

## Exhibit B

UNITED STATES BANKRUPTCY COURT  
DISTRICT OF MAINE

IN RE: PEGASUS SATELLITE ) Case No. 04-20878(11)  
TELEVISION, INC., ) June 4, 2004  
ET AL., ) Portland, Maine  
Debtor.)

TRANSCRIPT OF MOTIONS HEARING

BEFORE  
THE HONORABLE JAMES B. HAINES, JR.

APPEARANCES:

For the Debtors : Robert Keach, Esq.  
Michael Fagone, Esq.  
Larry Nyhan, Esq.  
Ellen Moring, Esq.  
James Conlan, Esq.  
Paul Carusso, Esq.  
Jessica Knowles, Esq.

U.S. Trustee : Robert Checkoway, Esq.  
E. Bradford, Esq.

Steering Committee of Senior  
Senior Secured Creditors : Benjamin Marcus, Esq.  
Andrew Rosenberg, Esq.  
Diane Meyers, Esq.

For Wilmington Trust : Roger Clement, Esq.  
Gayle Allen, Esq.  
Kristopher Hansen, Esq.  
Brett Lawrence, Esq.

For Ad-hoc Committee of  
Senior Note Holders : Jacob Manheimer, Esq.  
David Botter, Esq.

For Bank of America : Alan Pope, Esq.  
For DirecTV : George Marcus, Esq.  
Richard Krasnow, Esq.  
For NRTC : Jay Teitelbaum, Esq.  
Recording Equipment Monitor : Julie Winberg

MR. KRASNOW: Yes. Your Honor, again, I'm--I'm prepared to address it. I just don't want to take things out of order.

THE COURT: Well, we're gonna--why don't we--why don't we get to the cash management system next, and then--and understand that unless we blow it up, if we only make it more restrictive or more transparent, that's not going to be a problem for the lenders.

MR. KRASNOW: Very well, your Honor. Thank you.

THE COURT: Thank you.

KRISTOPHER HANSEN, ESQ.: Your Honor, Kriss Hansen, Stroock, Stroock & Lavan, on behalf of the junior term loan agent, Wilmington Trust. Just wanted to make a couple of clarifying comments with respect to the adequate protection order. There is a cash component of interest that is going to be paid as adequate protection to the junior term loan lenders. There is also a provision under our credit agreement which provides for a payment-in-kind interest which is--or otherwise PIK interest, which essentially is 52 percent of the interest component. We've agreed with the debtors it's not explicit in the order, but I did want to make the Court aware that that PIK interest will continue to accrue under our agreement as we move forward and as a result, it increases the cash interest that gets paid to the junior term loan lenders over time as the principal increases as a result of the PIK interest accrual. I also wanted to make the Court aware that we did put a reservation of rights in the cash collateral order for the junior term loan lenders to seek additional adequate protection from the Court, among other things, for the appointment of a financial advisor that the debtors would compensate us for. That's the general view of the junior term loan lenders, as well as that of the debtors and the seniors, and they will let me know if I've misspoke, but at a point in time at which there is a value divergence from the seniors and the juniors with respect to our common interest in recovery here and value, we

believe that it would be appropriate at that time to come before the Court and ask for the debtor to compensate us with respect to our own financial advisor. But in the interim, the junior term loan lenders will attempt to make use and have access to the senior term lenders' financial advisor. Mr. Nyhan also stated that the debtor doesn't believe that there is a protectable interest for the junior secured lenders in the sense that something that generates cash from a collateral perspective. Our lien is on the stock of PM&C, but we also have a lien on any intercompany loans made from PM&C--from PSC down to PM&C and transfers between those two entities. To the extent that cash moves back and forth between those two entities, we do have a lien on those. And obviously, to the extent that the debtor sought to use that, we believe that that is a collateral that generates cash, because of this cash that moves back and forth, we ultimately would be entitled to adequate protection for that as well. And we're comfortable with the other terms that are in the order. We also just wanted to let the Court know -- and it just seems now is as appropriate time as any to be clear with the Court -- that obviously this isn't a typical Chapter 11 case. You'll hear a tremendous amount, from a litigation perspective, as we move forward in the case between DirecTV and the debtors, and as a result of judgments and actions taken prior to the petition date, there are deadlines in connection with this case that the Court may or may not stay, extend otherwise, as it moves through the litigation path. But from our perspective as second lien lenders, we don't want to see the value in this case erode as we move forward through those deadlines because our lien position and our recovery position becomes less and less secure as we move forward towards--if the Court deems them to be artificial, it's not as big of an issue. But the deadlines set by DirecTV and the offers made by DirecTV for repurchase of subscribers at certain value rates, the purchase that they put out in a press release at this point in time, would repay the senior lenders, the junior lenders and get into the note holders at this point

in time. And as we move towards the end of August, the deadline which I'm sure the Court is familiar with, our analogy of the situation is, in essence, a melting ice cube, and we don't want to be at the point where we get to the end of August and find out that we have no value left. So while the second tier lenders are here today in general support of the debtor's actions, we don't intend to sit idly by during the case, your Honor.

THE COURT: Thank you.

MR. BOTTER: Your Honor, very briefly, just in regard to Mr. Hansen's remarks. Obviously, all of these accruals of PIK interest or any interest are subject to our continuing remarks as to whether or not they're entitled to anything.

MR. NYHAN: Your Honor, a couple of points. One, the debtor is certainly going to be interested in moving the litigation forward, but we're moving--interested in moving it forward so that we can get our appropriate recovery for all of our creditors and our shareholders. So with all due respect to the junior lienholders, we have duties to all our constituencies which we intend to fulfill vigorously and promptly. Judge--your Honor, I've tried to keep notes of the different comments that were made and what is open on the order right now, and I think that we are clear enough to get through to an interim order. With respect to the U.S. Trustee's points, clearly the 506(c) surcharge issue has been put off until a final hearing, so it's not implicated by this order. Resetting the bar date is something that I suspect that the senior lenders and junior lenders will have an issue with, but again, I don't think that it is something that has to be foreclosed by virtue of this order, but I'll let them speak for themselves on that. With respect to the committee's point, you know, again, your Honor, it is the debtor's position that any amounts paid to the lenders, whether it's interest or professional fees, are subject to ultimate allowance under 506(b); 506(b) by its very terms require that the payments be--that the amounts be

reasonable. The committee is clearly a party in interest. They've got a right to challenge under 506(b). And in terms of reporting, the debtor is prepared to disclose to the committee--to the official committee whatever it is, in fact, paying to these professionals so that I think that the committee's concerns on their ability to monitor and, if necessary, challenge the reasonableness of the payments is adequately covered by this order, at least on the narrow basis. Again, I think that we should reserve the issues on cash management to the cash management motion. With respect to the committee's concern or--or questions about the budget, the ad hoc committee, that is, unfortunately, we did not have an opportunity before the case was initiated -- or after that, for that matter -- to sit down with the financial advisors and walk through what the actual items are. I can tell the Court that of that entire sum, approximately--on the interim budget, approximately 31 million dollars is earmarked for payment of amounts that will be due to NRTC for the programming services that we receive. Now, that--a motion has not yet been filed, but we could not pay that without bringing a motion on and asking your Honor for authority to pay the pre-petition accrual. But that's what the lion's share of that number is. We--as I've said before, we are prepared to provide the official committee with the same reporting that we're--we've negotiated with the senior lenders. That reporting will include a rolling forecast of anticipated disbursements and receipts, and they will have thorough knowledge of how we intend to run the business before we actually spend money. So I think that the issue of giving them information and letting them--putting them in a position to understand the business and respond to this Court if they think we're doing something wrong will be addressed and is, in fact, addressed by the structure that we agreed to today. In--on that basis, your Honor, I would ask -- and I recognize that changes do have to be made to the draft order to reflect the agreements that were reached this morning -- but with those changes that were placed on the record, and assuming that we

successfully conform the actual order to incorporate those, we would request your Honor's approval of the interim order.

THE COURT: All right. The--my understanding is that things that are remaining open, okay, are the 506(c) issue, whether there's going to be some extension of the deadline for objecting to the validity, extent and priority of the lenders' liens to a trustee--

MR. NYHAN: Oh, yes.

THE COURT: --I mean, that was what the U.S. Trust--the 120 is an agreed change that will be incorporated in the interim order.

MR. NYHAN: That is correct, your Honor. And it's not fair, I think, for me to respond on behalf of the senior lenders on the issue of whether there could be a reset.

THE COURT: I would expect that they would resist that, and I expect that between now and the final order, they can discuss it with U.S. Trustee. And I would also expect that--that it's an appropriate concern of both--of everyone, perhaps, or everyone less one, that there be repose at some point after those with responsibilities and interests to investigate have satisfied themselves. So I will leave the parties with--

MR. NYHAN: We agree with that, your Honor.

THE COURT: --to discuss that further. And with regard to the ad hoc committee's concerns, so long as their right to reporting, review and challenge are not excluded by the order, they remain with all their rights, and so I don't see that there's any need for express change in that regard. I think that--and with regard to the budget, I, too, was struck by the brevity of the budget presentation, and it was brief but not pithy. So I would say that between now and a final order, we're probably gonna have to see and provide to everyone something more substantial in terms of understanding the way the money's being spent and where it's