

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF MAINE**

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

**OFFICIAL COMMITTEE OF UNSECURED CREDITORS' STATEMENT IN
SUPPORT OF DEBTORS' SUPPLEMENTAL MOTION FOR ORDER PURSUANT TO
11 U.S.C. §§ 105(a) AND 363(b) AUTHORIZING AND APPROVING
IMPLEMENTATION OF SUPPLEMENTAL MANAGEMENT RETENTION PLAN**

The Official Committee of Unsecured Creditors (the "Committee") of Pegasus Satellite Television, Inc. and its affiliated debtors (collectively, the "Debtors"), by and through its undersigned counsel, hereby submits this statement (the "Statement") in support of the Debtors' Supplemental Motion for Order Pursuant to 11 U.S.C. §§ 105(a) and 363(b) Authorizing and Approving Implementation of Supplemental Management Retention Plan (the "Motion").¹ In support of the Statement, the Committee respectfully represents as follows:

BACKGROUND

1. 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").
2. The Debtors continue to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

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

3. On June 10, 2004, pursuant to section 1102 of the Bankruptcy Code, the United States Trustee for the District of Maine appointed the Committee.

STATEMENT IN SUPPORT

4. By the Motion, the Debtors seek authorization to pay Ted S. Lodge (“Lodge”), the President and Chief Executive Officer of Pegasus Communication Corporation and each of its subsidiaries, including each of the Debtors, the following amounts: (i) \$1,000,000 payable at the closing of the sale of the Satellite Assets, or as soon as practicable thereafter, (ii) \$400,000 upon the consummation of a chapter 11 plan of reorganization for the Debtors, and (iii) up to \$21,600 for family coverage benefits in accordance with COBRA (together, the “Payments”).

5. As set forth in the Motion, on or about July 30, 2004, the Committee agreed, in connection with the Global Settlement reached by all parties-in-interest in these cases, to support the Supplemental Retention Plan, pursuant to which the Debtors will make the Payments.

6. The Committee submits that, based on Lodge’s critical role during the intense negotiations leading to the Global Settlement and the importance of Lodge’s services to the Debtors’ continued operations, the Debtors are exercising their reasonable business judgment by seeking approval of the Supplemental Retention Plan and authorization to make the Payments.

7. Based on the foregoing, the Committee fully supports the Motion and respectfully requests that this Court (a) approve the Motion, and (b) grant such other relief as the Court deems just, equitable and proper.

Dated: Portland, Maine
September 14, 2004

/s/ Jacob A. Manheimer

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)	
Debtors.)	(Jointly Administered)

CERTIFICATE OF SERVICE

I, Michelle S. Pottle, being over the age of 18 and an employee of Pierce Atwood, hereby certify that on August 24, 2004 I caused the Official Committee of Unsecured Creditors' Statement in Support of Debtors' Supplemental Motion for Order Pursuant to 11 U.S.C. §§ 105(a) and 363(b) Authorizing and Approving Implementation of Supplemental Management Retention Plan to be served on the parties listed by either (i) U.S. First Class Mail, Postage Prepaid or (ii) by verifying that such person(s) are listed on the Electronic Mail Notice List kept by the Clerk's office and therefore will be served as part of the Electronic Case Filing ("ECF") system pursuant to the Standing Order Regarding Administrative Procedures for Electronically Filed Cases dated August 12, 2003, and entered in the U.S. Bankruptcy Court for the District of Maine.

Dated: Portland, Maine
September 14, 2004

/s/ Michelle S. Pottle

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EXHIBIT A

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