

Hearing Scheduled - Date: 3/24/05  
Time: 10:30 AM  
Location: Portland

Objections Due - 3/17/05

UNITED STATES BANKRUPTCY COURT  
DISTRICT OF MAINE

IN RE:

**PEGASUS SATELLITE TELEVISION, Inc.,**  
et al.,  
Debtors.

Chapter 11  
Bk. No. 04-20878

28 Cases Jointly Administered  
Through Bk. 04-20878

**OBJECTIONS BY UNITED STATES OF AMERICA ON BEHALF OF  
THE DEPARTMENT OF TREASURY, INTERNAL REVENUE SERVICE,  
TO CONFIRMATION OF DEBTORS' FIRST AMENDED  
JOINT CHAPTER 11 PLAN OF REORGANIZATION**

The United States of America, on behalf of the Department of Treasury, Internal Revenue Service (IRS), through its attorneys, Paula D. Silsby, United States Attorney for the District of Maine, and Frederick C. Emery, Jr., Assistant United States Attorney hereby OBJECTS to confirmation of the Debtors' First Amended Joint Chapter 11 Plan of Reorganization.

The First Amended Plan was executed on 1/31/05. The Disclosure Statement in support of the proposed First Amended Plan was approved by Order of this Court entered on 2/9/05. By Notice, a hearing on confirmation of the First Amended Plan is scheduled for 3/24/05 at 10:30 AM in Portland, Maine.

**Background**

Pegasus Satellite Television, Inc. [hereinafter PST, Inc.] and twenty-seven (27) related corporations filed separate Chapter 11 petitions on 6/2/04. By Order of this

Court, these twenty-eight (28) cases are being jointly administered through PST, Inc.'s case.

### **IRS' Proofs of Pre-Petition Claims**

IRS is a creditor and party-in-interest in these proceedings. IRS presently has five (5) proofs of pre-petition claims which have been timely filed and are a part of these proceedings.

In PST, Inc., Bk. No. 04-20878, IRS filed an amended proof of claims, dated 1/11/05, in the total amount of \$11,709.38 which is fully secured by IRS' right of setoff of pre-petition funds against pre-petition liabilities.

In Telecast of Florida, Inc., c/o Pegasus Communications, Bk. No. 04-20873, IRS filed a proof of claims, dated 11/9/04, in the total amount of \$950.00, broken down as: priority unsecured - \$500.00 and general unsecured - \$450.00. The claims in this proof are all estimated claims because this debtor has failed to file its federal corporate income tax returns [Form 1120] for the seven (7) pre-petition years of 1997 through 2003. Unlike the other debtors in this proceeding, Telecast is required to file its own federal income tax returns. To date, none of these seven returns have been filed.

In Golden Sky Systems, Inc., aka Pegasus Satellite Television, Bk. No. 04-20882, IRS filed an amended proof of claims, dated 3/4/05, in the total amount of \$10,162.62, all general unsecured.

In DTS Management, LLC, aka Columbia DBS Management, Inc., Bk. No. 04-20884, IRS filed an amended proof of claims, dated 3/4/05, in the total amount of \$27,114.87, broken down as: priority unsecured - \$7,104.68 and general unsecured - \$20,010.19. The priority unsecured claims are based upon unpaid, pre-petition federal

employment taxes and interest [Form 941].

In Henry County MRTV, Inc., aka Pegasus Satellite Television, Bk. No. 04-20885, IRS filed an amended proof of claims, dated 1/11/05, in the total amount of \$863.17, broken down as: priority unsecured - \$726.48 and general unsecured - \$136.69. The priority unsecured claims are based upon unpaid, pre-petition federal unemployment taxes and interest [Form 940].

IRS' pre-petition claims total \$50,800.04, broken down as: secured - \$11,709.38; priority unsecured - \$8,331.16; and general unsecured - \$30,760.50.

After unfiled returns are filed and liabilities are determined, all of IRS' priority unsecured claims would be classified as Priority Tax Claims within Paragraph 2.5 of Article II of the proposed Plan. After unfiled returns are filed and liabilities are determined, IRS' general unsecured claims against Telecast would be classified as Class 3D general unsecured claims pursuant to Paragraph 3.16, Section D of Article III of the proposed Plan. IRS' other general unsecured claims would be classified as Class 3C general unsecured claims pursuant to Paragraph 3.12, Section D of Article III of the proposed Plan.

IRS' claims which are secured by right of setoff should be allowed to be paid in full by setoff on the effective date of any confirmed plan.

### **Objections**

The United States objects to confirmation of the debtors' First Amended Joint Chapter 11 Plan upon the following grounds:

1. The debtors should not be entitled to confirmation of their proposed Plan until (a) all pre-petition, federal income tax returns are filed and (b) all liabilities, if

any, are determined and (c) provisions are made for any liabilities in the proposed Plan.

2. The debtors' proposed Plan does not address IRS' claims secured by right of setoff of pre-petition funds against pre-petition liabilities.

3. The debtors' proposed Plan does not specifically classify the general unsecured claims of IRS.

### **Proposed Resolutions**

The United States would consent to confirmation of the debtors' proposed First Amended Joint Chapter 11 Plan if the Order of Confirmation entered by this Court contained provisions that: (1) Telecast is required to file its seven (7) unfiled, pre-petition, federal income tax returns within 60 days of 3/24/05 and (2) IRS is entitled to exercise its right of setoff regarding the claims against PST, Inc. on the effective date of the Plan and (3) confirm that IRS' allowed general unsecured claims will be Class 3C and Class 3D claims.

WHEREFORE, the United States respectfully requests that this Court deny confirmation of the Debtors' First Amended Joint Chapter 11 Plan of Reorganization and grant such other relief which to this Court appears appropriate and just.

Dated: March 14, 2005  
Portland, Maine

Respectfully Submitted,

Paula D. Silsby  
United States Attorney

/s/Frederick C. Emery, Jr.  
Frederick C. Emery, Jr.  
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**CERTIFICATE OF SERVICE**

I, Frederick C. Emery, Jr., Assistant U. S. Attorney for the District of Maine, hereby certify that I have this day made service of a true copy of the (1) **OBJECTIONS BY UNITED STATES ON BEHALF OF THE DEPARTMENT OF TREASURY, INTERNAL REVENUE SERVICE, TO CONFIRMATION OF DEBTORS' FIRST AMENDED JOINT CHAPTER 11 PLAN OF REORGANIZATION** and (2) this Certificate of Service, upon the below listed individuals and entities pursuant to the Bankruptcy Court's ECF system, and other individuals and entities that are served through the Court's ECF system, and that there are no individuals or entities to be serve by regular mail.

Robert J. Keach, Esq.      rkeach@mainelaw.com

Office of U.S. Trustee      ustpreion01.po.ecf@usdoj.gov

Dated:                    March 14, 2005  
                                  Portland, Maine

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