

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MAINE

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

**NOTICE OF HEARING ON MOTION TO (I) APPROVE A GLOBAL SETTLEMENT
AND (II) SELL CERTAIN ASSETS OF THE DEBTORS TO DIRECTV, INC.**

PLEASE TAKE NOTICE THAT:

A. Pegasus Satellite Television, Inc. and certain of its subsidiaries and affiliates, each a debtor and debtor-in-possession herein (collectively, the “Debtors”),¹ have filed a motion for entry of an order (i) approving a global settlement by and among the Debtors, Pegasus Communications Corporation and other non-Debtor affiliates, DIRECTV, Inc., The DIRECTV Group, Inc., National Rural Telecommunications Cooperative, and the Official Committee of Unsecured Creditors, and (ii) authorizing and approving in connection therewith a sale, transfer and conveyance of certain assets of the Debtors to DIRECTV, Inc. (the “Global Settlement/Sale Motion”)

B. A hearing will be held on (the “Hearing”) before the Honorable James B. Haines, Jr., United States Bankruptcy Judge, on **August 25, 2004, at 10:30 a.m. prevailing Eastern time** in the United States Bankruptcy Court, 537 Congress Street, Portland, ME 04101, to consider the Global Settlement/Sale Motion.

C. A summary of the Global Settlement/Sale Motion is described below. The summary is intended to give general notice of the transactions contemplated by the Global Settlement/Sale Motion and do not contain complete information. The summary is qualified in its entirety by the terms of the Settlement Agreement, the Asset Purchase Agreement and the Cooperation Agreement, as defined in the Global Settlement/Sale Motion (the “Settlement Documents”).² Those interested in more complete information should review the Global

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., and WTLH License Corp.

² Terms used herein and not otherwise defined shall have the meaning given to such terms in the

Settlement/Sale Motion and the Settlement Documents, all of which are available from Debtors' counsel upon request.

PLEASE TAKE FURTHER NOTICE THAT:

D. The following is a summary of information relating to the Global Settlement/Sale Motion:

The Settlement is comprised of four primary components: the dismissal of litigation between the Debtors and DIRECTV and NRTC, the transfer of certain of the Debtors' assets to DIRECTV, mutual releases by and between the parties to the Settlement Agreement, and agreements regarding the Patronage Certificates. Although these components are discussed in greater detail below and are qualified in their entirety by the terms of the Settlement Agreement, the Asset Purchase Agreement and the Cooperation Agreement, the following is a summary of the Settlement:

1. Dismissal of All Litigation

- The Adversary Proceeding and all pre-petition litigation, all pending appeals related thereto, and all motions and contested matters involving DIRECTV and NRTC pending in these Chapter 11 cases shall be dismissed and no new litigation shall be commenced.

2. Transfer of the Debtors' Satellite Assets

- The Debtors shall transfer their Satellite Assets to DIRECTV for approximately \$938 million, subject to certain adjustments, under the terms and conditions set forth in the Asset Purchase Agreement. The Satellite Assets are substantially all of the Debtors' assets.³
- The Debtors shall provide DIRECTV with certain transition services under the terms of the Cooperation Agreement.

3. Mutual Releases

- The Debtors will release DIRECTV and NRTC from any and all claims arising at any time prior to the effective date of the Settlement Agreement, except for claims under any of the Settlement Agreement, the Asset Purchase Agreement or the Cooperation Agreement.
- The Debtors will receive from DIRECTV a full and complete release of all claims including with respect to the Seamless Marketing Litigation and any other litigation pending between the Debtors and DIRECTV. DIRECTV will also assume those liabilities of the Debtors as specified under of the Asset

Settlement Documents, as applicable.

³ The proposed transfer of assets does not include the transfer of the Debtors' assets related to their broadcast television business.

Purchase Agreement, including the Debtors' cure liabilities with respect to the contracts that the Debtors will assume and assign to DIRECTV, if any. The Debtors will also receive from NRTC a full and complete release of all claims.

- DIRECTV and NRTC will receive from the Pegasus Non-Debtors a limited release of claims.
- The Pegasus Non-Debtors will receive from DIRECTV and NRTC a limited release of claims.
- The Pegasus Non-Debtors will receive from the Debtors and certain members of the Committee a full and complete release of all claims except claims arising under the Support Services Agreement.
- The Debtors will receive from the Pegasus Non-Debtors a full and complete release of any and all claims, except claims arising on or after the Petition Date, including those arising under the Support Services Agreement.

4. Patronage Certificates

- NRTC has agreed to waive any argument that the Debtors' patronage capital certificates are subject to forfeiture, and acknowledges that Pegasus will retain its right to receive patronage distributions in respect of the Patronage Certificates under specified circumstances.

PLEASE TAKE FURTHER NOTICE THAT:

E. Objections, if any, to the entry of the Global Settlement/Sale Order or the relief requested therein must (a) be in writing, (b) conform to the requirements of the Bankruptcy Code, the Bankruptcy Rules and the Local Rules of the Bankruptcy Court, and (c) be filed with this court and served upon (i) Larry J. Nyhan, Esq., James T. Conlan, Esq., Paul S. Caruso, Esq., Sidley Austin Brown & Wood LLP, Bank One Plaza, 10 South Dearborn Street, Chicago, IL 60603, and Guy Neal, Esq., Ellen R. Moring, Esq., Sidley Austin Brown & Wood, LLP, 787 Seventh Avenue, New York, NY 10019; (ii) Robert J Keach, Esq., Bernstein, Shur, Sawyer & Nelson, 100 Middle Street, P.O. Box 9729, Portland, ME 04104-5029; (iii) counsel for DIRECTV; (iv) counsel for NRTC; (v) counsel for PCC; and (vi) counsel for the Committee, so as to be **actually received** by no later than **5:00 p.m. (prevailing Eastern time) on August 20, 2004** (the "Objection Deadline").

Your rights may be affected. You should review this notice carefully and discuss it with your attorney, if you have one in this bankruptcy case. (If you do not have an attorney, you may wish to consult one). You may request a copy of the Global Settlement/Sale Motion and the Settlement Documents by contacting the Debtors' attorneys.

If you or your attorney do not take these steps, the court may decide that you do not oppose the relief sought in the Global Settlement/Sale Motion and may enter an order granting that relief.

Dated: August 3, 2004

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