

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF MAINE**

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

**JOINT RESPONSE OF THE WILMINGTON TRUST COMPANY AND BANK
STEERING COMMITTEE IN OPPOSITION TO THE MOTION OF D.E. SHAW
LAMINAR PORTFOLIOS, L.L.C. TO ADJOURN THE AUGUST 25, 2004 HEARING**

Wilmington Trust Company (“Wilmington Trust”), as the successor administrative agent for the various lenders (the “Junior Secured Lenders”) under that certain Amended and Restated Term Loan Agreement, dated as of August 1, 2003, among Pegasus Satellite Communications, Inc., as borrower, and the lenders from time to time party thereto and the Bank Steering Committee (the “Bank Steering Committee”), comprised of the majority lenders under that certain Fourth Amendment and Restatement of Credit Agreement dated as of October 22, 2003, by and among Pegasus Media & Communications, Inc., as borrower, and the lenders from time to time party thereto (the “Senior Secured Lenders”) and together with the Junior Secured Lenders, the “Secured Lenders”), by and through their undersigned counsel, hereby submit this response (the “Response”), in opposition to the motion (the “Adjournment Motion”) by D.E. Shaw Laminar Portfolios, L.L.C. (“DE Shaw”) to adjourn the August 25, 2004 hearing on the motion (the “Settlement Motion”) by the above-captioned debtors and debtors-in-possession (collectively, the “Debtors”) for entry of an order (i) approving the global settlement agreement (the “Settlement Agreement”) and (ii) authorizing the sale of certain assets to DIRECTV, Inc., and respectfully state as follows:¹

¹ Terms not otherwise defined herein shall have the meanings ascribed to such terms in the Settlement Motion.

The Adjournment Motion Must Be Denied

1. There is simply no reason for this Court to grant the Adjournment Motion. The sole basis of DE Shaw's argument to adjourn the hearing for approval of the Settlement Agreement with DIRECTV is its desire for time to investigate the alleged bad faith conduct of the Committee and its members in negotiating a settlement of the intercreditor issues between the senior and junior note holders.

2. Time is of the essence here and the Settlement Agreement is in the best interests of the Debtors' estates and their creditors. The benefits of the Settlement Agreement have been amply described in the pleadings filed in support thereof and will not be repeated here. Suffice it to say that the Settlement Agreement provides substantial payments to creditors where otherwise none would exist and is supported by all major creditor constituencies.

3. The "intercreditor" issue that DE Shaw alludes to in its motion is nothing more than a sideshow to the matter at hand. Whether there was bad faith during the intercreditor negotiations is of course irrelevant to the critical issue before this Court — whether the Settlement Agreement should be approved on its merits. It is inconceivable that an act of alleged bad faith in the junior/senior intercreditor negotiations would bear upon whether the Settlement Agreement and the \$875 million it will provide to these estates should be approved. If DE Shaw's allegations are ultimately established, an appropriate intercreditor remedy can be fashioned. Any delay in the consideration of the Settlement Agreement will put all creditor recoveries at grave risk. At a minimum, delay will cause the estates to lose a \$600,000 bonus for each day the closing takes place prior to September 15, 2004.

4. As a deeply subordinated creditor, DE Shaw is "out of the money" unless the Debtors obtain more than approximately \$1.3 billion for their assets. Such a scenario is utterly

impossible, and in this case time is clearly of the essence for approval of the Settlement Motion. Indeed, in less than one week, all of the Debtors' creditors risk losing any chance of a significant recovery. DE Shaw will simply keep objecting until someone agrees to pay them something. Put bluntly, DE Shaw is trying to litigate itself out of a bad investment decision. DE Shaw is a sophisticated player and knew the risk involved in purchasing subordinated unsecured debt. This Court should reject DE Shaw's position and allow the Debtors to implement the Settlement Agreement as expeditiously as possible.

CONCLUSION

For the foregoing reasons, the Secured Lenders request that the Court deny the Adjournment Motion and enter an Order granting the relief sought in the Settlement Motion and such other and further relief as this Court deems appropriate and just.

Dated: August 24, 2004

<p><u>/s/ Gayle H. Allen</u></p> <p>Roger A. Clement, Jr., Esq. Gayle H. Allen, Esq. VERRILL & DANA, LLP One Portland Square P.O. Box 586 Portland, ME 04112-0586 Tel: 207-774-4000 Fax: 207-774-749</p> <p>– and –</p> <p>Lawrence M. Handelsman, Esq. Kristopher M. Hansen, Esq. Brett Lawrence, Esq. STROOCK & STROOCK & LAVAN LLP 180 Maiden Lane New York, NY 10038-4982 Tel: 212-806-5400 Fax: 212-806-6006 Attorneys for the Wilmington Trust Company</p>	<p><u>/s/ Benjamin E. Marcus</u></p> <p>Benjamin E. Marcus, Esq. DRUMMOND WOODSUM & MACMAHON P.O. Box 9781 245 Commercial Street Portland, Maine 04104 Tel: 207-772-1941 Fax: 207-772-3627</p> <p>–and –</p> <p>Andrew Rosenberg, Esq. Elizabeth McColm, Esq. PAUL, WEISS, RIFKIND, WHARTON & GARRISON LLP 1285 Avenue of the Americas New York, NY 10019-6064 Tel: 212-373-3000 Fax: 212-757-3990 Attorneys for the Bank Steering Committee</p>
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