

Hearing Date: February 9, 2005 at 11:00 a.m. (EST)
Objection Deadline: February 2, 2005 at 4:00 p.m. (EST)
PORTLAND

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MAINE

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

MOTION FOR ORDER PURSUANT TO 11 U.S.C. § 105(a) AND BANKRUPTCY RULE 9019 APPROVING STIPULATION BY AND AMONG THE DEBTORS AND DEBTORS IN POSSESSION, THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS, THE BANK STEERING COMMITTEE AND WILMINGTON TRUST COMPANY

Pegasus Satellite Television, Inc. (“PST”) and certain of its subsidiaries and affiliates, each a debtor and debtor-in-possession herein (collectively, the “Debtors”)¹ in the above captioned chapter 11 cases (the “Chapter 11 Cases”), hereby file this motion (the “9019 Motion”) requesting entry of an order pursuant to 11 U.S.C. § 105(a) and Bankruptcy Rule 9019 authorizing and approving the stipulation of settlement (attached hereto as Exhibit A and referred to herein as the “Stipulation”) by and among (i) the Debtors, (ii) the Official Committee of Unsecured Creditors appointed in the Chapter 11 Cases (the “Committee”), (iii) the Bank Steering Committee (the “Bank Steering Committee”) comprised of (a) the majority lenders under that certain Fourth Amendment and Restatement of Credit Agreement (the “Senior Credit

¹ The Debtors are: Argos Support Services Company, Bride Communications, Inc., B.T. 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 Television of Illinois, Inc., Pegasus Satellite Television, Inc., Portland Broadcasting, Inc., Primewatch, Inc., PST Holdings, Inc., South Plains DBS, LP., Telecast of Florida, Inc., WDSI License Corp., WILF, Inc., WOLF License Corp., and WTLH License Corp.

Agreement”), dated as of October 22, 2003, by and among Pegasus Media & Communications, Inc., as borrower, Bank of America, N.A. as administrative agent (the “Term Agent”), and the lenders from time to time party thereto (the “Senior Term Lenders”) and (b) the lenders under that certain credit agreement Revolving Loan Agreement (the “Revolving Credit Agreement”), dated as of December 19, 2003, by and among Pegasus Media & Communications, Inc., as borrower (the “Borrower” or “PM&C”), the lenders from time to time party thereto (the “Revolving Lenders”) and together with the Senior Term Lenders, the “Senior Lenders”), and Madeleine L.L.C., as administrative agent (the “Revolving Agent”) and (iv) Wilmington Trust Company (“Wilmington Trust” and, collectively with the Term Agent and the Revolving Agent, the “Agents”), as the successor administrative agent for the various lenders (the “Junior Secured Lenders”) and, together with the Senior Lenders, the “Secured Lenders”) under that certain Amended and Restated Term Loan Agreement (the “Junior Credit Agreement”), dated as of August 1, 2003, among Pegasus Satellite Communications, Inc., as borrower (“PSC”), and the lenders from time to time party thereto. In support of the 9019 Motion, the Debtors respectfully state as follows:²

I. JURISDICTION AND VENUE

1. The predicates for the relief requested in this Motion are 11 U.S.C. § 105(a) and Rule 9019 of the Federal Rules of Bankruptcy Procedure (“Rule 9019”).
2. The Court has jurisdiction over this matter pursuant to 28 U.S.C. § 1334(b).

² Nothing contained or provided for herein shall be deemed to constitute a waiver or admission by any party with respect to any rights, claims, defenses or objections if the Bankruptcy Court does not approve this 9019 Motion and the Stipulation nor shall anything in this 9019 Motion nor the relief contemplated hereby waive or prejudice the rights of any party with respect to any matter not covered hereby.

3. Venue is proper in this Court pursuant to 28 U.S.C. §§ 1408 and 1409.
4. This is a “core” proceeding pursuant to 28 U.S.C. § 157.

II. FACTUAL BACKGROUND

A. The Credit Agreements

5. On August 1, 2003, pursuant to Section 1.01 of the Junior Credit Agreement, the Junior Secured Lenders agreed to make term loans to PSC in an aggregate principal amount not to exceed \$100,000,000 (the “Junior Loans”), which principal increased since the Junior Loans were made pursuant to Section 1.02(c)(ii) of the Junior Credit Agreement as a result of the accrual of PIK interest added to principal. Pursuant to Section 1.01(c) of the Junior Credit Agreement, the Junior Secured Lenders are entitled to payment on their allowed claim of principal and accrued interest, at a rate equal to 12.5% per annum, on amounts outstanding on the maturity date (the “Allowed Claim for Junior Principal and Non-Default Accrued Interest”).

6. On October 22, 2003, pursuant to Section 1.04A of the Senior Credit Agreement, the Senior Term Lenders agreed to make term loans to the Borrower in an aggregate principal amount of \$300,000,000 (the “Tranche D Term Loans”). There are also Incremental Term Loans and Initial Term Loans outstanding under the Senior Credit Agreement that predate the Tranche D Term Loans. Pursuant to Sections 1.03 through 1.06 of the Senior Credit Agreement, the Senior Term Lenders were entitled to payment on their allowed claim of principal and accrued interest at variable rates on amounts outstanding under the Senior Credit Agreement (the “Allowed Claim for Senior Principal and Non-Default Accrued Interest”).

7. On December 19, 2003, pursuant to the Revolving Credit Agreement, the Revolving Lenders agreed to make a \$20,000,000 revolving credit facility available to the Borrower (the “Revolving Loans”). Pursuant to Section 2.05 of Revolving Credit Agreement, the

Revolving Lenders are entitled to payment on their allowed claim of principal on amounts outstanding under the Revolving Credit Agreement, and pursuant to Section 2.06 were entitled to accrued interest at variable rates on the outstanding Revolving Loans (the “Allowed Claim for Revolving Balance and Non-Default Accrued Interest”).

B. The Bankruptcy Case

8. 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, 11 U.S.C. §§ 101 et seq. (the “Bankruptcy Code”), in the United States Bankruptcy Court for the District of Maine (the “Bankruptcy Court” or the “Court”).

9. On June 25, 2004, the Bankruptcy Court entered that certain Final Order (A) Authorizing the Use of Cash Collateral, (B) Granting Adequate Protection To Certain Prepetition Secured Parties Pursuant To Sections 105, 361 and 363 of The Bankruptcy Code Including Replacement Liens and Superpriority Claims and (C) Scheduling A Hearing For Final Approval of Use of Cash Collateral (Docket No. 262) (the “Cash Collateral Order”).

10. On August 3, 2004, the Debtors filed their Motion for Entry of an Order Pursuant to Sections 105(a), 363 and 1146(c) of the Bankruptcy Code and Bankruptcy Rule 9019 (I) Approving Global Settlement Agreement 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. (Docket No. 409) (the “Global Settlement Motion”), pursuant to which, *inter alia*, the Debtors’ proposed to sell certain of the Debtors’ assets to DIRECTV (the “DIRECTV Sale”).

11. On August 26, 2004, the Bankruptcy Court entered an order approving the DIRECTV Sale.

12. On August 27, 2004, the closing of the DIRECTV Sale occurred. At the closing, DIRECTV transferred proceeds of the DIRECTV Sale into the Debtors' bank account held at Deutsche Bank Trust Company Americas (the "Concentration Account").

13. On September 10, 2004, the Debtors filed their Motion for an Order Pursuant to Sections 105 and 363(b) of the Bankruptcy Code (i) Shortening the Challenge Period in the Debtors' Cash Collateral Order, (II) Allowing Certain Prepetition Secured Claims and (III) Authorizing the Debtors to Make Payments to Certain Prepetition Secured Parties (Docket No. 538) (the "Repayment Motion").

14. Pursuant to the Repayment Motion, the Debtors sought to make payment of the Allowed Claim for Senior Principal and Non-Default Accrued Interest, the Allowed Claim for Revolving Balance and Non-Default Accrued Interest and the Allowed Claim for Junior Principal and Non-Default Accrued Interest (collectively, the "Outstanding Principal and Non-Default Rate Interest Amount"), which amounts did not include default interest or any prepayment premiums asserted to be due under the terms of the Senior Credit Agreement, Junior Credit Agreement or the Revolving Credit Agreement.

15. On September 17, 2004, the Debtors, the Committee and the Secured Lenders entered into a Stipulation and Order Permitting Payment of Amounts to Senior Secured Lenders, Revolving Lenders and Junior Secured Lenders and Reserving Rights With Respect to Payment of Prepayment Premiums and Default Interest (Docket No. 552) (the "Payment Stipulation"). The Payment Stipulation, *inter alia*, provided: (i) that the Allowed Claim for Senior Principal and Non-Default Accrued Interest, the Allowed Claim for Revolving Balance

and Non-Default Accrued Interest, and Allowed Claim for Junior Principal and Non-Default Accrued Interest were each allowed claims, not subject to set-off, deduction, counter-claim, subordination or recharacterization; (ii) for the payment of each of the Allowed Claim for Senior Principal and Non-Default Accrued Interest, the Allowed Claim for Revolving Balance and Non-Default Accrued Interest and Allowed Claim for Junior Principal and Non-Default Accrued Interest and interest thereon until such amounts were paid; (iii) a litigation schedule with respect to any motions filed by the Secured Lenders seeking payment by the Debtors of any prepayment premiums, default interest and interest thereon (the “Premiums”); (iv) that the maximum amounts potentially due in connection with the Premiums would be held by the Debtors in the Concentration Account pending the final outcome of any litigation with respect to the Secured Lenders’ entitlement thereto; and (v) for the continuance of the Cash Collateral Order subject to the elimination of certain reporting requirements contained therein and the modification of certain other provisions thereof.

16. On October 15, 2004, the Senior Lenders filed a Motion for an Order Pursuant to Section 506(b) of the Bankruptcy Code for Allowance and Payment of (i) Default Interest and (ii) Prepayment Amounts (Docket No. 613) (the “Senior Premium Motion”), alleging that (a) Default Interest is due and owing to (x) the Senior Term Lenders under the terms of the Senior Credit Agreement in the amount of \$2,312,066.69 and (y) the Revolving Lenders under the terms of the Revolving Credit Agreement in the amount of \$108,000 (the “Senior Default Interest Amount”) and (b) Prepayment Amounts are due and owing under the terms of (x) the Senior Credit Agreement in the amount of \$8,955,000 (calculated as 3% on \$298,500,000) and (y) the Revolving Credit Agreement in the amount of \$540,000 (calculated as 3% on \$18,000,000) (the “Senior Prepayment Premium”).

17. On October 15, 2004, Wilmington Trust filed a Motion for an Order Directing Payment of Prepayment Premium, Accrued Default Interest and Interest thereon (Docket No. 622) (the “Junior Premium Motion” and collectively with the Senior Premium Motion, the “Premium Motions”), alleging that (a) Default Interest is due and owing to the Junior Lenders under the terms of the Junior Credit Agreement in the amount of \$791,579.35 (the “Junior Default Interest Amount” and together with the Senior Default Interest Amount, the “Default Interest Amounts”); and (b) a Prepayment Amount is due and owing under the terms of the Junior Credit Agreement in the amount of \$2,157,137.98 (calculated as 2% of \$107,842,758.76) (the “Junior Prepayment Premium” and together with the Senior Prepayment Premium, the “Prepayment Premiums”).

18. On October 29, 2004, the Committee filed an Objection to the Premium Motions (Docket No. 681) (the “Committee Premium Objection”). The Debtors did not file a response to the Premium Motions.

19. On November 5, 2004, the Senior Lenders and Wilmington Trust each filed a reply to the Committee Premium Objection.

20. On November 24, 2004, Wilmington Trust filed a Motion for Partial Summary Judgment and a Rule 56(b) Supporting Statement of Material Undisputed Facts (Docket No. 770) (collectively, the “Wilmington SJ Motion”) seeking entry of an order finding that (i) there was a risk of loss faced by the Secured Lenders at all times prior to the DIRECTV Sale, and (ii) the Global Settlement and prepayment made to the Secured Lenders with the proceeds thereof were entirely voluntary in nature.

21. On December 10, 2004, the Senior Lenders filed a joinder to the Wilmington SJ Motion (Docket No. 827).

22. On December 13, 2004, the Committee filed a Response to the Wilmington SJ Motion and a Rule 56(b) Supporting Statement of Material Undisputed Facts (Docket No. 832) (collectively, the “Committee SJ Response”).

23. On December 15, 2004, Wilmington Trust filed a Reply to the Committee SJ Response and an Opposing Statement of Material Undisputed Facts (Docket No. 841).

24. On January 3, 2005, the Bankruptcy Court entered an Order Granting, In Part, and Denying, In Part, the Wilmington SJ Motion (the “Summary Judgment Order”). The Summary Judgment Order granted the Wilmington SJ Motion on the issue of voluntariness of the prepayment, finding that the Debtors’ actions of entering into the Global Settlement Agreement and paying the Outstanding Principal and Non-Default Rate Interest Amount were voluntary actions by the Debtors. The Summary Judgment Order denied the Wilmington SJ Motion on the issue of risk of loss, finding that there are disputed issues of material fact regarding the risk of loss faced by the Secured Lenders during the course of this Chapter 11 Case.

III. RELIEF REQUESTED

25. By this 9019 Motion the Debtors seek entry of an order pursuant to Bankruptcy Rule 9019 approving the Stipulation, which is attached hereto as “Exhibit A.”

26. Although the precise terms of the Stipulation are set forth therein, the principal terms are as follows:³

(a) Payment by the Debtors to the Secured Lenders

- Within two (2) business days of the entry of an Order of the Bankruptcy Court approving this 9019 Motion and the Stipulation, the Debtors will pay the Senior Lenders the amount of \$9,229,295.54 in satisfaction of the Senior

³ The summary of the Stipulation set forth in this Motion is for the convenience of the parties in interest. All terms not defined herein have the meaning ascribed to them in the Stipulation. To the extent that the summary conflicts with the terms of the Stipulation, the terms of the Stipulation will control. All parties in interest are urged to read the Stipulation (attached as “Exhibit A”) in its entirety.

Prepayment Premium (the “Senior Settlement Amount”). To the extent the Senior Settlement Amount is not paid within such two (2) business day period, the Senior Settlement Amount shall accrue interest of \$3,161 per diem for each day thereafter until the Senior Settlement Amount is paid in full. No amount will be payable by the Debtors on account of the Senior Default Interest Amount.

- Within two (2) business days of the entry of an Order of the Bankruptcy Court approving the 9019 Motion and this Stipulation, the Debtors will pay to Wilmington Trust, for the benefit of the Junior Secured Lenders, the amount of \$2,096,773.45 in satisfaction of the Junior Prepayment Premium (the “Junior Settlement Amount”). To the extent the Junior Settlement Amount is not paid within such two (2) business day period, the Junior Settlement Amount shall accrue interest of \$718 per diem for each day thereafter until the Junior Settlement Amount is paid in full. No amount will be payable by the Debtors on account of the Junior Default Interest Amount.

- The payments of the Senior Settlement Amount and Junior Settlement Amount will be final and not provisional, nor subject to recharacterization of any kind and the claims associated with such payments will be deemed allowed pursuant to section 502 of the Bankruptcy Code.

- \$8,704,406.69 of the Senior Settlement Amount will be paid to the Term Agent pursuant to Section 1.08 of the Senior Credit Agreement as a voluntary prepayment amount and, subject to the payment of any fees and expenses due to the Term Agent, the Term Agent will distribute such amount to the Tranche D Lenders. \$524,888.85 of the Senior Settlement Amount will be paid to the Revolving Agent and, subject to the payment of any fees and expenses due to the Revolving Agent, the Revolving Agent will distribute such amount to the Revolving Lenders in accordance with the terms of the Revolving Credit Agreement.

(b) Withdrawal of the Premium Motions

- Within two (2) business days after (i) the Order of the Bankruptcy Court approving the 9019 Motion and this Stipulation has become final and (ii) payment of the Senior Settlement Amount and Junior Settlement Amount are received by the Senior Lenders and Wilmington Trust, the Bank Steering Committee and Wilmington Trust will withdraw the Premium Motions, with prejudice.

(c) Payment of Legal Fees and Expenses

- All reasonable professional fees and expenses incurred by the Senior Lenders and Wilmington Trust in connection with the Debtors’ cases will be paid by the Debtors within ten (10) calendar days of receipt of an invoice for such professional fees and expenses by the Debtors and counsel to the Committee. Notwithstanding payment of the professional fees and expenses of the Senior Lenders and Wilmington Trust, the Debtors and the Committee will have twenty

(20) calendar days from the receipt of any invoices furnished by the Senior Lenders or Wilmington Trust in which to file a written objection with the Bankruptcy Court to the reasonableness of the professional fees sought therein, but the Debtors shall nevertheless be required to pay the subject professional fees and expenses in accordance with this paragraph, subject to disgorgement by the recipient thereof to the extent that the Bankruptcy Court enters a final order requiring such disgorgement. The professionals employed by the Senior Lenders and Wilmington Trust shall not be required to file an interim or final fee application with the Bankruptcy Court with respect to such fees paid. The Committee agrees that it will not object to any fees that were invoiced by, or previously paid to, the professionals retained by the Senior Lenders or Wilmington Trust as of the date of entry of an Order of the Bankruptcy Court approving the 9019 Motion and the Stipulation. In addition, within two (2) business days of the entry of the Order of the Bankruptcy Court approving the 9019 Motion and the Stipulation, the Debtors will pay all invoices for professional fees and expenses of the Senior Lenders and Wilmington Trust received by the Debtors and the Committee prior to the date of execution of the Stipulation.

(d) Cash Collateral Order

- Upon receipt by the Senior Lenders and Wilmington Trust of the Senior and Junior Settlement Amounts, respectively, the Debtors will no longer be required to comply with the provisions of the Cash Collateral Order with respect to the Senior Lenders and Wilmington Trust, as modified by the Payment Stipulation, and the Cash Collateral Order will no longer be in force or effect with respect to the Debtors' obligations to the Senior Lenders and Wilmington Trust, but all obligations of the Debtors contained in the Cash Collateral Order with respect to the Committee shall remain in full force and effect.

27. The Debtors and the Committee have determined that the Stipulation is in the best interests of the Debtors' estates, the creditors thereof, and other parties in interest in these Chapter 11 Cases.

IV. BASIS FOR RELIEF REQUESTED

A. The Stipulation Should be Approved Because it is Fair and Equitable and in the Best Interests of the Debtors' Estates.

28. Bankruptcy Rule 9019(a) provides, in pertinent part, that “[o]n motion by the trustee and after notice and a hearing, the court may approve a compromise or settlement.”

Fed. R. Bankr. P. 9019(a). Compromises are favored by bankruptcy courts. In re Greenacre, 103

B.R. 1, 5 (Bankr. D. Me. 1989) (citations omitted); Fogg v. Sherman Homes, Inc. (In re Sherman Homes, Inc.), 28 B.R. 176, 177 (Bankr. D. Me. 1983); In re C.P. Del Caribe, 140 B.R. 320 (Bankr. D. P.R. 1992); In re Hydronic Enter. Inc., 58 B.R. 363, 365 (Bankr. D. R.I. 1986). Approval of a compromise “is within the sound discretion of the bankruptcy judge.” Jeffrey v. Desmond, 70 F.3d 183, 185 (1st Cir. 1995). Before approving a settlement under Bankruptcy Rule 9019, a court must determine that the proposed settlement is in the best interests of the debtor's estate. Greenacre, 103 B.R. at 5 (citation omitted). To reach this determination, the court must assess the value of the claim that is being settled and balance it against the value to the estate of the approval of the settlement. Hicks, Muse & Co., Inc. v. Brandt (In re Healthco Int'l Inc.), 136 F.3d 45, 50 (1st Cir. 1998); Jeffrey, 70 F.3d at 185.

29. The standard by which courts should evaluate the reasonableness of a proposed compromise and settlement is well established and includes consideration of the following four factors: “(i) the probability of success in the litigation being compromised; (ii) the difficulties, if any, to be encountered in the matter of collection; (iii) the complexity of the litigation involved, and the expense, inconvenience and delay attending it; and (iv) the paramount interest of the creditors and a proper deference to their reasonable views in the premise.” Jeffrey, 70 F.3d at 185 (citation omitted); Greenacre, 103 B.R. at 5 (citations omitted); Sherman Homes, 28 B.R. at 177 (citation omitted). Furthermore, the bankruptcy court should not “decide the numerous questions of law and fact raised by appellants but rather... canvass the issues and see whether the settlement ‘falls below the lowest point in the range of reasonableness.’” Healthco, 136 F.3d at 51 (quoting Cosoff v. Rodman (In re W.T. Grant Co.), 699 F.2d 599, 608 (2d Cir. 1983)).

30. The standard set forth above for evaluating a proposed settlement has plainly been met in these Chapter 11 Cases.⁴

Probability of Success is by No Means Certain.

31. The proposed settlement reflects the parties' belief as to the relative strengths and weaknesses of the two components of the Secured Lenders' claims. The parties each came to the conclusion that the Secured Lenders' claim for the Prepayment Premiums is very strong and the claim for the Default Interest Amounts is considerably weaker. Accordingly, the Prepayment Premiums are being paid almost in their entirety and the claim for Default Interest Amounts is being waived.

32. As to the Prepayment Premiums, while the Committee believes that it has meritorious objections to the payment of such amounts, on balance the parties believe that the Secured Lenders have a strong case. This Court has already ruled that the prepayments were "voluntary" prepayments payable under the loan documents. The 2-3% Prepayment Premiums sought by the Secured Lenders appears to be within the range that courts have upheld as reasonable. Moreover, the bulk (i.e., over 80%) of the Prepayment Premiums is being sought by the Senior Lenders whose claims are against the solvent debtor operating company. There is case law in this and other circuits to the effect that a solvent debtor must honor all of its contractual obligations to its lenders before it can dividend money up to equity (in this case the equity is the Debtor holding company which issued the bond debt). In sum, the parties concluded that the Secured Lenders had very strong claims with respect to the Prepayment Premium portion of these claims.

⁴ Specifically, three out of the four enumerated factors are satisfied. The second factor – difficulty of collection – is not applicable here because the Secured Lenders are seeking payment from the estates and therefore collectibility is not an issue.

33. Similarly, the proposed settlement also reflects the parties' belief that the claim for the Default Interest Amounts is far harder to prove and such claim is being waived. While the Secured Lenders believe that they have meritorious claims for an award of default interest, on balance, the parties believe that the Committee has a strong case. The Secured Lenders received payment of their claims in full less than four months after the Petition Date, during which time they received both current payment of interest and fees. In addition, as a result of offers by DIRECTV to purchase the Debtors' assets for amounts far in excess of the Secured Lenders' claims, which offers began on the Petition Date, the Secured Lenders' ability to establish their entitlement to an additional "risk premium" in the form of Default Interest Amounts for the entire period between the Petition Date and the Prepayment Date is also uncertain.

34. In sum, the proposed settlement accurately reflects the probability of each party's success on the merits.

The Complexity of the Litigation and Attendant Expense Militate in Favor of Settlement.

35. By entering into the Stipulation, the parties have agreed to resolve several complex disputes. Both of the Secured Lenders' claims for the Default Interest Amounts and the Prepayment Premiums involve complex legal issues. For instance, the Secured Lenders' claim for the Default Interest Amounts might likely turn on the five factor Sheppley test. In re W.S. Sheppley & Co., 62 B.R. 271, 278-79 (Bankr. N.D. Iowa 1986) (setting forth the factors to be considered in a default interest analysis including (1) the risk of nonpayment; (2) whether the contract rate was a prevailing market rate at the time of default; (3) whether there was an increased risk to the lender following default; (4) whether equity interests would receive a distribution; and (5) whether the lender was responsible for the delay in plan confirmation by engaging in unnecessarily obstructive tactics). Each of these factors involves a myriad of issues.

For instance, as the Court recognized at the hearing on the Wilmington SJ Motion, whether risk of loss existed alone is a complex and fact intensive issue in that it may have fluctuated at various points in the Chapter 11 Cases. Specifically, although the risk of loss to the Secured Lenders may have been high after the termination of the DBS Agreement on June 1, 2004 by DIRECTV and NRTC, and NRTC's subsequent termination of its Member Agreements with the Debtors effective August 31, 2004, thereafter the Court might need to analyze and make a determination on a day by day basis during the period that the Debtors and the Committee were negotiating with DIRECTV on the terms of the DIRECTV Sale to ascertain the Secured Lenders' risk of loss at any given time during the period between the termination and sale consummation.

36. As to the Prepayment Premium, the Secured Lenders assert in the Premium Motions, *inter alia*, that the provisions giving rise to the Debtors' obligations to pay the Prepayment Premiums under the Loan Documents are valid and enforceable provisions under New York law as valid liquidated damages provisions which should be upheld by the Bankruptcy Court. The Committee, on behalf of the Debtors' Estates, has asserted in the Committee Premium Objection that entitlement to the Prepayment Premium requires an "actual damages" analysis. If they were successful in convincing the Court that an "actual damages" test should be employed, for the parties to satisfy their burdens under such a test, a complex evidentiary hearing requiring expert testimony might be needed. If an actual damages test were employed, the Secured Lenders have argued that such damages are well in excess of the Prepayment Premiums because they would not be able to relend the prepaid funds today at a comparable rate to a company with a similar risk profile to the Debtors at the time the Loans were originally made. The Committee believes that each of the Secured Lenders could relend at comparable rates. Accordingly, if litigated, this Court could potentially have to determine on a

lender by lender basis (there are over 70 lenders) what actual damages were incurred.

Consequently, litigation of this issue alone could require the parties to engage in both a battle of the experts and potentially conduct over 70 mini-trials.

37. In sum, it is beyond question that a litigated resolution of the Premium Motions would be both time consuming and exceedingly costly for the Debtors. Further, although the Court has already ruled in the Secured Lenders' favor in connection with the Wilmington SJ Motion on the issue of "voluntariness" with respect to the prepayment, significant factual and legal issues remain with respect to the Default Interest Amounts and the Prepayment Premiums. The Stipulation permits the Debtors' Estates to both avoid the uncertainty, delay and strain on financial resources associated with litigation of the Premium Motions. By contrast, if the litigation were to continue, it would require, among other things, substantial discovery (i.e. multiple depositions and the production of voluminous documents) as well as briefing and numerous appearances by counsel.

Settlement is in the Paramount Interest of Creditors and Supported by the Committee.

38. The parties' entry into the Stipulation is in the paramount interest of creditors of the Debtors' Estates. The parties are settling the litigation on the Premium Motions for \$11,326,068.99 out of a total of \$14,863,784.02 sought by the Secured Lenders. If the Secured Lenders were to prevail in the litigation on the Premium Motions, the Debtors' Estates would have to pay an additional \$3,537,715.03 in Prepayment Premiums and Default Interest Amounts plus (i) interest accruing since the Prepayment Date on the Prepayment Amounts and on the Default Interest Amounts, (ii) fees and expenses of counsel for the two sets of Secured Lenders pursuant to the terms of the Cash Collateral

Order,⁵ and (iii) fees and expenses of counsel on behalf of the Debtors' Estates. Thus, if the litigation were to proceed to verdict in favor of the Secured Lenders, in addition to the \$3,537,715.03 in Prepayment Premiums and Default Interest Amounts over and above the Settlement Amount, the Debtors' Estates would incur substantial professional fees and expenses and some \$958,000 in interest on the Prepayment Amounts and Default Interest Amounts.⁶

39. It is entirely appropriate for the Bankruptcy Court to consider the preferences of creditors and equity holders when evaluating the merits of the proposed settlement. Jeffrey v. Desmond, 70 F.3d 183, 185 (1st Cir. 1995). The Committee played a pivotal role in the settlement negotiations and has been actively involved in the litigation of the Premium Motions. The Committee fully understands both the potential upside of a victory in litigation and the likely return to creditors if the Stipulation is approved. Informed by this knowledge, the Committee unequivocally supports approval of the Stipulation.

40. Without question, the Stipulation is the product of arm's length negotiations among the parties. The Debtors believe that the compromises embodied in the Stipulation are fair and reasonable and constitute the best obtainable results.

41. For these reasons, the Debtors respectfully request that the Court approve the terms of the Stipulation.

V. NOTICE

42. Pursuant to Federal Rule of Bankruptcy Procedure 2002(a)(3) and Local Bankruptcy Rule 2002-1, notice of the hearing on this Motion has been given to, and copies of this Motion have been served on the following: (i) the Office of the United States Trustee for the

⁵ See Cash Collateral Order at ¶ 6.

⁶ Assuming a verdict is rendered, and payment on such verdict occurs, in March 2005.

District of Maine, (ii) counsel to the Committee, (iii) counsel to the Bank Steering Committee, (iv) counsel to Wilmington Trust and (v) all parties requesting notice pursuant to Bankruptcy Rule 2002(i) in the Chapter 11 Cases.

VI. NO PRIOR REQUEST

43. No prior request for the relief sought in this Motion has been made to this or any other court.

WHEREFORE, the Debtors respectfully request that the Court enter an order (i) granting the 9019 Motion, (ii) approving the Stipulation as an order of the Court, and (iii) granting such further relief as is appropriate.

Dated: January 20, 2005	
	<p>BERNSTEIN, SHUR, SAWYER & NELSON</p> <p>By: <u> /s/ Robert J. Keach </u> Robert J. Keach</p> <p>100 Middle Street Post Office Box 9729 Portland, Maine 04104 Telephone: (207) 774-1200 Fax: (207) 774-1127</p> <p style="text-align: center;">- and -</p> <p>SIDLEY AUSTIN BROWN & WOOD LLP Larry J. Nyhan, Esq. James F. Conlan, Esq. Paul S. Caruso, Esq. Jessica C. Knowles, Esq. Bank One Plaza 10 South Dearborn Street Chicago, Illinois 60603 Telephone: (312) 853-7000 Fax: (312) 853-7036</p> <p>Attorneys for Debtors</p>

EXHIBIT A

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF MAINE**

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

**STIPULATION PROVIDING FOR
SETTLEMENT OF SECURED LENDER PREMIUM MOTIONS**

This stipulation (the “Stipulation”) is entered into this ___ day of January, 2005, by and among (i) the Bank Steering Committee (the “Bank Steering Committee”), comprised of (a) the majority lenders under that certain Fourth Amendment and Restatement of Credit Agreement (the “Senior Credit Agreement”), dated as of October 22, 2003, by and among Pegasus Media & Communications, Inc., as borrower (the “Borrower”), Bank of America, N.A. as administrative agent (the “Term Agent”), and the lenders from time to time party thereto (the “Senior Term Lenders”), and (b) the lenders under that certain credit agreement (the “Revolving Credit Agreement”), dated as of December 19, 2003, among Pegasus Media & Communications, Inc., as borrower, the lenders from time to time party thereto (the “Revolving Lenders” and together with the Senior Term Lenders, the “Senior Lenders”), and Madeleine L.L.C., as administrative agent (the “Revolving Agent”), (ii) Wilmington Trust Company (“Wilmington Trust” and collectively with the Term Agent and the Revolving Agent, the “Agents”), as the successor administrative

agent for the various lenders (the “Junior Secured Lenders” and, together with the Senior Lenders, the “Secured Lenders”) under that certain Amended and Restated Term Loan Agreement (the “Junior Credit Agreement”), dated as of August 1, 2003, among Pegasus Satellite Communications, Inc., as borrower, and the lenders from time to time party thereto, (iii) Pegasus Satellite Television, Inc. and certain of its subsidiaries and affiliates, the above-captioned debtors and debtors in possession (each a “Debtor” and, collectively, the “Debtors”)¹ and (iv) the Official Committee of Unsecured Creditors appointed in the above-captioned cases (the “Committee”), by their undersigned counsel. The parties hereby stipulate as follows:

RECITALS

A. On August 1, 2003, pursuant to Section 1.01 of the Junior Credit Agreement, the Junior Secured Lenders agreed to make term loans to the borrower in an aggregate principal amount not to exceed \$100,000,000 (the “Junior Loans”), which principal increased since the Junior Loans were made pursuant to Section 1.02(c)(ii) of the Junior Credit Agreement as a result of the accrual of PIK interest added to principal. Pursuant to Section 1.01(c) of the Junior Credit Agreement, the Junior Secured Lenders are entitled to payment on their allowed claim of principal and accrued interest, at a rate

¹ The Debtors are: Argos Support Services Company, Bride Communications, Inc., B.T. 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 Television of Illinois, Inc., Pegasus Satellite Television, Inc., Portland Broadcasting, Inc., Primewatch, Inc., PST Holdings, Inc., South Plains DBS, LP., Telecast of Florida, Inc., WDSI License Corp., WILF, Inc., WOLF License Corp., and WTLH License Corp.

equal to 12.5% per annum, on amounts outstanding on the maturity date (the “Allowed Claim for Junior Principal and Non-Default Accrued Interest”).

B. On October 22, 2003, pursuant to Section 1.04A of the Senior Credit Agreement, the Senior Term Lenders agreed to make term loans to the Borrower in an aggregate principal amount of \$300,000,000 (the “Tranche D Term Loans”). There are also Incremental Term Loans and Initial Term Loans outstanding under the Senior Credit Agreement that predate the Tranche D Term Loans. Pursuant to Sections 1.03 through 1.06 of the Senior Credit Agreement, the Senior Term Lenders were entitled to payment on their allowed claim of principal and accrued interest at variable rates on amounts outstanding under the Senior Credit Agreement (the “Allowed Claim for Senior Principal and Non-Default Accrued Interest”).

C. On December 19, 2003, pursuant to the Revolving Credit Agreement, the Revolving Lenders agreed to make a \$20,000,000 revolving credit facility available to the Borrower (the “Revolving Loans”). Pursuant to Section 2.05 of Revolving Credit Agreement, the Revolving Lenders are entitled to payment on their allowed claim of principal on amounts outstanding under the Revolving Credit Agreement, and pursuant to Section 2.06 were entitled to accrued interest at variable rates on the outstanding Revolving Loans (the “Allowed Claim for Revolving Balance and Non-Default Accrued Interest”).

D. 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, 11 U.S.C. §§ 101 et seq. (the “Bankruptcy Code”), in the United States Bankruptcy Court for the District of Maine (the “Bankruptcy Court”).

E. On June 25, 2004, the Bankruptcy Court entered that certain Final Order (A) Authorizing the Use of Cash Collateral, (B) Granting Adequate Protection To Certain Prepetition Secured Parties Pursuant To Sections 105, 361 and 363 of The Bankruptcy Code Including Replacement Liens and Superpriority Claims and (C) Scheduling A Hearing For Final Approval of Use of Cash Collateral (Docket Number 262) (the “Cash Collateral Order”).

F. On August 3, 2004, the Debtors filed their Motion for Entry of an Order Pursuant to Sections 105(a), 363 and 1146(c) of the Bankruptcy Code and Bankruptcy Rule 9019 (I) Approving Global Settlement Agreement 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. (Docket Number 409) (the “Global Settlement Motion”), pursuant to which, *inter alia*, the Debtors’ proposed to sell certain of the Debtors’ assets to DIRECTV (the “DIRECTV Sale”).

G. On August 26, 2004, the Bankruptcy Court entered an order approving the DIRECTV Sale.

H. On August 27, 2004, the closing of the DIRECTV Sale occurred. At the closing, DIRECTV transferred proceeds of the DIRECTV Sale into the Debtors' bank account held at Deutsche Bank Trust Company Americas (the "Concentration Account").²

I. On September 10, 2004, the Debtors filed their Motion for an Order Pursuant to Sections 105 and 363(b) of the Bankruptcy Code (i) Shortening the Challenge Period in the Debtors' Cash Collateral Order, (II) Allowing Certain Prepetition Secured Claims and (III) Authorizing the Debtors to Make Payments to Certain Prepetition Secured Parties (the "Repayment Motion").

J. Pursuant to the Repayment Motion, the Debtors sought to make payment of the Allowed Claim for Senior Principal and Non-Default Accrued Interest, the Allowed Claim for Revolving Balance and Non-Default Accrued Interest and the Allowed Claim for Junior Principal and Non-Default Accrued Interest (collectively, the "Outstanding Principal and Non-Default Rate Interest Amount"), which amounts did not include default interest or any prepayment premiums asserted to be due under the terms of the Senior Credit Agreement, Junior Credit Agreement or the Revolving Credit Agreement.

K. On September 17, 2004, the Debtors, the Committee and the Secured Lenders entered into a Stipulation and Order Permitting Payment of Amounts to Senior Lenders, Revolving Lenders and Junior Secured Lenders and Reserving Rights With

² Account number 00-374-715.

Respect to Payment of Prepayment Premiums and Default Interest (the “Payment Stipulation”). The Payment Stipulation, *inter alia*, provided: (i) that the Allowed Claim for Senior Principal and Non-Default Accrued Interest, the Allowed Claim for Revolving Balance and Non-Default Accrued Interest, and Allowed Claim for Junior Principal and Non-Default Accrued Interest were each allowed claims, not subject to set-off, deduction, counter-claim, subordination or recharacterization; (ii) for the payment of each of the Allowed Claim for Senior Principal and Non-Default Accrued Interest, the Allowed Claim for Revolving Balance and Non-Default Accrued Interest, and Allowed Claim for Junior Principal and Non-Default Accrued Interest and interest thereon until such amounts were paid; (iii) a litigation schedule with respect to any motions filed by the Secured Lenders seeking payment by the Debtors of any prepayment premiums, default interest and interest thereon (the “Premiums”); (iv) that the maximum amounts potentially due in connection with the Premiums would be held by the Debtors in the Concentration Account pending the final outcome of any litigation with respect to the Secured Lenders’ entitlement thereto; and (v) for the continuance of the Cash Collateral Order subject to the elimination of certain reporting requirements contained therein and the modification of certain other provisions thereof.

L. On October 15, 2004, the Senior Lenders filed a Motion for an Order Pursuant to Section 506(b) of the Bankruptcy Code for Allowance and Payment of (i) Default Interest and (ii) Prepayment Amounts (Docket No. 613) (the “Senior Premium Motion”), alleging that (a) Default Interest is due and owing to (x) the Senior Term Lenders under the terms of the Senior Credit Agreement in the amount of \$2,312,066.69

and (y) the Revolving Lenders under the terms of the Revolving Credit Agreement in the amount of \$108,000 (the “Senior Default Interest Amount”); and (b) Prepayment Amounts are due and owing under the terms of (x) the Senior Credit Agreement in the amount of \$8,955,000 (calculated as 3% on \$298,500,000) and (y) the Revolving Credit Agreement in the amount of \$540,000 (calculated as 3% on \$18,000,000) (the “Senior Prepayment Premium”).

M. On October 15, 2004, Wilmington Trust filed a Motion for an Order Directing Payment of Prepayment Premium, Accrued Default Interest and Interest thereon (Docket No. 622) (the “Junior Premium Motion” and collectively with the Senior Premium Motion, the “Premium Motions”), alleging that (a) Default Interest is due and owing to the Junior Lenders under the terms of the Junior Credit Agreement in the amount of \$791,579.35 (the “Junior Default Interest Amount”); and (b) a Prepayment Amount is due and owing under the terms of the Junior Credit Agreement in the amount of \$2,157,137.98 (calculated as 2% of \$107,842,758.76) (the “Junior Prepayment Premium”).

N. On October 29, 2004, the Committee filed an Objection to the Premium Motions (the “Committee Premium Objection”). The Debtors did not file a response to the Premium Motions.

O. On November 5, 2004, the Senior Lenders and Wilmington Trust each filed a reply to the Committee Premium Objection.

P. On November 24, 2004, Wilmington Trust filed a Motion for Partial Summary Judgment and a Rule 56(b) Supporting Statement of Material Undisputed Facts (collectively, the “Wilmington SJ Motion”).

Q. On December 10, 2004, the Senior Lenders filed a joinder to the Wilmington SJ Motion.

R. On December 13, 2004, the Committee filed a Response to the Wilmington SJ Motion and a Rule 56(b) Supporting Statement of Material Undisputed Facts (collectively, the “Committee SJ Response”).

S. On December 15, 2004, Wilmington Trust filed a Reply to the Committee SJ Response and an Opposing Statement of Material Undisputed Facts.

T. On January 3, 2005, the Bankruptcy Court entered an Order Granting, In Part, and Denying, In Part, the Wilmington SJ Motion (the “Summary Judgment Order”). The Summary Judgment Order granted the Wilmington SJ Motion on the issue of voluntariness of the prepayment, finding that the Debtors’ actions of entering into the Global Settlement Agreement and paying the Outstanding Principal and Non-Default Rate Interest Amount were voluntary actions by the Debtors. The Summary Judgment Order denied the Wilmington SJ Motion on the issue of risk of loss, finding that there are disputed issues of material fact regarding the risk of loss faced by the Secured Lenders during the course of this chapter 11 case.

U. In order to resolve all remaining issues with respect to the Premium Motions, the parties hereto have agreed to the terms and conditions of this Stipulation as set forth herein.

AGREEMENT

NOW THEREFORE, IT IS HEREBY STIPULATED AND AGREED, as among the Bank Steering Committee, Wilmington Trust, the Debtors and the Committee as follows:

1. Within five business days after execution of this Stipulation by all parties hereto, the Debtors and the Committee will file a joint motion pursuant to Federal Rule of Bankruptcy Procedure 9019 seeking approval of the terms hereof with the Bankruptcy Court (the “9019 Motion”)

2. Within two (2) business days of the entry of an Order of the Bankruptcy Court approving the 9019 Motion and this Stipulation, the Debtors shall pay the Senior Lenders the amount of \$9,229,295.54 in satisfaction of the Senior Prepayment Premium (the “Senior Settlement Amount”). To the extent the Senior Settlement Amount is not paid within such two (2) business day period, the Senior Settlement Amount shall accrue interest of \$3,161 per diem for each day thereafter until the Senior Settlement Amount is paid in full. No amount shall be payable by the Debtors on account of the Senior Default Interest Amount.

3. Within two (2) business days of the entry of an Order of the Bankruptcy Court approving the 9019 Motion and this Stipulation, the Debtors shall pay to Wilmington Trust, for the benefit of the Junior Secured Lenders, the amount of

\$2,096,773.45 in satisfaction of the Junior Prepayment Premium (the “Junior Settlement Amount”). To the extent the Junior Settlement Amount is not paid within such two (2) business day period, the Junior Settlement Amount shall accrue interest of \$718 per diem for each day thereafter until the Junior Settlement Amount is paid in full. No amount shall be payable by the Debtors on account of the Junior Default Interest Amount.

4. The payments made pursuant to paragraphs 2 and 3 above shall be final and not provisional, nor subject to recharacterization of any kind and the claims associated with such payments shall be deemed allowed pursuant to section 502 of the Bankruptcy Code.

5. Within two (2) business days after (i) the Order of the Bankruptcy Court approving the 9019 Motion and this Stipulation has become final and (ii) payment of the Senior Settlement Amount and Junior Settlement Amount are received by the Senior Lenders and Wilmington Trust, the Bank Steering Committee and Wilmington Trust shall withdraw the Premium Motions, with prejudice.

6. All reasonable professional fees and expenses incurred by the Senior Lenders and Wilmington Trust in connection with the Debtors’ cases shall be paid by the Debtors within ten (10) calendar days of receipt of an invoice for such professional fees and expenses by the Debtors and counsel to the Committee. Notwithstanding payment of the professional fees and expenses of the Senior Lenders and Wilmington Trust, the Debtors and the Committee will have twenty (20) calendar days from the receipt of any invoices furnished by the Senior Lenders or Wilmington Trust in which to file a written objection with the Bankruptcy Court to the reasonableness of the professional fees sought

therein, but the Debtors shall nevertheless be required to pay the subject professional fees and expenses in accordance with this paragraph, subject to disgorgement by the recipient thereof to the extent that the Bankruptcy Court enters a final order requiring such disgorgement. The professionals employed by the Senior Lenders and Wilmington Trust shall not be required to file an interim or final fee application with the Bankruptcy Court with respect to the fees paid pursuant to this paragraph. The Committee agrees that it will not object to any fees that were invoiced by, or previously paid to, the professionals retained by the Senior Lenders or Wilmington Trust as of the date of entry of an Order of the Bankruptcy Court approving the 9019 Motion and this Stipulation. In addition, within two (2) business days of the entry of the Order of the Bankruptcy Court approving the 9019 Motion and the Stipulation, the Debtors shall pay all invoices for professional fees and expenses of the Senior Lenders and Wilmington Trust received by the Debtors and the Committee prior to the date of execution of this Stipulation.

7. \$8,704,406.69 of the Senior Settlement Amount shall be paid to the Term Agent pursuant to Section 1.08 of the Senior Credit Agreement as a voluntary prepayment amount and, subject to the payment of any fees and expenses due to the Term Agent, the Term Agent shall distribute such amount to the Tranche D Lenders. \$524,888.85 of the Senior Settlement Amount shall be paid to the Revolving Agent and, subject to the payment of any fees and expenses due to the Revolving Agent, the Revolving Agent shall distribute such amount to the Revolving Lenders in accordance with the terms of the Revolving Credit Agreement.

8. Upon receipt by the Senior Lenders and Wilmington Trust of the Senior and Junior Settlement Amounts, respectively, the Debtors shall no longer be required to comply with the provisions of the Cash Collateral Order with respect to the Senior Lenders and Wilmington Trust, as modified by the Payment Stipulation and the Cash Collateral Order shall no longer be in force or effect with respect to the Debtors' obligations to the Senior Lenders and Wilmington Trust, but all obligations of the Debtors contained in the Cash Collateral Order with respect to the Committee shall remain in full force and effect.

9. This Stipulation is subject to the approval of the Bankruptcy Court and shall be deemed effective immediately upon the entry of an Order by the Bankruptcy Court approving the 9019 Motion and this Stipulation.

10. Each of the parties hereto represents that except for the approval of this Stipulation by the Bankruptcy Court, no consent, approval or authorization of any third party is required for such party's valid execution and performance of this Stipulation.

11. This Stipulation may not be amended or modified except by subsequent agreement in writing signed by each of the Secured Lenders, the Debtors and the Committee.

12. This Stipulation shall constitute the entire agreement between the parties with respect to the subject matter hereof and shall supersede any previous negotiations, commitments and writings with respect to such subject matter.

13. Nothing contained or provided for herein shall be deemed to constitute a waiver or admission by any party with respect to any rights, claims, defenses or objections if the Bankruptcy Court does not approve the 9019 Motion and this Stipulation. No party may use or refer to this Stipulation if the Bankruptcy Court does not approve the 9019 Motion and this Stipulation.

14. The terms of this Stipulation and the payments contemplated hereby shall not waive or prejudice the rights of any party with respect to any matter not covered hereby.

15. This Stipulation shall be binding upon all successors and assigns of the parties hereto, the Agents and each of the Secured Lenders.

16. This Stipulation may be executed in one or more counterparts, all of which shall be considered one and the same document.

Dated: January __, 2005	
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<p>DRUMMOND WOODSUM & MACMAHON</p> <p>By: <u>/s/ Benjamin Marcus</u> Benjamin E. Marcus Post Office Box 9781 245 Commercial Street Portland, Maine 04104 Telephone: (207) 772-1941 Fax: (207) 772-3627</p> <p>- and -</p> <p>PAUL, WEISS, RIFKIND, WHARTON & GARRISON, LLP Andrew N. Rosenberg Elizabeth R. McColm Lori E. Kata 1285 Avenue of the Americas New York, New York 10019-6064 Telephone: (212) 373-3000 Fax: (212) 757-3990</p> <p>Attorneys for the Bank Steering Committee for the Senior Term Lenders and the Revolving Lenders</p>	<p>VERRILL & DANA, LLP</p> <p>By: <u>/s/ Gayle H. Allen</u> Gayle H. Allen One Portland Square Portland, Maine 04112-0586 Telephone: (207) 774-4000 Fax: (207) 774-7499</p> <p>- and -</p> <p>STROOCK & STROOCK & LAVAN LLP Kristopher M. Hansen Brett Lawrence 180 Maiden Lane New York, New York 10038-4982 Telephone: (212) 806-5400 Fax: (212) 806-6006</p> <p>Attorneys for Wilmington Trust Company</p>
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Attorneys for Official Committee of
Unsecured Creditors

Hearing Date:
February 9, 2005 at 11:00 a. m.
Objection Deadline:
February 2, 2005 at 4:00 p.m.
PORTLAND

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MAINE

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

**NOTICE OF MOTION FOR ORDER PURSUANT TO 11 U.S.C. § 105(a) AND
BANKRUPTCY RULE 9019 APPROVING STIPULATION BY AND AMONG THE
DEBTORS AND DEBTORS IN POSSESSION, THE OFFICIAL COMMITTEE OF
UNSECURED CREDITORS, THE BANK STEERING COMMITTEE AND
WILMINGTON TRUST COMPANY**

PLEASE TAKE NOTICE THAT Pegasus Satellite Television, Inc. and its subsidiaries and certain of its affiliates, each a debtor and debtor-in-possession herein (collectively, the “Debtors”),¹ have today filed the Motion for Order Pursuant to 11 U.S.C. § 105(a) and Bankruptcy Rule 9019 Approving Stipulation by and among the Debtors and Debtors in Possession, The Official Committee of Unsecured Creditors, the Bank Steering Committee and Wilmington Trust Company (the “Motion”),² a copy of which is attached hereto, with the United States Bankruptcy Court for the District of Maine, which seeks the entry of an order

¹ The Debtors are: Argos Support Services Company, Bride Communications, Inc., B.T. 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 Television of Illinois, Inc., Pegasus Satellite Television, Inc., Portland Broadcasting, Inc., Primewatch, Inc., PST Holdings, Inc., South Plains DBS, LP., Telecast of Florida, Inc., WDSI License Corp., WILF, Inc., WOLF License Corp., and WTLH License Corp.

approving the Stipulation by and among the above identified parties to the Motion, as defined in the Motion.

PLEASE TAKE FURTHER NOTICE THAT **any response or objection to the attached Motion must be filed on or before 4:00 p.m. Eastern time on February 2, 2005.** At the same time, you must serve a copy of the response or objection upon: (i) counsel for the Debtors (a) Robert J. Keach, Esquire, Bernstein, Shur, Sawyer & Nelson, 100 Middle Street, P.O. Box 9729, Portland, Maine 04104, (b) Larry J. Nyhan, Esquire, Sidley Austin Brown & Wood LLP, Bank One Plaza, 10 South Dearborn Street, Chicago, Illinois 60603, and (c) Guy S. Neal, Esquire, Sidley Austin Brown & Wood LLP, 787 Seventh Avenue, New York, New York 10019; (ii) the Office of the United States Trustee for the District of Maine, Attn: Robert Checkoway; and (iii) all parties on the Core Group Service List as required by (and as defined in) this Court's Order Establishing Case Management Procedures and Hearing Schedule, dated July 9, 2004.

PLEASE TAKE FURTHER NOTICE THAT IF NO OBJECTIONS OR OTHER RESPONSES ARE TIMELY FILED AND SERVED IN ACCORDANCE WITH THIS NOTICE, THE COURT MAY ENTER THE REQUESTED ORDER WITHOUT FURTHER NOTICE OR HEARING.

PLEASE TAKE FURTHER NOTICE THAT IF OBJECTIONS OR RESPONSES ARE TIMELY FILED AND SERVED IN ACCORDANCE WITH THIS NOTICE, A HEARING ON THE MOTION WILL BE HELD ON **FEBRUARY 9, 2004 AT 11:00 A.M. EASTERN TIME** BEFORE THE HONORABLE JAMES B. HAINES,

² Capitalized terms used but not defined herein shall have the meaning ascribed to such terms in the Motion.

BANKRUPTCY JUDGE, IN THE UNITED STATES BANKRUPTCY COURT FOR THE
DISTRICT OF MAINE, 537 CONGRESS STREET, 2ND FLOOR, PORTLAND, MAINE
04101.

Dated: Portland, Maine
January 20, 2005

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in Possession