668	Net increase (decrease) in cash and cash equivalents	(3,503,894)	(251,096)	
	Cash and cash equivalents at the beginning of period	4,583,562	1,799,814	-
-----		-----	-----	-----
1,079,668	Cash and cash equivalents at the end of period	\$ 1,079,668	\$ 1,548,718	\$
=====		=====	=====	
	Supplemental disclosure of cash information:			
40,063	Cash paid during the period for interest	\$ -	\$ -	\$
=====		=====	=====	
	Supplemental disclosure of non-cash financing activities:			
	Common stock issued in satisfaction of notes			

payable to related parties, including accrued interest	\$	-	\$	-	\$
998,452					
=====					
Common stock issued in satisfaction of due to related parties including accrued interest	\$	-	\$	-	\$
409,390					
=====					
Common stock issued in satisfaction of commissions payable	\$	-	\$	-	\$
20,000					
=====					

</TABLE>

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

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CD RADIO INC. AND SUBSIDIARY

(A DEVELOPMENT STAGE ENTERPRISE)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 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.

SUBSEQUENT EVENTS

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 first five months of the program schedule.

In April 1997, the FCC held an auction for two national satellite radio broadcast licenses. The Company was one of the winning bidders in such auction with a bid price of \$83,346,000. Of the total bid price, \$16,669,200 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.

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 5,400,000 shares of the 5% Preferred Stock for an aggregate sale price of \$135 million. In connection with the private placement, the Company paid \$10,125,000 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.

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

OVERVIEW

The Company was organized in May 1990 and is in its development stage. The Company's principal activities to date have included technology development, pursuing regulatory approval for CD Radio, market research, design, development, contract negotiations with satellite and launch vehicle contractors, technical efforts with respect to standards and specifications, development of a mobile demonstration program and securing adequate working capital. The Company has been unprofitable to date and expects to continue to incur substantial losses through at least the first full year of CD Radio service. Since its inception, the Company has not derived any revenues from operations and does not expect to generate any revenues from operations prior to the commencement of CD Radio, which is not expected to occur before the fall of 1999 at the earliest. In order to commence CD Radio service, the Company will require a license from the Federal Communications Commission ("FCC") to provide Digital Audio Radio Service the ("FCC License") and substantial additional funds to finance construction of its satellite system, to plan and implement its service, to provide working capital and to sustain its operations until it generates positive cash flows from operations.

In April 1997, the FCC held an auction among four existing applicants to auction two FCC Licenses. The Company was a winning bidder in the auction with a bid of \$83.3 million, of which \$16.7 million has been paid as a deposit. The award of the FCC License is subject to the satisfaction of a number of requirements, and it remains a possibility that the Company will not receive the FCC License. The Company completed a private placement in April 1997 of \$135 million of its 5% Delayed Convertible Preferred Stock, of which an aggregate of \$12.8 million was paid in fees to the Company's placement agent and a financial advisor, and \$1.7 million was paid as a commitment fee to the investors. Assuming the FCC License is received, the Company will require substantial additional financing to complete the construction and launch of its satellite system and to fund the first full year of CD Radio service.

After being a winning bidder in the auction for the FCC License and competing the 5% Preferred Stock financing, the Company paid \$6.5 million to Space Systems/Loral in order to commence satellite construction, and \$3.4 million to Arianespace to secure satellite launch reservations. The Company has also hired, and intends to continue to hire, additional key employees to manage the design, development, construction and launch of the CD Radio system and to plan and implement marketing strategies and to develop key relationships in the entertainment and consumer electronics industries. These measures will result in substantial increases in expenses in the three months ending June 30, 1997 and in subsequent periods over expense levels in past periods.

RESULTS OF OPERATIONS

The Company recorded net losses of \$557,000 and \$517,000 for the three months ended March 31, 1997 and 1996, respectively. The Company's total operating expenses were \$612,000 and \$537,000 for the three months ended March 31, 1997 and 1996, respectively.

Legal, consulting and regulatory fees increased for the three months ended March 31, 1997 to \$307,000 from \$228,000 for the three months ended March 31, 1996. These levels of expenditures are the result of continued regulatory activity.

Research and development costs were \$20,000 and \$28,000 for the three months ended March 31, 1997 and 1996, respectively. This level of research and development cost is the result of the Company completing the majority of such activities in 1994.

Other general and administrative expenses increased for the three months ended March 31, 1997 to \$285,000 from \$282,000 for the three months ended March 31, 1996. General and administrative expenses continued to remain at a low level prior to the Company being the winning bidder for the FCC License. The Company also incurred a non-cash charge of \$80,000 for the three month period ended March 31, 1996, attributable to the recognition of compensation expense in connection with stock options issued to officers of the Company.

The increase of interest income to \$60,000 for the three months ended

March 31, 1997, from \$25,000 in the three months ended March 31, 1996, was the result of a higher average cash balance during the first quarter of 1997. The cash and cash equivalents on hand were primarily obtained from the exercise of stock warrants in late 1996.

#### LIQUIDITY AND CAPITAL RESOURCES

At March 31, 1997, the Company had working capital of approximately \$908,000 compared to \$4,442,000 at December 31, 1996. The decrease in working capital was primarily the result of the \$3,000,000 deposit made to the FCC to participate in the license auction and \$523,000 in net cash used in development stage activities for the quarter ended March 31, 1997.

The Company was a winning bidder in the FCC auction for two FCC Licenses with a winning bid of \$83.3 million, of which \$16.7 million has been paid as a deposit. The Company would be required to pay the balance of the winning bid after the revised license applications are finalized and assuming petitions to deny the License are dismissed. In order to finance the payment of the purchase price for the FCC License and for working capital prior to the completion of subsequent financings, the Company completed a private placement of \$135 million of the 5% Preferred Stock, of which \$12.8 million was paid in commissions and fees to its placement agent and a financial advisor, and \$1.7 million was paid in commitment fees to the investors. The Company has also commenced satellite construction with Space Systems/Loral.

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The Company estimates that assuming receipt of the FCC License it will require cash in the aggregate amount of at least \$600 million to fund the construction and launch of the Company's satellites and the commencement of CD Radio service and to provide cash reserves for the first year of service. The amount and timing of cash payments will vary based on payment terms with satellite and launch contracts.

The Company believes that its working capital is sufficient to maintain its construction schedule approximately through December 1997 and to fund operations through the second quarter of 1998. There can be no assurance, however, that the Company's actual cash requirements will not be greater than currently anticipated. The Company intends to seek additional financing through the issuance of debt and equity securities. However, there can be no assurance that the Company will be able to obtain additional financing on favorable terms, if at all, or that such financing will be available in a timely manner. If additional financing were not available on a timely basis, the Company would be required to delay satellite and/or launch vehicle construction in order to conserve cash to fund continued operations, which would cause delays in the commencement of operations and increased costs.

The terms of the 5% Preferred Stock financing require that additional financings be pari passu or junior to the 5% Preferred Stock in seniority, structure and maturity until the Company completes a public offering of Common Stock that meets certain specified criteria.

The Company's estimates of its cash requirements and the adequacy of its current cash resources to satisfy its cash requirements through December 1997 and the second quarter of 1998 are forward-looking statements that involve a number of risks and uncertainties that could cause actual events to differ materially from those anticipated by the Company. The estimates assume that service will commence in the fall of 1999 and do not include interest costs or any payments that may be required to holders of the 5% Preferred Stock as the result of failure to satisfy certain requirements under the terms of the 5% Preferred Stock financing in a timely manner. The amount and timing of the Company's actual cash requirements will depend upon numerous factors, including costs associated with the construction and deployment of its satellite system and the rate of growth of its business subsequent to commencing service, costs of financing and the possibility of unanticipated expenses. Additional funds would be required in the event of delay, cost overruns, launch failure, launch services or satellite system change orders, or any shortfalls in estimated levels of operating cash flow, or to meet unanticipated expenses.

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OTHER INFORMATION

Item 1. Legal Proceedings - None

Item 2. Changes in Securities

In March 1997, the Board of Directors authorized for issuance 8 million shares of 5% Delayed Convertible Preferred Stock (the "5% Preferred Stock"). For a description of the 5% Preferred Stock, see "Description of Securities" contained on the Form 8-K filed by the Company on May 5, 1997, which is incorporated by reference herein in its entirety. In April 1997, the Company sold an aggregate of 5,400,000 shares of the 5% Preferred Stock at \$25.00 per share to 51 institutional investors, each of which the Company believes to be an "accredited investor" within the meaning of Rule 502(a) of Regulation D under the Securities Act. In connection with the private placement, the Company paid \$10,125,000 in fees to its placement agent, Libra Investments, Inc. ("Libra"), a commitment fee of \$1.7 million to the investors 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 previously granted 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. The sale of the 5% Preferred Stock was exempt from registration pursuant to Section 4(2) of the Securities Act and Rule 506 of Regulation D thereunder.

Item 3. Defaults upon Senior Securities - None

Item 4. Submission of Matters to a Vote of Security Holders - None

Item 5. Other Information - None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

<TABLE>  
<CAPTION>  
EXHIBIT  
NUMBER  
- - - - -

DESCRIPTION  
- - - - -

<S>	<C>
*3.1	Amended and Restated Certificate of Incorporation.
*3.2	Amended and Restated By-Laws.
3.3	Certificate of Designations of 5% Delayed Convertible Preferred Stock (Incorporated by reference to Exhibit 10.24 to the Form 10-K/A for the year ended December 31, 1996 (the "1996 Form 10-K")).
*4.1	Description of Capital Stock contained in the Amended and Restated Certificate of Incorporation and Certificate of Designations (see Exhibits 3.1 and 3.3).
*4.2	Description of Rights of Security Holders contained in the Amended and Restated Bylaws (see Exhibit 3.2).

</TABLE>

<TABLE>  
<CAPTION>  
EXHIBIT  
NUMBER  
- - - - -

DESCRIPTION  
- - - - -

<S>	<C>
*4.3	Form of Certificate for Shares of Common Stock.
10.1	Lease Agreement, dated October 20, 1992, between 22nd & K Street Office Building Limited Partnership and the Company (Incorporated by reference to Exhibit 10.3 to the Company's Registration Statement on Form S-1 (File No. 33-74782) (the "Registration Statement")).
10.2	Letter Agreement, dated November 18, 1992, between the Company and Batchelder & Partners, Inc. (Incorporated by reference to Exhibit

- 10.4 to the Registration Statement).
- 10.3.1 Proprietary Information and Non-Competition Agreement, dated February 9, 1993, for Robert Briskman (Incorporated by reference to Exhibit 10.9.1 to the Registration Statement).
- 10.3.2 Amendment No. 1 to Proprietary Information and Non-Competition Agreement between the Company and Robert Briskman (Incorporated by reference to Exhibit 10.8.2 to the Registration Statement).
- +10.4.1 Satellite Construction Agreement, dated March 2, 1993, between Space Systems/Loral and the Company (Incorporated by reference to Exhibit 10.9.1 to the Registration Statement).
- +10.4.2 Amendment No. 1 to Satellite Construction Agreement, effective December 28, 1993, between Space Systems/Loral and the Company (Incorporated by reference to Exhibit 10.9.2 to the Registration Statement).
- +10.4.3 Amendment No. 2 to Satellite Construction Agreement, effective March 8, 1994, between the Space Systems/Loral and the Company (Incorporated by reference to Exhibit 10.9.3 to the Registration Statement).
- 10.4.4 Amendment No. 3 to Satellite Construction Agreement, effective February 12, 1996, between the Space System/Loral, Inc. and the Company (Incorporated by reference to Exhibit 10.9.4 to the Company's Annual Report on Form 10-K for the year ended December 31, 1995 (the "1995 Form 10-K")).
- 10.4.5 Amendment No. 4 to Satellite Construction Agreement, effective June 18, 1996, between the Space Systems/Loral, Inc. and the Company. (Incorporated by reference to Exhibit 10.8.5 to the Company's Form 10-Q for the period ended September 30, 1996.)
- 10.4.6 Amendment No. 5 to Satellite Construction Agreement, effective August 26, 1996, between the Space Systems/Loral, Inc. and the Company. (Incorporated by reference to Exhibit 10.8.6 to the Company's Form 10-Q for the period ended September 30, 1996.)
- 10.4.7 Amendment No. 6 to Satellite Construction Agreement, effective August 26, 1996, between the Space System/Loral, Inc. and the Company (Incorporated by reference to Exhibit 10.5.7 to the 1996 Form 10-K.
- 10.4.8 Amendment No. 8 to Satellite Construction Agreement, effective January 29, 1997, between the Space System/Loral, Inc. and the Company (Incorporated by reference to Exhibit 10.5.8 to the 1996 Form 10-K.
- 10.4.9 Amendment No. 9 to Satellite Construction Agreement, effective February 26, 1997, between the Space System/Loral, Inc. and the Company (Incorporated by reference to Exhibit 10.5.9 to the 1996 Form 10-K
- 10.4.10 Amendment No. 11 to Satellite Construction Agreement, effective March 24, 1997, between the Space Systems/Loral, Inc., and the Company (Incorporated by reference to Exhibit 10.5.10 to the 1996 Form 10-K.
- 10.4.11 Amendment No. 12 to Satellite Construction Agreement, effective April 25, 1997, between the Space Systems/Loral, Inc. and the Company.
- 10.5 Assignment of Technology Agreement, dated April 15, 1993, between Robert Briskman and the Company (Incorporated by reference to Exhibit 10.10 to the Registration Statement).
- 10.6 Assignment of Technology Agreement, dated April 15, 1993, between Robert Briskman and the Company.

</TABLE>

<TABLE>  
<CAPTION>  
EXHIBIT  
NUMBER  
- - - - -

DESCRIPTION  
- - - - -

- <S>
- 10.7.1 Launch Reservation Agreement, dated September 20, 1993, between the Company and Arianespace (Incorporated by reference to Exhibit 10.15.1 to the Registration Statement).
- 10.7.2 Modification of Launch Reservation Agreement, dated April 1, 1994, between Arianespace (Incorporated by reference to Exhibit 10.1 5.2 to the Registration Statement).
- 10.7.3 Second Modification of Launch Reservation Agreement, dated August to, 1994, between the Company and Arianespace (Incorporated by reference to Exhibit 10.,15.3 to the Registration Statement).
- 10.7.4 Third Modification Launch Reservation Agreement, dated November 8, 1995, between the Company and Arianespace (Incorporated by reference to Exhibit 10.14.4 to the Company's Form 10Q for the period ended September 30, 1996).
- 10.7.5 Fourth Modification of Launch Reservation Agreement, dated August 30, 1996, between the Company and Arianespace (Incorporated by reference to Exhibit 10.14.5 to the Company's Form 10-Q for the period ended September 30. 1995).
- 10.7.6 Fifth Modification of Launch Reservation Agreement, dated December 10, 1996, between the Company and Arianespace.
- 10.8.1 Employment and Noncompetition Agreement between the Company and

	David Margolese (Incorporated by reference to Exhibit 10.18.1 to the Registration Statement).
10.8.2	First Amendment to Employment Agreement between the Company and David Margolese (Incorporated by reference to Exhibit 10.18.2 to the Registration Statement).
10.9.1	Employment and Noncompetition Agreement between the Company and Robert Briskman (Incorporated by reference to Exhibit 10.19.1 to the Registration Statement).
10.9.2	First Amendment to Employment Agreement between the Company and Robert Briskman (Incorporated by reference to Exhibit 10.19.2 to the Registration Statement).
10.9.3	Second Amendment to Employment Agreement between the Company and Robert Briskman (Incorporated by reference to Exhibit 10.12.3 to the 1996 Form 10-K).
10.10	1994 Stock Option Plan (Incorporated by reference to Exhibit 10.21 to the Registration Statement).
10.11	Amended and Restated 1994 Directors' Nonqualified Stock Option Plan (Incorporated by reference to Exhibit 10.22 to the 1995 Form 10-K).
10.12	Option Agreement, dated as of October 21, 1992, between the Company and Batchelder & Partners, Inc. (Incorporated by reference to Exhibit 10.24 to the Registration Statement).
10.13.1	Demand Note, dated April 19, 1994, in favor of David Margolese (Incorporated by reference to Exhibit 10.28.1 to the Registration Statement).
10.13.2	Note, dated June 30, 1994, in favor of David Margolese (Incorporated by reference to Exhibit 10.28.2 to the Registration Statement).
10.14	Demand Note, dated April 19, 1994, between the Company and D. Friedland (Incorporated by reference to Exhibit 10.29 to the Registration Statement).
10.15	1995 Stock Compensation Plan (Incorporated by reference to Exhibit 10.37 to the 1995 Form 10-K).
10.16	Preferred Stock Investment Agreement dated October 23, 1996 between the Company and certain investors (Incorporated by reference to Exhibit 10.24 to the 1996 Form 10-K).
10.16.1	First Amendment to Preferred Stock Investment Agreement dated March 7, 1997 between the Company and certain investors (Incorporated by reference to Exhibit 10.24.1 to the 1996 Form 10-K).
10.16.2	Second Agreement to Preferred Stock Investment Agreement dated March 14, 1997 between the Company and certain investors (Incorporated by reference to Exhibit 10.24.2 to the 1996 Form 10-K).
10.17	Employment and Noncompetition Agreement between the Company and Joseph Capobianco
10.18	Employment and Noncompetition Agreement between the Company and Keno Thomas
11.1	Statement Re Computation of Historical Net Loss Per Share.
21.1	List of the Company's subsidiaries (incorporated by reference to Exhibit 21.1 to the 1994 Form 10-K).
27	Financial Data Schedule

</TABLE>

- -----

\* Incorporated by reference to the same exhibit number of the Company Registration Statement on Form S-1, Commission File No. 33-74782.

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+ Portions of these exhibits, which are incorporated by reference to Registration No. 33-74782, have been omitted pursuant to an Application for Confidential Treatment filed by the Company with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

(b) Reports on Form 8-K

On March 17, 1997, the Company filed a report on Form 8-K under Item 5 regarding the terms of the FCC auction scheduled for April 1, 1997.

On March 18, 1997, the Company filed a report on Form 8-K under Item 5 regarding the extension of the satellite construction contract with Space Systems/Loral, Inc.

On April 10, 1997, the Company filed a report on Form 8-K under Item 5 and Item 7 regarding the private placement of approximately \$86 million of the 5% Preferred Stock.

On May 5, 1997, the Company filed a report on Form 8-K under Item 5 regarding the completion of the second tranche of the

private placement of the 5% Preferred Stock resulting in an aggregate sale price for the first and second tranches of \$135 million. The Form 8-K also contained a description of the capital stock of the Company.

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#### SIGNATURES

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

CD RADIO INC.

Date: May 15, 1997 By /s/ David Margolese  
-----  
David Margolese  
Chairman of the Board and Chief Executive Officer  
(Duly authorized officer and principal  
financial officer)

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#### INDEX TO EXHIBITS

<TABLE> <CAPTION> EXHIBIT -----	DESCRIPTION -----
<S>	<C>
*3.1	Amended and Restated Certificate of Incorporation.
*3.2	Amended and Restated By-Laws.
3.3	Certificate of Designations of 5% Delayed Convertible Preferred Stock (Incorporated by reference to Exhibit 10.24 to the Form 10-K/A for the year ended December 31, 1996 (the "1996 Form 10-K")).
*4.1	Description of Capital Stock contained in the Amended and Restated Certificate of Incorporation and Certificate of Designations (see Exhibits 3.1 and 3.3).
*4.2	Description of Rights of Security Holders contained in the Amended and Restated Bylaws (see Exhibit 3.2.).
*4.3	Form of Certificate for Shares of Common Stock.
10.1	Lease Agreement, dated October 20, 1992, between 22nd & K Street Office Building Limited Partnership and the Company (Incorporated by reference to Exhibit 10.3 to the Company's Registration Statement on Form S-1 (File No. 33-74782) (the "Registration Statement")).
10.2	Letter Agreement, dated November 18, 1992, between the Company and Batchelder & Partners, Inc. (Incorporated by reference to Exhibit 10.4 to the Registration Statement).
10.3.1	Proprietary Information and Non-Competition Agreement, dated February 9, 1993, for Robert Briskman (Incorporated by reference to Exhibit 10.8.1 to the Registration Statement).
10.3.2	Amendment No. I to Proprietary Information and Non-Competition Agreement between the Company and Robert Briskman (Incorporated by reference to Exhibit 10.8.2 to the Registration Statement).
+10.4.1	Satellite Construction Agreement, dated March 2, 1993, between Space Systems/Loral and the Company (Incorporated by reference to Exhibit 10.9.1 to the Registration Statement).
+10.4.2	Amendment No. I to Satellite Construction Agreement, effective December 28, 1993, between Space Systems/Loral and the Company (Incorporated by reference to Exhibit 10.9.2 to the Registration Statement).
+10.4.3	Amendment No. 2 to Satellite Construction Agreement, effective March 8, 1994, between the Space Systems/Loral and the Company (Incorporated by reference to Exhibit 10.9.3 to the Registration Statement).

- 10.4.4 Amendment No. 3 to Satellite Construction Agreement, effective February 12, 1996, between the Space Systems/Loral, Inc. and the Company (Incorporated by reference to Exhibit 10.9.4 to the Company's Annual Report on Form 10-K for the year ended December 31, 1995 (the "1995 Form 10-K"))
- 10.4.5 Amendment No. 4 to Satellite Construction Agreement, effective June 18, 1996, between the Space Systems/Loral, Inc. and the Company. (Incorporated by reference to Exhibit 10.8.5 to the Company's Form 10-Q for the period ended September 30, 1996.)
- 10.4.6 Amendment No. 5 to Satellite Construction Agreement, effective August 26, 1996, between the Space Systems/Loral, Inc. and the Company. (Incorporated by reference to Exhibit 10.8.6 to the Company's Form 10-Q for the period ended September 30, 1996.)
- 10.4.7 Amendment No. 6 to Satellite Construction Agreement, effective August 26, 1996, between the Space Systems/Loral, Inc. and the Company (Incorporated by reference to Exhibit 10.5.7 to the 1996 Form 10-K).
- 10.4.8 Amendment No. 8 to Satellite Construction Agreement, effective January 29, 1997, between the Space Systems/Loral, Inc. and the Company (Incorporated by reference to Exhibit 10.5.8 to the 1996 Form 10-K).
- 10.4.9 Amendment No. 9 to Satellite Construction Agreement, effective February 26, 1997, between the Space Systems/Loral, Inc. and the Company (Incorporated by reference to Exhibit 10.5.9 to the 1996 Form 10-K).

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- 10.4.10 Amendment No. 11 to Satellite Construction Agreement, effective March 24, 1997, between the Space Systems/Loral, Inc. and the Company (Incorporated by reference to Exhibit 10.5.10 to the 1996 Form 10-K).
- 10.4.11 Amendment No. 12 to Satellite Construction Agreement, effective April 25, 1997, between the Space Systems/Loral, Inc. and the Company.
- 10.5 Assignment of Technology Agreement, dated April 15, 1993, between Robert Briskman and the Company (Incorporated by reference to Exhibit 10.10 to the Registration Statement).
- 10.6 Amended and Restated  
 Option Agreement between the Company and Robert Briskman (Incorporated by reference to Exhibit 10.13 to the Registration Statement).
- 10.7.1 Launch Reservation Agreement, dated September 20, 1993, between the Company and Arianespace (Incorporated by reference to Exhibit 10.15.1 to the Registration Statement).
- 10.7.2 Modification of Launch Reservation Agreement, dated April 1, 1994, between the Company and Arianespace (Incorporated by reference to Exhibit 10.15.2 to the Registration Statement).
- 10.7.3 Second Modification of Launch Reservation Agreement, dated August 10, 1994, between the Company and Arianespace (Incorporated by reference to Exhibit 10.15.3 to the Registration Statement).
- 10.7.4 Third Modification of Launch Reservation Agreement, dated November 8, 1995, between the Company and Arianespace (Incorporated by reference to Exhibit 10.14.4 to the Company's Form 10-Q for the period ended September 30, 1996).
- 10.7.5 Fourth Modification of Launch Reservation Agreement, dated August 30, 1996, between the Company and Arianespace (Incorporated by reference to Exhibit 10.14.5 to the Company's Form 10-Q for the period ended September 30, 1995).
- 10.7.6 Fifth Modification of Launch Reservation Agreement, dated December 10, 1996, between the Company and Arianespace.
- 10.8.1 Employment and Noncompetition Agreement between the Company and David Margolese (Incorporated by reference to Exhibit 10.18.1 to the Registration Statement).
- 10.8.2 First Amendment to Employment Agreement between the Company and David Margolese (Incorporated by reference to Exhibit 10.18.2 to the Registration Statement).
- 10.9.1 Employment and Noncompetition Agreement between the Company and Robert Briskman (Incorporated by reference to Exhibit 10.19.1 to the Registration Statement).
- 10.9.2 First Amendment to Employment Agreement between the Company and Robert Briskman (Incorporated by reference to Exhibit 10.19.2 to the Registration Statement).
- 10.9.3 Second Amendment to Employment Agreement between the Company and Robert Briskman (Incorporated by

reference to Exhibit 10.12.3 to the 1996 Form 10-K).

10.10	1994 Stock Option Plan (Incorporated by reference to Exhibit 10.21 to the Registration Statement).
10.11	Amended and Restated 1994 Directors' Nonqualified Stock Option Plan (Incorporated by reference to Exhibit 10.22 to the 1995 Form 10-K).
10.12	Option Agreement, dated as of October 21, 1992, between the Company and Batchelder & Partners, Inc. (Incorporated by reference to Exhibit 10.24 to the Registration Statement).
10.13.1	Demand Note, dated April 19, 1994, in favor of David Margolese (Incorporated by reference to Exhibit 10.28.1 to the Registration Statement).
10.13.2	Note, dated June 30, 1994, in favor of David Margolese (Incorporated by reference to Exhibit 10.28.2 to the Registration Statement).
10.14	Demand Note, dated April 19, 1994, between the Company and D. Friedland (Incorporated by reference to Exhibit 10.29 to the Registration Statement).
10.15	1995 Stock Compensation Plan (Incorporated by reference to Exhibit 10.37 to the 1995 Form 10-K).

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<TABLE>  
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EXHIBIT

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10.16	Preferred Stock Investment Agreement dated October 23, 1996 between the Company and certain investors (Incorporated by reference to Exhibit 10.24 to the 1996 Form 10-K).
10.16.1	First Amendment to Preferred Stock Investment Agreement dated March 7, 1997 between the Company and certain investors (Incorporated by reference to Exhibit 10.24.1 to the 1996 Form 10-K)..
10.16.2	Second Amendment to Preferred Stock Investment Agreement dated March 14, 1997 between the Company and certain investors (Incorporated by reference to Exhibit 10.24.2 to the 1996 Form 10-K).
10.17	Employment and Noncompetition Agreement between the Company and Joseph Capobianco
10.18	Employment and Noncompetition Agreement between the Company and Keno Thomas
11.1	Statement Re Computation of Historical Net Loss Per Share.
21.1	List of the Company's Subsidiaries (Incorporated by reference to Exhibit 21.1 to the 1994 Form 10-K).
27	Financial Data Schedule

\* Incorporated by reference to the same exhibit number of the Company Registration Statement on Form S-1, Commission File No. 33-74782.

+ Portions of these exhibits, which are incorporated by reference to Registration No. 33-74782, have been omitted pursuant to an Application for Confidential Treatment filed by the Company with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

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AMENDMENT NO. 12  
TO  
CONTRACT NO. SS/L-TP93002-01  
AND  
SPACE SYSTEMS/LORAL  
FOR  
DELIVERY OF CD RADIO DARS SYSTEM

THIS CONTRACT AMENDMENT NO. 12 (the "Amendment") is entered into effective as of the 25th day of April, 1997, between CD RADIO INC. (the "Purchaser") and SPACE SYSTEMS/LORAL, INC. (the "Contractor").

WHEREAS, Contractor and Purchaser are parties to Contract No. SS/L-TP93002- 01 dated March 2, 1993, as amended by the parties thereto, most recently pursuant to Contract Amendment No. 11 dated March 24, 1997 (as so amended, the "Contract").

WHEREAS, Contractor and Purchaser desire to amend the Contract,

NOW, THEREFORE, in consideration of the mutual covenants and conditions in this Amendment and in the Agreement, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. The page from the Contract, attached to this Amendment as Exhibit A and incorporated herein by reference, are hereby substituted for existing pages in the Contract, in their entirety, as follows:

Existing Page (Remove)	Replacement Page (Attached)
71	71

2. All capitalized terms in this Amendment, not otherwise defined herein, shall have the meanings ascribed to them in the Contract.

3. The Contract, as modified by the express terms of this Amendment, is hereby ratified and affirmed by Purchaser and Contractor, and shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Amendment effective as of the date first above written.

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CONTRACTOR:		PURCHASER:	
SPACE SYSTEMS/LORAL, INC.		CD RADIO INC.	
<S>		<C>	
By:	/s/ R.A. Haley	By:	/s/ R.D. Briskman
-----		-----	
Name:	R.A. Haley	Name:	R.D. Briskman
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Title:	Vice President & CFO	Title:	President
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</TABLE>		</TABLE>	

EXHIBIT A - AMENDMENT 12

ARTICLE 44 AGREEMENT EXPIRATION

It is agreed between the Parties that if CD Radio Inc. has not been granted a license and construction permit from the Federal Communications Commission by the end of March 31, 1997, then the provisions of this Contract shall become null and void, and the Parties shall have no further obligation whatsoever to each other, and no financial obligation shall exist by either Party to the other Party.





## EMPLOYMENT AND NONCOMPETITION AGREEMENT

This EMPLOYMENT AND NONCOMPETITION AGREEMENT is dated as of April 16, 1997 (the "Agreement"), by and between CD RADIO INC., a Delaware corporation, (the "Company"), and JOSEPH S. CAPOBIANCO (the "Executive"). In consideration of the mutual covenants and conditions set forth herein, the Company and the Executive agree as follows:

1. EMPLOYMENT. The Company hereby employs the Executive and the Executive hereby accepts employment with the Company subject to the covenants and conditions of this Agreement.

2. DUTIES AND REPORTING RELATIONSHIP.

(a) Duties. The Executive shall be employed in the capacity of a Vice President of the Company responsible for content and programming. During the term of this Agreement the Executive shall, on a full-time basis, use his skills and render services to the best of his ability in supervising the programming affairs of the Company and shall, in addition, perform such other activities and duties as the Chairman and Chief Executive Officer of the Company shall, from time to time, specify and direct.

(b) Reporting Relationship. The Executive shall report to the Chairman and Chief Executive Officer of the Company.

3. TERM. The term of this Agreement shall be deemed to have commenced and be effective on and from April 16, 1997, and end on April 16, 2000, unless terminated earlier pursuant to the provisions of Paragraph 6 below.

4. COMPENSATION.

(a) Annual Salary. During the term of this Agreement, the Executive shall be paid a salary of U.S. \$200,000 per year, subject to any increases that the Board of Directors or the compensation committee thereof shall approve.

(b) Stock Options. The Company hereby grants to the Executive the option to purchase 50,000 shares of the Company's common stock, par value \$0.001 per share (the "Common Stock") at U.S.\$13.00 per share, on such terms and subject to such conditions as are set forth in the option agreement attached hereto as Exhibit A.

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(c) Other. All compensation paid to the Executive hereunder shall be subject to any and all such payroll and withholding deductions as are required by the law of any applicable jurisdiction, state or federal, with taxing authority with respect to such compensation.

5. ADDITIONAL COMPENSATION, EXPENSES AND BENEFITS.

(a) Expenses. The Company shall promptly reimburse the Executive for all reasonable and necessary business expenses incurred and advanced by his in carrying out his duties under this Agreement. The Executive shall present to the Company from time to time an itemized account of such expenses in such form as may be required by the Company.

(b) Benefits. During the term of employment hereunder, the Executive shall be entitled to participate fully in any benefit plans, programs, policies and any fringe benefits which may be made available to the corporate officers of the Company generally including but not limited to medical, dental and life insurance; provided, however, that the Executive shall participate in any bonus, stock option or stock purchase or compensation plan currently in effect or subsequently established by the Company to the extent, and only to the extent authorized by the plan document or the Board of Directors or the compensation committee thereof.

6. TERMINATION.

(a) Termination for Cause. The Company has the right and may elect to terminate this Agreement for Cause. For purposes of this Agreement, "Cause" shall be limited to (i) action by the Executive involving willful malfeasance having a material adverse effect on the Company or (ii) the

Executive being convicted of a felony; provided that any action by the Executive shall not constitute "Cause" if, in good faith, the Executive believed such action to be in or not opposed to the best interests of the Company, or if the Executive shall be entitled, under applicable law or the Certificate of Incorporation or Bylaws of the Company, to be indemnified with respect to such action. Termination or the Executive for Cause pursuant to this Subparagraph 6(a) shall be communicated by a Notice of Termination. For purposes of this Agreement a "Notice of Termination" shall mean delivery to the Executive of a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the directors present and voting at a meeting of the Company's Board or Directors called and held for that purpose after reasonable notice to the Executive and reasonable opportunity for the Executive, together with the Executive's counsel, to be heard before the Board prior to such vote, finding that in the good faith opinion of the Board the Executive was

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guilty of conduct set forth in the first sentence of this Subparagraph 6(a) and specifying the particulars thereof in detail (the date of such termination by the Board is referred hereinafter as the "Termination Date"). For purposes of this Agreement, no such purported termination of the Executive's employment shall be effective without such Notice of Termination.

(b) Voluntary Resignation. Should the Executive wish to resign from his position with the Company during the term of his employment, the Executive shall give thirty (30) days written notice to the Company, setting forth the reasons and specifying the date as of which his resignation is to become effective. The date specified in such written notice shall be referenced herein as the "Termination Date." Failure to provide such notice shall entitle the Company only to fix the Termination Date as of the last business day on which the Executive reported for work at his principal place of employment with the Company and shall have no other effect.

(c) Without Cause. The Company shall have the absolute right to terminate the Executive's employment without cause at any time. If the Company elects to terminate the Executive without cause, the Company shall give thirty (30) days written notice to the Executive. Thirty (30) days after such notice is given to the Executive shall be referenced herein as the "Termination Date."

(d) Compensation and Benefits Upon Termination. If the employment of the Executive is terminated for any reason except (i) by the Company for Cause or (ii) by the Executive voluntarily, the Executive shall be entitled to receive, and the Company shall pay without setoff, counterclaim or other withholding except as set forth in Paragraph 4(c) the following amount (in addition to any salary, benefits or other sums due the Executive through the Termination Date):

(i) nothing (\$0.00) if the written notice advising of the Executive's termination is given on or before, July 16, 1997;

(ii) an amount equal to one-third (1/3) of his annual salary then in effect, if the written notice advising of the Executive's termination is given after July 16, 1997 but on or before October 16, 1997; or

(iii) an amount equal to one-half (1/2) of his annual salary then in effect, if the written notice advising of the Executive's termination is given after October 16, 1997.

Any amount becoming payable under this Paragraph 6(d) shall be paid on the Termination Date.

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7. NONDISCLOSURE OF CONFIDENTIAL INFORMATION. As a condition of his employment hereunder, the Executive has executed and delivered to the Company an agreement addressing the nondisclosure of confidential information (the "Nondisclosure Agreement") in the form attached hereto as Exhibit B and incorporated herein by reference as if set forth in full herein.

8. COVENANT NOT TO COMPETE. For a period beginning on the date of this Agreement and ending one (1) years after the Termination Date, the Executive will not, directly or indirectly, enter into the employment of, render services to or acquire any interest whatsoever in (whether for his own account as an individual proprietor, or as a partner, associate, shareholder,

officer, director, consultant, trustee or otherwise), or otherwise assist, any person or entity engaged in any operations in North America involving any satellite digital audio radio service or any subscription-based digital audio radio service delivered to cars or other mobile vehicles; provided, however, that nothing herein shall prevent the purchase or ownership by the Executive by way of investment of up to four percent (4%) of the shares or equity interest of any corporation or other entity. Without limiting the generality of the foregoing, the Executive agrees that during the one (1) year period set forth above the Executive will not call on or otherwise solicit business or assist others to solicit business from any of the customers or potential customers of the Company as to any product or service that competes with any product or service provided or marketed by or actually under development by the Company at the time of the Executive's termination. The Executive furthermore agrees that he will not solicit or assist others to solicit the employment of or hire any employee of the Company throughout the term of this Covenant Not To Compete without the prior written consent of the Company. Notwithstanding the foregoing, this Covenant Not To Compete will not become effective and will be null and void, and of no force and effect, in the event the notice of termination of the Executive's employment hereunder is given for any reason prior to July 16, 1997.

9. REMEDIES. The Executive agrees that damages for breach of any of his covenants under Paragraphs 7 and 8 above will be difficult to determine and inadequate to remedy the harm which may be caused thereby, and therefore consents that these covenants may be enforced by temporary or permanent injunction without the necessity of bond. Such injunctive relief shall be in addition to and not in place of any other remedies available at law or equity. The Executive believes, as of the date of this Agreement, that the provisions of this Agreement are reasonable and that the Executive is capable of gainful employment without breaching this Agreement. However, should any court or tribunal decline to enforce any provision of Paragraph 7 or 8 of this Agreement, this Agreement shall, to the extent applicable in the

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circumstances before such court or tribunal, be deemed to be modified to restrict the Executive's competition with the Company to the maximum extent of time, scope and geography which the court or tribunal shall find enforceable, and such provisions shall be so enforced. The losing party shall reimburse the prevailing party for any costs and attorneys fees incurred in connection with any action to enforce the covenants under Paragraph 8 above. The Company and the Executive shall have available to them all remedies at law and in equity for the enforcement of this Agreement, which remedies (including but not limited to termination of this Agreement as provided herein) shall be cumulative and not elective.

10. INDEMNIFICATION. The Company shall indemnify the Executive to the full extent provided in the Company's Certificate of Incorporation and Bylaws and the law of the State of Delaware in connection with his activities as an officer and director of the Company.

11. GOLDEN PARACHUTE PAYMENTS. If as a result of a change in control, the Executive is required to pay an excise tax on "excess parachute payments" (as defined in Section 280G(b) of the Code) under Section 4999 of the Code, the Company shall reimburse the Executive for the amount of such taxes paid. In addition, the Company shall pay the Executive such additional amounts as are necessary to place the Executive in the same financial position that she would have been in if she had not incurred any tax liability under Section 4999 of the Code as a result of such change in control; provided, however, that the Company shall in no event pay the Executive any amounts with respect to any penalties or interest due under any provision of the Code. The determination of the amount, if any, of any "excess parachute payments" and any tax liability under Section 4999 of the Code shall be made by a nationally-recognized independent accounting firm agreed to by the Company and the Executive. The fees and expenses of such accounting firm shall be paid by the Company. The determination of such accounting firm shall be final and binding on the parties. The Company agrees to pay to the Executive any amounts to be paid or reimbursed under this Paragraph 11 within thirty (30) days after receipt by the Company of written notice from the accounting firm which sets forth such accounting firm's determination.

12. ENTIRE AGREEMENT. The provisions contained herein and the exhibits hereto constitute the entire agreement between the parties with respect to the subject matter hereof and supersede any and all prior agreements, understandings and communications between the parties, oral or written, with respect to such subject matter.

13. MODIFICATION. Any waiver, alteration, amendment or modification of any provisions of this Agreement and the

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exhibits hereto shall not be valid unless in writing, approved by a majority of the directors of the Company who are not full-time employees of the Company, and signed by both the Executive and the Company.

14. SEVERABILITY. If any provision of this Agreement shall be declared to be invalid or unenforceable, in whole or in part, such invalidity or unenforceability shall not affect the remaining provisions hereof, which shall remain in full force and effect.

15. ASSIGNMENT. The Executive may not assign any of his rights or delegate any of his duties hereunder without the written consent of the Company. The Company may not assign any of its rights or delegate any of its obligations hereunder.

16. BINDING EFFECT. Subject to the limitations set forth in Paragraph 13 above, this Agreement shall be binding upon and inure to the benefit of the successors in interest of the Executive and the Company.

17. NOTICE. All notices and other communications required or permitted hereunder shall be made in writing and shall be deemed effective when initially transmitted by courier or facsimile transmission and five (5) days after mailing by registered or certified mail:

(i) if to the Company:

CD Radio Inc.  
Sixth Floor  
1001 22nd Street, N.W.  
Washington, D.C. 20037  
Telecopier No.: (202)296-6265

(ii) if to the Executive:

Joseph S. Capobianco  
14 Evergreen Court  
Suffern, New York 10901  
Telecopier No.: (914)368-1720

or to such other person or address as either of the parties shall furnish in writing to the other party from time to time.

17. CHOICE OF LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts made and to be performed entirely within said state jurisdiction.

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18. ATTORNEYS' FEES. In the event of litigation arising out of or in connection with this Agreement, the prevailing party shall be entitled to recover from the other party all of its attorneys' fees and other expenses incurred in connection with such litigation.

19. NON-MITIGATION. After the termination of his employment hereunder, the Executive shall not be required to mitigate damages or the amount of any benefit or payment provided under this Agreement by seeking other employment, or otherwise; nor shall the amount of any benefit or payment provided for under this Agreement be reduced by any compensation earned by the Executive as the result of employment by another employer.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above mentioned.

CD RADIO INC.

By: /s/ David Margolese

-----  
Name: David Margolese  
Title: Chairman and Chief  
Executive Officer

EXECUTIVE

/s/ Joseph S. Capobianco

-----  
Joseph S. Capobianco

## EMPLOYMENT AND NONCOMPETITION AGREEMENT

This EMPLOYMENT AND NONCOMPETITION AGREEMENT is dated as of April 28, 1997 (the "Agreement"), by and between CD RADIO INC., a Delaware corporation, (the "Company"), and KENO THOMAS (the "Executive"). In consideration of the mutual covenants and conditions set forth herein, the Company and the Executive agree as follows:

1. EMPLOYMENT. The Company hereby employs the Executive and the Executive hereby accepts employment with the Company subject to the covenants and conditions of this Agreement.

2. DUTIES AND REPORTING RELATIONSHIP.

(a) Duties. The Executive shall be employed in the capacity of a Executive Vice President of the Company responsible for marketing. During the term of this Agreement the Executive shall, on a full-time basis, use his skills and render services to the best of his ability in supervising the marketing affairs of the Company and shall, in addition, perform such other activities and duties as the Chairman and Chief Executive Officer of the Company shall, from time to time, specify and direct.

(b) Reporting Relationship. The Executive shall report to the Chairman and Chief Executive Officer of the Company.

3. TERM. The term of this Agreement shall be deemed to have commenced and be effective on and from April 28, 1997, and end on April 28, 2000, unless terminated earlier pursuant to the provisions of Paragraph 6 below.

4. COMPENSATION.

(a) Annual Salary. During the term of this Agreement, the Executive shall be paid a salary computed on an annualized base of U.S. \$225,000.00 per year for the period of his employment hereunder through December 31, 1997 and thereafter during the balance of the term of this Agreement at a salary computed on an annualized base of \$250,000.00, subject to any increases that the Board of Directors or the compensation committee thereof shall approve.

(b) Stock Options. The Company hereby grants to the Executive the option to purchase 50,000 shares of the Company's common stock, par value \$0.001 per share (the "Common

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Stock") at U.S.\$12.875 per share, on such terms and subject to such conditions as are set forth in the option agreement attached hereto as Exhibit A.

(c) Other. All compensation paid to the Executive hereunder shall be subject to any and all such payroll and withholding deductions as are required by the law of any applicable jurisdiction, state or federal, with taxing authority with respect to such compensation.

5. ADDITIONAL COMPENSATION, EXPENSES AND BENEFITS.

(a) Expenses. The Company shall promptly reimburse the Executive for all reasonable and necessary business expenses incurred and advanced by him in carrying out his duties under this Agreement. The Executive shall present to the Company from time to time an itemized account of such expenses in such form as may be required by the Company.

(b) Benefits. During the term of employment hereunder, the Executive shall be entitled to participate fully in any benefit plans, programs, policies and any fringe benefits which may be made available to the corporate officers of the Company generally including but not limited to medical, dental and life insurance; provided, however, that the Executive shall participate in any bonus, stock option or stock purchase or compensation plan currently in effect or subsequently established by the Company to the extent, and only to the extent authorized by the plan document or the Board of Directors or the compensation committee thereof.

(c) Moving Expenses. The Executive presently resides in Los Angeles, California. It is expect and understood as a condition of his continued employment under this Agreement that the Executive shall

establish his principal residence within the metropolitan area of the City of New York, New York within [sixty (60) days] after his receipt from the Company of a written request that he do so, but in all events on or before December 31, 1997. The Company shall reimburse him for the reasonable expenses which he shall incur in moving his principal residence to New York, including, but not limited to, the costs of shipping his furniture, furnishing and personal effects to New York and any fees or commissions he may incur in leasing a residence there.

6. TERMINATION.

(a) Termination for Cause. The Company has the right and may elect to terminate this Agreement for Cause. For purposes of this Agreement, "Cause" shall be limited to (i) action by the Executive involving willful malfeasance having a material adverse effect on the Company or (ii) the Executive

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being convicted of a felony; provided that any action by the Executive shall not constitute "Cause" if, in good faith, the Executive believed such action to be in or not opposed to the best interests of the Company, or if the Executive shall be entitled, under applicable law or the Certificate of Incorporation or Bylaws of the Company, to be indemnified with respect to such action. Termination of the Executive for Cause pursuant to this Subparagraph 6(a) shall be communicated by a Notice of Termination. For purposes of this Agreement a "Notice of Termination" shall mean delivery to the Executive of a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the directors present and voting at a meeting of the Company's Board or Directors called and held for that purpose after reasonable notice to the Executive and reasonable opportunity for the Executive, together with the Executive's counsel, to be heard before the Board prior to such vote, finding that in the good faith opinion of the Board the Executive was guilty of conduct set forth in the first sentence of this Subparagraph 6(a) and specifying the particulars thereof in detail (the date of such termination by the Board is referred hereinafter as the "Termination Date"). For purposes of this Agreement, no such purported termination of the Executive's employment shall be effective without such Notice of Termination.

(b) Voluntary Resignation. Should the Executive wish to resign from his position with the Company during the term of his employment, the Executive shall give thirty (30) days written notice to the Company, setting forth the reasons and specifying the date as of which his resignation is to become effective. The date specified in such written notice shall be referenced herein as the "Termination Date." Failure to provide such notice shall entitle the Company only to fix the Termination Date as of the last business day on which the Executive reported for work at his principal place of employment with the Company and shall have no other effect.

(c) Without Cause. The Company shall have the absolute right to terminate the Executive's employment without cause at any time. If the Company elects to terminate the Executive without cause, the Company shall give thirty (30) days written notice to the Executive. Thirty (30) days after such notice is given to the Executive shall be referenced herein as the "Termination Date."

(d) Compensation and Benefits Upon Termination. If the employment of the Executive is terminated for any reason except (i) by the Company for Cause or (ii) by the Executive voluntarily, the Executive shall be entitled to receive, and the Company shall pay to the Executive without setoff, counterclaim or other withholding except as set forth in Paragraph 4(c) an amount (in addition to any salary, benefits or other sums due the Executive through the Termination Date) equal to one-half (1/2)

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of his annualized salary base then in effect. Any amount becoming payable under this Paragraph 6(d) shall be paid on the Termination Date.

7. NONDISCLOSURE OF CONFIDENTIAL INFORMATION. As a condition of his employment hereunder, the Executive has executed and delivered to the Company an agreement addressing the nondisclosure of confidential information (the "Nondisclosure Agreement") in the form attached hereto as Exhibit B and incorporated herein by reference as if set forth in full herein.

8. COVENANT NOT TO COMPETE. For a period beginning on the date of this Agreement and ending one (1) years after the Termination Date, the Executive will not, directly or indirectly, enter into the employment of, render services to or acquire any interest whatsoever in (whether for his own

account as an individual proprietor, or as a partner, associate, shareholder, officer, director, consultant, trustee or otherwise), or otherwise assist, any person or entity engaged in any operations in North America involving any satellite digital audio radio service or any subscription-based digital audio radio service delivered to cars or other mobile vehicles; provided, however, that nothing herein shall prevent the purchase or ownership by the Executive by way of investment of up to four percent (4%) of the shares or equity interest of any corporation or other entity. Without limiting the generality of the foregoing, the Executive agrees that during the one (1) year period set forth above the Executive will not call on or otherwise solicit business or assist others to solicit business from any of the customers or potential customers of the Company as to any product or service that competes with any product or service provided or marketed by or actually under development by the Company at the time of the Executive's termination. The Executive furthermore agrees that he will not solicit or assist others to solicit the employment of or hire any employee of the Company throughout the term of this Covenant Not To Compete without the prior written consent of the Company.

9. REMEDIES. The Executive agrees that damages for breach of any of his covenants under Paragraphs 7 and 8 above will be difficult to determine and inadequate to remedy the harm which may be caused thereby, and therefore consents that these covenants may be enforced by temporary or permanent injunction without the necessity of bond. Such injunctive relief shall be in addition to and not in place of any other remedies available at law or equity. The Executive believes, as of the date of this Agreement, that the provisions of this Agreement are reasonable and that the Executive is capable of gainful employment without breaching this Agreement. However, should any court or tribunal decline to enforce any provision of Paragraph 7 or 8 of this Agreement, this Agreement shall, to the extent applicable in the circumstances before such court or tribunal, be deemed to be

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modified to restrict the Executive's competition with the Company to the maximum extent of time, scope and geography which the court or tribunal shall find enforceable, and such provisions shall be so enforced. The losing party shall reimburse the prevailing party for any costs and attorneys fees incurred in connection with any action to enforce the covenants under Paragraph 8 above. The Company and the Executive shall have available to them all remedies at law and in equity for the enforcement of this Agreement, which remedies (including but not limited to termination of this Agreement as provided herein) shall be cumulative and not elective.

10. INDEMNIFICATION. The Company shall indemnify the Executive to the full extent provided in the Company's Certificate of Incorporation and Bylaws and the law of the State of Delaware in connection with his activities as an officer and director of the Company.

11. GOLDEN PARACHUTE PAYMENTS. If as a result of a change in control, the Executive is required to pay an excise tax on "excess parachute payments" (as defined in Section 280G(b) of the Code) under Section 4999 of the Code, the Company shall reimburse the Executive for the amount of such taxes paid. In addition, the Company shall pay the Executive such additional amounts as are necessary to place the Executive in the same financial position that he would have been in if he had not incurred any tax liability under Section 4999 of the Code as a result of such change in control; provided, however, that the Company shall in no event pay the Executive any amounts with respect to any penalties or interest due under any provision of the Code. The determination of the amount, if any, of any "excess parachute payments" and any tax liability under Section 4999 of the Code shall be made by a nationally-recognized independent accounting firm agreed to by the Company and the Executive. The fees and expenses of such accounting firm shall be paid by the Company. The determination of such accounting firm shall be final and binding on the parties. The Company agrees to pay to the Executive any amounts to be paid or reimbursed under this Paragraph 11 within thirty (30) days after receipt by the Company of written notice from the accounting firm which sets forth such accounting firm's determination.

12. ENTIRE AGREEMENT. The provisions contained herein and the exhibits hereto constitute the entire agreement between the parties with respect to the subject matter hereof and supersede any and all prior agreements, understandings and communications between the parties, oral or written, with respect to such subject matter.

13. MODIFICATION. Any waiver, alteration, amendment or modification of any provisions of this Agreement and the exhibits hereto shall not be valid unless in writing, approved by

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a majority of the directors of the Company who are not full-time employees of the Company, and signed by both the Executive and the Company.

14. SEVERABILITY. If any provision of this Agreement shall be declared to be invalid or unenforceable, in whole or in part, such invalidity or unenforceability shall not affect the remaining provisions hereof, which shall remain in full force and effect.

15. ASSIGNMENT. The Executive may not assign any of his rights or delegate any of his duties hereunder without the written consent of the Company. The Company may not assign any of its rights or delegate any of its obligations hereunder.

16. BINDING EFFECT. Subject to the limitations set forth in Paragraph 13 above, this Agreement shall be binding upon and inure to the benefit of the successors in interest of the Executive and the Company.

17. NOTICE. All notices and other communications required or permitted hereunder shall be made in writing and shall be deemed effective when initially transmitted by courier or facsimile transmission and five (5) days after mailing by registered or certified mail:

(i) if to the Company:

CD Radio Inc.  
Sixth Floor  
1001 22nd Street, N.W.  
Washington, D.C. 20037  
Telecopier No.: (202)296-6265

(ii) if to the Executive:

Keno Thomas  
325 16th Street  
Santa Monica, California 90402  
Telecopier No.: (310)899-9191

or to such other person or address as either of the parties shall furnish in writing to the other party from time to time.

18. CHOICE OF LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts made and to be performed entirely within said state jurisdiction.

19. ATTORNEYS' FEES. In the event of litigation arising out of or in connection with this Agreement, the

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prevailing party shall be entitled to recover from the other party all of its attorneys' fees and other expenses incurred in connection with such litigation.

20. NON-MITIGATION. After the termination of his employment hereunder, the Executive shall not be required to mitigate damages or the amount of any benefit or payment provided under this Agreement by seeking other employment, or otherwise; nor shall the amount of any benefit or payment provided for under this Agreement be reduced by any compensation earned by the Executive as the result of employment by another employer.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above mentioned.

CD RADIO INC.

By: /s/ Lawrence F. Gilberti  
-----  
Name: Lawrence F. Gilberti  
Title: Secretary

EXECUTIVE

/s/ Keno Thomas  
-----  
Keno Thomas



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