

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF MAINE**

In re:)	
)	CASE NO. 04-20878
PEGASUS SATELLITE)	
TELEVISION, INC., et al.,)	CHAPTER 11
)	JOINTLY ADMINISTERED
Debtors.)	

**RESERVATION OF RIGHTS BY PAR CAPITAL MANAGEMENT, INC.
AND PAR INVESTMENT PARTNERS, L.P.**

Par Capital Management, Inc. and Par Investment Partners, L.P. (collectively, "Par Capital") hereby submit the following statement with respect to the Motion for Entry of an Order Pursuant to 11 U.S.C. §§ 105(a), 363 and 1146(c) and Bankruptcy Rule 9019 (I) Approving Global Settlement by and Among the Debtors and Debtors In Possession, 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., dated August 3, 2004 (the "Settlement Motion"), as approved on August 26, 2004:

Status of the Case

1. On June 2, 2004 (the "Petition Date"), each of Pegasus Satellite Television, Inc. and certain of its subsidiaries and affiliates (the "Debtors") filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code.

2. Pursuant to sections 1107 and 1108 of the Bankruptcy Code, the Debtors are operating and managing their businesses as debtors-in-possession.

3. An official committee of unsecured creditors was appointed on June 10, 2004.

4. On or about August 3, 2004, the Debtors filed the Settlement Motion. The Court held a hearing on the Settlement Motion on August 25 and 26, 2004.

Reservation of Rights

5. Par Capital is the holder of 17,264 shares of Pegasus Satellite Communications, Inc.'s ("PSC") 12.75% Series Preferred Stock. PSC is a party to the Global Settlement Agreement which is the subject matter of the Settlement Motion.

6. The Settlement Motion, the Global Settlement Agreement and other exhibits to the Settlement Motion contain various provisions for releases of PSC and non-debtor persons affiliated with it, including without limitation, PSC's parent, Pegasus Communications Corporation ("PCC"), officers and directors of each them, and a broad array of representatives of all of the beneficiaries of the releases ("Non-Debtor Affiliates").

7. The release provisions in the Global Settlement Agreement (the "GSA Releases") were no doubt heavily negotiated and carefully crafted. Perhaps as a consequence, they are largely opaque as to whether they include releases of claims which Par Capital might have against Non-Debtor Affiliates. As to these GSA Releases, the ruling by the Court and clarifications made on the record by the parties confirm that they are not to release third party claims against Non-Debtor Affiliates. The release provisions which are required under the so-called Letter Agreement (Exhibit D to the Settlement Motion) among PCC, PSC's committee of unsecured creditors and certain committee members are quite clear, however, and require that any plan of reorganization filed by

the Debtors provide "that all creditors and preferred shareholders will release, to the fullest extent permitted by law, any claims such creditors or preferred shareholders may hold in their individual capacities against the officers and directors of the Debtors, or against PCC and its non-debtor affiliates and their respective officers, directors, employees and advisors."

8. To the extent that any of the release provisions could be interpreted to release claims which Par Capital might have against any Non-Debtor Affiliates, including any claims for breach of duties owed to it by such Non-Debtor Affiliates, Par Capital does not consent to such releases, specifically reserves its rights and claims against Non-Debtor Affiliates, and reserves its rights to address this issue when and if it is presented in the context of a plan of reorganization or otherwise.

Respectfully Submitted,

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