

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 FRANK J. ANGELERI IN SUPPORT OF THE APPLICATION FOR  
ORDER AUTHORIZING THE RETENTION AND EMPLOYMENT OF KPMG LLP  
AS OF SEPTEMBER 29, 2004  
AS TAX PLANNING ADVISOR TO THE DEBTOR

State of PENNSYLVANIA)  
\_\_\_\_\_) ss:  
County of PHILADELPHIA)

I, FRANK J. ANGELERI, being duly sworn, depose and say:

1. I am a Certified Public Accountant and a partner of KPMG LLP, a professional services firm. KPMG LLP is the United States member firm of KPMG International, a Swiss cooperative. I submit this affidavit on behalf of KPMG LLP in support of the application (the "Application")<sup>1</sup> of PEGASUS SATELLITE COMMUNICATIONS, INC., as debtor and debtor-in-possession (the "Debtors")<sup>2</sup> for entry of an order, pursuant to sections 327(a) and 328 of title 11 of the United States

<sup>1</sup> Capitalized terms used herein but not otherwise defined shall have those meanings set forth in the Application.

<sup>2</sup> The Debtors are: Argos Support Services Company, Bride Communications, Inc., BT 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 Development Corporation, Pegasus Satellite Television of Illinois, Inc., Pegasus Satellite Television, Inc., Portland Broadcasting, Inc., Primewatch, Inc., PST

Code (the "Bankruptcy Code"), Rules 2014(a) and 2016 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") and the Local Bankruptcy Rules for the district of Maine (the "Local Bankruptcy Rules"), authorizing the retention and employment of KPMG LLP as tax planning advisor to the Debtors. I have personal knowledge of the matters set forth herein, and if called as a witness, would testify competently thereto.<sup>3</sup>

#### QUALIFICATIONS OF PROFESSIONALS

2. KPMG LLP is a firm of independent public accountants as defined under the Code of Professional Conduct of the American Institute of Certified Public Accountants.

3. The Debtors have selected KPMG LLP as their tax planning advisor because of the firm's diverse experience and extensive knowledge in the fields of taxation and bankruptcy.

4. In addition, the Debtors need assistance in collecting, analyzing and presenting tax information in relation to their Chapter 11 cases. KPMG LLP has considerable experience with rendering such services to debtors and other parties in numerous Chapter 11 cases. As such, KPMG LLP is qualified to perform the work required in this case.

#### SERVICES TO BE RENDERED

5. The Debtors anticipate that KPMG LLP may render the following services in these cases (collectively, the "Services"):

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Holdings, Inc., and South Plains DBS, LP, Telecast of Florida, Inc., WDSI License Corp., WILF, Inc., WOLF License Corp. and WTLH License Corp.

<sup>3</sup> Certain of the disclosures herein relate to matters within the knowledge of other professionals at KPMG LLP.

#### Tax Advisory Services

- i. Review any tax returns;
- ii. Advice and assistance to the Debtors regarding tax planning issues, including, but not limited to, assistance in estimating restrictions on utilization of net operating loss carryforwards, attribute reduction, , and state and local taxes;
- iii. Assistance regarding transaction taxes, state and local sales and use taxes;
- iv. Assistance regarding real and personal property tax matters, including, but not limited to, review of real and personal property tax records, negotiation of values with appraisal authorities, preparation and presentation of appeals to local taxing jurisdictions and assistance in litigation of property tax appeals;
- iv. Assistance regarding any existing or future Internal Revenue Service ("IRS"), state and/or local tax examinations;
- v. Other consulting, advice, research, planning or analysis regarding tax issues as may be requested from time to time;
- vii. Advice and assistance on the tax consequences of proposed chapter 11 plans, including, but not limited to, assistance in the preparation of IRS ruling requests regarding the future tax consequences of alternative plan structures;
- viii. Assistance regarding the preparation of the Debtors' tax provision as it relates to its financial statements;
- ix. Assistance regarding the tax structure and tax implications of the anticipated sale of the Debtors ownership interest in Pegasus Broadcast Television, Inc. or substantially all of the assets of such entity; and
- x. Analysis and advice on other related tax services for the Debtors, as may be necessary or desirable.

6. The Debtors have already retained PricewaterhouseCoopers ("PwC") as accountants and auditors and Herbein & Company Inc. ("Herbein"), as corporate taxation advisors in these chapter 11 cases. The services that are provided by PwC are entirely

separate from the services that will be provided by KPMG. The services to be provided by KPMG LLP will not be duplicative of those provided by Herbein, and KPMG LLP will coordinate any services performed at the Debtors' request with the services of Herbein and any other advisors and counsel, as appropriate, to avoid duplication of effort.

7. Subject to this Court's approval of the Application, including the engagement letter dated September 29, 2004, attached as Exhibit A and expressly incorporated herein, with the following modifications to the attached Standard Terms and Conditions as noted in the engagement letter,

Section 2 – Payment of Invoices – The first sentence of this section is deleted.

Section 6 – Limitation on Damages is deleted

Section 9 – Indemnification is deleted.

Section 19(a) – Alternative Dispute Resolution – The first sentence is amended to insert the following after the words "Exhibit A" – "or by the Bankruptcy Court presiding over the Debtors' case, during the pendency of such case,".

Section 19(b) – Alternative Dispute Resolution – The first sentence is amended to insert the following at the end thereof – "or by the Bankruptcy Court presiding over the Debtors' case, during the pendency of such case,".

KPMG LLP is willing to serve as the Debtors' tax planning advisor and to perform the Services described above.

#### DISINTERESTEDNESS OF PROFESSIONALS

8. Based upon information supplied by Debtors' counsel, KPMG LLP searched its client database from July 1, 1999 and forward to identify any connection or relationship with the following entities:

- a. The Debtors and their affiliates;
- b. The Debtors' officers and directors;

- c. The equity shareholders known to own more than twenty percent (20%) of outstanding stock;
- d. The Debtors' major secured creditors;
- e. The Debtors' twenty (20) largest unsecured creditors;
- f. Counsel to the Debtors; and
- g. Financial advisors and counsel to certain other parties-in-interest.

The names provided to KPMG LLP by Debtors' counsel are set forth in Exhibit B hereto.

9. KPMG LLP does not hold or represent an interest adverse to the estates that would impair KPMG LLP's ability to objectively perform professional services for the Debtors, in accordance with section 327 of the Bankruptcy Code.

10. KPMG LLP is a "disinterested person" as that term is defined in section 101(14) of the Bankruptcy Code in that, to the best of my information and belief, KPMG LLP:

- a. is not a creditor, an equity security holder, or an insider of the Debtors;
- b. is not and was not an investment banker for any outstanding security of the Debtors;
- c. has not been within three years before the commencement of this Chapter 11 case, an investment banker for a security of the Debtors, or an attorney for such investment banker in connection with the offer, sale or issuance of a security of the Debtors;
- d. is not and was not, within two years before the commencement of this Chapter 11 case, a director, officer or employee of the Debtors or of an investment banker of the Debtors; and
- e. does not have an interest materially adverse to the interest of the estate or of any class of creditors or equity security holders, by reason of any direct or indirect relationship to, connection with or interest in the Debtors or an investment banker of the Debtors or for any other reason.

11. To the best of my knowledge, except as set forth herein and in Exhibit C attached hereto and incorporated herein by reference, (a) KPMG LLP has no connections with the creditors, any other party-in-interest, or their respective attorneys and accountants; and (b) the KPMG LLP partners and professionals working on this matter are not relatives of the United States Trustee of the District of Maine or of any known employee in the office thereof, or any United States Bankruptcy Judge of the District of Maine.

12. Prior to the Petition Date and this engagement, KPMG LLP rendered certain services or discreet tax matters to certain of the Debtors and their affiliates. However, to the best of my knowledge, KPMG LLP's representation of the Debtors pre-petition would not disqualify it from being retained by the Debtors pursuant to section 327(a) of the Bankruptcy Code.

13. KPMG LLP has in the past been retained by, and presently and likely in the future will provide services for, certain creditors of the Debtors, other parties-in-interest, and their respective attorneys and accountants in matters unrelated to such parties' claims against the Debtors or interests in these Chapter 11 cases. KPMG LLP currently performs or has previously performed such services for the entities listed in Exhibit C.

14. KPMG LLP has not provided, and will not provide, any professional services to any of the creditors, other parties-in-interest, or their respective attorneys and accountants with regard to any matter related to these Chapter 11 cases.

15. KPMG LLP is the United States member firm of KPMG International, a Swiss cooperative of member firms, each a separate legal entity, located worldwide. Only KPMG LLP is being retained in this matter. KPMG LLP has not performed a

comprehensive global search for potential relationships between the other KPMG International member firms and the Debtors, other parties-in-interest, and their respective attorneys and accountants. KPMG LLP cannot assure that an engagement will not be accepted by a foreign member firm of KPMG International for another party that may bear upon KPMG LLP's engagement by the Debtors.

16. As part of its practice, KPMG LLP appears in many cases, proceedings, and transactions involving many different law firms, financial consultants, and investment bankers in matters unrelated to this bankruptcy. KPMG LLP has not identified any material relationships or connections with any law firm, financial consultant or investment banker involved in these Chapter 11 cases that would cause it to be adverse to the Debtors, the Debtors' estate, any creditor or any other party-in-interest.

17. If and when additional information becomes available with respect to any other relationships which may exist between KPMG LLP, foreign member firms of KPMG International, or their partners and professionals and the Debtors, creditors, or any other parties-in-interest which may affect this case, supplemental affidavits describing such information shall be filed with this Court.

#### PROFESSIONAL COMPENSATION

18. KPMG LLP's requested compensation for professional services rendered to the Debtors will be based upon the hours actually expended by each assigned staff member at each staff member's hourly billing rate. The Debtor has agreed to compensate KPMG LLP for professional services rendered at its normal and customary hourly rates, with the changes noted below.

19 In the normal course of business, KPMG LLP revises its hourly rates on October 1 of each year. KPMG LLP requests that the rates listed below be revised to reflect the changes to the hourly rates that will be in effect at such time. The customary hourly rates for tax advisory services to be rendered by KPMG LLP and applicable herein are as follows:

Professional Level	Standard Hourly Rate	Hourly Rate for this Engagement
Partner	\$700 - \$825	\$550-\$600
Senior Manager/Manager	\$500 - \$625	\$375-\$500
Senior Associate/Associate	\$250 - \$325	\$225-\$350

20. The rates included in this Application are KPMG LLP's normal and customary rates for matters of this sort.

21. KPMG LLP will also seek reimbursement for necessary expenses incurred, which shall include travel, photocopying, delivery service, postage, vendor charges and other out-of-pocket expenses incurred in providing professional services.

22. KPMG LLP intends to apply to the Court for the allowance of compensation for professional services rendered and reimbursement of expenses incurred in accordance with the applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, the Local Bankruptcy Rules and any orders of the Court, the fee and expense guidelines established by the United States Trustee and the Order Under 11 U.S.C. §§ 331 and 105(a) Establishing Procedures for Interim Compensation and Reimbursement of Expenses for Professionals entered by the Court on June 24, 2004, and all other applicable requirements. KPMG LLP has agreed to accept as compensation such sums as may be allowed by the Court. KPMG LLP understands that interim and final fee awards are subject to approval by this Court.




23. To the extent KPMG will also render services to affiliated non-debtor entities, KPMG will distinguish in its time records between time spent on Pegasus debtor entities and non-debtor entities. To the extent that is not possible, KPMG's fees and expenses in connection with the Services will be allocated in accordance with the terms of the Final Order Authorizing the Debtors to Continue Performing Under the Support Services Agreement with Pegasus Communications Management Company, dated July 22, 2004.

24. KPMG LLP has not received a retainer from the Debtors. Prior to the Petition Date, KPMG LLP was not owed any amounts by the Debtors. KPMG LLP shall not be a post-petition creditor of the Debtors at any time during its retention and employment by the Debtors.

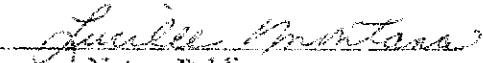
25. In accordance with section 504 of the Bankruptcy Code, I hereby state that there is no agreement or understanding between KPMG LLP and any other entity, other than a member, partner or regular associate of KPMG LLP, for the sharing of compensation received or to be received for services rendered in connection with these proceedings.

26. This affidavit is provided in accordance with section 327 of the Bankruptcy Code and Bankruptcy Rule 2014.

27. I have read the Application, and, to the best of my knowledge, information and belief, the contents of said Application are true and correct.

  
FRANK J. ANGELERI  
KPMG LLP  
1600 MARKET STREET  
PHILADELPHIA, PENNSYLVANIA 19103

Sworn to and subscribed before me this 29th  
day of Sept, 2004

  
Notary Public

NOTARIAL SEAL  
LUCILLE MONTANA, NOTARY PUBLIC  
PHILADELPHIA, PHILADELPHIA COUNTY  
MY COMMISSION EXPIRES APRIL 19, 2005

State of PA

County of Philadelphia