

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For The Quarterly Period Ended March 31, 1998

Commission file number 0-24710

CD RADIO INC.

(Exact name of registrant as specified in its charter)

DELAWARE

52-1700207

(State or other jurisdiction of
incorporation or organization)
No.)

(I.R.S. Employer
Identification

1180 AVENUE OF THE AMERICAS,
14TH FLOOR,
NEW YORK, NEW YORK 10036

(Address of principal executive offices)
(Zip code)

212-899-5000

(Registrant's telephone number, including area code)

SIXTH FLOOR, 2175 K STREET, N.W., WASHINGTON, D.C. 20037

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

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

Yes No

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

COMMON STOCK, \$.001 PAR VALUE 16,048,691 SHARES

(Class) (Outstanding as of May 13, 1998)

CD RADIO INC.
(A DEVELOPMENT STAGE ENTERPRISE)

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

	Three Months Ended March 31,		Cumulative for the period May 17, 1990 (date of inception) to March 31, 1998
	1998	1997	
Revenue	\$ --	\$ --	\$ --
Operating expenses:			
Legal, consulting and regulatory fees	978,013	307,439	11,463,421
Other general and administrative	1,338,018	284,877	12,442,359
Research and development	16,031	19,603	1,989,012
Write-off of investment in Sky-Highway Radio Corp.	--	--	2,000,000
Total operating expenses	2,332,062	611,919	27,894,792
Other income (expense)			
Interest income	2,317,633	59,681	6,720,114
Interest expense	(5,822,931)	(4,910)	(7,935,344)
	(3,505,298)	54,771	(1,215,230)
Net loss	(5,837,360)	(557,148)	(29,110,022)
Preferred stock dividend	(4,781,430)	--	(7,119,022)
Preferred stock deemed dividend	--	--	(51,975,000)
Accretion of dividends in connection with the issuance of Warrants on Preferred Stock	(4,274,737)	--	(4,274,737)
Net loss applicable to common stockholders	\$(14,893,527)	\$ (557,148)	\$(92,478,781)
Per common shares:			
Net loss	\$ (0.36)	\$ (0.05)	
Preferred stock dividend requirements	(0.30)	--	
Accretion of dividends in connection with the issuance of Warrants on Preferred Stock	(0.27)	--	
Net loss applicable to common stockholders (basic and diluted)	\$ (0.93)	\$ (0.05)	
Weighted average common shares outstanding (basic and diluted)	16,048,691	10,301,331	

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

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

ASSETS

	March 31, 1998	December 31, 1997
	(unaudited)	
Current assets:		
Cash and cash equivalents	\$160,793,813	\$170,381,220
Prepaid expense and other	814,556	928,068
Total current assets	161,608,369	171,309,288
Property and equipment, at cost:		
Satellite construction in process	56,018,000	49,400,000
Launch construction in process	27,229,027	10,884,804
Technical equipment	254,200	254,200
Office equipment and other	111,693	96,345
Demonstration equipment	38,664	38,664
Less accumulated depreciation	83,651,584 (252,969)	60,674,013 (243,031)
Total other assets	83,398,615	60,430,982
Other assets:		
FCC license	83,346,000	83,346,000
Debt issue cost, net	8,397,915	8,617,398
Deposits	103,793	103,793
Total other assets	91,847,708	92,067,191
Total assets	\$336,854,692	\$323,807,461

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable and accrued expenses	179,192	401,147
Other	--	14,356
Total current liabilities	179,192	415,503
Notes payable and accrued interest	150,507,512	131,386,610
Dividends payable	7,119,022	2,337,592
Total liabilities	157,805,726	134,139,705
Commitments and contingencies		
10.5% Series C Convertible Preferred Stock, no par value; 2,025,000 shares authorized, 1,846,799 shares issued and outstanding at March 31, 1998 and December 31, 1997 (liquidation preference of \$184,679,900), at net carrying value	108,203,918	110,237,336
Stockholders' equity:		
Preferred stock, \$0.001 par value, 50,000,000 shares authorized; 8,000,000 shares designated as 5% Delayed Convertible Preferred Stock; none issued or outstanding	--	--
Common stock, \$0.001 par value; 200,000,000 shares authorized; and 16,048,691 shares issued and outstanding as of March 31, 1998 and December 31, 1997	16,049	16,049
Additional paid-in capital	99,939,021	102,687,033
Deficit accumulated during the development stage	(29,110,022)	(23,272,662)
Total stockholders' equity	70,845,048	79,430,420
Total liabilities and stockholders' equity	\$336,854,692	\$323,807,461

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)

	Three Months Ended March 31,		Cumulative for the period May 17, 1990 (date of inception) to March 31, 1998
	1998	1997	
Cash flows from development stage activities:			
Net Loss	\$ (5,837,360)	\$ (557,148)	\$ (29,110,022)
Adjustments to reconcile net loss to net cash used in development stage activities:			
Depreciation expense	9,938	10,571	263,068
Amortization of debt issue costs	219,483	--	292,644
Write off of investment in Sky-Highway Radio Corp.	--	--	2,000,000
Accretion of notes payable charged as interest expense	5,603,448	--	7,471,264
Compensation expense in connection with issuance of stock options	--	--	2,163,625
Common stock issued for services rendered	--	--	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:			
Prepaid expense and other	113,512	2,810	(814,556)
Due to related party	--	--	350,531
Deposits	--	--	(303,793)
Accounts payable and accrued expenses	(221,955)	26,291	254,431
Accrued interest and other liabilities	(14,356)	(5,218)	--
Net cash used in development stage activities	(127,290)	(522,694)	(16,411,412)
Cash flows from investing activities:			
Purchase of FCC license	--	(3,000,000)	(83,346,000)
Payments for satellite construction	(6,618,000)	--	(55,918,000)
Advance payments for launch services	(2,826,769)	--	(9,118,383)
Capital expenditures	(15,348)	--	(414,656)
Acquisition of Sky-Highway Radio Corp.	--	--	(2,000,000)
Net cash used in investing activities	(9,460,117)	(3,000,000)	(150,797,039)
Cash flows from financing activities:			
Proceeds from issuance of common stock, net	--	--	85,379,320
Proceeds from issuance of 5% Preferred Stock, net	--	--	120,517,811
Proceeds from exercise of stock options	--	18,800	211,000
Proceeds from exercise of stock warrants	--	--	4,589,088
Proceeds from issuance of promissory note and Units	--	--	116,535,045
Proceeds from issuance of promissory notes to related parties	--	--	2,965,000
Repayment of promissory note	--	--	(200,000)
Repayment of promissory notes to related parties	--	--	(2,435,000)
Loan from officer	--	--	440,000
Net cash provided by financing activities	--	18,800	328,002,264
Net increase (decrease) in cash and cash equivalents	(9,587,407)	(3,503,894)	160,793,813
Cash and cash equivalents at the beginning of period	170,381,220	4,583,562	--
Cash and cash equivalents at the end of period	\$ 160,793,813	\$ 1,079,668	\$ 160,793,813

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
MARCH 31, 1998
(UNAUDITED)

GENERAL

The accompanying unaudited consolidated financial statements of CD Radio Inc. (the "Company") 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. These financial statements should be read in connection with the Company's consolidated financial statements and the notes thereto for the fiscal year ended December 31, 1997 included in the Company's annual report on Form 10-K as filed with the Securities and Exchange Commission (the "SEC").

NET LOSS PER COMMON SHARE

Net loss per common share is based on the weighted average number of common shares outstanding during such periods. Options and warrants granted by the Company have not been included in the calculation of net loss per share because such items were antidilutive. Since December 15, 1997, the Company is required to report earnings (loss) per share in accordance with Statement of Financial Accounting Standards No. 128, "Earnings Per Share" ("SFAS No. 128"). As long as the Company continues to experience net losses, there will be no impact on the Company's net loss per common share from adoption of SFAS No. 128. Earnings per share for all periods presented conform to SFAS No. 128.

COMPREHENSIVE INCOME

In 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income" ("SFAS No. 130"), which requires additional reporting with respect to certain changes in assets and liabilities that previously were included in stockholders' equity. The Company has no comprehensive income items to report for the current presentation.

RECENT ACCOUNTING PRONOUNCEMENTS

The FASB has issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," which requires financial and descriptive information with respect to operating segments of an entity based on the way management disaggregates the entity for internal operating decisions. There is no impact to the Company's March 31, 1998 financial statements from the adoption of this standard.

NON CASH TRANSACTIONS

During the three months ended March 31, 1998, the Company borrowed a total of \$13,240,000 under the loan agreements (the "AEF Agreements"), dated July 22, 1997, between the Company and Arianespace Finance S.A. Capitalized interest on these borrowings was \$277,000 for the quarter. These amounts are reflected in the Launch Construction in Process and Notes Payable balances at March 31, 1998.

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

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

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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, obtaining regulatory approval for the CD Radio service, commencement of construction of three satellites, acquisition of content for its programming, strategic planning, market research, recruitment of its senior management team and securing financing for working capital and capital expenditures. In April 1997, the Company was the winning bidder in a FCC auction for one of two FCC Licenses with a winning bid of \$83 million, of which \$17 million was paid as a deposit. The Company paid the balance due the FCC in October 1997 and was awarded the FCC License on October 10, 1997. The Company does not expect to generate any revenues from operations until 2000 at the earliest, and expects that positive cashflow from operations will not be generated until late 2000 at the earliest. In addition, the Company will require substantial additional capital to complete development and commence commercial operations of CD Radio. There can be no assurance that CD Radio will ever commence operations, that the Company will attain any particular level of revenues or that the Company will achieve profitability.

Upon commencing commercial operations, the Company expects its primary source of revenues to be monthly subscription fees. The Company currently anticipates that its subscription fee will be \$9.95 per month to receive CD Radio broadcasts, with a one time, modest activation fee per subscriber. In addition, the Company expects to derive additional revenues from providers of sports, news and talk programming for providing national distribution of their programming to CD Radio subscribers and from directly selling or bartering advertising time on the Company's sports, news and talk channels. To receive CD Radio, subscribers will need to purchase a radio card or S-band radio together with the associated miniature satellite dish antenna.

The Company does not intend to manufacture these products and thus will not receive any revenues from their sale. Although the Company holds patents covering certain technology to be used in the radio cards, S-band radios and miniature satellite dish antennas, the Company expects to license its technology to manufacturers at no charge.

The Company expects that the operating expenses associated with commercial operations will consist primarily of marketing, sales, programming, maintenance of the satellite and broadcasting system and general and administrative costs. Costs to acquire programming are expected to include payments to build and maintain an extensive music library and royalty payments for broadcasting music (calculated based on a percentage of revenues). Marketing, sales, general and administrative costs are expected to consist primarily of advertising costs, salaries of employees, rent and other administrative expenses. The Company expects that the number of its employees will increase from 16 on March 31, 1998, to approximately 130 by the time it commences commercial operations.

In addition to funding initial operating losses, the Company will require funds for working capital, interest and financing costs on borrowings and capital expenditures. The Company's interest expense will increase significantly as a result of the issuance in November 1997 of Units (the "Units") consisting of the Company's 15% Senior Secured Discount Notes due 2007 ("Senior Secured Notes") and warrants (the "Warrants") to purchase additional Senior Secured Notes. However, a substantial portion of this indebtedness will not require cash payments of interest until 2003.

On March 31, 1998, the Company signed a lease (the "Lease") for the 36th and 37th floors and certain portions of the roof and basement at 1221 Avenue of the Americas, New York, New York, to house the Company's new headquarters and National Broadcast Studio. The Company will use portions of the roof to install and maintain satellite transmission equipment and will use a portion of the 8th floor setback to install an emergency electric power generator. The term of the Lease is 15 years and 10 months, with an option to renew for an additional five years at fair market value. The Company also has a right of first refusal, from and after the third anniversary of the commencement date, to lease any full floor which becomes available on floors 27 through 37 of the building at fair market value. The initial annual rental beginning October 1, 1998 is approximately \$4 million, with specified increases and escalations based on operating expenses.

In April 1998, the Company entered into an agreement with Lucent Technologies, Inc. ("Lucent") for the development and manufacture of a chip set that will be the essential element of S-band radios and of a plug and play adapter card ("radio card") that will enable consumers to receive CD Radio in their cars through existing cassette and CD players.

RESULTS OF OPERATIONS

The Company recorded net losses of \$5,837,000 and \$557,000 for the three months ended March 31, 1998 and 1997, respectively. The Company's total operating expenses were \$2,332,000 and \$612,000 for the three months ended March 31, 1998 and 1997, respectively.

Legal, consulting and regulatory fees increased for the three months ended March 31, 1998 to \$978,000 from \$307,000 for the three months ended March 31, 1997. The increase in the level of expenditures is the result of greater consulting expenses due to the accelerated execution of the Company's business plan.

Research and development costs were \$16,000 and \$20,000 for the three months ended March 31, 1998 and 1997, 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, 1998 to \$1,338,000 from \$285,000 for the three months ended March 31, 1997. General and administrative activities have grown as the Company continues to expand its management team and the workforce necessary to develop and commence the broadcast of CD Radio.

The increase of interest income to \$2,318,000 for the three months ended March 31, 1998, from \$60,000 in the three months ended March 31, 1997, was the result of a higher average cash balance during the first quarter of 1998. The cash and cash equivalents on hand were primarily obtained from the public offerings of 3,050,000 shares of common stock (the "Common Stock Offering") and the Units (the "Units Offering") completed in November 1997, as well as the sale to Space Systems/Loral ("Loral") of \$25 million of Common Stock in August 1997.

Interest expense, net of capitalized interest, increased to \$5,823,000 for the three months ended March 31, 1998, from \$5,000 in the 1997 period. This increase was primarily due to interest expense accruing on the Senior Secured Notes. No cash interest on the Senior Secured Notes will be paid until June 2003.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 1998, the Company had working capital of approximately \$161,429,000 compared with \$170,894,000 at December 31, 1997. The decrease in working capital was primarily the result of payments for satellite construction, advance payments for launch services and operating expenses exceeding interest income during the period. The cash and cash equivalents on hand were primarily obtained from the Common Stock Offering and the Units Offering completed in November 1997, as well as the sale to Loral of \$25 million of Common Stock in August 1997.

FUNDING REQUIREMENTS

The Company is a development stage company and as such will continue to require substantial amounts of continued outside financing to acquire and develop its assets and commence commercial operations. The Company estimates that it will require approximately \$648.5 million to develop and commence commercial operation of CD Radio by the end of 1999. Of this amount, the Company has raised approximately \$446.4 million (including commitments under the AEF Agreements referred to below), leaving anticipated additional cash needs of approximately \$202.1 million to fund its operations through 1999. The Company anticipates additional cash requirements of approximately \$100 million to fund its operations through the first full year of operations. The Company expects to finance the remainder of its funding requirements through the issuance of debt or equity securities, or a combination thereof. Furthermore, if the Company were to exercise its option under the Loral Satellite Contract to purchase and deploy an additional satellite, substantial additional funds would be required.

To build and launch the satellites necessary for the operations of CD Radio, the Company has entered into the Loral Satellite Contract and the Arianespace Launch Service Agreement. The Loral Satellite Contract provides for Loral to construct for the Company three satellites, two of which the Company intends to launch and the third of which will be kept in reserve as a spare, and includes an option granted to the Company to purchase a fourth satellite. Under the Arianespace Launch Service Agreement, Arianespace has

agreed to launch two of the Company's satellites into orbit. The Company is committed to make aggregate payments of \$275.8 million under the Loral Satellite Contract and of \$176.0 million under the Arianespace Launch Service Agreement. As of March 31, 1998 the Company has made aggregate payments of \$56 million to Loral. Under the Loral Satellite Contract, with the exception of a payment made at the time of the signing of the Loral Satellite Contract in March 1993, payments are to be made in 22 installments commencing in April 1997 and ending in November 2000, the expected delivery date for the third satellite. Approximately half of these payments are contingent on Loral meeting specified milestones in the manufacture of the three satellites. In addition, Loral has agreed to defer a total of \$20.4 million of the contract price, which is to be paid in four equal installments of \$5.1 million commencing November 2001 until March 2003, subject to the completion of certain milestones. Amounts due under the Arianespace Launch Service Agreement, except for payments made for each of the two launches prior to the execution of the Arianespace Launch Service Agreement, are payable on various dates between November 1997 and July 1999 for the first launch, and, for the second launch, are payable on various dates between February 1998 and the earlier of October 1999 or ten days prior to the second launch. As of March 31, 1998, the Company had made payments of \$27 million to Arianespace.

The Company also will require funds for working capital, interest on borrowings, acquisition of programming, financing costs and operating expenses until some time after the commencement of commercial operations of CD Radio. The Company's interest expense will increase significantly as a result of its financing plan; however, a substantial portion of its planned indebtedness will not require cash payments of interest for some time. The Senior Secured Notes do not require cash payments until June 2003. Interest on funds borrowed by the Company under the AEF Agreements is deferred until repayment of such amounts. The Company believes that its working capital at March 31, 1998 is sufficient to fund planned operations and construction of its satellite system through the first quarter of 1999.

SOURCES OF FUNDING

To date the Company has funded its capital needs through the issuance of debt and equity. As of March 31, 1998, the Company had received a total of \$221.5 million in equity capital. A significant portion of the Company's equity capital was received in 1997 as a result of the Company's issuance of 5,400,000 shares of 5% Delayed Convertible Preferred Stock (the "5% Preferred Stock") and 4,955,488 shares of Common Stock resulting in net proceeds of \$121 million and \$71 million, respectively. Of the total shares of common stock sold, 1,905,488 shares were sold to Loral in August 1997 and 3,050,000 shares were sold to the public in the Common Stock Offering in November 1997. In November 1997, the Company exchanged (the "Exchange Offer") 1,846,799 shares of its newly issued 10 1/2% Series C Convertible Preferred Stock ("Series C Preferred Stock") for all of the previously outstanding shares of 5% Preferred Stock. The Company received no proceeds from the Exchange Offer.

In November 1997, the Company also received net proceeds of \$116 million from the issuance of 12,910 Units, each Unit consisting of \$20,000 aggregate principal amount at maturity of Senior Secured Notes and a Warrant to purchase additional Senior Secured Notes with an aggregate principal amount at maturity of \$3,000. All Warrants were exercised in 1997. The aggregate value at maturity of the Senior Secured Notes originally issued and Senior Secured Notes resulting from the exercise of Warrants is \$258 million and \$38 million, respectively. The Senior Secured Notes mature on November 15, 2007 with the first cash interest payment due in June 2003. The Indenture under which the Senior Secured Notes were issued (the "Indenture") contains certain limitations on the Company's ability to incur additional indebtedness. The Senior Secured Notes are secured by a pledge of the stock of Satellite CD Radio, Inc., the subsidiary of the Company that holds the Company's FCC License.

On July 22, 1997, the Company entered into two loan agreements (collectively, the "AEF Agreements") with Arianespace France, S.A. ("AEF"), a subsidiary of 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 "Tranche A Loans"). The Company has the opportunity, upon satisfying a variety of conditions specified in the AEF Agreements, to convert up to \$80 million of the Tranche A loans into term loans (the "Tranche B Loans"). If not converted, or the Company is unable to comply with the terms and covenants of the Tranche B Loans, 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, which will be prior to the time CD Radio commences commercial operations. There can be no assurance that the Company will have sufficient funds to make such repayment. As of March 31, 1998, the Company had borrowed approximately \$18 million under the AEF Agreements.

The AEF Agreements impose certain restrictions on the Company's ability to incur additional indebtedness, make investments or permit liens on certain assets of the Company, other than liens in favor of AEF. If AEF determines that the Tranche A Loans are eligible for conversion into Tranche B Loans, the Company will also be subject to provisions restricting its ability to change its capital structure or organizational documents or to merge, consolidate or combine with another entity. If the Tranche A Loans are converted, the Company's obligations to AEF will be secured by a lien on specified assets of the Company, including the satellites and, to the extent permitted by applicable law, the FCC License. In addition, the Indenture permits indebtedness under the AEF Agreements to be secured on a PARI PASSU basis with the Notes by a first priority security interest in the stock (the "Pledged Stock") of Satellite CD Radio, Inc.

Pursuant to a Multiparty Agreement among the Company, AEF and Arianespace in connection with the AEF Agreements, if the Company is unable to obtain sufficient financing to complete the construction and launch of the satellites, or if the Company terminates the Arianespace Launch Service Agreement, the Company will be required to pay Arianespace a termination fee ranging from 5% to 40% of the launch services price, based on the proximity of the date of termination to the scheduled launch date. The termination fee will be payable prior to the time the Company commences commercial operations and there can be no assurance that the Company will have sufficient funds to pay this fee.

The Loral Satellite Contract provides for payments to be made in installments commencing in April 1997 and ending in November 2000, subject to achievement by Loral of certain milestones in the manufacture of the satellites. Loral has agreed to defer payment of \$20.4 million from two milestone payments due in June and September of 1998. The deferred amount will be paid in four installments of \$5.1 million, with the first payment to be made 27 months after the delivery of the first satellite, the second payment to be made 27 months after delivery of the second satellite, the third payment to be made one year after the first payment date and the fourth payment to be one year after the second payment date.

In the event of a satellite or launch failure, the Company will be required to pay Loral the full- deferred amount for the affected satellite no later than 120 days after the date of the failure. If the Company should elect to put a satellite into ground storage, rather than having it shipped to the launch site, the full- deferred amount for the affected satellite will become due within 60 days of such election.

As a condition to the deferred payments, the Company has agreed to provide Loral a security interest in properties and assets of the Company and its subsidiaries, of substantially the same nature and quality, and of substantially equivalent value relative to the amount of the secured obligations, and on the same terms and conditions, as the Company has provided or may provide to any other party under any and all of its

loan, credit and other similar agreements. There currently is no such security interest. The Indenture permits indebtedness under the Loral Satellite Contract to be secured on a PARI PASSU basis with the Notes by a first priority security interest in the Pledged Stock.

The Company expects it will require an additional \$202.1 million in financing through 1999. However, there can be no assurance that the Company's actual cash requirements will not increase. Potential sources of additional financing include the sale of debt or equity securities in the public or private markets. There can be no assurance that the Company will be able to obtain additional financing on favorable terms, or at all, or that it will be able to do so in a timely fashion. The Indenture contains, and documents governing any indebtedness incurred in the future are expected to contain, provisions limiting the ability of the Company to incur additional indebtedness. The issuance by the Company of additional equity securities could cause substantial dilution of the interest in the Company of the Company's current stockholders. 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 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 costs. 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.

PART II
OTHER INFORMATION

- Item 1. Legal Proceedings - None
- Item 2. Changes in Securities

On January 21, 1998, the Company filed a Certificate of Correction of the Certificate of Designations, Preferences and Relative, Participating, Optional and Other Special Rights of its 10- 1/2% Series C Convertible Preferred Stock ("Series C Preferred Stock"), pursuant to Section 103(f) of the Delaware General Corporation Law, in order to, among other things, clarify that the number of shares of Series C Preferred Stock that the Company was authorized to issue was 2,000,000 shares, and that dividends on

the

Series C Preferred Stock accrue quarterly at the rate of 2.625% of the sum of (x) the liquidation preference and (y) all accrued and unpaid dividends, whether or not declared, from the date of issuance of the Series C Preferred Stock to the applicable

dividend

payment date.

On April 20, 1998, the Company filed a Certificate

of

Increase under Section 151(g) of the Delaware General Corporation Law which had the effect of increasing the number of shares of Series C Preferred Stock that the Company is authorized to issue from 2,000,000 to 2,025,000.


- 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:

EXHIBIT
NUMBER

DESCRIPTION

- 3.1 Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-1 (File No. 33-74782) (the "S-1 Registration Statement"))).
- 3.2 Amended and Restated By-Laws (incorporated by reference to Exhibit 3.2 to the S-1 Registration Statement).
- 3.3 Certificate of Designations of 5% Delayed Convertible Preferred Stock (incorporated by reference to Exhibit 10.24 to the Form 10-K/A for the year ended December 31, 1996 (the "1996 Form 10-K"))).
- 3.4 Form of Certificate of Designations of Series B Preferred Stock (incorporated by reference to Exhibit A to Exhibit 1 to the Company's Registration Statement on Form 8-A, filed with the Commission on October 30, 1997 (the "Form 8-A"))).
- 3.5.1 Certificate of Designations, Preferences and Relative, Participating, Optional and Other Special Rights of 10 1/2% Series C Convertible Preferred Stock (the "Series C Certificate of Designations") (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-4 (File No. 333-34761) (the "S-4 Registration Statement"))).
- 3.5.2 Certificate of Correction of the Series C Certificate of Designations.
- 3.5.3 Certificate of Increase of 10-1/2% Series C Convertible Preferred Stock.

- 3.6 Certificate of Designations of Series D Convertible Preferred Stock (incorporated by reference to Exhibit 4.2 to the S-4 Registration Statement).
- 4.1 Form of Certificate for Shares of Common Stock (incorporated by reference to Exhibit 4.3 to the S-1 Registration Statement).
- 4.2 Form of Certificate for Shares of 10 1/2% Series C Convertible Preferred Stock (incorporated by reference to Exhibit 4.4 to the S-4 Registration Statement).
- 4.3 Form of Certificate for Shares of Series D Convertible Preferred Stock (incorporated by reference to Exhibit 4.5 to the S-4 Registration Statement).
- 4.4 Rights Agreement, dated as of October 22, 1997, between the Company and Continental Stock Transfer & Trust Company, as Rights Agent (incorporated by reference to Exhibit 1 to the Form 8-A).
- 4.5 Form of Right Certificate (incorporated by reference to Exhibit B to Exhibit 1 to Form 8-A).
- 4.6 Indenture, dated as of November 26, 1997, between the Company and IB.. Schroder Bank & Trust Company, as Trustee (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-3 (File No. 333-34769) (the "Units Registration Statement")).
- 4.7 Form of Note (incorporated by reference to Exhibit 4.2 to the Units Registration Statement).
- 4.8 Pledge Agreement, dated as of November 26, 1997, between the Company, as Pledgor, and IB. Schroder Bank & Trust Company, as Collateral Agent (incorporated by reference to Exhibit 4.5 to the Units Registration Statement).
- 4.9 Warrant Agreement, dated as of November 26, 1997, between the Company and IB. Schroder Bank & Trust Company, as Warrant Agent (incorporated by reference to Exhibit 4.3 to the Units Registration Statement).
- 4.10 Form of Warrant (incorporated by reference to Exhibit 4.4 to the Units Registration Statement).
- 4.11 Form of Preferred Stock Warrant Agreement, dated as of April 9, 1997, between the Company and each Warrantholder thereof (incorporated by reference to Exhibit 4.11 to the Form 10-K for the year ended December 31, 1997).
- 4.12 Form of Common Stock Purchase Warrant granted by the Company to Everest Capital Master Fund, L.P. and to The Ravich Revocable Trust of 1989 (incorporated by reference to Exhibit 4.11 to the Form 10-K for the year ended December 31, 1997).
- 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 S-1 Registration Statement).
- 10.2.1 Engagement Letter Agreement, dated November 18, 1992, between the Company and Batchelder & Partners, Inc. (incorporated by reference to Exhibit 10.4 to the S-1 Registration Statement).
- 10.2.2 Engagement Termination Letter Agreement, dated December 4, 1997, between the Company and Batchelder & Partners, Inc. (Incorporated by reference to Exhibit 4.11 to the Form 10-K for the year ended December 31, 1997)
- 10.3.1 Proprietary Information and Non-Competition Agreement, dated February 9, 1993, for Robert D. Briskman (incorporated by reference to Exhibit 10.8.1 to the S-1 Registration Statement).
- 10.3.2 Amendment No. 1 to Proprietary Information and Non Competition Agreement between the Company and Robert D. Briskman (incorporated by reference to Exhibit 10.8.2 to the S-1 Registration Statement.)
- 10.4.1 Satellite Construction Agreement, dated March 2, 1993, between Space S  Intec 2. architecture Company. (incorporated by reference to Exhibit 10.9.1 to the S-1 Registration Statement) (+).
- 10.4.2 Amendment No. 1 to Satellite Construction Agreement, effective March 2, 1994, between the Space Systems/Israel, Inc. and the

- 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).
- 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 (incorporated by reference to Exhibit 10.4.11 to the Company's Quarterly Report on Form 10-Q/A for the period ended March 31, 1997).
- 10.4.12 Amendment No. 13 to Satellite Construction Agreement, effective April 28, 1997, between the Space Systems/Loral, Inc. and the Company (incorporated by reference to Exhibit 10.4.12 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 1997).
- 10.4.13 Amendment No. 14 to Satellite Construction Agreement, effective June 30, 1997, between the Space Systems/Loral, Inc. and the Company (incorporated by reference to Exhibit 10.4.13 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 1997).
- 10.4.14 Amendment No. 15 to Satellite Construction Agreement, effective July 31, 1997, between the Space Systems/Loral, Inc. and the Company (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K, filed with the Commission on October 7, 1997).
- 10.4.15 Amendment No. 16 to Satellite Construction Agreement, effective August 4, 1997, between the Space Systems/Loral, Inc. and the Company (incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K, filed with the Commission on October 7, 1997).
- 10.5 Assignment of Technology Agreement, dated April 15, 1993, between Robert D. Briskman and the Company (incorporated by reference to Exhibit 10.10 to the S-1 Registration Statement).
- 10.6.1 Amended and Restated Option Agreement between the Company and Robert D. Briskman (incorporated by reference to Exhibit 10.13 to the S-1 Registration Statement).
- 10.6.2 Stock Option Agreement, dated as of October 15, 1997, between the Company and Robert D. Briskman.
- 10.7.1 Launch Reservation Agreement, dated September 20, 1993, between the Company and Arianespace S.A. (incorporated by reference to Exhibit 10.15.1 to the S-1 Registration Statement).
- 10.7.2 Modification of Launch Reservation Agreement, dated April 1, 1994, between the Company and Arianespace S.A. (incorporated by reference to Exhibit 10.15.2 to the S-1 Registration Statement).
- 10.7.3 Second Modification of Launch Reservation Agreement, dated August 10, 1994, between the Company and Arianespace S.A. (incorporated by reference to Exhibit 10.15.3 to the S-1 Registration Statement).
- 10.7.4 Third Modification of Launch Reservation Agreement, dated November 8, 1995, between the Company and Arianespace S.A. (incorporated by reference to Exhibit 10.14.4 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 1996).
- 10.7.5 Fourth Modification of Launch Reservation Agreement, dated August 20, 1996, between the Company and Arianespace S.A. (incorporated by reference to Exhibit 10.14.5 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 1995).
- 10.7.6 Fifth Modification of Launch Reservation Agreement, dated

10.12 Employment and Noncompetition Agreement, dated as of April 28, 1997, between the Company and Keno V. Thomas (incorporated by reference to Exhibit 10.18 to the Company's Quarterly Report on Form 10-Q/A for the period ended March 31, 1997).

10.13 Registration Agreement, dated January 2, 1994, between the Company and M.A. Rothblatt and B.A. Rothblatt (incorporated by reference to Exhibit 10.20 to the S-1 Registration Statement).

10.14 1994 Stock Option Plan (incorporated by reference to Exhibit 10.21 to the S-1 Registration Statement).

10.15 Amended and Restated 1994 Directors' Nonqualified Stock Option Plan (incorporated by reference to Exhibit 10.22 to the 1995 Form 10-K).

10.16.1 Option Agreement, dated as of October 21, 1992, between the Company and Batchelder & Partners, Inc. (incorporated by reference to Exhibit 10.24 to the S-1 Registration Statement).

10.16.2 Form of Option Agreement, dated as of December 29, 1997, between the Company and each Optionee.

10.17 Settlement Agreement, dated as of April 1, 1994, among the Company, M.A. Rothblatt, B.A. Rothblatt and Marcor, Inc. (incorporated by reference to Exhibit 10.27 to the S-1 Registration Statement).

10.18 1995 Stock Compensation Plan (incorporated by reference to Exhibit 10.37 to the 1995 Form 10-K).

10.19.1 Preferred Stock Investment Agreement dated October 23, 1996 between the Company and certain investors (incorporated by reference to Exhibit 10.24 to the 1996 Form 10-K).

10.19.2 First Amendment to Preferred Stock Investment Agreement dated March 7, 1997 between the Company and certain investors (incorporated by reference to Exhibit 10.24.1 to the 1996 Form 10-K).

10.19.3 Second Amendment to Preferred Stock Investment Agreement dated March 14, 1997 between the Company and certain investors (incorporated by reference to Exhibit 10.24.2 to the 1996 Form 10-K).

10.20 Stock Purchase Agreement, dated as of August 5, 1997, between the Company, David Margolese and Loral Space & Communications Ltd. (incorporated by reference to Exhibit 99.1 to the

Company's Current Report on Form 8-K, filed with the Commission on August 19, 1997).

10.21.1 Arianespace Customer Loan Agreement, dated as of July 22, 1997, between the Company and Arianespace Finance S.A., relating to Launch 1 (the "Arianespace Loan Agreement 1") (incorporated by reference to Exhibit 10.11.1 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 1997).

10.21.2 Amendment No. 1 and Waiver to Arianespace Loan Agreement 1, dated as of July 22, 1997, between Arianespace S.A.,

Arianespace Finance S.A. and the Company (incorporated by reference to Exhibit 10.11.1.1 to the Company's Quarterly Report on Form

10-Q for the period ended September 30, 1997).

10.22 Multiparty Agreement relating to Launch 1, entered into as of July 22, 1997, among Arianespace S.A., Arianespace Finance S.A. and the Company (incorporated by reference to Exhibit 10.11.2

to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 1997).

10.23.1 Arianespace Customer Loan Agreement, dated as of July 22, 1997, between the Company and Arianespace Finance S.A., relating to Launch 2 (the "Arianespace Loan Agreement 2") (incorporated by reference to Exhibit 10.12.1 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 1997).

10.23.2 Amendment No. 1 and Waiver to Arianespace Loan Agreement 2, dated as of July 22, 1997, between Arianespace S.A.,

Arianespace Finance S.A. and the Company (incorporated by reference to Exhibit 10.12.1.1 to the Company's Quarterly Report on Form

10-Q for the period ended September 30, 1997).

10.28 Radio License Agreement, dated January 21, 1998 between
the
27.1 Company and Bloomberg Communications Inc. (+)
Financial Data Schedule.

(+) Portions of this exhibit have been omitted pursuant to an Application for Confidential Treatment filed by the Company with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

(b) Reports on 8-K

None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CD RADIO INC.

Date: May 14, 1998

Officer

By: _____

David Margolese
Chairman and Chief Executive

Date: May 14, 1998

By: _____

Andrew J. Greenbaum
Executive Vice President and
Chief Financial Officer
(principal financial officer)

INDEX OF EXHIBITS

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- 4.7 Form of Note (incorporated by reference to Exhibit 4.2 to the Units Registration Statement).
- 4.8 Pledge Agreement, dated as of November 26, 1997, between the Company, as Pledgor, and IB. Schroder Bank & Trust Company, as Collateral Agent (incorporated by reference to Exhibit 4.5 to the Units Registration Statement).

- 4.9 Warrant Agreement, dated as of November 26, 1997, between the Company and IB. Schroder Bank & Trust Company, as Warrant Agent (incorporated by reference to Exhibit 4.3 to the Units Registration Statement).
- 4.10 Form of Warrant (incorporated by reference to Exhibit 4.4 to the Units Registration Statement).
- 4.11 Form of Preferred Stock Warrant Agreement, dated as of April 9, 1997, between the Company and each Warrantholder thereof (incorporated by reference to Exhibit 4.11 to the Form 10-K for the year ended December 31, 1997).
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- 10.2.2 Engagement Termination Letter Agreement, dated December 4, 1997, between the Company and Batchelder & Partners, Inc. (incorporated by reference to Exhibit 4.11 to the Form 10-K for the year ended December 31, 1997)
- 10.3.1 Proprietary Information and Non-Competition Agreement, dated February 9, 1993, for Robert D. Briskman (incorporated by reference to Exhibit 10.8.1 to the S-1 Registration Statement).
- 10.3.2 Amendment No. 1 to Proprietary Information and Non Competition Agreement between the Company and Robert D. Briskman (incorporated by reference to Exhibit 10.8.2 to the S-1 Registration Statement.)
- 10.4.1 Satellite Construction Agreement, dated March 2, 1993, between Space Systems/Loral, Inc. and the Company (incorporated by reference to Exhibit 10.9.1 to the S-1 Registration Statement) (+).
- 10.4.2 Amendment No. 1 to Satellite Construction Agreement, effective March 2, 1994, between the Space Systems/Loral, Inc. and the Company (incorporated by reference to Exhibit 10.9.2 to the S-1 Registration Statement) (+).
- 10.4.3 Amendment No. 2 to Satellite Construction Agreement, effective March 8, 1994, between the Space Systems/Loral, Inc. and the Company (incorporated by reference to Exhibit 10.9.3 to the S-1 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 Quarterly Report on 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 Quarterly Report on 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).
- 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 (incorporated by reference to Exhibit 10.4.11 to the Company's Quarterly Report on Form 10-Q/A for the period ended March 31, 1997).
- 10.4.12 Amendment No. 13 to Satellite Construction Agreement, effective April 28, 1997, between the Space Systems/Loral, Inc. and the Company (incorporated by reference to Exhibit 10.4.12 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 1997).
- 10.4.13 Amendment No. 14 to Satellite Construction Agreement, effective June 30, 1997, between the Space Systems/Loral, Inc. and the Company (incorporated by reference to Exhibit 10.4.13 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 1997).
- 10.4.14 Amendment No. 15 to Satellite Construction Agreement, effective July 31, 1997, between the Space Systems/Loral, Inc. and the Company (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K, filed with the Commission on October 7, 1997).
- 10.4.15 Amendment No. 16 to Satellite Construction Agreement, effective August 4, 1997, between the Space Systems/Loral, Inc. and the Company (incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K, filed with the Commission on October 7, 1997).
- 10.5 Assignment of Technology Agreement, dated April 15, 1993, between Robert D. Briskman and the Company (incorporated by reference to Exhibit 10.10 to the S-1 Registration Statement).
- 10.6.1 Amended and Restated Option Agreement between the Company and Robert D. Briskman (incorporated by reference to Exhibit 10.13 to the S-1 Registration Statement).
- 10.6.2 Stock Option Agreement, dated as of October 15, 1997, between the Company and Robert D. Briskman.

- 10.7.1 Launch Reservation Agreement, dated September 20, 1993, between the Company and Arianespace S.A. (incorporated by reference to Exhibit 10.15.1 to the S-1 Registration Statement).
- 10.7.2 Modification of Launch Reservation Agreement, dated April 1, 1994, between the Company and Arianespace S.A. (incorporated by reference to Exhibit 10.15.2 to the S-1 Registration Statement).
- 10.7.3 Second Modification of Launch Reservation Agreement, dated August 10, 1994, between the Company and Arianespace S.A. (incorporated by reference to Exhibit 10.15.3 to the S-1 Registration Statement).
- 10.7.4 Third Modification of Launch Reservation Agreement, dated November 8, 1995, between the Company and Arianespace S.A. (incorporated by reference to Exhibit 10.14.4 to the Company's Quarterly Report on 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 S.A. (incorporated by reference to Exhibit 10.14.5 to the Company's Quarterly Report on 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 S.A. (incorporated by reference to Exhibit 10.10.6 to the 1996 Form 10-K).
- 10.8.1 Employment and Noncompetition Agreement between the Company and David Margolese (incorporated by reference to Exhibit 10.18.1 to the S-1 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 S-1 Registration Statement).
- 10.9.1 Employment and Noncompetition Agreement between the Company and Robert D. Briskman (incorporated by reference to Exhibit 10.19.1 to the S-1 Registration Statement).
- 10.9.2 First Amendment to Employment Agreement between the Company and Robert D. Briskman (incorporated by reference to Exhibit 10.19.2 to the S-1 Registration Statement).
- 10.9.3 Second Amendment to Employment Agreement between the Company and Robert D. Briskman (incorporated by reference to Exhibit 10.12.3 to the 1996 Form 10-K).
- 10.10 Employment and Noncompetition Agreement, dated as of July 10, 1997, between the Company and Andrew J. Greenebaum (incorporated by reference to Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 1997).
- 10.11 Employment and Noncompetition Agreement, dated as of April 16, 1997, between the Company and Joseph S. Capobianco (incorporated by reference to Exhibit 10.17 to the Company's Quarterly Report on Form 10-Q/A for the period ended March 31, 1997).

- 10.12 Employment and Noncompetition Agreement, dated as of April 28, 1997, between the Company and Keno V. Thomas (incorporated by reference to Exhibit 10.18 to the Company's Quarterly Report on Form 10-Q/A for the period ended March 31, 1997).
- 10.13 Registration Agreement, dated January 2, 1994, between the Company and M.A. Rothblatt and B.A. Rothblatt (incorporated by reference to Exhibit 10.20 to the S-1 Registration Statement).
- 10.14 1994 Stock Option Plan (incorporated by reference to Exhibit 10.21 to the S-1 Registration Statement).
- 10.15 Amended and Restated 1994 Directors' Nonqualified Stock Option Plan (incorporated by reference to Exhibit 10.22 to the 1995 Form 10-K).
- 10.16.1 Option Agreement, dated as of October 21, 1992, between the Company and Batchelder & Partners, Inc. (incorporated by reference to Exhibit 10.24 to the S-1 Registration Statement).
- 10.16.2 Form of Option Agreement, dated as of December 29, 1997, between the Company and each Optionee.
- 10.17 Settlement Agreement, dated as of April 1, 1994, among the Company, M.A. Rothblatt, B.A. Rothblatt and Marcor, Inc. (incorporated by reference to Exhibit 10.27 to the S-1 Registration Statement).
- 10.18 1995 Stock Compensation Plan (incorporated by reference to Exhibit 10.37 to the 1995 Form 10-K).
- 10.19.1 Preferred Stock Investment Agreement dated October 23, 1996 between the Company and certain investors (incorporated by reference to Exhibit 10.24 to the 1996 Form 10-K).
- 10.19.2 First Amendment to Preferred Stock Investment Agreement dated March 7, 1997 between the Company and certain investors (incorporated by reference to Exhibit 10.24.1 to the 1996 Form 10-K).
- 10.19.3 Second Amendment to Preferred Stock Investment Agreement dated March 14, 1997 between the Company and certain investors (incorporated by reference to Exhibit 10.24.2 to the 1996 Form 10-K).
- 10.20 Stock Purchase Agreement, dated as of August 5, 1997, between the Company, David Margolese and Loral Space & Communications Ltd. (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K, filed with the Commission on August 19, 1997).

10.21.1 Arianespace Customer Loan Agreement, dated as of July 22, 1997, between the Company and Arianespace Finance S.A., relating to Launch 1 (the "Arianespace Loan Agreement 1") (incorporated by reference to Exhibit 10.11.1 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 1997).

10.21.2 Amendment No. 1 and Waiver to Arianespace Loan Agreement 1, dated as of July 22, 1997, between Arianespace S.A., Arianespace Finance S.A. and the Company (incorporated by reference to Exhibit 10.11.1.1 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 1997).

10.22 Multiparty Agreement relating to Launch 1, entered into as of July 22, 1997, among Arianespace S.A., Arianespace Finance S.A. and the Company (incorporated by reference to Exhibit 10.11.2 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 1997).

10.23.1 Arianespace Customer Loan Agreement, dated as of July 22, 1997, between the Company and Arianespace Finance S.A., relating to Launch 2 (the "Arianespace Loan Agreement 2") (incorporated by reference to Exhibit 10.12.1 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 1997).

10.23.2 Amendment No. 1 and Waiver to Arianespace Loan Agreement 2, dated as of July 22, 1997, between Arianespace S.A., Arianespace Finance S.A. and the Company (incorporated by reference to Exhibit 10.12.1.1 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 1997).

10.24 Multiparty Agreement relating to Launch 2, entered into as of July 22, 1997, among Arianespace S.A., Arianespace Finance S.A. and the Company (incorporated by reference to Exhibit 10.12.2 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 1997).

10.25 Summary Term Sheet/Commitment, dated June 15, 1997, among the Company and Everest Capital International, Ltd., Everest Fund, L.P. and The Ravich Revocable Trust of 1989 (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K, filed with the Commission on July 8, 1997)

10.26.1 Engagement Letter Agreement, dated June 14, 1997, between the Company and Libra Investments, Inc. (Incorporated by reference to Exhibit 10.26.1 in the Company's Annual Report on Form 10-K for the year ended December 31, 1997)

10.26.2 Engagement Termination Letter Agreement, dated August 6, 1997, between the Company and Libra Investments, Inc. (Incorporated by reference to Exhibit 10.26.1 in the Company's Annual Report on Form 10-K for the year ended December 31, 1997)

10.27 Engagement Letter Agreement, dated October 8, 1997, between the Company and Merrill Lynch, Pierce, Fenner & Smith Incorporated. (Incorporated by reference to Exhibit 10.26.1 in the Company's Annual Report on Form 10-K for the year ended December 31, 1997)

10.28 Radio License Agreement, dated January 21, 1998 between the Company and Bloomberg Communications Inc. (+)

27.1 Financial Data Schedule.

Exhibit 3.5.3

**CERTIFICATE OF INCREASE
OF
10 1/2% SERIES C CONVERTIBLE PREFERRED STOCK
OF
CD RADIO INC.**

Pursuant to Section 151(g) of the General
Corporation Law of the State of Delaware

CD Radio Inc., a Delaware corporation (the "Corporation"), certifies pursuant to Section 151(g) of the General Corporation Law of the State of Delaware that:

FIRST: A Certificate of Designations, Preferences and Relative, Participating, Optional and Other Special Rights of 10 1/2% Series C Convertible Preferred Stock (the "Certificate of Designations") was filed in the office of the Secretary of State of the State of Delaware on the 18th day of November, 1997 and a Certificate of Corrections of the Certificate of Designations was filed in the office of the Secretary of State of the State of Delaware on January 21, 1998.

SECOND: The Board of Directors of the Corporation, by unanimous written consent, has duly adopted a resolution authorizing the increase in the number of authorized shares of the Corporation's 10 1/2% Series C Convertible Preferred Stock by an the amount of 25,000 shares, so that the aggregate number of authorized shares of such 10 1/2% Series C Convertible Preferred Stock after such increase shall be 2,025,000, all as contemplated by Section 151(g) of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, the undersigned officer of the Corporation does hereby certify under penalties of perjury that this Certificate of Increase is the act and deed of the Corporation and the facts stated therein are true and, accordingly, has hereunto set his hand this day of April, 1998.

CD RADIO INC.

By: _____
Name: Lawrence F. Gilberti
Title: Secretary

RADIO LICENSE AGREEMENT

Agreement made this ___ day of January, 1998 between CD Radio Inc., a Delaware corporation currently located at 2175 K Street, N.W., Washington, DC ("CD Radio"), and Bloomberg Communications Inc., a Delaware corporation currently located at 499 Park Avenue, New York, NY ("BCI"), for the distribution by CD Radio of Bloomberg News Radio. For good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

1. DEFINITIONS.

"Bloomberg News Radio" or "the Service" means the current standard twenty-four (24) hour Bloomberg News Radio programming service, currently including program segments such as World and National News; Financial Market Updates; Business Features; Lifestyles; Agricultural Reports; Top Business Stories; Market Minutes; Sports; Headline Minutes; but subject to modification at any time in BCI's sole discretion.

"Platform" means CD Radio's digital audio radio delivery system, consisting of the appropriate digital satellite delivery technology and equipment configured to provide Subscribers with digital audio radio service via a consumer reception device.

"Subscriber" means any person in the Territory receiving any form of service from CD Radio via the Platform.

"Territory" means the United States, its territories and possessions.

2. LIMITED LICENSE. Subject to the terms and conditions of this Agreement, BCI hereby grants to CD Radio a non-transferable, non-exclusive license to transmit Bloomberg News Radio to Subscribers via the Platform. CD Radio acknowledges and agrees that the copyright, patent, trade secret, and all other intellectual property rights of whatever nature that are now existing or may accrue in the Service (and any promotional materials created and provided exclusively by BCI related thereto) are and shall remain the property of BCI and nothing in this Agreement shall be construed as transferring any aspects of such rights to CD Radio or any third party other than as expressly set forth in this Agreement. No other rights are granted to CD Radio and CD Radio is specifically prohibited from copying, editing, modifying, transmitting, distributing, publicly performing or publicly displaying the Service other than as expressly permitted in this Agreement. All rights not expressly granted to CD Radio in this Agreement are expressly reserved by BCI for its exclusive use.

3. **TERM.** The term of this Agreement shall commence on the date hereof and shall extend for five (5) years from the date the Platform begins offering service to the public (the "Launch Date") and shall automatically renew for successive two (2) year terms unless either party notifies the other in writing of its intention not to renew no less than one hundred twenty (120) days before the expiration of the initial term or any renewal term (collectively, the "Term"). Notwithstanding the foregoing, BCI shall have the right to terminate this Agreement immediately in its entirety at any time without notice and without incurring any liability if (a) BCI ceases to produce or offer the Service, or (b) BCI does not receive any necessary licenses or approvals required in connection with the performance of its obligations and duties under this Agreement. CD Radio shall have the right to terminate this Agreement immediately in its entirety at any time without notice and without incurring any liability if (x) CD Radio permanently ceases to offer service via the Platform, (y) CD Radio does not receive any necessary licenses or approvals required in connection with the performance of its obligations and duties under this Agreement, or (z) BCI, on other than a temporary basis, materially alters the format of the Service from that defined herein without the prior consent of CD Radio.
4. **REMEDY.** Either party may terminate this Agreement prior to the normal expiration of the Term if: (a) the other party fails to cure (or provide evidence, to the other party's satisfaction, that it is working diligently towards curing) a material breach or violation within fifteen (15) days of receipt of written notice from the other party; or (b) the representations and warranties made by the other party in this Agreement are no longer true. Such termination (in addition to the indemnifications provided hereunder) shall be CD Radio's sole and exclusive remedy for any breach on the part of BCI.
5. **DISTRIBUTION.** From the Launch Date of the Service until the end of the Term, CD Radio shall make the Service available to Subscribers on a full-time basis (twenty-four hours a day, seven days per week) via the Platform. The Service shall be offered via the Platform on a channel dedicated solely to Bloomberg News Radio. CD Radio shall only distribute the Service in the United States of America in accordance with all applicable local, state and federal laws at the times and in the manner specified above, without modification, material delay, or alteration other than advertising and promotional insertions as provided for under this agreement. BCI will be responsible for delivery of the Service to CD Radio's uplink facility. CD Radio shall be responsible for all other costs of making the Service available to Subscribers. BCI shall make its feed available to CD Radio for test purposes beginning September 1, 1999.

6. COMMERCIAL TIME.*/

7. REPORTS AND RECORDS. Promptly following the last day of each standard broadcast month in which the Service or segments thereof are scheduled for broadcast by CD Radio and in no event more than fifteen (15) days following the last day of such month, CD Radio will deliver to BCI in a form deemed acceptable to BCI, a complete and accurate report and certificate verifying that the Service was broadcast and cleared in accordance with this Agreement without any material alteration, modification, delay or interruption.

8. PROMOTION.

(a) Without limiting any other related obligations contained in this Agreement, from the date hereof and throughout the Term, CD Radio will promote the Service to its Subscribers and prospective subscribers in a manner consistent with its promotion of other similar services on the Platform. Any marketing and promotional matter which features BCI alone or in a group (including BCI) of not more than three (3) information channels shall require the prior written approval of BCI, which consent shall not be unreasonably withheld.

(b) **/

(c) Throughout the Term, BCI shall have the right to promote its availability on the Platform through any of its media outlets. CD Radio shall provide BCI with any promotional materials CD Radio has made generally available to services on the Platform for such promotional purposes. Any promotional material used by BCI to promote BCI's availability on the Platform which is not provided by CD Radio shall be subject to CD Radio's reasonable approval.

(d) No party shall make any public announcement regarding this Agreement or any of the contents contained herein without the consent and cooperation of the other party, except and unless required by applicable law.

9. ADDITIONAL SERVICE. CD Radio and BCI agree to work together in good faith to develop a second full-time radio service for delivery over an additional

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channel on the Platform. CD Radio shall keep channel capacity available on the Platform for the purpose of carrying the second service; provided, however, that such service is ready (in a mutually agreeable form) for launch on the Platform before April 1, 1999. The new service will be specifically created for CD Radio's exclusive use and will be made available to CD Radio on terms and conditions to be mutually agreed upon between the parties.

10. REPRESENTATIONS AND WARRANTIES.

(a) Power and Authority. Each party warrants to the other that it has the power and authority to enter into this Agreement and to perform all of its obligations hereunder.

(b) Quality and Nature of the Transmission. CD Radio warrants that its transmissions of the Service shall be of a technical quality that is at all times equal to the quality of other information services provided on the Platform.

(c) Noninfringement. BCI warrants that it has the right to grant the license to the Service granted in this Agreement and that CD Radio's distribution of the Service in accordance with the terms and conditions of this Agreement will not infringe the proprietary rights of any third party or any right of personality or publicity, will not be libelous or defamatory, and will not otherwise result in injury or damage to any third party.

(d) No Conflict. Each party represents and warrants that neither the execution and delivery of this Agreement, nor the performance of its obligations hereunder, will violate any federal, state, or local law or regulation to which it is subject.

(e) Performance Guarantee. CD Radio represents, warrants, and covenants that it will provide the services required by this Agreement to all persons in the Territory who become Subscribers during the term of this Agreement.

11. INDEMNITY. CD Radio shall defend, indemnify, and hold BCI harmless from any loss, expense, or claim that arises from an action brought against BCI by a third party alleging facts based on CD Radio's breach of its warranties or obligations under this Agreement. BCI shall defend, indemnify, and hold CD Radio harmless from any loss, expense, or claim that arises from an action brought against CD Radio by a third party alleging facts based on BCI's breach of its warranties or obligations under this Agreement.

12. PIRACY. CD Radio shall safeguard and protect the Service from theft, piracy, or unauthorized access in a manner consistent with the protections CD Radio uses to protect any other services carried on the Platform.

13. LIMITATION OF LIABILITY. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS AGREEMENT:

(a) IN NO EVENT SHALL ANY PARTY BE LIABLE FOR ANY INCIDENTAL, SPECULATIVE OR CONSEQUENTIAL DAMAGES, WHETHER FORESEEABLE OR NOT (INCLUDING, WITHOUT LIMITATION, THOSE ARISING FROM NEGLIGENCE), OCCASIONED BY ANY FAILURE TO PERFORM OR THE BREACH OF ANY OBLIGATION UNDER THIS AGREEMENT FOR ANY CAUSE WHATSOEVER.

(b) NEITHER CD RADIO NOR BCI MAKE ANY WARRANTIES EXCEPT FOR THE WARRANTIES SPECIFIED IN THIS AGREEMENT. CD RADIO AND BCI DISCLAIM ALL OTHER EXPRESS WARRANTIES AND ALL IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, WARRANTIES OF MERCHANTABILITY OR FITNESS FOR ANY PURPOSE OR USE.

14. ASSIGNMENT. The rights and obligations of CD Radio under this Agreement may only be assigned or transferred without the consent of BCI in the event CD Radio transfers its entire control and/or ownership of the Platform to a third party; provided, however, that such third party will agree to accept and abide by all of the terms and conditions of this Agreement. Notwithstanding the foregoing, CD Radio may assign this Agreement to any entity which, as of the date of this Agreement, controls, is controlled by, or is under common control with CD Radio.

15. MISCELLANEOUS. Neither party will be liable to the other under the terms of this Agreement for any delays, preemptions or other failure to perform when such delays, preemption or failures are due to any cause beyond the control of the party whose performance is so affected. Neither CD Radio nor BCI shall disclose to any third party (other than their respective employees and agents, in their capacity as such) any confidential business information concerning the other or any of the terms or conditions of this Agreement. This Agreement, and all collateral matters relating thereto, will be governed and construed under the laws of the State of New York (without regard to conflict of laws or choice of law principles in the governing jurisdiction), applicable to agreements fully made and performed therein, subject to applicable provisions of the Communications Act of 1994, as amended, and the applicable rules, regulations and orders of the FCC. In addition to the rights and remedies provided herein, the parties may seek all rights and remedies available at law and/or equity. Nothing contained herein will be deemed to create, and the parties do not intend to create, any relationship as partners or joint venturers between CD

Radio and BCI with respect to this Agreement. The invalidity or unenforceability of any provision of this Agreement will not affect the validity of any other provision of this Agreement, and in the event that any provisions are determined to be invalid or otherwise illegal, this Agreement will remain in effect and will be construed in accordance with its terms as if the invalid or illegal provision were not contained herein. This Agreement constitutes the entire agreement and understanding between the parties with regard to the subject matter hereof, and supersedes all prior or contemporaneous oral or written agreements and representations between the parties. Any amendment, modification or alteration of this Agreement must be in writing and signed by the duly authorized representatives of the parties. BCI will not be liable for, and CD Radio will pay and hold harmless BCI from, any federal, state or local taxes, including any fees payable to local franchising authorities which were based upon revenues derived from operations of CD Radio. No term or condition of this Agreement will be deemed waived, and no breach will be excused, unless such waiver or excuse is in writing and signed by the party against whom such waiver or excuse is claimed. The captions and headings in this Agreement are intended only for conveniences, and will in no event be construed to define, limit or describe the scope or intent of this Agreement, or of any provision of this Agreement, nor in any way affect the interpretation of this Agreement. This Agreement may be executed in several counterparts, each of which shall be deemed as original and all such counterparts together shall constitute but one and the same instrument. The parties also agree that this Agreement shall be binding upon the facsimile transmission by each party of a signed signature page thereof to the other party.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement of the ____ day of January 1998.

CD RADIO INC. :

BLOOMBERG COMMUNICATIONS INC. :

By: _____
By: _____
(Authorized Signature)

(Authorized Signature)

ARTICLE 5

PERIOD TYPE	3 MOS
FISCAL YEAR END	DEC 31 1998
PERIOD START	JAN 01 1998
PERIOD END	MAR 31 1998
CASH	160,793,813
SECURITIES	0
RECEIVABLES	0
ALLOWANCES	0
INVENTORY	0
CURRENT ASSETS	161,608,369
PP&E	83,651,584
DEPRECIATION	252,969
TOTAL ASSETS	336,854,692
CURRENT LIABILITIES	179,192
BONDS	150,507,512
PREFERRED MANDATORY	108,203,918
PREFERRED	0
COMMON	16,042
OTHER SE	70,828,999
TOTAL LIABILITY ANDEQUITY	336,854,692
SALES	0
TOTAL REVENUES	0
CGS	0
TOTAL COSTS	0
OTHER EXPENSES	2,332,062
LOSS PROVISION	0
INTEREST EXPENSE	5,822,931
INCOME PRETAX	(4,781,430)
INCOME TAX	0
INCOME CONTINUING	(4,781,430)
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	(4,781,430)
EPS PRIMARY	(0.36)
EPS DILUTED	(0.36)

End of Filing