

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MAINE

In re:)	Chapter 11
)	
PEGASUS SATELLITE TELEVISION, INC., et al.,)	Case No. 04-20878
)	
Debtors.)	(Jointly Administered)

**AFFIDAVIT OF TED S. LODGE, PRESIDENT, CHIEF OPERATING
OFFICER AND COUNSEL OF PEGASUS SATELLITE
COMMUNICATIONS, INC. IN SUPPORT OF CONFIRMATION
OF THE DEBTORS' FIRST AMENDED JOINT CHAPTER 11 PLAN**

COMMONWEALTH OF PENNSYLVANIA)
) ss.:
COUNTY OF MONTGOMERY)

TED S. LODGE, being duly sworn, deposes and states:

1. I am the President, Chief Operating Officer and Counsel of Pegasus Satellite Communications, Inc. ("PSC"), which is one of the above-captioned debtors and debtors-in-possession (collectively, the "Debtors") and the direct or indirect parent company of each of the other Debtors.¹

2. I previously served as Executive Vice President, Chief Administrative Officer, General Counsel, and Secretary of PSC from 1996 to December 2001. In addition, I serve as a Director of PSC, Pegasus Media & Communications, Inc. ("PMC"), Argos Support Services Company, and Portland Broadcasting, Inc., each of which is a Debtor.

¹ The Debtors are: Argos Support Services Company, Bride Communications, Inc., B.T. Satellite, Inc., Carr Rural TV, Inc., DBS Tele-Venture, Inc., Digital Television Services of Indiana, LLC, DTS Management, LLC, Golden Sky DBS, Inc., Golden Sky Holdings, Inc., Golden Sky Systems, Inc., Henry County MRTV, Inc., HMW, Inc., Pegasus Broadcast Associates, L.P., Pegasus Broadcast Television, Inc., Pegasus Broadcast Towers, Inc., Pegasus Media & Communications, Inc., Pegasus Satellite Communications, Inc., Pegasus Satellite Television of Illinois, Inc., Pegasus Satellite Television, Inc., Portland Broadcasting, Inc., Primewatch, Inc., PST Holdings, Inc., South Plains DBS, LP., Telecast of Florida, Inc., WDSI License Corp., WILF, Inc., WOLF License Corp., WTLH License Corp.

3. Accordingly, I have acquired extensive knowledge of the Debtors and their day-to-day operations and business affairs (including their respective assets, liabilities and their historical operations and divestitures) and I am familiar with the Debtors' books and records.

4. I submit this affidavit ("Affidavit") in support of confirmation of the Debtors' First Amended Joint Chapter 11 Plan, dated January 31, 2005 (as may be modified or amended from time to time to incorporate changes not affecting the substantive rights of parties in interest, the "Plan").²

5. All facts set forth in this Affidavit are based on (a) my personal knowledge, (b) information supplied to me by others within the Debtors' organizations, (c) my review of relevant documents, including, without limitation, the terms and provisions of the Plan and the Disclosure Statement, (d) my personal judgment, based upon my expertise, experience and knowledge of the Debtors' business and financial condition, and (e) my reliance on the advice of the Debtors' bankruptcy counsel, for matters involving United States bankruptcy law. If I were called upon to testify, I could and would testify competently to the facts set forth herein.

6. I have reviewed and am generally familiar with the terms and provisions of the Plan and the requirements for confirmation of the Plan under section 1129 of the Bankruptcy Code.

² Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Plan.

Background

7. On June 2, 2004 (the “Petition Date”), each of the Debtors filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”) (collectively, the “Chapter 11 Cases”), in the United States Bankruptcy Court for the District of Maine (the “Bankruptcy Court”). There are twenty-eight (28) Debtors in the Chapter 11 Cases.

8. The Debtors are authorized to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

9. The Debtors’ Chapter 11 Cases have been consolidated for procedural purposes only and are being jointly administered pursuant to Bankruptcy Rule 1015(b).

10. On June 10, 2004, the United States Trustee for the District of Maine appointed an official committee of unsecured creditors pursuant to section 1102(a) of the Bankruptcy Code (the “Creditors’ Committee”). No trustee or examiner has been appointed in the Chapter 11 Cases.

Business Operations Prior to Chapter 11 Cases

11. PSC is a direct subsidiary of Pegasus Communications Corporation (“PCC”), a non-debtor Delaware corporation that is a publicly listed company (NASDAQ: PGTV). PSC is a holding company and is the direct parent company and sole shareholder of PMC, which is also a holding company. Prior to the commencement of these Chapter 11 Cases, PMC conducted direct broadcast satellite operations through the PST Debtors³ and television

³ The PST Debtors are Argos Support Services Company, Carr Rural TV, Inc., DBS Tele-Venture, Inc., Digital Television Services of Indiana, LLC, DTS Management, LLC, Golden Sky DBS, Inc., Golden Sky Holdings, Inc., Golden Sky Systems, Inc., Henry County MRTV, Inc., Pegasus Satellite Television of Illinois, Inc., Pegasus Satellite Television, Inc., Primewatch, Inc., PST Holdings, Inc., and South Plains DBS, LP.

broadcasting operations through the PBT Debtors.⁴ As of the Petition Date, the primary direct broadcast satellite operating subsidiary of PMC was Pegasus Satellite Television, Inc. (“PST”) and the primary broadcast operating subsidiary was Pegasus Broadcast Television, Inc. (“PBT”). As will be further described below, the Debtors’ direct broadcast satellite business was sold to DIRECTV, Inc. for approximately \$938 million, subject to certain adjustments, pursuant to an order of the Bankruptcy Court dated August 26, 2004. The Debtors anticipate that there may be a sale of their broadcast business pursuant to bidding procedures to be approved by the Bankruptcy Court.

A. Direct Broadcast Satellite Business

12. As of the Petition Date, the Debtors’ principal operating business was the direct broadcast satellite (“DBS”) business. Specifically, the PST Debtors provided DIRECTV programming services to rural households across the United States. As of March 31, 2004, the Debtors involved in the DBS business collectively were the largest independent distributor of DIRECTV programming with in excess of 1.1 million subscribers and the exclusive right to distribute DIRECTV services to approximately 8.4 million rural households in certain territories within 41 states. The Debtors had consolidated assets of approximately \$1.6 billion related to their DBS, which generated net revenues of approximately \$831 million during calendar year 2003.

13. Direct broadcast satellite programming services are digital broadcasting services that require a subscriber to install or have installed a satellite receiving antenna (or dish) and a digital receiver. DIRECTV requires subscribers to have a satellite dish, which can be as small as 18 inches in diameter depending on the services received, to which DIRECTV directly

⁴ The PBT Debtors are Bride Communications, Inc., BT Satellite Inc., HMW, Inc., Pegasus Broadcast Associates, L.P., Pegasus Broadcast Television, Inc., Pegasus Broadcast Towers, Inc., Portland Broadcasting, Inc., Telecast of Florida, Inc., WDSI License Corp., WILF, Inc., WOLF License Corp., and WTLH License Corp.

transmits programming services via multiple satellites. The PST Debtors, as exclusive distributors of DIRECTV DBS services, offered certain core DIRECTV programming packages to subscribers, which varied according to channels delivered and price.

14. As of the Petition Date, the Debtors had approximately 779 employees devoted to their DBS business. In addition, the PST Debtors maintained an independent retail network through dealer relationships to distribute DIRECTV programming in their exclusive territories.

15. The Debtors' rights to distribute DIRECTV programming were acquired through their affiliation with the National Rural Telecommunications Cooperative (the "NRTC"), a cooperative organization whose members and affiliates are engaged in the distribution of telecommunications and other services in predominantly rural areas of the United States. The Debtors provided DIRECTV DBS services through agreements with the NRTC called "NRTC/Member Agreements for Marketing and Distribution of DBS Services" (the "Member Agreements"). The NRTC obtained DIRECTV DBS services through a contract with DIRECTV called the "DBS Distribution Agreement," dated as of April 10, 1992, as amended, between the NRTC and DIRECTV as well as its predecessor, Hughes Communications Galaxy, Inc. (the "DBS Agreement"). By virtue of obtaining DBS services under the Member Agreements, the Debtors involved in the satellite business became associate members (sometimes referred to as "affiliates") and patrons of the NRTC, and received patronage capital certificates (the "Patronage Certificates") representing ownership of equity in the NRTC.

B. Broadcast Business

16. In addition to their direct satellite business, certain of the PBT Debtors are either owners or programmers of ten television stations affiliated with either CBS Television ("CBS"), Fox Broadcasting Company ("Fox"), United Paramount Network ("UPN"), or The WB

Television Network (“WB”) and act as sales agents for two cable channels affiliated with WB. As of December 31, 2003, the Debtors had consolidated assets of approximately \$57.0 million related to their television broadcasting business. As of the Petition Date, the Debtors had approximately 163 employees devoted to their broadcast television business.

17. In certain markets where the PBT Debtors already own a television broadcast station, the PBT Debtors have entered into local marketing agreements or similar agreements (“LMA's”). These agreements allow the PBT Debtors to program the broadcast hours and sell advertising for the time of a station whose FCC license is owned by a third party. The PBT Debtors entered into the LMA's because pursuant to current rules administered by the Federal Communications Commission the number of television stations one entity may own in a given market is limited. Thus, the LMA's allow the PBT Debtors to obtain additional opportunities for increasing revenue share with limited additional operating expenses. There are three markets in which the PBT Debtors own stations and separately program a station pursuant to a LMA: Portland, Maine; Wilkes-Barre/Scranton, Pennsylvania; and Tallahassee, Florida.

18. The markets served by, call letters and network affiliations of the stations owned and/or operated by the PBT Debtors are: Portland, Maine – WPXT (WB) and WPME (UPN); Chattanooga, Tennessee – WDSI (Fox); Tallahassee, Florida – WTLH (Fox), WFXU (UPN) and WTLF (UPN); Wilkes-Barre/Scranton, Pennsylvania – WOLF (Fox), WILF (WB) and WSWB (WB), and Gainesville, Florida – WGFL (CBS). The markets served by, call letters and network affiliation of the cable channels for which the PBT Debtors act as sales agents are: Gainesville, Florida – WBFL (WB); and Tallahassee, Florida – WBXT (WB). This coverage allowed the PBT Debtors to reach almost 2% of the television-viewing audience in the United States.

Debtors' Pre-Petition Capital Structure

19. PST Holdings and PBT are the direct or indirect parents of the other PST Debtors and PBT Debtors, respectively. PST Holdings and PBT are direct subsidiaries of PMC, which is the wholly-owned subsidiary of PSC. PSC has issued and outstanding 100 shares of Class B common stock, all of which is owned by PCC. The Debtors' prepetition debt structure is largely comprised of two components: (a) senior secured bank debt through two term loan credit facilities and one revolving credit facility, and (b) unsecured bond debt. As of March 31, 2004, the Debtors had outstanding indebtedness of approximately \$1.5 billion. As set forth in the Debtors' Schedules, as of the Petition Date, there were no intercompany payables or receivables by and among the Debtors.

20. As of the Petition Date, PMC was indebted under a term loan facility in the aggregate principal amount of \$391,766,856 and accrued but unpaid interest thereon in the approximate amount of \$2,950,150, plus all fees and other amounts due and owing under a Fourth Amendment and Restatement of Credit Agreement, dated as of October 22, 2003, among PMC, the various lenders party thereto (collectively, the "Prepetition Term Loan Lenders"), Bank of America, N.A., as administrative agent, and Banc of America Securities, LLC, as sole lead arranger, and certain other agreements entered in conjunction thereto (collectively, as amended, the "Prepetition Term Loan Documents"), and the obligations thereunder, the "Prepetition Term Loan Obligations"). PSC, as limited recourse guarantor, is contingently liable to the Prepetition Term Loan Lenders with respect to the Prepetition Term Loan Obligations pursuant to a certain limited recourse guarantee executed by PSC. Certain subsidiaries of PMC, including PST, as guarantors, are also contingently liable to the Prepetition Term Loan Lenders with respect to the Prepetition Term Loan Obligations pursuant to a subsidiary guaranty executed by them.

21. To secure the term loan obligations, PMC and the subsidiary guarantors granted to the Prepetition Term Loan Lenders security interests in and liens upon substantially all of their respective personal and material real property and other assets, then owned or thereafter acquired, as well as the proceeds, products, rents and profits of all such property. In addition, PSC granted security interests in and liens upon PSC's right, title and interest in all outstanding equity securities of PMC and certain of its other direct subsidiaries and certain other personal property collateral.

22. As of the Petition Date, PMC was also indebted under a Credit Agreement, dated as of December 19, 2003, among PMC, Madeleine L.L.C., as administrative agent, the several lenders thereto (collectively, the "Revolving Lenders") and Banc of America Securities LLC, as sole lead arranger and sole book manager (the "Revolving Credit Agreement"), in the following amounts: (i) revolving loans in the aggregate principal amounts of \$18,000,000, (ii) accrued but unpaid interest thereon in the approximate amount of \$275,410, and (iii) a commitment fee in the amount of \$10,416.67 plus all other fees and other amounts due and owing under the revolving credit documents. PSC and the subsidiary guarantors of PMC are contingently liable on the Revolving Credit Agreement pursuant to certain guarantees executed by them. To secure the revolving credit obligations, PMC, PSC and the subsidiary guarantors granted security interests in and Liens upon all of the prepetition term loan collateral discussed above.

23. Pursuant to an Amended and Restated Term Loan Agreement, dated as of August 1, 2003, among PSC, the several lenders party thereto (the "Junior Term Loan Lenders") and DBS Investors Agent, Inc. (the "Junior Term Loan Agreement"), the Junior Term Loan Lenders made term loans and other financial accommodations to PSC in the aggregate principle amount of \$104,402,897 and accrued but unpaid interest thereon in the approximate amount of

\$2,246,374 (the “Junior Term Loan Obligations”). To secure the Junior Term Loan Obligations, PSC granted security interests in and liens upon all outstanding equity securities of PMC, all dividends and Distributions thereon and all proceeds thereof, all indebtedness of PMC owed to PSC, including all intercompany loans made to PSC from PMC, and all payments received by PSC from PMC with respect to such indebtedness, and all Tax Sharing Payments (as defined in the Junior Term Loan Agreement) received by PSC.

24. As of the Petition Date, PSC had issued and outstanding six (6) series of unsecured notes (the “Notes”), with principal balances and accrued interest as follows:

<u>Notes</u>	<u>Principal</u>	<u>Accrued Interest</u>
9 5/8% Senior Notes Due 2005	\$80,591,000	\$1,034,251
9 3/4% Senior Notes Due 2006	\$71,055,000	\$3,502,419
12 1/2% Senior Notes Due 2007	\$118,521,000	\$5,020,681
12 3/8% Senior Notes Due 2006	\$158,205,000	\$6,634,722
13 1/2% Senior Subordinated Discount Notes Due 2007	\$128,790,000	\$4,443,255
11 1/4% Senior Notes Due 2010	\$341,924,000	\$14,745,473
	Total	
	\$899,086,000	\$35,380,801

Events Leading to Chapter 11 Filing

A. DIRECTV Litigation

25. As described above, prior to the Petition Date, the Debtors involved in the satellite business collectively were the largest independent distributor of DIRECTV DBS services with approximately 1.1 million subscribers and the exclusive right to distribute certain DIRECTV services to approximately 8.4 million rural households in specified territories within 41 states. The Debtors provided DIRECTV DBS services through the Member Agreements with the NRTC and through the NRTC's DBS Agreement with DIRECTV.

26. In 1999, the NRTC filed two lawsuits in the United States District Court for the Central District of California (the "California District Court") against DIRECTV, seeking to enforce the NRTC's contractual rights under the DBS Agreement (the "NRTC Litigation"). The NRTC Litigation sought to obtain from DIRECTV, among other things: (i) certain premium programming (including HBO, Cinemax, ShowTime and The Move Channel) and certain advanced services (such as the TiVo digital video recorder service) for exclusive distribution under the Member Agreements; and (ii) the NRTC's share of launch fees and other benefits that DIRECTV and its affiliates obtained relating to programming and other services. DIRECTV filed counterclaims in the NRTC Litigation seeking declarations clarifying the initial term (duration) of the DBS Agreement and its obligations after that initial term. In January 2000, PST filed a lawsuit against DIRECTV in the California District Court asserting substantively similar claims as were pending in the NRTC Litigation (the "PST Litigation"). PST asserted various torts and unfair business practices claims under California law, and sought declaratory relief, damages (including punitive damages), restitution and injunctive relief. A class of plaintiffs, consisting of participants in the NRTC's direct broadcast satellite project other than PST, also filed a lawsuit in the California District Court asserting similar claims against DIRECTV as were

pending in the PST Litigation (the “Class Litigation”). DIRECTV filed counterclaims in the PST Litigation and the Class Litigation asserting claims for declaratory relief regarding the initial term of the Member Agreements and DIRECTV's obligations to PST and the class members after the initial term.

27. After several years of consolidated discovery and motion practice, during which time some of the pending claims were resolved by summary judgment and voluntary dismissal, a consolidated trial was scheduled to begin for the remaining claims and counterclaims in the NRTC Litigation, the PST Litigation and the Class Litigation in August 2003. However, on the eve of trial, and following an announcement by News Corporation of its intention to acquire control of DIRECTV and its parent, Hughes Electronics, DIRECTV and the NRTC reached an agreement to settle the NRTC Litigation (the “California Settlement”). In addition, the parties reached an agreement to settle the Class Litigation subject to a fairness hearing by the judge. Among other things, the California Settlement amended the DBS Agreement between the NRTC and DIRECTV to change the term of that agreement in a manner that PST considered detrimental, relinquish or redefine rights of NRTC members and affiliates to certain revenues, and accept an agency role with reduced economic benefits for NRTC members and affiliates in the sale of certain services.

28. In September 2003, PST moved to intervene in the NRTC Litigation for the limited purpose of objecting to the California Settlement. The court denied PST's motion to intervene, finding that PST's rights under its Member Agreements were not affected by the California Settlement. PST sought clarification of the court's ruling or reconsideration of its motion to intervene, or, in the alternative, a stay pending appeal. This motion was denied, and PST appealed the denial to the United States Court of Appeals for the Ninth Circuit. The Ninth Circuit denied PST's request for a stay of the California Settlement pending resolution of the

appeal, and the California Settlement became effective in February 2004. PST subsequently dismissed its appeal.

29. As a result of the California Settlement, the district court dismissed PST's remaining causes of action against DIRECTV for lack of standing. In addition, the district court dismissed DIRECTV's remaining counterclaim against PST regarding the duration of the Member Agreements. PST's rights under its Member Agreements were never fully litigated.

B. Seamless Marketing Agreement Litigation

30. On June 22, 2001, DIRECTV brought suit against PST for alleged failure to make payments required by the Seamless Marketing Agreement dated August 9, 2000, as amended, between DIRECTV and PST (the "Seamless Marketing Agreement"). The Seamless Marketing Agreement provided for seamless marketing and sales for DIRECTV retailers and distributors and also provided for reciprocal obligations by DIRECTV and PST to pay subscriber acquisition fees and satellite receiver equipment buy down fees to each other under certain circumstances. PST filed counterclaims against DIRECTV, alleging that DIRECTV breached the Seamless Marketing Agreement and engaged in unlawful and/or unfair business practices as defined in the California Business and Professions Code. PST also sought rescission of the Seamless Marketing Agreement on grounds of fraudulent inducement. On April 14, 2004, a jury returned a verdict for DIRECTV, awarding DIRECTV \$51.5 million on its breach of contract and open book accounting claims. In addition, the jury ruled in DIRECTV's favor on PST's counterclaims. On May 24, 2004, the court entered judgment in the amount of \$62,586,479.43, which included prejudgment interest calculated through the date of entry of the judgment.

C. Termination of the DBS Agreement and the Member Agreements

31. On June 2, 2004, the Debtors received notice from the NRTC that effective June 1, 2004, the NRTC and DIRECTV terminated the DBS Agreement and their related Trademark License Agreement. The NRTC also informed the Debtors that it had terminated the Member Agreements effective August 31, 2004 and DIRECTV informed the Debtors that it had terminated a seamless consumer agreement separately covering provision of certain DBS services effective August 31, 2004. Immediately after notifying the Debtors of the termination of these agreements, DIRECTV began directly marketing and selling DBS services to the Debtors' subscribers within the Debtors' exclusive territories. These efforts by DIRECTV threatened to destroy the Debtors' relationship with its customers and its dealers and eroded the Debtors' DBS business.

32. Thereafter, on June 2, 2004, the Debtors commenced the Chapter 11 Cases.

The Plan

33. The framework for the Plan began in July, 2004 during the intense negotiations surrounding the Global Settlement and the sale of substantially all of the Debtors' DBS business to DIRECTV, Inc. for approximately \$938 million, subject to certain adjustments, pursuant to an order of the Bankruptcy Court dated August 26, 2004. The Plan continued to take shape throughout the fall when negotiations regarding the Plan began in earnest among the Debtors, the Creditors' Committee and, at times, PCC. Such efforts culminated in the filing of the Debtors' joint Chapter 11 plan and related disclosure statement on January 7, 2005. Negotiations continued in January and the plan was further refined until the current Plan for this Court's consideration and related Disclosure Statement were filed on January 31, 2005.

34. Generally, the Plan provides for the transfer of the Debtors' non-broadcast television business assets, including the cash proceeds of the sale of the Debtors' DBS business to DIRECTV, Inc., to the Liquidating Trust charged with resolving Claims and making Distributions on account thereof. The Plan also contemplates a potential disposition of the Debtors' broadcast television business assets whether through a sale or transfer to the Liquidating Trust. The consideration and/or proceeds derived from the Debtors' assets will be used to make Cash Distributions to Holders of Allowed Claims in accordance with the priority scheme established by the Bankruptcy Code and/or as set forth in the Plan.

35. The Plan provides for the substantive consolidation of the Chapter 11 Cases of the PBT Debtors and the separate substantive consolidation of the Chapter 11 Cases of the PST Debtors, solely for the purposes of confirmation and consummation of the Plan (each such group of consolidated Estates, a "Consolidated Group"). As I understand it, the separate deemed consolidation of the PBT Debtors and the PST Debtors shall not (other than for purposes related to voting on and making Distributions under the Plan) affect: (a) the legal and organizational structure of the Debtors, (b) pre- and post-Petition Date guarantees, liens and security interests that are required to be maintained (i) in connection with executory contracts or unexpired leases that were entered into during the Chapter 11 Cases or that have been or will be assumed or (ii) pursuant to the Plan, (c) defenses to any cause of action or requirements for any third party to establish mutuality in order to assert a right of setoff, and (d) distributions out of any insurance policy or proceeds of such policy.

36. I believe that there is a substantial identity, exclusive interrelationship, and interdependence between and among the entities that comprise the PBT Debtors and separately among the entities that comprise the PST Debtors. The connections include, but are not limited to, (a) the PBT Debtors' trade creditors dealt with substantially all of the PBT Debtors as a single

economic unit and did not rely on their separate identity in extending credit and the PST Debtors' trade creditors did the same with respect to the PST Debtors, (b) PBT and PST each oversaw the operations of the PBT Debtors and the PST Debtors, respectively, (c) the members of the board of directors and the officers for each of the Debtors comprising the Consolidated Groups had significant overlap, (d) the Debtors used a centralized cash management system through which all cash generated by the PBT Debtors flowed and the Debtors did the same for the cash generated by the PST Debtors, and (e) the vast majority of the PBT Debtors exist solely to operate certain limited aspects of the Debtors' broadcast business in certain markets and the vast majority of the PST Debtors exist solely to operate limited aspects of the Debtors satellite television business in certain states and markets.

37. I believe that the benefits of substantive consolidation of the PBT Debtors and the separate consolidation of the PST Debtors outweighs any potential prejudice to the creditors of such Debtors. As I understand from the Debtors' legal advisors, absent the requested substantive consolidation, the Debtors would need to create Classes of Claims and Interests for twenty-eight (28) separate Debtors. Such an exercise would significantly increase the costs and administration of the Chapter 11 Cases in confirming and consummating the Plan without providing any benefits to the Debtors, their Creditors, or other parties in interest. This is particularly true because Holders of all Allowed Claims against any of the PST Debtors and against any of the PBT Debtors are being paid in full with respect to their Allowed Claims under the Plan. Furthermore, the Debtors and the Creditors' Committee have evaluated the merits of substantive consolidation in the circumstances presented and are in agreement that it is warranted. Most telling of the absence of prejudice to any party in interest is that there have been no objections to the deemed substantive consolidation as provided in the Plan other than a

limited objection by Felton Street Associates Limited Partnership seeking clarification that its rights to assert its claims against certain sales proceeds will be unaffected by the Plan.

38. Article III of the Plan provides for the separate classification of Claims and Interests into the following eighteen (18) Classes, based on differences in the legal nature and/or priority of such Claims and Interests and after giving effect to the substantive consolidation of the PBT Debtors and the PST Debtors:

DESCRIPTION OF CLASS	CLASS DESIGNATION
Secured Claims against PSC	Class 1A
Secured Claims against PMC	Class 1B
Secured Claims against PST Debtors	Class 1C
Secured Claims against PBT Debtors	Class 1D
Priority Non-Tax Claims against PSC	Class 2A
Priority Non-Tax Claims against PMC	Class 2B
Priority Non-Tax Claims against PST Debtors	Class 2C
Priority Non-Tax Claims against PBT Debtors	Class 2D
Unsecured Claims against PSC	Class 3A
Unsecured Claims against PMC	Class 3B
Unsecured Claims against PST Debtors	Class 3C
Unsecured Claims against PBT Debtors	Class 3D
Subordinated Claims against PSC	Class 4A
Old Preferred Stock Interests in PSC	Class 5A-1
Old Common Stock Interests in PSC	Class 5A-2
Common stock Interests in PMC	Class 5B-2
Common stock Interests in PST Debtors	Class 5C-2
Common stock Interests in PBT Debtors	Class 5D-2

I believe that each of the Claims or Interests in each particular Class is substantially similar to the other Claims or Interests in such Class in the Plan.

39. On February 9, 2005, this Court approved the Disclosure Statement pursuant to the terms of the Disclosure Statement Order and this Court also approved, among other things, the form and manner of solicitation, the form and manner of Ballots and related notices, establishing a voting record date and voting procedures pursuant to the terms of the Solicitation Procedures Order.

40. On February 14, 2005, in accordance with the Solicitation Procedures Order, the Debtors posted to their website at <http://www.pgtv.com/283cc/legal.htm> copies of the Plan, Disclosure Statement, Disclosure Statement Order, Solicitation Procedures Order, and on March 11, 2005 the Debtors posted to the same website copies of the documents comprising the Plan Supplement.

The Plan Satisfies Section 1129 of the Bankruptcy Code

41. I believe that the Plan fully complies with the applicable provisions of section 1129 of the Bankruptcy Code for confirmation of a plan. This Affidavit addresses those elements of section 1129(a) of the Bankruptcy Code that are based upon facts that are within my personal knowledge.

42. Section 1129(a)(3). The Plan proposed by the Debtors provides for the means through which the Broadcast Assets may be sold to a third party or liquidated by the Liquidating Trust and for liquidating the Debtors' remaining assets to maximize the value of the Debtors' Estates and making Distributions to Holders of Allowed Claims. The Plan is the result of extensive good faith, arm's length negotiations among the Debtors, the Creditors' Committee and, at times, PCC. I believe that the Plan promotes fundamental fairness to Holders of Claims and Interests and the objectives and purposes of the Bankruptcy Code. Thus, the Plan has been filed in good faith and not proposed by any means forbidden by law, all in satisfaction of the requirements of section 1129(a)(3) of the Bankruptcy Code.

43. Section 1129(a)(4). Section 2.3 of the Plan provides that holders of Fee Claims shall file their respective final applications for allowances of compensation for services rendered and reimbursement of expenses incurred through the Effective Date by no later than forty-five (45) days after the Effective Date. I believe that the foregoing procedures for the

Bankruptcy Court's review and ultimate determination of the fees and expenses to be paid by the Debtors satisfy the objections of section 1129(a)(4) of the Bankruptcy Code.

44. Section 1123(a)(5). The Debtors have disclosed the identify of the proposed directors and officers of the Reorganized Debtors and the Liquidating Trustee following confirmation of the Plan in the Amended Plan Supplement. No insiders will be employed or retained by the Reorganized Debtors. The appointment to such offices is consistent with the interests of the Debtors' creditors and Interest Holders and with public policy as required by section 1129(a)(5) of the Bankruptcy Code

45. Section 1129(a)(6). The Plan does not provide for any rate changes by the Debtors. Therefore, the Plan satisfies the requirements of section 1129(a)(6) of the Bankruptcy Code.

46. Section 1129(a)(7). I am familiar with the terms of the Liquidation Analysis, set forth in Exhibit E to the Disclosure Statement, which was prepared by the Debtors with the assistance of their financial advisors, FTI Consulting Inc. Based on my review of the Liquidation Analysis and the technical amendments to the Plan, I believe that through the Plan, Holders of Allowed Claims will receive at least as great a recovery as such Holders would receive if the assets of the Debtors were liquidated under chapter 7 of the Bankruptcy Code. Thus, the Plan satisfies the requirements of section 1129(a)(7) of the Bankruptcy Code.

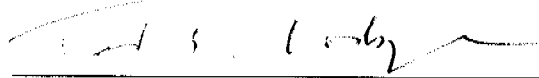
47. Section 1129(a)(11). I have been informed that section 1129(a)(11) of the Bankruptcy Code permits a plan to be confirmed if it is feasible, i.e., it is not likely to be followed by liquidation or the need for further financial reorganization.

48. For purposes of determining whether the Plan satisfies the above-described feasibility, the Debtors have analyzed their obligations under the Plan. Since the Plan provides for the liquidation of PMC and the PST Debtors and a potential sale or liquidation of

the Broadcast Assets, the Plan is feasible if this Court determines that the Debtors will be able to satisfy the conditions precedent to the Effective Date and that the Reorganized Debtors and the Liquidating Trust will have sufficient funds to meet their post-Confirmation Date obligations to pay for the costs of administering and fully consummating the Plan and the closing of the Chapter 11 Cases. I believe that the Plan satisfies the financial feasibility requirement imposed by the Bankruptcy Code.

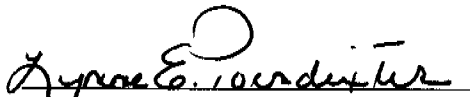
49. Section 1129(a)(12). It is my understanding that the Debtors have paid all chapter 11 statutory and operating fees required to be paid during the Chapter 11 Cases. Section 14.4 of the Plan provides that all unpaid pre-Confirmation Date fees calculated pursuant to 28 U.S.C. § 1930(a)(6) shall be timely paid thereafter for each quarter until the Chapter 11 Cases are closed. Thus, the Plan complies with section 1129(a)(12) of the Bankruptcy Code.

50. Section 1129(d). The Plan has not been filed for the purpose of avoidance of taxes or the application of section 5 of the Securities Act of 1933, as amended.

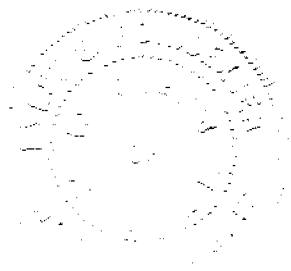


TED S. LODGE
President, Chief Operating Officer and Counsel
Pegasus Satellite Communications, Inc.

Sworn to and subscribed before me
this 31st day of March, 2005.



Lynne E. Poindexter
Notary Public



NOTARIAL SEAL
LYNNE E. POINDEXTER, Notary Public
Lower Merion Twp., Montgomery County
My Commission Expires June 17, 2006