

UNITED STATES BANKRUPTCY COURT

DISTRICT OF MAINE

IN RE: PEGASUS SATELLITE TELEVISION
TELEVISION, INC., et al.,

Case No. 04-20878
September 23, 2004

Debtor

Portland, Maine

TRANSCRIPT OF HEARING IN RE
MOTION AUTHORIZING AND APPROVING IMPLEMENTATION OF
SUPPLEMENTAL MANAGEMENT RETENTION PLAN AND
MOTION EXTENDING DEBTORS' EXCLUSIVITY PERIODS

BEFORE

THE HONORABLE JAMES B. HAINES, JR.

APPEARANCES:

For the Debtors

: Robert Keach, Esq.
Guy Neal, Esq.
Todd Ross, Esq.
Ellen Moring, Esq.

For DirecTV

: George Marcus, Esq.

Unsecured Creditors Committee

: Jacob Manheimer, Esq.
David Botter, Esq.
Nara Hazan, Esq.

For Wilmington Trust

: Kristopher Hansen, Esq.

Delaware Street Capital
and CLAM Partners, LLC

: Daniel Felkel, Esq.
Robert Hark, Esq.

Steering Committee of
Senior Secured Creditors

: Benjamin Marcus, Esq.

Recording Equipment Monitor

: Julie Winberg

INDEX OF WITNESSES

WITNESS: DIRECT CROSS REDIRECT RECROSS

No witnesses presented.

INDEX OF EXHIBITS

EXHIBIT: MARKED ADMITTED

No exhibits presented on the record.

HEARING COMMENCED (SEPTEMBER 23, 2004)

BAILIFF: --Honorable Jim Haines presiding. Please be seated.

THE COURT: Good morning. We're here in Pegasus Satellite Television. And let me start by getting appearances of those on the phone. I understand we have--is it Ms. Moring who is on for the debtors?

ELLEN MORING, ESQ.: Yes, your Honor.

THE COURT: All right. And for the committee, is it Ms. Hazan?

NARA HAZAN, ESQ.: Yes, your Honor.

THE COURT: All right. And for Wilmington Trust, Mr. Hansen?

KRISTOPHER HANSEN, ESQ.: Yes. Good morning, your Honor.

THE COURT: All right. Thank you. Is there anybody else on the phone? All right. With that said, let's start to--we'll get appearances in the courtroom, starting with debtors' counsel.

ROBERT KEACH, ESQ.: Yes, your Honor, Robert Keach, Bernstein, Shur, Sawyer and Nelson, for the debtors. And I'd like to introduce to the Court Mr. Ross, Todd Ross, from our office.

THE COURT: Good morning.

TODD ROSS, ESQ.: Good morning, your Honor.

GUY NEAL, ESQ.: Good morning, your Honor, Guy Neal, Sidley, Austin, Brown and Wood, for the debtors.

BENJAMIN MARCUS, ESQ.: Good morning, Judge. Ben Marcus for the steering committee of senior secured creditors.

GEORGE MARCUS, ESQ.: Good morning. George Marcus for DirecTV.

DAVID BOTTER, ESQ.: Good morning, your Honor, David Botter of Akin, Gump, Straus, Hauer and Feld, on behalf of the official committee of unsecured creditors.

JACOB MANHEIMER, ESQ.: Good morning, your Honor, Jack Manheimer, also for the committee.

DANIEL FELKEL, ESQ.: Dan Felkel and Robert Hark [phonetic] for Delaware Street Capital and CLAM Partners.

ROBERT HARK, ESQ.: Robert Hark, as indicated.

THE COURT: Let's turn to the two matters that are on for this morning. First is a motion to extend the exclusivity to end in November, and then also to extend a like amount of time the period for soliciting the responses for the plan. I'm not aware that there are any--that there's any opposition to that. Mr. Keach?

MR. KEACH: Thank you, your Honor. Robert Keach for the debtors. There is to my knowledge, your Honor, no opposition to the motion to extend exclusivity. As your Honor has noted, we've asked for relatively brief periods of extension, the 120-day plan filing extension from September 30 to November 30, and the solicitation period, the 180-day period from November 29th to January 30th of '05. Your Honor is familiar with the background of this case, and I won't bore your Honor with a recitation of facts of which the Court is already aware. But obviously the debtors' time has been consumed in this case with the DirecTV-NRTC litigation, following that, the very hard and arduous negotiations of the global settlement and the sale of the DBS assets, as well as the negotiation and the imminent sale process for the broadcast assets as well. The typical factors for extension clearly apply in this case. This is the first request for an extension in a very large and complex case. This extension has certainly been purchased by hard bargaining by the debtors and the other constituencies in the case, and we think it's appropriate

under applicable First Circuit authority.

THE COURT: Thank you. In the--on the showing made unopposed in the motion and representations of counsel and the absence of objection, the order will enter. Thank you.

MR. KEACH: Thank you, your Honor.

THE COURT: The next--the next matter is--relates to the key employee retention program, but it relates only to basically that portion which addresses Mr. Ted Lodge, and we do have opposition on that. Counsel?

MR. NEAL: Good morning again, your Honor, Guy Neal, Sidley, Austin, Brown and Wood. My involvement in this case, your Honor, started immediately after the Court's issuance of the TRO ruling and in finalizing the key employee retention plan motion that we put on file at the end of June. The Court on two separate occasions entered two separate orders related to that single motion. There were no oppositions on file to those motions. In fact, we had both the secured lender and committee support as to the entry of both orders, one on July 8th for junior management and one on August 3rd for senior officers. Two individuals who are employed by the debtors do not have any retention or severance component approved by this Court. And as your Honor noted, we are here today for one individual. We have no intent to proceed as to the other. Ted Lodge, as your Honor is well aware from the sale and settlement hearing, was the chief negotiator for the debtors in the DirecTV negotiations. Today we ask this Court to approve the retention plan solely as to Mr. Lodge, COO and counsel for various of Pegasus entities. This motion, your Honor, like the initial motion filed at the end of June, has the support of, I would contend, all stakeholders in these Chapter 11 cases. We have the committee on board and each of its members. We even have a supporting statement from DirecTV as filed yesterday afternoon. You heard testimony in August, your Honor, that, you know, the trade debt in these cases are at the operating debtor levels and therefore structurally senior to the debtors' bond debt, and therefore will be paid in their entirety. So they do not have a stake in this matter. What we are left with, your Honor, to deal with today is the single objection that was filed by Delaware Street Capital Master Fund and CLAM Partners LLC who are, as they stated in their opposition to the sale and settlement papers that we filed in the beginning of August and had heard at the end of August, but do not state in this objection preferred stockholders of Debtor PSC. As you see, your Honor, we contend in our reply brief filed yesterday afternoon that these preferred stockholders lack standing. They're out of the money under any scenario, your Honor. Therefore, they are not a person aggrieved by the relief sought in the motion as the motion does not affect their pecuniary interest. We ask this Court to overrule the objection on the grounds of lack of standing. We also have, your Honor, here in the courtroom three witnesses who would be prepared to testify in support of this motion. We have Ted Lodge, who is in the courtroom today. We have Mark Puntus from Miller-Buckfire, the debtors' investment bankers. Also in this courtroom today is Wayne Barr, one of the financial advisors for the committee, and I will let my colleague, Mr. Botter, speak to Mr. Barr in a moment. We are prepared to put these witnesses on the stand and to explain the basis for this KERF. We believe we can justify it even if this Court finds that the objectants have standing. I've spoken briefly prior to this hearing with Mr. Felkel, counsel for the objecting parties. I believe he would accept a proffer of the testimony to be offered by the debtors, and I would suggest, your Honor, depending on how your Honor would like to proceed, that we can proceed by proffer very quickly, and to the extent there is a need for cross examination and possible redirect, we can proceed along those lines.

THE COURT: All right. Thank you. Let me--let me ask first, I'm aware that the

committee's filed an initial support and a supplemental support of the motion, and I'm aware that DirecTV has filed a support as well. And I'm aware of the contention that has yet to be responded to that Delaware Street as a preferred shareholder of PCS is without standing. I just--I need to know whether there's really any factual issue that they wish to raise to demonstrate that they have standing, because it is their burden to show standing, and certainly in the face of a declaration by the debtor that there's no money there and it makes no difference to them, then I'm gonna need to hear from them before I preclude them on a standing basis, so--

MR. NEAL: Certainly, your Honor.

THE COURT: So I'd like to hear what they would proffer to prove that they have standing, and then we'll go on to evidence as necessary with regard to the merits of the motion.

MR. NEAL: Very good.

THE COURT: Thank you. Mr. Felkel?

MR. FELKEL: Two quick points on standing, your Honor. First, we're awful early in the case to decide who's in the money, who's not in the money. This isn't a plan, this isn't a trustee's final report, this isn't a sale of an asset of a debtor who is gonna be out of the money and so on and so forth. That's my first point. Second, I cannot represent to the Court under the facts and figures as they're gonna be presented to the debtor that our two or three million dollars is going to be in the money, as they say.

THE COURT: You cannot represent that?

MR. FELKEL: I cannot represent that. We may over time--we have other claims, but my understanding is we have the bond-holder claims that are stated in my earlier filing with the Court. A second point, as a holder of a two million dollar stake, I think we should be heard. The third point and maybe most compelling is that the Court on its own has to deal with our arguments in granting this motion in any event. So I'm sure I'm not gonna raise a whole lot of arguments you're not gonna have a handle on already, and that's where we are.

THE COURT: I appreciate that. Thank you. Well, let me respond or react to those. First, if we hadn't sold substantially all the assets of the debtor, I'd say we were early in the case, but we've sold substantially all the assets of the debtor. Second, per Mr. Felkel's representation, Delaware Street is--has conceded that it is not in the money on its existing claims and therefore is without the pecuniary stake that would be required to give it standing in these circumstances. Now, with that said, Mr. Felkel's third point is compelling if not convincing in that it compels me to at least take a proffer to understand the basis for the debtors' exercise of business judgment. I guess there's a--something else I picked up from the papers and I want to be clear on because I don't think--and it's something that goes into certainly my calculation, is that my understanding is that, first of all, under existing arrangements Mr. Lodge, were his employment terminated, would be entitled to payment that is contractually owed or guaranteed by a nondebtor entity; that the--that under the service agreement, though, that that would be allocable at 93 percent of that figure, which I think was represented in the papers as 2.3 million dollars would be allocable back to and collected from as an administrative expense from the debtor entities. And also it was represented that consistent with the evidence that came on in August that the 1.4 million dollars which would flow to Mr. Lodge under the KERP represents a dollar-for-dollar satisfaction of what the debtors might otherwise owe with regard to his existing benefits for which they might be called to answer under the service support agreement. I just want to be clear that that's a correct understanding and that there's no dispute about that arrangement. Mr. Neal?

MR. NEAL: Yes, your Honor. This was a point, of course, raised in the

objection and that we replied to yesterday afternoon. You are correct and the evidence would show if Mr. Lodge were on the stand that Mr. Lodge does have an employment agreement with nondebtor Pegasus Communications Corporation, which we call PCC. Your Honor is also correct that this Court has entered a motion that all the parties referred to in shorthand as the support services motion which provides for an allocation of nondebtor management company costs as they are appropriately allocated on a historical basis to the debtors on a 93/7 split. Your Honor is also correct and the testimony would provide as much that there is an issue as to whether PCC would pass through those costs to the estate. I believe, your Honor, being counsel for the debtors and not counsel for PCC, of course, as the nondebtor, that PCC would make a claim based on prior practices to pass through those costs, those severance benefits, to the debtors. I have been advised by the committee that they might challenge such a claim should a claim be filed, and they do not at this juncture -- and Mr. Botter can speak to this -- necessarily accept that such allocation is appropriate, but nonetheless support the relief requested in the motion on different grounds that we can get to. So your final point, your Honor, is also correct on a factual basis in that any payments made out of this estate would be a dollar-for-dollar reduction to the extent costs are passed through or would be passed through by PCC, such that the estate under our theory or certainly under PCC's contentions, not paying any more money it otherwise would have to pay under historical practices and under the arrangement approved by this Court in support services.

THE COURT: Thank you. Mr. Botter?

MR. BOTTER: Excuse me, your Honor, very briefly. We would dispute that that would be a pass-through cost. But that--but we believe that's irrelevant. That's severance. The arrangement that we're talking about today is retention, which is incentivizing a key employee of the debtors to maximize value for the creditor constituency. We believe that he's already done so in connection with the DirecTV sale--settlement agreement, and we believe that he is critical to the further maximization of value from the remaining assets, which are the broadcast assets. I think it's fairly clear here that we're talking about our constituency's money. We've made an appropriate determination, we've considered all the issues, including the relationship with PCC and the severance that was offered pursuant to his contract, and we thought that it was appropriate to incentivize him to maintain his position and his active participation in this process with the KERP that's on the table today.

THE COURT: I appreciate that. And I--I guess my question is this: Let's say--let's say this is approved, okay, so 1.4 goes to Mr. Lodge. And then let's say at some subsequent time his relationship is severed, all right. First of all, as represented and demonstrated, the 1.4 reduces that say--2.3 I think was represented in the papers, so there'd just be .9 left, and there is the chance again, I suppose, and I--this is what I'm questioning, is whether PCC might then seek 93 percent of that remaining .9 from the debtor after the debtor's already paid 1.3 on this. And Mr. Botter's point is that those are completely separate deals. This is retention, the other's severance, we'll cross that bridge when we come to it.

MR. BOTTER: And we would, of course, dispute their entitlement to be repaid for the \$900,000, your Honor.

THE COURT: Okay. Well, what I would like to hear, Mr. Neal, and I've already--I've already ruled based on the statements of counsel that Delaware Street is without standing, all right. But I think it's appropriate for you to make a proffer so that--to supplement what has been on the record as basically the uncontested facts and the positions of the parties thus far so that the record and the Court are fully informed as to really the circumstances that

warrant the debtors' exercise of business judgment to extend the KERP per previously announced terms to Mr. Lodge. And I say that because the essence of the deal is something that understandably raises eyebrows from people in the position of Delaware Street. It's a lot of money and it's a lot of money that comes on, as at least perceived by some, a failed business and litigation strategy that resulted in, you know, the sale of the debtors' assets rather than a nonbankruptcy operating solution or even a bankruptcy operating solution. So I think it's fair for me to ask you for a proffer to understand the reasons for the debtors' exercise of business judgment to the extent you can illuminate the record beyond that which is contained in the papers and that which has been put on the record uncontested thus far today.

MR. NEAL: Very good, your Honor. I'm happy to do that.

MR. FELKEL: Judge, can I just get a clarification, number one, if I'm gonna be allowed to speak?

THE COURT: No.

MR. FELKEL: Okay.

THE COURT: Thank you.

MR. FELKEL: Because I just wanted to make it clear I did not agree with your interpretation of the support services agreement.

THE COURT: I understand that.

MR. FELKEL: Thank you.

THE COURT: Okay. But I did agree with your statement that you don't have a dog in this fight.

MR. FELKEL: I understand that, Judge.

THE COURT: All right.

MR. NEAL: As I indicated earlier, your Honor, the debtors have brought to Court today two witnesses who'd be prepared to testify as follows. There would be--the first witness to be called would be Ted Lodge. As your Honor is familiar from his testimony at the sale and settlement hearing at the end of August, Mr. Lodge would testify as follows. He would testify that he is currently engaged and employed as COO and counsel for the various Pegasus entities, and when I say Pegasus, I mean Pegasus in the broad sense, to include debtors and the nondebtors. He would also testify that he has held various positions in senior management with the company since 1996. Mr. Lodge would testify that he has an employment agreement, and that employment agreement, it is undisputed, is with PCC, but he would testify that the vast majority or the substantial amount of his responsibilities for the Pegasus entities has been devoted to what are now the debtor entities and Chapter 11 estates, and testify further that PCC has allocated the cost of his employment to and appropriately to these debtor entities such that they have been picking up in large part plus or minus, you know, 93 percent of the cost, if not more, of his employment with the Pegasus family. And Mr. Lodge would testify that those allocated costs are passed through through what we all call the support services agreement and now as approved by the Court, the support services motion and order. Mr. Lodge would further testify that a change in control provision in his employment contract has occurred, that change in control is defined broadly as a sale of substantially all of the debtors' assets, which as your Honor identified has occurred and closed on August 27th. With respect to KERP, key employee retention plan issues, Mr. Lodge would testify that it has been essential, necessary and appropriate for the debtors to have a retention plan in place for officers other than Mr. Lodge and that, therefore, the debtors sought approval--sought and obtained approval of their key employee retention plan motion filed at the end of June. And that motion and the relief sought in that

motion had two key components, one of which was retention to provide an incentive for these employees to remain fully engaged in their efforts at selling the satellite assets as well as selling the broadcast assets which have yet to be noticed up for sale, but will be in the very near future. The second component would be severance, and that is taking what was already in place as pre-petition existing severance programs and elevating that component or only part of it to administrative expense priority, and that that program has worked successfully over the past 8 to 12 weeks to incentivize employees to remain engaged in their positions. Finally, Mr. Lodge would testify with respect to his statements made on the record that the objectants make note of in their objection as to whether or not he is, quote-unquote, "indifferent" or "neutral" to these payments. Mr. Lodge would testify that his response of, let me say, supposed indifference did not relate to the fact and he was not indifferent to the payment nor was he or is he indifferent to the timing of the payment, but that he gave that response in the context of questioning by D.E. Shaw and in response to the suggestion by D.E. Shaw that he was somehow compromised in his negotiations with DirecTV during the sales process. Finally, Mr. Lodge will testify that he will soon be working himself out of a position, that although PCC in principal is the stalking horse bidder for broadcast assets, he does not envision himself to be employed by PCC after a plan is confirmed in this case. That would be our first witness, your Honor. Our second witness would be Mark Puntus of Miller-Buckfire, the debtors' investment bankers. He would testify that retention is a valuable and necessary component of these Chapter 11 cases, that it has worked appropriately as envisioned as structured for other officers, and that the reason Mr. Lodge was excluded from the original KERP motion is given his unique circumstance as being the only management employee that has an employment contract. None of the other management employees has had or has an employment contract with the debtors or, for that matter, with PCC. Mr. Puntus would testify that the retention plan as agreed to in principal at the end of July to be noted and sought to be approved today was initiated and instigated by the committee in July during the heavily-negotiated and hotly-contested sales proceedings and sales negotiations with DirecTV. I will allow Mr. Botter an opportunity to proffer his witness who reviewed the KERP to discuss the committee's rationale for approving these payments. Mr. Puntus would also testify that it was the committee's view as expressed to him that a retention program was needed, that the severance component of Mr. Lodge's contract was not sufficient to provide assurance to the committee and assurance to these debtors that Mr. Lodge would stay engaged and stay incentivized both through the DirecTV sales process, also through the DirecTV transition process which has yet to be completed and is envisioned to be completed at the end of October, but also through plan confirmation and effective date. Finally, Mr. Puntus would testify to the very same points he testified to on August 25th at the sale hearing, that the debtors were able to obtain significant additional and added value for these estates because primarily Mr. Lodge was the chief negotiator for the debtors and took an offer that could--that was \$675 per converted subscriber to an offer that amounts to roughly \$1,000 per subscriber, and that under the time constraints, given the litigation posture between the entities, that this was, in essence, the home run for these estates. Your Honor, that would be the testimony that both Mr. Lodge and Mr. Puntus would provide. I would like to defer to Mr. Botter who could provide a brief proffer as to Wayne Barr and the committee's review process.

THE COURT: If you would, thank you. Mr. Botter?

MR. BOTTER: Yes, your Honor. I think for the clarity of the record and because of the potential for the appearance of a conflict between PCC that it is appropriate to put testimony on of Mr. Barr, who is one of the financial advisors to the committee. Mr. Barr would

testify that he is presently employed by Capital and Technology Advisors and his current title is senior managing director. Mr. Barr would further testify that CTA was retained by the creditors committee on June 14th to act as one of its financial advisors. Mr. Barr would testify that the purpose of the retention of CTA was to provide financial advisory and restructuring expertise in the committee's efforts in this restructuring. He would further testify that he was integrally involved in the negotiations of all aspects of the KERP from junior management employees through the negotiations relating to Mr. Lodge's KERP. In fact, Mr. Barr would testify that he was the lead negotiator on behalf of the committee in that respect. Mr. Barr would testify that the negotiations regarding the Lodge KERP were at arm's length, were--involved normal back and forth negotiations, proposal, counterproposal, and ultimately an agreement as to the appropriate KERP for Mr. Lodge. Mr. Barr would testify that the committee thought it appropriate to incentivize Mr. Lodge to get the best deal possible with DirecTV when, in fact, the parties were--the committee was able to convince the debtors that that was the appropriate direction to go with these cases rather than the litigation strategies the debtors had employed in the past. Mr. Barr would testify that in connection with the one million dollar payment relating to the consummation of the DirecTV transaction, that Mr. Lodge was an integral component, an absolutely necessary component to bring the deal home which gives unsecured creditors of the estates the possibility of substantial recoveries. Mr. Barr would testify, and as an aside I would argue, that there were many nights that we spent together at Weil, Gotshal & Manges where Mr. Lodge was with us hand in hand till 2, 3 o'clock in the morning involved in the negotiation of all the details to get to the plan and to get--to get to the sale and to get DTV comfortable with the transaction. Your Honor, Mr. Lodge would testify that the committee is painfully aware of the potential conflicts of interest between PCC and the debtors. Mr. Barr would further testify that as a result of these potential conflicts of interest, that the committee has decided that it take the lead in much of the negotiations of issues relating to potential intercompany conflict. And, in fact, Mr. Barr would testify that the committee has taken that lead, and Mr. Barr would testify that in terms of the negotiations regarding Mr. Lodge's KERP, they were done exclusively by the committee on behalf of the estates. Mr. Lodge [sic] would finally testify that because of the potential conflict of interest, it was the committee's exercise of business judgment that is also applicable in this case and that the committee appropriately exercised its business judgment in negotiating and ultimately approving the KERP payments to Mr. Lodge that are currently on the table.

THE COURT: Let me ask you one--one last thing. Was the--I mean, the deal closed on August 27th, did it not?

MR. BOTTER: That is correct, your Honor.

THE COURT: So that was relatively quickly, and let me just ask, and I understand it was the product of work that had been done before under the cooperation agreement, but let me ask whether Mr. Lodge's participation had anything to do with the timing of the closing, because I understand that there was benefit to the estate from the--from the early closing.

MR. BOTTER: Your Honor, Mr. Lodge's participation had everything to do with the timing of the closing. If we--as I said, we spent many long nights at DirecTV counsel's office negotiating the finer points. If we did not have Mr. Lodge's active and forceful participation, it is entirely possible that the negotiations would have dragged. Clearly the August end date was a date that was relevant to the entire process. We were all facing the potential termination as of August 31st. The negotiations regarding the cooperation agreement, the

negotiations regarding the additional \$600,000 a day in benefits that we ultimately received from closing early were all--Mr. Lodge was actively and really the prime negotiator in all the aspects, and he clearly aided both Sidley and Akin-Gump and the financial advisors, Miller-Buckfire, and our financial advisors in getting to a deal and getting to a deal quickly. Thank you, your Honor.

THE COURT: Thank you. All right. I've indicated that I wanted to hear what the proffer would be in support of the KERP as proposed to be implemented as to Mr. Lodge, and I've heard that. I've also considered the objection, both the substance of the objection and the fact that the objecting party is without standing, and say that I am informed by the substance of the objection in making my decision as to whether it's appropriate or not to approve that portion of the plan which is before me today. I appreciate, as has been the committee's appreciation, that without the committee's active involvement there was or would be more opportunity to argue that conflicts of interest tainted the debtors' exercise of judgment in this regard, and it is without contradiction represented that the committee had extensive involvement in negotiating the KERP, including that portion which is before me today with regard to Mr. Lodge. The committee's involvement certainly takes away the taint that might be there were the debtor to have negotiated these deals on its own given the relationship of the debtor and nondebtor entities and their potentially shared responsibility or arguably independent responsibility for making payments to Mr. Lodge. With that said, I can understand why the plan as it relates to Mr. Lodge and which basically calls for 1.4 million dollars payments sticks in the craw of the objecting party, and for those very same reasons, I've approached this hearing with some care to be sure that I was sufficiently informed to understand why the KERP was appropriate to Mr. Lodge and appropriate not only to be arranged but also in amount. It's a lot of money, and I don't pretend to understand all the intricacies of the debtors' business, of the transition that is being done with DirecTV, although we had evidence on, when considering the cooperation agreement, of how many combinations and permutations of programming and other factors there were so that it is indeed quite complex and by the representations today continues to be so, and I don't pretend to know, although I can only imagine the complexities of the negotiation with DirecTV both as to inking a deal and a continuing process of finishing the deal after its closing. And I do note, as my questions indicated, the alacrity with which the deal with closed with authorization from this Court and as I understood and confirmed by Mr. Botter that that effected not just savings but additional compensation to the debtor as a consequence. And given the proffers, Mr. Lodge certainly has had a lot to do with that and has made for the debtors far more than that which is going to go to him under this KERP program. So with that said, in the absence of objection with standing but being fully informed on the record both from the papers and the proffer, I will enter the order approving the KERP before me today.

MR. BOTTER: Thank you, your Honor.

MR. NEAL: Thank you, your Honor.

THE COURT: Thank you. Anything else to do in the Pegasus case today? We'll be in recess, thank you.

BAILIFF: All rise.

HEARING CONCLUDED (SEPTEMBER 23, 2004, 11:15 AM)

STATE OF MAINE)
) ss.
CUMBERLAND)

I, Patricia A. Burrows, transcriber, do
certify that the foregoing is a correct transcript
from the electronic sound recording of the proceedings in In Re: Pegasus Satellite Television,
Inc., et al., Case Number 04-20878, held on September 23, 2004, at Portland, Maine.

Patricia A. Burrows, Transcriber

Date: October 19, 2004