

ARNOLD & PORTER

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555 Twelfth Street, NW
Washington, DC 20004-1206

August 27, 2002

RECEIVED ORIGINAL

AUG 27 2002

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

By Hand & Electronically

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, D.C. 20554

Re: Ex Parte Presentation – Consolidated Application of EchoStar,
General Motors and Hughes for Authority to Transfer Control
CS Docket No. 01-348

Dear Ms. Dortch:

Please find enclosed, for filing in the above-referenced docket, a series of correspondence between Pegasus Communications Corporation and EchoStar Communications Corporation that address Pegasus' concerns regarding EchoStar's recent commercial activities. Pegasus believes that these materials are relevant to the matters that its representatives discussed with the Commission Staff on July 11, 2002.

Two additional copies of this letter and its enclosures are also being filed herewith.

If you have any questions regarding these materials or this ex parte presentation, please do not hesitate to contact me.

Sincerely yours,



Patrick J. Grant
Counsel for Pegasus Communications Corp.

Enclosures

No. of Copies rec'd 0+2
List ABCDE

ARNOLD & PORTER

Ms. Marlene H. Dortch

August 27, 2002

Page 2

cc (w/encls.): Jim Bird
Catherine Crutcher Bohigian
C. Anthony Bush
Neil Dellar
Susan M. Eid
Barbara Esbin
Marcia Glauberman
JoAnn Lucanik
Paul Margie
John Martin
Joel Rabinowitz
Stacy Robinson
Marilyn Simon
Rodney Small
Donald Stockdale
Peter Tenhula
Bryan Tramont
Douglas Webbink
Harry Wingo
Susanna Zwerling

Ex Parte Presentation in CS Docket No. 01-348

Pegasus' August 27, 2002 Letter to EchoStar



August 27, 2002

Via Fedex &
Facsimile to: (303) 723-1699

Christopher M. Melton
Senior Counsel
EchoStar Communications Corporation
5701 S. Santa Fe Drive
Littleton, CO 80120

Dear Mr. Melton:

We are once again writing to bring to EchoStar's attention incidents involving DISH Network agents and/or employees using false and misleading statements about the proposed merger between EchoStar and DIRECTV apparently intended to deceive Pegasus subscribers into believing that they have no alternative but to switch services to DISH Network.

We are enclosing the text of an August 20, 2002 email that was sent to residents of the Glen Lake housing subdivision in Foley, Alabama. The email was received and forwarded to us by several of our subscribers. As you can see from the email, your sales agent, Greg Darden of Outlet to Outlet, is using false and misleading statements to attempt to convince Pegasus subscribers that they must switch to DISH Network. The email states in part:

"If you are currently with Direct TV/Pegasus, you will have to change sooner or later due to the fact that **Dish Network has bought everyone out, and will start their merger in November**. Dish Network will be the only satellite service available after the merger is complete, so if you switch before all of this happens then there will be no charge to have Outlet to Outlet come by and swap you out. After November you will have to pay for the swap over...."

The email mentions that it was sent to follow up on flyers that had previously been distributed and that a subsequent telephone solicitation would be made as well. It has further been reported to us that the enclosed email solicitation was supplemented by a high pressure door-to-door campaign using themes similar to those that are reflected in the email. In addition, subscribers report having been told that DISH Network would be buying out Pegasus and that as of November, Pegasus would only be servicing areas further north, but not the subscribers' area.

In addition to the incident described above, we have received reports from subscribers reporting the following similar incidents in the geographic areas indicated:

Climax, Michigan: A Pegasus subscriber in Climax, Michigan reported a telemarketing campaign in which he was contacted, on or about August 14th, by an unidentified DISH Network representative and told that DISH Network had bought out DIRECTV and Pegasus. The subscriber was told that he would have to convert his service and he could do so now for free or wait until later at which time he would have to pay as much as \$400 to convert.

Red Oak, Texas: On August 15th a Pegasus subscriber residing in Red Oak, Texas reported to us that a DISH Network representative was engaging in a door-to-door campaign in her neighborhood telling Pegasus subscribers that DISH Network had purchased both DIRECTV and Pegasus, and that DISH Network had to convert each of the subscriber's equipment to DISH Network compatible equipment in order for them to continue to receive programming.

Robertsdale, Alabama: A Pegasus subscriber residing in Robertsdale reported to us on August 12th that he had been contacted by a DISH Network representative who advised him that in light of the merger he would have until November 2002 to convert to DISH Network or his service would be cut off.

Saint Charles, Michigan: A Pegasus subscriber in Saint Charles, Michigan reported to us on July 25th that a DISH Network agent by the name of DSN Satellite has been engaging in a campaign attempting to convert Pegasus customers to DISH Network by telling them that DISH Network has purchased Pegasus, and that they need to convert now to get ahead of the rush. The subscriber reported having been told that he could convert to DISH now for free or wait until he is required to convert and be forced to pay for equipment.

Akron, Colorado: Several Pegasus subscribers residing in Akron reported being called by a DISH Network representative by the name of Jeff Speilman of Satellite Solutions in Sterling, Colorado. Our subscribers indicated that they were told that DISH is buying out Pegasus, and that Satellite Solutions is switching all Pegasus customers over to DISH Network.

Stockbridge, Michigan: A Pegasus subscriber in Stockbridge reported being contacted by a DISH Network representative named Dave with a call back telephone number of 888-240-6200. Our subscriber was told that DISH had bought out DIRECTV and the subscriber would have to convert to DISH Network by October of 2002 or lose all programming.

Rayville, Missouri: A Pegasus subscriber reported being contacted by a DISH Network representative by the name of Laura with call back telephone numbers of (816) 637-1015 or (816) 637-1016. The DISH agent told our subscriber that she was calling to arrange her switch to DISH Network. The customer was told that this would automatically happen because Pegasus was filing bankruptcy and DISH Network was taking over.

Orrick/Lexington, Missouri: Several Pegasus subscribers reported being contacted by telephone by a DISH agent from DNS Satellite in Excelsior Springs, Missouri. The DISH agent told one subscriber that DISH had acquired Pegasus and that he needed to convert to DISH or lose service. Another was told that DISH had bought out DIRECTV and that DISH needed to

Letter to Christopher M. Melton
August 27, 2002
Page 3 of 3

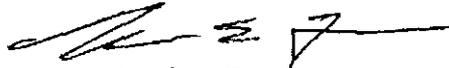
come out and change his equipment and service immediately. The subscriber was told that he would be charged \$75.00 if he were to wait to convert.

Athens, Michigan: A Pegasus subscriber residing in Athens, Michigan reported being contacted by telephone several times by unidentified DISH Network representative(s) telling her that DISH Network had bought DIRECTV and she would need to covert her satellite service to DISH Network.

In response to our October 16, 2001, January 8, 2002, January 17, 2002, February 13, 2002, and April 22, 2002 letters recounting subscriber reports of other false and misleading incidents, you informed us that EchoStar contacted the dealer (in those instances in which the dealer was identifiable) and obtained written assurance from the dealer that the misleading practices would be stopped. At the same time, you disavowed responsibility for actions taken by your 15,000 dealers and indicated that the number of incidents reported by Pegasus did not rise to a level in which EchoStar felt compelled to take prophylactic measures to prevent such practices from being employed in the first place. We disagree with your conclusions and your approach. The volume of complaints received from our subscribers evidences that these practices are widespread, whether or not endorsed by DISH Network. Pegasus should not be required to report to you incidents of misbehavior by your dealers in order to obtain after the fact relief from EchoStar.

We demand that EchoStar immediately: (i) investigate the practices referenced above; (ii) investigate whether such practices are being more widely deployed; (iii) investigate whether such practices have been or are being encouraged by EchoStar employees, such as area sales managers; (iv) provide to Pegasus a written report detailing the nature and scope of the investigations, and the results of the investigations, including a list of retailers (and their geographic areas of operation) that have been engaged in these practices; and (v) take affirmative action to cause agents of EchoStar (and EchoStar employees if implicated) to cease and desist from such practices.

Very truly yours,



Mark E. Eyer
Assistant General Counsel

enclosure

cc: Robert M. Hall, Esquire
via Fedex & facsimile to: (310) 964-4991
David K. Moskowitz, Esquire
via Fedex & facsimile to: (303) 723-1699

From: Looking Forfun
To: [email address omitted by Pegasus]
Sent: Tuesday, August 20, 2002 3:26 PM
Subject: Attention Glen Lakes Residents

Attention Glen Lakes Residents,

We will be in Glen Lakes for the next 2 Months offering Free Satellites & Installation from Dish Network. If you are currently with Riviera Cable you are paying too much already for basic service and will continue to pay more in the years to come. If you are currently with Direct TV/ Pegasus, you will have to change sooner or later due to the fact that Dish Network has bought everyone out, and will start their merger in November. Dish Network will be the only satellite service available after the merger is complete, so if you switch before all of this happens then there will be no charge to have Outlet To Outlet come by and swap you out. After November you will have to pay for the swap over, so to avoid this you can call us now and we will take care of this in the next 2 months. As for questions everyone will have, here are a few and the answers:

1. Q: What are the pros/cons of satellite service? A: Cut out the middle man (Cable) and have cheaper rates which you will be locked in at as long as you have service with no tax. 2. You will have a true Digital picture and Signal for surround sound for those who have Home Theater systems. Digital cable is not true Digital. The cable company's get their programming from satellite, locals from a big uhf/vhf antenna, and send it out to you and call it digital. Truth is your Local stations ABC, CBS, & NBC, are still set up on Analog systems, so it's sent to you analog to a cable box which they call digital. If you have been watching the News lately they have been talking about by 2005 or 2007 everything will have to be digital / a 2.0 Ghz system. This means TV's, Cells, Phones, TV Stations, etc....right now Dish Network is already set up on this 2.0 Ghz System, while Direct/Pegasus and Local Cable companies are still on a 1.2 Ghz System.
2. Q: How / Why are your rates cheaper than anyone else? A: That's easy, we simply cut out the middleman so satellite will always be cheaper and you can't tax satellite service. 2. We are a couple dollars under the other satellite competitors, because simply here, Dish Network just wants your business, and by volume selling they can keep their prices down.
3. Q: Will your rates go up? A: Highly unlikely. However' if you stay with cable you will continue to go up every year or two, and if you are with Mediacom, probably another dollar or two just within the next year. As for Dish Network going up in the future, as long as people stay online with Us, there is no need to raise prices and if for some reason they did, if you switch now you will be locked in at your rate. If Dish Network was to raise prices it would be to match a rising economy(not just for profit) and the funny thing is we will always be cheaper than cable.
4. Q: How are you better or compare to Direct/ Pegasus? A: We always shoot off two satellite's 119 & 110, so we get up to 125% signal strength, where as the others only get up to 100% 2. Dish Network operates on a 2.0 Ghz system, where as the others run off 1.2 Ghz systems. 3. All Dish receivers are upgraded for the new system and have many new features, where as (to answer another questions of system compatibility) Direct/Pegasus receivers/dish will not work on the new system once the merger has been complete, and they lack some of the features we have.
5. Q: What if I move? A: If you move, we offer a service that's called Dish Movers that allows us to move your system/relocate your system at no extra charge or re-install fee. If the move is local just call us and we will be there to disconnect everything and re-connect it at your new residence. If its out of state or out of our area, you just call an 800 number and locate the nearest Dish Network dealer near to where you are going and they will come out and re-connect you free of charge.

I could go on, but all in all Satellite service is the better way to go. As for any other questions you can call our office (Outlet To Outlet) in Robertsdale to get hooked up with a Dish Network Satellite system.

My name is Greg Darden and I will be the one in Glen Lakes for the next two months making appointments to sit down and talk with Residents about switching over. I put a flyer out about a week ago and following up with this e-mail as well as a phone call soon. You can reach me at anytime at (Home) 947-3360, or on my (Cell) 752-4307, or simply by calling Outlet To Outlet at 947-4320 and give Reference # 110.

Do You Yahoo!?

HotJobs, a Yahoo! service - Search Thousands of New Jobs

Pegasus' April 22, 2002 Letter to EchoStar



PEGASUS
COMMUNICATIONS CORPORATION

April 22, 2002

VIA U.S. MAIL &
FACSIMILE TO: (303) 723-1699

Christopher M. Melton
Senior Counsel
EchoStar Communications Corporation
5701 S. Santa Fe Drive
Littleton, CO 80120

Dear Mr. Melton:

Pegasus Satellite Television, Inc. ("Pegasus") has been made aware of at least two more deceptive merger-based promotions engaged in by Dish Network agents. Each of the campaigns herein brought to your attention either expressly states or implies that Dish Network has acquired DIRECTV and that as a result the customer should switch its equipment to Dish compatible equipment now to avoid the cost or "rush" in doing so later.

Enclosed herewith you will find examples of promotional materials associated with each of the deceptive campaigns. The first is a door hanger or brochure circulated to subscribers located in the Caro, Michigan area by SkyLink Cable / Radio Shack. The ad touts "Free Satellite TV" and instructs subscribers, that "...Due to Dish purchasing DirecTV. Get your Dish System free NOW before you pay for the switch over later." The second is an advertisement that has run regularly for several months in a La Veta, Colorado newspaper called The Signature. The ad specifically targets Pegasus customers and again expressly mentions the need to changeover. The ad in question refers the reader to Norm Patrick Communications.

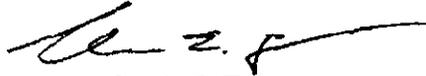
These ads are clearly deceptive given the merger partners' public statements that a combined entity would likely continue to make satellite programming available in a format that could be received by DIRECTV compatible equipment, and in any case, that consumers would not be charged for making a switch should the merger leave them with equipment that was not compatible with the standard eventually adopted. Advertisements of this nature intend to achieve the conversion of DIRECTV and Pegasus subscribers to Dish Network by deceiving the subscriber as to the status of the merger and the parties' intentions in operating the merged companies should the merger be successful. Having had numerous variations of this campaign called to its attention, EchoStar's refusal to make a clear and firm statement advising its sales

Letter to Christopher M. Melton
April 22, 2002
Page Two

agents that these deceptive merger based conversion campaigns will not be tolerated has allowed its agents to operate in an atmosphere where it is apparent that Dish Network condones deceptive messages being promulgated by its agents on its behalf.

Pegasus again requests that EchoStar take action to address these issues with its agents in a prophylactic fashion and make a strong pronouncement clearly telling its agents that it will not tolerate deceptive advertising playing on the uncertainty surrounding the merger.

Sincerely,



Mark E. Eyer
Assistant General Counsel

cc: Robert M. Hall, Esq.
Via mail & facsimile to: (310) 964-4991

FREE SATELLITE TV COMES TO YOUR AREA

**CABLE viewers: You finally have a choice!
STOP paying high prices.
AND get the quality picture you deserve!**

DIRECTV viewers: Get a FREE upgrade!

Due to Dish Network purchasing DirecTV
Get your Dish System free NOW before you pay for the switch over later.

- Latest technology equipment
- 30% Stronger signal
- Clearer picture
- New warranty



**NEW viewers: You can have it all!
FREE Dish Network Dish 500 Satellite System**

- FREE Dish 500 Satellite System
- FREE Basic Professional Installation
- Your choice of 1 to 4 receivers



Your only commitment is one year of basic programming

Please mention or call your local sales representative:

**Roger Gnagey
989-872-3555**

For more information or in home personal service.

NOTE: Refer me a new customer, Get \$20 Cash!

**Sales Rep. for: SkyLink Cable / RadioShack
Authorized Dealer Caro, MI**

DID YOU KNOW

You do not need a telephone line to connect to the Internet!

You do not need a local Internet Service Provider to connect to the Internet!

You do not need DSL to obtain incredibly fast connection speeds!

STARBAND

Always on - Available here and now!

Attention Pegasus
Subscribers

Avoid the changeover *Rush* later this year and switch to DISH Network now **FREE!**

FREE SYSTEM and INSTALLATION

Begin enjoying local network channels from DENVER as the rest of us have for years?

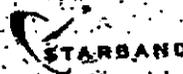
Stop in or call Today!

Some restrictions apply, annual commitment required and credit card verification required on some promotions

Norm Patrick Communications

137 High St. La Veta CO 81055

719-742-6555



EchoStar's May 10, 2002 Reply to Pegasus' April 22, 2002 Letter



ECHO STAR SATELLITE CORPORATION
A Part of the EchoStar Group of Companies

May 10, 2002

Mark E. Eyer, Esq.
Pegasus Communications
225 City Line Avenue
Suite 200
Bala Cynwyd, Pennsylvania 19004

Re: Your letter dated April 22, 2002

Dear Mark:

Thank you for your letter of April 22, 2002. We have contacted the two independent retailers of Dish Network products mentioned in your letter and are in the process of obtaining their written assurances that the conduct described in your letter would not be repeated in the future. As I have stated in previous correspondence, EchoStar does business with well over 15,000 independent satellite retailers throughout the United States whose actions EchoStar has no control over, and is not responsible for. When compared to the total number of independent retailers of Dish Network products, there have been very few instances where you allege that an independent retailer has engaged in deceptive advertising regarding the status of the EchoStar - Hughes Electronics merger. EchoStar, therefore, does not believe that any further action on its part is necessary at this time.

Sincerely,

A handwritten signature in black ink, appearing to read "C. Melton".

Christopher M. Melton
Senior Counsel

Pegasus' February 13, 2002 Letter to EchoStar



February 13, 2002

VIA FEDERAL EXPRESS

Christopher M. Melton
Senior Counsel
EchoStar Communications Corporation
5701 S. Santa Fe Drive
Littleton, CO 80120

Dear Mr. Melton:

Pegasus Satellite Television ("Pegasus") has been made aware of yet another instance of Dish Network ("Dish") engaging in a deceptive direct mail campaign targeting Pegasus and DIRECTV subscribers. I have enclosed for your review, a copy of a direct mail post card that was received by certain subscribers in the Alabama counties of Baldwin and Mobile. The text of the post card informs the subscriber that Dish is in the process of merging with DirecTV and offers the subscriber a free "upgrade" of the subscriber's "old" DirecTV equipment to "brand new" Dish equipment. Similar to other campaigns previously brought to your attention, this mailing insinuates that as a result of the merger between 'Dish Network and DirecTV' it is necessary for the subscriber to take some action with respect to the programming services he or she is currently receiving. This obviously is not the case.

Pegasus has previously asked EchoStar to take action to bring a stop to the merger-based deceptive advertising tactics employed by its sales agents. In your letter dated January 21, 2002, you state that EchoStar does not condone false or deceptive advertising and that it has taken action with respect to the Dish Network sales agents behind the specific incidents reported by Pegasus. You have not however, indicated that EchoStar has done anything to prevent future similar incidents. Please clarify whether EchoStar intends to take action to address these issues with its sales agents in a prophylactic fashion or whether it only intends to address the examples that Pegasus specifically brings to its attention.

Sincerely,

Mark E. Eye
Assistant General Counsel

Enclosures

cc: Robert M. Hall, Esquire
David Moskowitz, Esquire

FREE!



More Channels...More Choice

Dear DirecTV Customer

As you may have heard, DISH Network is in the process of merging with DirecTV.

Since you have been a DirecTV customer in the past, we would like to upgrade your old DirecTV equipment and exchange it with brand new DISH Network equipment at no cost to you.

The equipment upgrade and exchange will be FREE and the labor to install the new equipment will be FREE.

As an added bonus, DISH Network will give you 100 channels of television for a reduced price of only \$9 per month for the next twelve months.

In order to take advantage of this special upgrade offer you must be a first time DISH Network Subscriber and you must agree to keep the 100-channel package for at least twelve months.

This is a limited time Offer! CALL TODAY!

460-2803

FREE! EQUIPMENT
UPGRADE

FREE! PROFESSIONAL
INSTALLATION



More Channels...More Choice

PREPAID
U.S. POSTAGE
PAID
Mobile, AL
Permit No. 1328

Call for details
Newdish.com 460-2803

DISH NETWORK FREE UPGRADE OFFER TERMS AND CONDITIONS

In consideration for receiving a Free DISH Network satellite TV equipment upgrade and Free professional installation, new multistep-to subscribe for twelve (12) consecutive months to DISH Network's 100 channel programming package for only \$9.00 per month. This is a savings of \$22.00 off of the regular price of \$31.00 per month. After (12) months the price for the 100 channel package will be \$31.00 per month.

This is a limited time offer for new, first time DISH Network customers who upgrade from DirecTV to DISH Network between December 1, 2001 and January 31, 2002. This offer may not be combined with any other offer. Other terms and conditions may apply. Call for details.

All service marks and trademarks belong to their respective owners.

ECR0333
Postal Patron Local

100 channels only \$9 per month
CALL TODAY 460-2803

EchoStar's March 4, 2002 Reply to Pegasus' February 13, 2002 Letter



ECHOSTAR COMMUNICATIONS CORPORATION

March 4, 2002

Mark E. Eyer, Esq.
Pegasus Communications
225 City Line Avenue
Suite 200
Bala Cynwyd, Pennsylvania 19004

Re: Your letter dated February 13, 2002

Dear Mark:

I am in receipt of your letter dated February 13, 2002. As you are aware, EchoStar does business with well over 15,000 independent satellite retailers throughout the United States. These entities are not agents of EchoStar and EchoStar has no control over, and is not responsible for, their actions. In each case, however, EchoStar has, as a courtesy to Pegasus contacted the retailer involved and obtained their written assurances that the conduct described in your letters would not be repeated in the future. EchoStar will continue to provide this courtesy to Pegasus, but because, to date you have brought to my attention fewer than 10 instances where you allege that an independent retailer has engaged in deceptive advertising EchoStar does not believe any further action on its part is warranted at this time.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Melton".

Christopher M. Melton
Senior Counsel

Pegasus' January 17, 2002 Letter to EchoStar



January 17, 2002

VIA FEDERAL EXPRESS

Christopher M. Melton
Legal Director
EchoStar Communications Corporation
5701 S. Santa Fe Drive
Littleton, CO 80120

Dear Mr. Melton:

Pegasus Satellite Television ("Pegasus") has recently learned that Dish Network ("Dish") is engaging in a direct mail campaign which has been targeted to certain Pegasus subscribers telling them that their television service is about to be shut off. Unlike other campaigns that Pegasus has complained about, this campaign appears to be sanctioned by EchoStar's corporate marketing department as it bears a return address at EchoStar's corporate offices. I have enclosed for your review a copy of the direct mail postcard provided to Pegasus by one of its subscribers. The front side of the postcard states, "**Your TV Shut-Off is coming, (But you can make sure your TV stays on with Dish Network.)**" The back side of the post card states, "Your video service provider will soon be shutting off service" and even purports to give the date that the subscriber's services will be shut off.

The representations made in this mailing are not only deceptive, but may be fraudulent. Pegasus demands that EchoStar immediately take the following actions; (i) cease and desist from sending this type of mailing to Pegasus's subscribers; (ii) provide Pegasus with a list of each and every area where this direct mail campaign was directed; (iii) take appropriate corrective action to inform recipients of the truth; and (iv) permit and encourage former Pegasus subscribers who may have migrated to Dish as a result of the direct mail campaign to return to Pegasus without penalty.

In prior correspondence, I have alerted you of instances wherein Dish Network sales agents are making either misleading or outright false representations to Pegasus Satellite Television ("Pegasus") subscribers in an effort to get the Pegasus subscribers to convert to satellite television services offered by Dish Network ("Dish"). As more fully described below, additional incidents have also occurred. Most of these incidents involve a Dish sales agent advising the Pegasus customer that **Dish has acquired DIRECTV** and

Letter to Christopher M. Melton

January 17, 2002

Page 2 of 3

the consumer will need to convert its equipment to Dish compatible equipment in order to continue receiving satellite programming. As you can see from the examples, these incidents appear to be occurring in widely disparate areas.

Set forth below are examples of recent, representative reports that Pegasus has received.

Hillsboro, Texas - A Dish Network installation crew appeared at the door of a Pegasus subscriber and attempted to convert the subscriber to Dish Network. Our subscriber was told that Pegasus would soon be leaving the area and that the crew was starting early to convert customers' equipment now. The Dish Network crew then attempted to get the subscriber to agree to sign a one year programming commitment with Dish Network and have their DIRECTV equipment swapped for Dish Network compatible equipment on the premise that they would no longer be able to receive programming through Pegasus. The installation crew was reported to be associated with a dealer by the name of Digi-Link Satellite (888) 802-3474.

Free Soil, Michigan - A Pegasus subscriber called to report that she had received a call from a Dish Network representative who told her that her equipment needed to be switched because Pegasus was being acquired by Dish Network. The agent actually appeared at the subscriber's home to complete the conversion while the subscriber was on the telephone with Pegasus Customer service attempting to confirm that Pegasus had been acquired by Dish Network. The subscriber believes that the sales agent was associated with a company by the name of Crone Satellite Service.

Odessa, Missouri - A Pegasus subscriber residing in Odessa, Missouri was contacted by Dish Network and told that he had to switch his satellite service from Pegasus to Dish Network or he would lose his service within the next 30 to 90 days. Our subscriber was told not to call Pegasus to confirm because Pegasus would lie about the situation. Our subscriber believes the sales agent was a Paul Adams from Direct Solutions in Kansas City, Missouri.

Marlette, Michigan - A Pegasus subscriber reported that a Dish Network sales agent came to her door and told her that she needed to switch to Dish Network. The sales agent assured our subscriber that he had been in contact with Pegasus and that Pegasus would not charge her an early termination fee if she were to break her programming commitment with Pegasus.

Kalispell, Montana - Another version of the "Dish Network has purchased DIRECTV" advertisement has appeared in the Mountain Trader newspaper. This ad is substantially similar to the one that I brought to your attention last week. The latest version of the advertisement proclaims, "Dish Network has purchased

Letter to Christopher M. Melton
January 17, 2002
Page 3 of 3

DIRECTV" and references an unspecified trade in offer on DIRECTV systems. I have enclosed a copy of the most recent advertisement, along with the prior advertisement, for your reference.

The incidents described are only a few of the reports received by Pegasus through its customer call centers. Pegasus believes that where the Dish agent is successful in misleading our customer the conduct is more than likely not reported to Pegasus. As a result, Pegasus believes that many more instances of the out of control practices being employed by your sales agents may be occurring and not being reported to Pegasus.

As alluded to above, Pegasus has raised similar concerns in letters to EchoStar dated October 16, 2001 and January 8, 2002. I have attached copies of these letters for your reference. In these letters, Pegasus asked EchoStar to intervene and bring a halt to these types of practices. Pegasus has additionally asked that EchoStar advise Pegasus of the efforts that it was taking to put a stop to these practices.

To date, EchoStar has not provided Pegasus assurance that that it has made any effort to curtail its agents' behavior, and now is apparently engaging in similar behavior itself. In addition, to the actions indicated with respect to Dish' direct mail campaign, we also demand that EchoStar take immediate action to bring a halt to this type of deceptive advertising in its dealer channel and provide Pegasus evidence that it has done so. Your failure to do so will be deemed by Pegasus to be an explicit countenancing of this behavior and leave Pegasus no choice but to enforce its legal rights to stop this irresponsible conduct.

Sincerely,



Mark E. Eyer
Assistant General Counsel

Enclosures

cc: Robin N. Rogers, Esquire
David Moskowitz, Esq.

Your
Shut-Off
is coming

(But you can't shut off your car with the push of a button.)

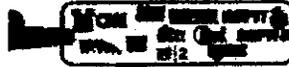
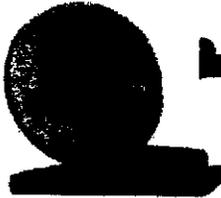
SPECIAL OFFER!

Dish Network has purchased DirecTV.
Trade-In on DirecTV systems.

Let's make this simple.

FREE....Satellite TV System
60....Channels

only **\$21.99** per month



**local & on
networks**

Call Tim • 756-0419

WANTED: Old snowshoes. POWER HORN TRADING

EchoStar's January 21, 2002 Reply to Pegasus' January 17, 2002 Letter



ECHO STAR COMMUNICATIONS CORPORATION

VIA FACSIMILE
And Regular Mail

January 21, 2002

Mark E. Eyer, Esq.
Pegasus Communications
225 City Line Avenue
Suite 200
Bala Cynwyd, Pennsylvania 19004

Re: Your letter dated January 17, 2002.

Dear Mr. Eyer:

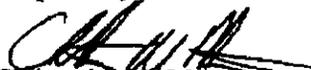
I am in receipt of your letter dated January 17, 2002 and in response I wish to be clear: EchoStar has not engaged in a direct mail campaign targeted at Pegasus subscribers as you allege in your letter, nor does EchoStar engage in, or condone, false or deceptive advertising.

The post card described in the first paragraph of your January 17th letter, was sent to subscribers of an MMDS company as part of a conversion program between such company and EchoStar. In addition, your letter lists five examples of what you describe as situations where "misleading or outright false representations" were made to a Pegasus subscriber. In each of these cases the statements came from independent retailers of EchoStar satellite products. In fact, in three such cases you directly attribute the alleged false or misleading statements to companies other than EchoStar. While EchoStar is not responsible for the actions of these independent companies, EchoStar does not condone false or deceptive advertising. We are investigating each incident mentioned in your January 17th letter.

Similarly, as I mentioned by letter dated October 26, 2001 to Ted Lodge and in a voicemail I left for you on January 9, 2002, EchoStar has taken the allegations in your letters of October 16, 2001 and January 8, 2002 seriously. We have identified the independent retailer behind each allegation in those letters, have contacted them and have received their written assurances that the conduct mentioned in your letters was unauthorized and that steps will be taken to prevent such conduct in the future.

If you have any further questions or comments, feel free to contact me at 303.723.1625.

Respectfully,


Christopher M. Melton
Senior Counsel

Pegasus' January 8, 2002 Letter to EchoStar



January 8, 2002

VIA FACSIMILE

(303) 723-1699

Christopher M. Melton
Legal Director
EchoStar Communications Corporation
5701 S. Santa Fe Drive
Littleton, CO 80120

Dear Mr. Melton:

It has come to my attention that another of EchoStar's agents has been falsely representing the status and character of the proposed merger between EchoStar Communications and DIRECTV in sales offers directed at DIRECTV subscribers in Pegasus's territory. The representations in question are part of a print advertisement that has been run in the Mountain Trader newspaper based in Kalispell, Montana. The advertisement has apparently run several times over the last few weeks.

The ad as published asks, "**Did you know that Dish Network has purchased DIRECTV?**" and goes on to pitch a \$50 trade in on all DIRECTV equipment. I have enclosed a copy of the advertisement for your reference.

The statement regarding the merger is obviously false and designed to mislead the consumer. We demand that EchoStar take immediate action to halt this type of deceptive advertising. I would appreciate it if you would advise me of the efforts that EchoStar takes to address this situation.

Sincerely,

Mark E. Eyer
Assistant General Counsel

Enclosure

Cc: Robin N. Rogers, Esquire

LET VAN DORT HEATING INSTALL: Your new propane furnace now, and we will convert it to natural gas free of charge when available. Call 752-HEAT (4328) for free estimate.

HOLIDAY SPECIAL

100 Channels

FREE Installation

\$9

dish local **out-of-town** networks

Can your cable company do that?

Did you know that Dish Network has purchased DirecTV? We're offering you made-in on all DirecTV systems!

Call Tim • 756-0419

1972 KENWORTH DUMP TRUCK: 350 turbo, Detroit diesel, 10-speed engine and is in great condition. \$10,500. 844-3731. 2-1 MISC 1

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Pegasus' October 16, 2001 Letter to EchoStar



October 16, 2001

Via FedEx

David Moskowitz, Esquire
Senior Vice President and General Counsel
EchoStar Communications Corporation
5701 S. Santa Fe Drive
Littleton, CO 80120

Re: Fraudulent Telemarketing Practices

Dear Mr. Moskowitz:

I request your immediate assistance in investigating and addressing troubling incidents recently brought to our attention involving attempts by authorized representatives of EchoStar to fraudulently induce Pegasus Satellite Television subscribers to convert to DISH Network.

One such incident came to light when Pegasus was advised by a subscriber that she had been contacted by a telemarketer attempting to force her to convert to programming services offered by DISH Network. Our inquiries elicited the fact that the telemarketer told our subscriber that she would be required to convert to DISH Network because "EchoStar has recently acquired Pegasus". The telemarketer made numerous other coercive and misleading statements in its attempt to convert the subscriber. When resisting the coercive tactics of the telemarketer our subscriber was told that she should call 1-800-615-1621 ext. 118, ask for Steve or Mark, and reference promo number A12604. The telephone number given is answered by a call center by the name of Satellite Systems Network.

A second and similar incident involved a subscriber who was contacted by a current Dish Network dealer. The dealer, R & R Systems of Perry, Georgia, also reportedly told our subscriber that Pegasus was being bought out, and then attempted to coerce our subscriber into converting to Dish Network.

David Moskowitz
October 16, 2001
Page Two

We would like your assurance that EchoStar is not encouraging or condoning this behavior and will immediately investigate these practices. I look forward to your prompt response.

Sincerely,

A handwritten signature in black ink, appearing to read "T. S. Lodge", with a long, sweeping underline that extends to the right.

Ted S. Lodge
Executive Vice President
and General Counsel

EchoStar's October 26, 2001 Reply to Pegasus' October 16, 2001 Letter



ECHOSTAR COMMUNICATIONS CORPORATION

October 26, 2001

VIA ORIGINAL IN MAIL

Ted S. Lodge
Executive Vice President
and General Counsel
Pegasus Communications
225 City Line Avenue, Suite 200
Bala Cynwyd, PA 19004

Re: Your letter dated October 16, 2001

Dear Mr. Lodge:

I am in receipt of your letter dated October 6, 2001 to David Moskowitz and would like to thank you for bringing this matter to my attention. EchoStar does not condone the conduct alleged in your October 16th letter and we will look into this matter immediately.

If you have any further questions or concerns, please do not hesitate to contact me at (303) 723-1625.

Very truly yours,

A handwritten signature in black ink, appearing to read "C. Melton", with a long horizontal flourish extending to the right.

Christopher M. Melton
Legal Director