SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q/A

Quarterly report pursuant to sections 13 or 15(d) [amend]

Filing Date: **2001-08-03** | Period of Report: **2000-06-30**
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FILER

PEGASUS MEDIA & COMMUNICATIONS INC

CIK:**948590**| IRS No.: **232778525** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **10-Q/A** | Act: **34** | File No.: **033-95042** | Film No.: **1697222**
SIC: **4833** Television broadcasting stations

Mailing Address	Business Address
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q/A

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended June 30, 2000

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from__________ to __________

Commission File Number 33-95042

PEGASUS MEDIA & COMMUNICATIONS, INC.
(Exact name of Registrant as specified in its charter)

Delaware	23-2778525
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)

c/o Pegasus Communications Management Company; 225 City Line Avenue, Suite 200, Bala Cynwyd, PA	19004
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code: (888) 438-7488

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No

Number of shares of each class of the Registrant's common stock outstanding as of August 4, 2000:

Class A, Common Stock, $0.01 par value	161,500
Class B, Common Stock, $0.01 par value	8,500

The Registrant meets the conditions set forth in General Instruction H (1)(a) and (b) of Form 10-Q and is therefore filing this Form with the reduced disclosure format.

PEGASUS MEDIA & COMMUNICATIONS, INC.

Form 10-Q
Table of Contents
For the Quarterly Period Ended June 30, 2000

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PEGASUS MEDIA & COMMUNICATIONS, INC.
For the Quarterly Period Ended June 30, 2000

Introductory Statement on Amended Filing

This Form 10-Q/A is filed to amend the Form 10-Q for the quarter ended June 30, 2000 as filed on August 14, 2000. The purpose of this amended filing is to restate certain amounts within the financial statements and to conform applicable portions of Management's Discussion and Analysis of Financial Condition and Results of Operations to the restated amounts. The effects of the restatements on the financial statements are discussed in Note 3 of the Notes to Combined Financial Statements. All disclosures herein are as of the date of the original filing of the Form 10-Q except as amended for the effects of the restatements.

Pegasus Media & Communications, Inc.
Combined Balance Sheets
(Dollars in thousands)

<TABLE>
<CAPTION>

ASSETS	December 31, 1999	June 30, 2000
	(unaudited)	(as restated, see Note 3)
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	$ 21,351	$ 10,758
Accounts receivable, less allowance for doubtful accounts of $1,067 and $1,888, respectively	24,642	33,069
Inventory	9,506	20,292
Program rights	4,373	3,868
Deferred taxes	406	654
Net advances to affiliates	1,790	3,521
Prepaid expenses and other	3,463	6,098
Total current assets	65,531	78,260
Property and equipment, net	37,841	51,591
Intangible assets, net	437,774	793,654
Deferred financing costs, net	6,500	9,998
Program rights	5,731	3,843
Investment in affiliates	4,598	116,444
Deposits and other	5,042	10,510

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Total assets	$563,017	$1,064,300
	========	==========

LIABILITIES AND EQUITY

Current liabilities:		
Current portion of long-term debt	$ 11,091	$ 10,560
Accounts payable	8,045	7,166
Accrued interest	6,253	10,946
Accrued satellite programming, fees and commissions	24,314	36,807
Accrued expenses	11,817	22,366
Amounts due seller	6,729	-
Current portion of program rights payable	4,447	4,360
	--------	----------
Total current liabilities	72,696	92,205
Long-term debt	235,633	362,170
Program rights payable	4,211	2,248
Deferred taxes, net	4,951	21,749
	--------	----------
Total liabilities	317,491	478,372
	--------	----------
Commitments and contingent liabilities		
Minority interest	3,000	-
Common stockholder's equity:		
Class A Common Stock; $0.01 par value; 230,000 shares authorized; 161,500 issued and outstanding	2	2
Class B Common Stock; $0.01 par value; 20,000 shares authorized; 8,500 issued and outstanding	-	-
Additional paid-in capital	378,889	770,003
Accumulated deficit	(136,365)	(184,077)
	--------	----------
Total stockholder's equity	242,526	585,928
	--------	----------
Total liabilities and stockholder's equity	$563,017	$1,064,300
	========	==========

</TABLE>

See accompanying notes to combined financial statements

Pegasus Media & Communications, Inc.
Combined Statements of Operations
(Dollars in thousands)

<TABLE>
<CAPTION>

	Three Months Ended June 30,	
	1999	2000
	(unaudited)	(as restated, see Note 3)
<S>	<C>	<C>
Net revenues:		
DBS	$ 38,135	$105,286
Broadcast	9,578	9,233
	--------	--------
Total net revenues	47,713	114,519
Operating expenses:		
DBS		
Programming, technical, general and administrative	26,103	73,896
Marketing and selling	17,343	26,537
Incentive compensation	270	385
Depreciation and amortization	10,064	20,874
Broadcast		
Programming, technical, general and administrative	5,209	6,076
Marketing and selling	1,612	2,042
Incentive compensation	46	31
Depreciation and amortization	1,288	1,215
Corporate expenses	1,049	2,707
Corporate depreciation and amortization	176	70
Development costs	2	742
Other expense, net	31	249
	--------	--------
Loss from operations	(15,480)	(20,305)

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Interest expense	(3,837)	(11,885)
Interest income	1	274
Loss from continuing operations before income taxes and equity loss	(19,316)	(31,916)
Provision (benefit) for income taxes	100	(13,094)
Equity in net loss of unconsolidated affiliates	-	(99)
Loss from continuing operations	(19,416)	(18,921)
Discontinued operations:		
Income from discontinued operations of cable segment, net of income taxes of $0 in 1999 and $62 in 2000	616	101
Net loss	($18,800)	($18,820)

</TABLE>

See accompanying notes to combined financial statements

Pegasus Media & Communications, Inc.
Combined Statements of Operations
(Dollars in thousands)

<TABLE>
<CAPTION>

<S>	Six Months Ended June 30, 1999 <C>	2000 (unaudited) (as restated, see Note 3) <C>
Net revenues:		
DBS	$ 72,471	$201,143
Broadcast	17,481	17,332
Total net revenues	89,952	218,475
Operating expenses:		
DBS		
Programming, technical, general and administrative	49,899	141,754
Marketing and selling	29,140	51,946
Incentive compensation	595	785
Depreciation and amortization	19,986	41,148
Broadcast		
Programming, technical, general and administrative	10,145	12,021
Marketing and selling	3,079	3,911
Incentive compensation	202	46
Depreciation and amortization	2,472	2,531
Corporate expenses	1,931	4,622
Corporate depreciation and amortization	350	95
Development costs	2	1,169
Other expense, net	153	815
Loss from operations	(28,002)	(42,368)
Interest expense	(7,795)	(22,646)
Interest income	143	432
Loss from continuing operations before income taxes, equity loss and extraordinary items	(35,654)	(64,582)
Provision (benefit) for income taxes	185	(22,434)
Equity in net loss of unconsolidated affiliates	-	(215)
Loss from continuing operations before extraordinary items	(35,839)	(42,363)
Discontinued operations:		
Income from discontinued operations of cable segment, net of income taxes of $0 in 1999 and $249 in 2000	749	405
Loss before extraordinary items	(35,090)	(41,958)
Extraordinary loss from extinguishment of debt, net of income taxes of ($3,526)	-	(5,754)

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Net loss	($35,090)	($47,712)
	========	========

</TABLE>

See accompanying notes to combined financial statements

Pegasus Media & Communications, Inc.
Combined Statements of Cash Flows
(Dollars in thousands)

<TABLE>
<CAPTION>

	Six Months Ended June 30,	
	1999	2000
	(unaudited)	
		(as restated see Note 3)
<S>	<C>	<C>
Cash flows from operating activities:		
Net loss	($35,090)	($47,712)
Adjustments to reconcile net loss to net cash used for operating activities:		
Extraordinary loss on extinquishment of debt, net	-	9,280
Depreciation and amortization	25,831	47,969
Program rights amortization	1,539	2,410
Amortization of debt discount and deferred financing fees	199	2,013
Stock incentive compensation	858	1,211
Equity in net loss of unconsolidated affiliates	-	215
Bad debt expense	1,594	6,409
Deferred income taxes	185	(25,512)
Change in current assets and liabilities:		
Accounts receivable	(974)	(3,195)
Inventory	(1,003)	(10,786)
Prepaid expenses and other	(1,577)	(1,808)
Accounts payable and accrued expenses	2,823	(5,232)
Accrued interest	(44)	4,693
Deposits and other	(195)	(5,192)
Net cash used for operating activities	(5,854)	(25,237)
Cash flows from investing activities:		
Acquisitions	(91,930)	(35,967)
Cash acquired from acquisitions	5	-
Cash acquired from merger with affiliate	-	3,236
Capital expenditures	(3,726)	(14,245)
Purchase of intangible assets	(1,216)	(2,034)
Payments for programming rights	(1,256)	(2,065)
Investment in affiliate	-	(14,506)
Net cash used for investing activities	(98,123)	(65,581)
Cash flows from financing activities:		
Repayments of long-term debt	(9,283)	(13,503)
Net borrowings on bank credit facilities	20,500	70,800
Net advances to affiliates	(10,068)	(3,043)
Restricted cash	1,000	-
Deferred financing costs	(15)	(8,558)
Capital lease repayments	(61)	(74)
Net contributions by parent	91,209	34,603
Net cash provided by financing activities	93,282	80,225
Net decrease in cash and cash equivalents	(10,695)	(10,593)
Cash and cash equivalents, beginning of year	22,707	21,351
Cash and cash equivalents, end of period	$ 12,012	$ 10,758
	========	========

</TABLE>

See accompanying notes to combined financial statements

PEGASUS MEDIA & COMMUNICATIONS, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS

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1. The Company

Pegasus Media & Communications, Inc. ("Pegasus" or together with its subsidiaries, the "Company") operates in growing segments of the media industry and is a direct subsidiary of Pegasus Communications Corporation ("PCC" or the "Parent"). Pegasus' significant operating subsidiaries are Pegasus Broadcast Television, Inc. ("PBT"), Pegasus Cable Television, Inc. ("PCT") and Pegasus Satellite Television, Inc. ("PST").

Pegasus' subsidiaries provide direct broadcast satellite television ("DBS") services to customers in certain rural areas of the United States; own and/or program broadcast television ("Broadcast" or "TV") stations affiliated with the Fox Broadcasting Company ("Fox"), United Paramount Network ("UPN") and The WB Television Network ("WB"); and own and operate a cable television ("Cable") system that provides service to individual and commercial subscribers in Puerto Rico.

2. Basis of Presentation

The accompanying unaudited combined financial statements have been prepared in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. The financial statements include the accounts of Pegasus and all of its subsidiaries and the accounts of Pegasus Development Corporation ("PDC"). All intercompany transactions and balances have been eliminated. Certain amounts for 1999 have been reclassified for comparative purposes, and certain amounts for 2000 have been restated (see Note 3).

The unaudited combined financial statements reflect all adjustments consisting of normal recurring items which are, in the opinion of management, necessary for a fair presentation, in all material respects, of the financial position of the Company and the results of its operations and its cash flows for the interim period. For further information, refer to the combined financial statements and footnotes thereto for the year ended December 31, 1999 included in the Company's Annual Report on Form 10-K for the year then ended.

PDC, a subsidiary of PCC, provided capital for various satellite initiatives such as subscriber acquisition costs from October 1, 1997 through March 31, 1998. The accounts of PDC have been included in the accompanying combined financial statements since subscriber acquisition costs are an integral part of the DBS operations and their inclusion is necessary for a fair presentation of the financial position of the Company and the results of its operations and its cash flows.

In May, 2000, PCC completed a two-for-one split of its outstanding Class A and Class B Common Stock in the form of a stock dividend. All references to PCC's shares, including shares issued, option shares, warrant shares and exercise prices included in the accompanying notes to combined financial statements reflect the stock split and its retroactive effect.

3. Restatement of Financial Statements

At year end 2000, the Company corrected the purchase accounting and allocation of the purchase consideration in the acquisition of Digital Television Services, Inc. ("DTS"). DTS was acquired by PCC in 1998 and then contributed by PCC to the Company in January 2000. DTS was then merged with and into a subsidiary of the Company. The purchase consideration was revised to $336.5 million from that previously reported of $363.9 million. The correction of the purchase accounting and allocation of the purchase consideration affected amounts recorded by the Company at the date that DTS was contributed to the Company and thereafter. The effects of the corrected accounting and consideration allocation as of and for the three and six months ended June 30, 2000 are shown below.

3. Restatement of Financial Statements - (Continued)

As of June 30, 2000:

- Reduction of $105.4 million in the valuation allowance against deferred tax assets;
- Reduction of $49.2 million in DBS rights assets;
- Reduction of $15.9 million in accumulated amortization of DBS rights assets;
- Increase in deferred income tax liabilities of $45.0 million; and
- An increase in additional paid-in capital of $2.1 million.

For the three months ended June 30, 2000:
- Reduction of amortization expense for DBS rights assets of $3.9 million; and

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o Net increase in income tax benefits of $10.0 million.

For the six months ended June 30, 2000:
o Reduction of amortization expense for DBS rights assets of $6.0 million; and
o Net increase in income tax benefits of $18.9 million.

The adjustment to additional paid-in capital relates to the cumulative effects of the purchase accounting revisions on periods that DTS was a direct subsidiary of PCC and that would have affected the amount of PCC's investment in DTS that it contributed to the Company.

Because of the magnitude of the corrections discussed above, the Company restated financial information herein from that previously reported as of and for the three and six months ended June 30, 2000. The following presents the financial statement items that were restated along with their amounts previously reported, excluding subtotals on the financial statements.
<TABLE>
<CAPTION>

(in thousands)	As Restated	As Previously Reported
<S>	<C>	<C>
Balance sheet items as of June 30, 2000:		
Intangible assets, net of accumulated amortization	$ 793,654	$ 826,934
Noncurrent deferred tax assets, after reclassification of restated deferred tax assets of $138.4 million to deferred tax liabilities	-	33,062
Noncurrent deferred tax liabilities, net of restated deferred tax assets of $138.4 million	21,749	115,135
Additional paid-in capital	770,003	767,878
Accumulated deficit	(184,077)	(208,996)
Total assets and total liabilities and stockholder's equity	1,064,300	1,130,642
Statement of operations items for the three months ended June 30, 2000:		
DBS depreciation and amortization	20,874	24,731
Income tax benefit for continuing operations	(13,094)	(3,019)
Income from discontinued operations, net of income taxes	101	163
Net loss	(18,820)	(32,690)
Statement of operations items for the six months ended June 30, 2000:		
DBS depreciation and amortization	41,148	47,181
Income tax benefit for continuing operations	(22,434)	(6,825)
Income from discontinued operations, net of income taxes	405	654
Loss before extraordinary items	(41,958)	(63,351)
Extraordinary loss, net of income taxes	(5,754)	(9,280)
Net loss	(47,712)	(72,631)

</TABLE>

Cash flows of the Company were not impacted by the corrected purchase accounting and consideration allocation. As DTS was contributed to the Company in January 2000, there was no impact on the 1999 reported information.

4. Investment in Affiliates

PDC has a 90% investment in Pegasus PCS Partners, LP ("PCS") which is accounted for by the equity method. PCS, a jointly owned limited partnership, acquires, owns, controls and manages wireless licenses. Pegasus PCS, Inc. is the sole general partner of PCS and is controlled by Marshall W. Pagon, the Company's President and Chief Executive Officer. PDC's share of undistributed losses of PCS included in continuing operations was $211,000 for the first half of 2000. PDC's total investment in PCS at June 30, 2000 was $4.4 million.

In January 2000, PDC made an investment in Personalized Media Communications, LLC ("PMC"), an advanced communications technology company, of approximately $112.0 million which is accounted for by the equity method. The investment consisted of $14.4 million in cash, 400,000 shares of PCC's Class A Common Stock (amounting to $18.8 million) and warrants to purchase 2.0 million shares of PCC's Class A Common Stock at an exercise price of $45.00 per share and with a term of ten years. The fair value of the warrants to be issued was estimated using the Black-Scholes pricing model and is approximately $78.8 million. A subsidiary of PMC granted to PDC an exclusive license for use of PMC's patent portfolio in the distribution of satellite services from specified orbital locations. Mary C. Metzger, Chairman of PMC and a member of Pegasus' Board of Directors, and John C. Harvey, Managing Member of PMC and Ms. Metzger's husband, own a majority of and control PMC. PDC's share of undistributed losses of PMC included in continuing operations was $4,000 for the first half of 2000. PDC's total investment in PMC at June 30, 2000 was $112.0 million.

5. Common Stock

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In October 1996, the Company became a direct subsidiary of PCC as a result of PCC's initial public offering of its Class A Common Stock. In December 1996, as a result of a registered exchange offer made to holders of Pegasus' Class B Common Stock, Pegasus became a wholly owned subsidiary of PCC.

The Company's ability to pay dividends on its Common Stock is subject to certain restrictions.

6. Long-Term Debt, as restated

<TABLE>
<CAPTION>

Long-term debt consists of the following (in thousands):	December 31, 1999	June 30, 2000
<S>	<C>	<C>
Series B Notes payable by Pegasus, due 2005, interest at 12.5%, payable semi-annually in arrears on January 1 and July 1, net of unamortized discount of $2.2 million and $2.0 million as of December 31, 1999 and June 30, 2000, respectively....................................	$ 82,776	$ 82,976
Senior six-year $180.0 million revolving credit facility, payable by Pegasus, interest at the Company's option at either the bank's base rate plus an applicable margin or LIBOR plus an applicable margin...	142,500	-
Senior five-year $225.0 million revolving facility, payable by Pegasus, interest at the Company's option at either the bank's base rate plus an applicable margin or LIBOR plus an applicable margin............	-	-
Senior five-year $275.0 million term loan facility, payable by Pegasus, interest at the Company's option at either the bank's base rate plus an applicable margin or LIBOR plus an applicable margin............	-	275,000
Mortgage payable, due 2000, interest at 8.75%..........................	431	-
Sellers' notes, due 2000 to 2005, interest at 3% to 8%.................	20,707	14,481
Capital leases and other...	310	273
	246,724	372,730
Less current maturities..	11,091	10,560
Long-term debt...	$235,633	$362,170

</TABLE>

6. Long-Term Debt, as restated - (Continued)

Certain of the Company's sellers' notes are collateralized by stand-by letters of credit issued pursuant to the New PM&C Credit Facility.

The Company maintained a $180.0 million senior revolving credit facility (the "PM&C Credit Facility") which was collateralized by substantially all of the assets of Pegasus and its subsidiaries. The PM&C Credit Facility was subject to certain financial covenants as defined in the loan agreement, including a debt to adjusted cash flow covenant. The PM&C Credit Facility was amended and restated in January 2000.

In January 2000, the Company entered into a first amended and restated credit facility, which consists of a $225.0 million senior revolving credit facility which expires in 2004 and a $275.0 million senior term credit facility which expires in 2005 (collectively, the "New PM&C Credit Facility"). The New PM&C Credit Facility is collateralized by substantially all of the assets of Pegasus and its subsidiaries and is subject to certain financial covenants as defined in the loan agreement, including a debt to adjusted cash flow covenant. As of June 30, 2000, $38.2 million of stand-by letters of credit were issued pursuant to the New PM&C Credit Facility, including $10.4 million collateralizing certain of the Company's outstanding sellers' notes.

Commensurate with the closing of the New PM&C Credit Facility, the Company borrowed $275.0 million under the term loan and outstanding balances under the PM&C Credit Facility were repaid. Unamortized deferred financing fees associated with outstanding debt repaid were written off and the Company recognized an extraordinary loss on the extinguishment of debt of $5.8 million, net of income tax benefit of $3.5 million, as restated. The net amount of the extinguishment of debt was restated to include an allocable portion of income taxes that resulted from the DTS purchase accounting correction (see Note 3). Additionally, in connection with the closing of the New PM&C Credit Facility, Digital Television Services, Inc. ("DTS"), a wholly owned subsidiary of PCC, was merged with and into a subsidiary of Pegasus.

The Company's 12.5% Series B Notes due 2005 (the "12.5% Series B Notes") may be redeemed, at the option of the Company, in whole or in part, at various points in time after July 1, 2000 at the redemption prices specified in the indenture governing the 12.5% Series B Notes, plus accrued and unpaid interest thereon.

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The Company's indebtedness contains certain financial and operating covenants, including restrictions on the Company's ability to incur additional indebtedness, to create liens and to pay dividends.

7. Acquisitions

In the first half of 2000, the Company acquired, from seven independent DIRECTV ("DIRECTV") providers the rights to provide DIRECTV programming in certain rural areas of the United States and the related assets in exchange for total consideration of approximately $133.9 million, which consisted of $36.0 million in cash, 22,500 shares of PCC's Series D Preferred Stock (amounting to $22.5 million), 10,000 shares of PCC's Series E Preferred Stock (amounting to $10.0 million), 873,184 shares of PCC's Class A Common Stock (amounting to $39.7 million), warrants to purchase a total of 3,000 shares of PCC's Class A Common Stock (amounting to $166,000), $24.4 million of a deferred tax liability, $200,000 in promissory notes and $961,000 in assumed net liabilities.

8. Discontinued Operations, as restated

In January 2000, the Company entered into a letter of intent to sell its remaining Cable operations for $170.0 million in cash, subject to certain adjustments. The Company anticipates closing this sale during the second half of 2000. Accordingly, the results of operations from the entire Cable segment have been classified as discontinued with prior periods restated.

8. Discontinued Operations, as restated - (Continued)

Net revenues and income from discontinued operations were as follows (in thousands):

<TABLE>
<CAPTION>

	Three Months Ended June 30, 1999	2000
Net revenues	$5,577	$6,511
Income from operations	638	414
Provision for income taxes, as restated	-	62
Income from discontinued operations, as restated	616	101

	Six Months Ended June 30, 1999	2000
Net revenues	$8,648	$12,710
Income from operations	765	811
Provision for income taxes, as restated	-	249
Income from discontinued operations, as restated	749	405

</TABLE>

The provision for income taxes and income from discontinued operations was restated to include an allocable portion of income taxes that resulted from the DTS purchase accounting correction (see Note 3).

9. Supplemental Cash Flow Information

Significant non-cash investing and financing activities are as follows (in thousands):

<TABLE>
<CAPTION>

	Six Months Ended June 30, 1999	2000
Barter revenue and related expense	$3,648	$ 3,558
Acquisition of program rights and assumption of related program payables	6,655	16
Capital contribution and related acquisition of intangibles	-	78,115
Capital contribution and related investment in affiliates	-	97,555
Notes payable and related acquisition of intangibles	4,490	515
Deferred taxes, net and related acquisition of intangibles	29	27,985

</TABLE>

For the six months ended June 30, 1999 and 2000, the Company paid cash for interest in the amount of $7.7 million and $16.0 million, respectively. The Company paid no federal income taxes for the six months ended June 30, 1999 and 2000.

10. Commitments and Contingent Liabilities

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Legal Matters:

From time to time the Company is involved with claims that arise in the normal course of business. In the opinion of management, the ultimate liability with respect to these claims will not have a material adverse effect on the consolidated operations, liquidity, cash flows or financial position of the Company.

10. Commitments and Contingent Liabilities - (Continued)

The Company is a rural affiliate of the National Rural Telecommunications Cooperative ("NRTC"). The NRTC is a cooperative organization whose members and affiliates are engaged in the distribution of telecommunications and other services in predominantly rural areas of the United States. The Company's ability to distribute DIRECTV programming services is dependent upon agreements between the NRTC and Hughes Electronics Corporation, DIRECTV's parent, and between the Company and the NRTC.

On June 3, 1999, the NRTC filed a lawsuit in federal court against DIRECTV seeking a court order to enforce the NRTC's contractual rights to obtain from DIRECTV certain premium programming formerly distributed by United States Satellite Broadcasting Company, Inc. for exclusive distribution by the NRTC's members and affiliates in their rural markets. On July 22, 1999, DIRECTV responded to the NRTC's continuing lawsuit by rejecting the NRTC's claims to exclusive distribution rights and by filing a counterclaim seeking judicial clarification of certain provisions of DIRECTV's contract with the NRTC. In particular, DIRECTV contends in its counterclaim that the term of DIRECTV's contract with the NRTC is measured solely by the orbital life of DBS-1, the first DIRECTV satellite launched into orbit at the 101W orbital location, without regard to the orbital lives of the other DIRECTV satellites at the 101 W orbital location. DIRECTV also alleges in its counterclaim that the NRTC's right of first refusal, which is effective at the end of the term of DIRECTV's contract with the NRTC, does not provide for certain programming and other rights comparable to those now provided under the contract.

On August 26, 1999, the NRTC filed a separate lawsuit in federal court against DIRECTV claiming that DIRECTV had failed to provide to the NRTC its share of launch fees and other benefits that DIRECTV and its affiliates have received relating to programming and other services. On September 9, 1999, the NRTC filed a response to DIRECTV's counterclaim contesting DIRECTV's interpretations of the end of term and right of first refusal provisions.

On January 10, 2000, the Company and Golden Sky Systems, Inc. ("Golden Sky", a subsidiary of Golden Sky Holdings, Inc., which PCC acquired on May 5, 2000) filed a lawsuit in federal court against DIRECTV which contains causes of action for various torts, common counts and declaratory relief based on DIRECTV's failure to provide the NRTC with premium programming, thereby preventing the NRTC from providing this programming to the Company and Golden Sky. The claims are also based on DIRECTV's position with respect to launch fees and other benefits, term and rights first refusal. The complaint seeks monetary damages and a court order regarding the rights of the NRTC and its members and affiliates.

On February 10, 2000, the Company and Golden Sky filed an amended complaint which added new tort claims against DIRECTV for interference with plaintiffs' relationships with manufacturers, distributors and dealers of direct broadcast satellite equipment. The Company and Golden Sky also withdrew the class action allegations to allow a new class action to be filed on behalf of the members and affiliates of the NRTC. The class action was filed on February 27, 2000. All four actions are now pending before the same judge, who has set various hearing dates, including the following. On October 2, 2000, the court will hear argument on the motion for class certification and on DIRECTV's motion to dismiss certain of our claims and claims by the class members. DIRECTV's motion for partial summary judgment on the right of first refusal will be heard on October 30, 2000. The court has set a trial date of November 27, 2001 for all four actions.

Management is not currently able to predict the outcome of the DIRECTV litigation matters or the effect such outcome will have on the combined operations, liquidity, cash flows or financial position of the Company.

Commitments:

The Company has entered into a multi-year agreement with a provider of integrated marketing, information and transaction services to provide customer relationship management services which will significantly increase the Company's existing call center capacity. The initial term of the agreement ends on December 31, 2004. The Company must pay minimum fees to the provider as follows (in thousands):

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PEGASUS MEDIA & COMMUNICATIONS, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS - (Continued)

10. Commitments and Contingent Liabilities - (Continued)

Year	Annual Minimum Fees
2000	$12,600
2001	18,216
2002	20,250
2003	20,250
2004	20,250
Total minimum payments	$91,566

11. Industry Segments, as restated

The Company operates in growing segments of the media industry: DBS and Broadcast. DBS consists of providing direct broadcast satellite television services to customers in certain rural areas of 38 states. Broadcast consists of ten television stations affiliated with Fox, UPN and the WB, all located in the eastern United States.

All of the Company's revenues are derived from external customers. Capital expenditures for the Company's DBS segment were $834,000 and $6.9 million for the six months ended June 30, 1999 and 2000, respectively. Capital expenditures for the Company's Broadcast segment were $494,000 and $4.1 million for the six months ended June 30, 1999 and 2000, respectively. Capital expenditures for the Company's discontinued Cable segment were $2.4 million and $3.1 million for the six months ended June 30, 1999 and 2000, respectively. All other capital expenditures for the six months ended June 30, 1999 and 2000 were at the corporate level. Identifiable total assets for the Company's DBS segment were $394.6 million as of December 31, 1999 and $782.1 million, as restated from that previously reported of $815.4 million (see Note 3), as of June 30, 2000. Identifiable total assets for the Company's Broadcast segment were $66.1 million and $66.4 million as of December 31, 1999 and June 30, 2000, respectively. Identifiable total assets for the Company's discontinued Cable segment were $86.2 million and $84.3 million as of December 31, 1999 and June 30, 2000, respectively. All other identifiable assets as of December 31, 1999 and June 30, 2000 were at the corporate level.

12. Subsidiary Guarantees, as restated

The 12.5% Series B Notes are guaranteed on a full, unconditional, senior subordinated basis, jointly and severally by each of the wholly owned direct and indirect subsidiaries of Pegasus with the exception of certain subsidiaries as described below (the "Guarantor Subsidiaries"). WTLH License Corp., WTLH, Inc., Pegasus Anasco Holdings, Inc., Pegasus Satellite Development Corporation ("PSDC") and Pegasus Cable Television of Connecticut, Inc. ("PCT-CT"), all of which are direct or indirect subsidiaries of Pegasus, are not guarantors of the 12.5% Series B Notes ("Non-guarantor Subsidiaries"). As the result of these subsidiaries not being guarantors of the 12.5% Series B Notes, the following condensed combining financial statements have been provided, as restated for the items discussed in Note 3. The Company believes separate financial statements and other disclosures concerning the Guarantor Subsidiaries are not deemed material to investors.

12. Subsidiary Guarantees, as restated: - (Continued)
<TABLE>
<CAPTION>
Condensed Combined Balance Sheets
(in thousands)

As of June 30, 2000	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Pegasus	Eliminations	Pegasus Subtotal
<S>	<C>	<C>	<C>	<C>	<C>
Assets:					
Cash and cash equivalents	$ 10,195	$ 179			$ 10,374
Accounts receivable, net	34,558				34,558
Other current assets	32,602		$ 4		32,606

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Total current assets	77,355	179	4	-	77,538
Property and equipment, net	51,014				51,014
Intangible assets, net	790,436	2,338	163		792,937
Other assets	(19,630)		43,556		23,926
Investment in subsidiaries and affiliates		71,042	847,698	($918,740)	-
Total assets	$ 899,175	$ 73,559	$891,421	($918,740)	$945,415
Liabilities and total equity:					
Current portion of long-term debt	$10,560				$ 10,560
Accounts payable	7,015				7,015
Other current liabilities	74,329		$ 10,675	($ 10,675)	74,329
Total current liabilities	91,904	-	10,675	(10,675)	91,904
Long-term debt	1,186,945	$ 314	82,976	(908,065)	362,170
Other liabilities	1,090	(8,875)	31,782		23,997
Total liabilities	1,279,939	(8,561)	125,433	(918,740)	478,071
Total equity (deficit)	(380,764)	82,120	765,988		467,344
Total liabilities and equity	$ 899,175	$ 73,559	$891,421	($918,740)	$945,415
As of December 31, 1999					
Assets:					
Cash and cash equivalents	$ 15,085	$ 494	$ 5,756		$ 21,335
Accounts receivable, net	21,993				21,993
Other current assets	19,469				19,469
Total current assets	56,547	494	5,756	-	62,797
Property and equipment, net	37,833				37,833
Intangible assets, net	438,212	2,440	3,083		443,735
Other assets	3,896		6,452		10,348
Investment in subsidiaries and affiliates			353,828	($353,828)	-
Total assets	$ 536,488	$ 2,934	$369,119	($353,828)	$554,713
Liabilities and total equity:					
Current portion of long-term debt	$ 11,091				$ 11,091
Accounts payable	7,963				7,963
Other current liabilities	53,550		$ 5,690	($ 5,690)	53,550
Total current liabilities	72,604	-	5,690	(5,690)	72,604
Long-term debt	500,681	$ 314	82,776	(348,138)	235,633
Other liabilities	6,180	(8,478)	11,460		9,162
Total liabilities	579,465	(8,164)	99,926	(353,828)	317,399
Minority interest	3,000				3,000
Total equity (deficit)	(45,977)	11,098	269,193		234,314
Total liabilities and equity	$ 536,488	$ 2,934	$369,119	($353,828)	$554,713

</TABLE>

<TABLE>
<CAPTION>
Condensed Combined Balance Sheets
(in thousands)

As of June 30, 2000	Pegasus Development Corporation	Eliminations	Totals
<S>	<C>	<C>	<C>
Assets:			
Cash and cash equivalents	$ 384		$ 10,758
Accounts receivable, net	(1,489)		33,069
Other current assets	1,827		34,433
Total current assets	722	-	78,260
Property and equipment, net	577		51,591
Intangible assets, net	717		793,654
Other assets	425		24,351
Investment in subsidiaries and affiliates	116,444		116,444
Total assets	$ 118,885	-	$1,064,300

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Liabilities and total equity:			
Current portion of long-term debt			$ 10,560
Accounts payable	$ 151		7,166
Other current liabilities	150		74,479
Total current liabilities	301	-	92,205
Long-term debt			362,170
Other liabilities			23,997
Total liabilities	301	-	478,372
Total equity (deficit)	118,584		585,928
Total liabilities and equity	$ 118,885	-	$1,064,300
As of December 31, 1999			
Assets:			
Cash and cash equivalents	$ 16		$ 21,351
Accounts receivable, net	2,649		24,642
Other current assets	69		19,538
Total current assets	2,734	-	65,531
Property and equipment, net	8		37,841
Intangible assets, net	539		444,274
Other assets	425		10,773
Investment in subsidiaries and affiliates	4,598		4,598
Total assets	$ 8,304	-	$ 563,017
Liabilities and total equity:			
Current portion of long-term debt			$ 11,091
Accounts payable	$82		8,045
Other current liabilities	10		53,560
Total current liabilities	92	-	72,696
Long-term debt			235,633
Other liabilities			9,162
Total liabilities	92	-	317,491
Minority interest			3,000
Total equity (deficit)	8,212		242,526
Total liabilities and equity	$8,304	-	$ 563,017

</TABLE>

12. Subsidiary Guarantees, as restated: - (Continued)

Condensed Combined Statements of Operations
For the Six Months ended June 30, 2000
(in thousands)
<TABLE>
<CAPTION>

<S>	Guarantor Subsidiaries <C>	Non-guarantor Subsidiaries <C>	Pegasus <C>	Eliminations <C>	Pegasus Subtotal <C>
Total revenue	$218,475	$2,030		($2,030)	$218,475
Total operating expenses	209,544	52,048	$63	(2,030)	259,625
Income (loss) from operations	8,931	(50,018)	(63)	-	(41,150)
Interest expense	6,583		21,243	(5,180)	22,646
Other	(431)		(1)		(432)
Income (loss) from continuing operations before income taxes and equity loss	2,779	(50,018)	(21,305)	5,180	(63,364)
Provision for income taxes	(15,609)		(6,825)		(22,434)
Equity loss					-
Discontinued operations	407	(2)			405
Income (loss) before extraordinary item	18,795	(50,020)	(14,480)	5,180	(40,525)

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Extraordinary loss on extinguishment of debt	(3,315)		(2,439)		(5,754)
Net income (loss)	$ 15,480	($50,020)	($16,919)	$5,180	($46,279)

	Pegasus Development Corporation	Eliminations	Totals
Total revenue			$218,475
Total operating expenses	$1,218		260,843
Income (loss) from operations	(1,218)	-	(42,368)
Interest expense			22,646
Other			(432)
Income (loss) from continuing operations before income taxes and equity loss	(1,218)	-	(64,582)
Provision for income taxes			(22,434)
Equity loss	(215)		(215)
Discontinued operations			405
Income (loss) before extraordinary item	(1,433)	-	(41,958)
Extraordinary loss on extinguishment of debt			(5,754)
Net income (loss)	($1,433)	-	($47,712)

</TABLE>

Condensed Combined Statements of Operations
For the Six Months ended June 30, 1999
(in thousands)
<TABLE>
<CAPTION>

<S>	Guarantor Subsidiaries <C>	Non-guarantor Subsidiaries <C>	Pegasus <C>	Eliminations <C>	Pegasus Subtotal <C>
Total revenue	$89,985	$ 956		($ 989)	$ 89,952
Total operating expenses	89,349	29,238	$ 356	(989)	117,954
Income (loss) from operations	636	(28,282)	(356)	-	(28,002)
Interest expense	5,621		7,329	(5,155)	7,795
Other	(194)		47		(147)
Income (loss) from continuing operations before income taxes	(4,791)	(28,282)	(7,732)	5,155	(35,650)
Provision for income taxes	185				185
Discontinued operations	736	13			749
Net income (loss)	($4,240)	($28,269)	($7,732)	$5,155	($35,086)

	Pegasus Development Corporation	Eliminations	Totals
Total revenue			$89,952
Total operating expenses			117,954
Income (loss) from operations	-	-	(28,002)
Interest expense			7,795
Other	$4		(143)
Income (loss) from continuing operations before income taxes	(4)	-	(35,654)
Provision for income taxes			185
Discontinued operations			749
Net income (loss)	($4)	-	($35,090)

</TABLE>

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PEGASUS MEDIA & COMMUNICATIONS, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS - (Continued)

12. Subsidiary Guarantees, as restated: - (Continued)

Condensed Combined Statements of Cash Flows
For the Six Months ended June 30, 2000
(in thousands)
<TABLE>
<CAPTION>

<S>	Guarantor Subsidiaries <C>	Non-guarantor Subsidiaries <C>	Pegasus <C>	Eliminations <C>	Pegasus Subtotal <C>
Cash flows from operating activities:					
Net income (loss)	$ 15,480	($50,020)	($16,919)	$5,180	($46,279)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	47,772	102	46		47,920
Program rights amortization	2,410				2,410
Change in assets and liabilities:					
Accounts receivable	(7,333)				(7,333)
Accounts payable and accrued expenses	4,432			(5,180)	(748)
Prepaids and other	(1,808)				(1,808)
Other	(46,111)		25,507		(20,604)
Net cash provided (used) by operating activities	14,842	(49,918)	8,634	-	(26,442)
Cash flows from investing activities:					
Acquisitions	(35,967)				(35,967)
Capital expenditures	(13,676)				(13,676)
Purchase of intangible assets	(4,681)		2,874		(1,807)
Other	629,489		(530,978)		98,511
Net cash provided (used) for investing activities	575,165	-	(528,104)	-	47,061
Cash flows from financing activities:					
Net proceeds from debt	57,297				57,297
Other	(652,194)	49,603	513,714		(88,877)
Net cash provided (used) by financing activities	(594,897)	49,603	513,714	-	(31,580)
Net increase (decrease) in cash and cash equivalents	(4,890)	(315)	(5,756)		(10,961)
Cash and cash equivalents, beginning of year	15,085	494	5,756		21,335
Cash and cash equivalents, end of period	$ 10,195	$ 179	-	-	$10,374

	Pegasus Development Corporation	Eliminations	Totals
Cash flows from operating activities:			
Net income (loss)	($ 1,433)		($47,712)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	49		47,969
Program rights amortization			2,410
Change in assets and liabilities:			
Accounts receivable	4,138		(3,195)
Accounts payable and accrued expenses	209		(539)
Prepaids and other			(1,808)
Other	(1,758)		(22,362)
Net cash provided (used) by operating activities	1,205	-	(25,237)
Cash flows from investing activities:			
Acquisitions			(35,967)
Capital expenditures	(569)		(14,245)
Purchase of intangible assets	(227)		(2,034)
Other	(111,846)		(13,335)
Net cash provided (used) for investing activities	(112,642)	-	(65,581)
Cash flows from financing activities:			
Net proceeds from debt			57,297
Other	111,805		22,928
Net cash provided (used) by financing activities	111,805	-	80,225
Net increase (decrease) in cash and cash equivalents	368		(10,593)

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Cash and cash equivalents, beginning of year	16		21,351
Cash and cash equivalents, end of period	$ 384	-	$10,758

</TABLE>

PEGASUS MEDIA & COMMUNICATIONS, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS - (Continued)

12. Subsidiary Guarantees, as restated: - (Continued)

Condensed Combined Statements of Cash Flows
For the Six Months ended June 30, 1999
(in thousands)
<TABLE>
<CAPTION>

<S>	Guarantor Subsidiaries <C>	Non-guarantor Subsidiaries <C>	Pegasus <C>	Eliminations <C>	Pegasus Subtotal <C>
Cash flows from operating activities:					
Net income (loss)	($4,240)	($28,269)	($7,732)	$5,155	($35,086)
Adjustments to reconcile net income (loss) to					
net cash provided (used) by operating activities:					
Depreciation and amortization	25,382	101	348		25,831
Program rights amortization	1,539				1,539
Change in assets and liabilities:					
Accounts receivable	(974)				(974)
Accounts payable and accrued expenses	8,110	(3)		(5,155)	2,952
Prepaids and other	(1,577)				(1,577)
Other	(6,450)		7,904		1,454
Net cash provided (used) by operating activities	21,790	(28,171)	520	-	(5,861)
Cash flows from investing activities:					
Acquisitions	(91,930)				(91,930)
Capital expenditures	(3,728)				(3,728)
Purchase of intangible assets	(1,097)		(26)		(1,123)
Other	69,835		(71,086)		(1,251)
Net cash provided (used) by investing activities	(26,920)	-	(71,112)	-	(98,032)
Cash flows from financing activities:					
Proceeds from debt	70,500				70,500
Repayment of debt	(59,344)				(59,344)
Other	(9,146)	25,558	65,713		82,125
Net cash provided (used) by financing activities	2,010	25,558	65,713	-	93,281
Net increase (decrease) in cash and cash equivalents	(3,120)	(2,613)	(4,879)		(10,612)
Cash and cash equivalents, beginning of year	14,143	3,092	5,318		22,553
Cash and cash equivalents, end of period	$11,023	$479	$439	-	$11,941

	Pegasus Development Corporation	Eliminations	Totals
Cash flows from operating activities:			
Net income (loss)	($4)		($35,090)
Adjustments to reconcile net income (loss) to			
net cash provided (used) by operating activities:			
Depreciation and amortization			25,831
Program rights amortization			1,539
Change in assets and liabilities:			
Accounts receivable			(974)
Accounts payable and accrued expenses	11		2,963
Prepaids and other			(1,577)
Other			1,454
Net cash provided (used) by operating activities	7	-	(5,854)
Cash flows from investing activities:			
Acquisitions			(91,930)
Capital expenditures	2		(3,726)
Purchase of intangible assets	(93)		(1,216)
Other			(1,251)
Net cash provided (used) by investing activities	(91)	-	(98,123)
Cash flows from financing activities:			

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Proceeds from debt			70,500
Repayment of debt			(59,344)
Other	1		82,126
Net cash provided (used) by financing activities	1	-	93,282
Net increase (decrease) in cash and cash equivalents	(83)		(10,695)
Cash and cash equivalents, beginning of year	154		22,707
Cash and cash equivalents, end of period	$71	-	$12,012

</TABLE>

ITEM 2. MANAGEMENT'S NARRATIVE ANALYSIS OF THE RESULTS OF OPERATIONS (AS RESTATED)

This Report contains certain forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) and information relating to us that are based on the beliefs of our management, as well as assumptions made by and information available to our management at the date that this report was initially filed on August 14, 2000. When used in this Report, the words "estimate," "project," "believe," "anticipate," "intend," "expect" and similar expressions are intended to identify forward-looking statements. Such statements reflect our views that existed at August 14, 2000 with respect to future events and are subject to unknown risks, uncertainties and other factors that may cause actual results to differ materially from those contemplated in such forward-looking statements. Such factors include, among other things, the following: general economic and business conditions, both nationally, internationally and in the regions in which we operate; relationships with and events affecting third parties like DIRECTV, Inc; litigation with DIRECTV; demographic changes; existing government regulations and changes in, or the failure to comply with government regulations; competition; the loss of any significant numbers of subscribers or viewers; changes in business strategy or development plans; technological developments and difficulties; the ability to attract and retain qualified personnel; our significant indebtedness; the availability and terms of capital to fund the expansion of our businesses; and other factors referenced in this Report and in reports and registration statements filed by Pegasus and its parent company, Pegasus Communications Corporation, from time to time with the Securities and Exchange Commission. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of August 14, 2000. We do not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

In reliance upon General Instruction (H)(2)(a) of Form 10-Q, Pegasus is providing the limited disclosure set forth below. Such disclosure requires us only to provide a narrative analysis of the results of operations which explains the reasons for material changes in the amount of revenue and expense items between the most recent fiscal year-to-date period presented and the corresponding year-to-date period in the preceding fiscal year. The following discussion of the results of operations of Pegasus should be read in conjunction with the combined financial statements and related notes which are included herein.

The following discussion has been revised to conform to the restatements discussed in Note 3 of the Notes to Combined Financial Statements.

General

Pegasus Media & Communications, Inc. is:

- A wholly owned subsidiary of Pegasus Communications Corporation.

- An independent provider of DIRECTV with 848,000 subscribers at June 30, 2000, on an actual basis. We have the exclusive right to distribute DIRECTV digital broadcast satellite services to approximately 5.3 million rural households in 38 states. We distribute DIRECTV through the Pegasus Communications retail network, a network in excess of 3,000 independent retailers.

- The owner or programmer of ten TV stations affiliated with either Fox, UPN or the WB and the owner of a large cable system in Puerto Rico serving approximately 56,000 subscribers.

DBS revenues are principally derived from monthly customer subscriptions and pay-per-view services. Broadcast revenues are derived from the sale of broadcast airtime to local and national advertisers.

In January 2000, we entered into a letter of intent to sell the assets of our entire cable system business in Puerto Rico to a subsidiary of Centennial Cellular Corporation for $170.0 million in cash, subject to certain adjustments.

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The closing of this sale is anticipated to occur during the second half of 2000 and is subject to the negotiation of a definitive agreement, third-party approvals, including regulatory approvals, and other customary conditions. Accordingly, the results of our cable segment have been presented as discontinued operations in our combined statements of operations.

In this section we use the terms pre-marketing cash flow from continuing operations and location cash flow from continuing operations. Pre-marketing cash flow from continuing operations is calculated by taking our earnings and adding back the following expenses:

- interest;
- income taxes;
- depreciation and amortization;
- non-cash charges, such as incentive compensation under Pegasus Communication's restricted stock, stock option and 401(k) plans;
- corporate overhead;
- extraordinary and non-recurring items;
- results of discontinued operations; and
- DBS subscriber acquisition costs, which are sales and marketing expenses incurred and promotional programming provided in connection with the addition of new DBS subscribers.

Location cash flow from continuing operations is pre-marketing cash flow from continuing operations less DBS subscriber acquisition costs.

Pre-marketing cash flow from continuing operations and location cash flow from continuing operations are not, and should not be considered, alternatives to income from operations, net income, net cash provided by operating activities or any other measure for determining our operating performance or liquidity, as determined under generally accepted accounting principles. Pre-marketing cash flow from continuing operations and location cash flow from continuing operations also do not necessarily indicate whether our cash flow will be sufficient to fund working capital, capital expenditures, or to react to changes in Pegasus' industry or the economy generally. We believe that pre-marketing cash flow from continuing operations and location cash flow from continuing operations are important, however, for the following reasons:

- people who follow our industry frequently use them as measures of financial performance and ability to pay debt service; and
- they are measures that we, our lenders and investors use to monitor our financial performance and debt leverage.

Pegasus generally does not require new DBS customers to sign programming contracts and, as a result, subscriber acquisition costs are currently being charged to operations in the period incurred.

Certain of our DBS customers, primarily those converted from Primestar's medium-power DBS business, pay a monthly rental fee to us for use of our DBS subscriber equipment. The equipment is owned by us and, accordingly, the equipment costs are capitalized and depreciated over a period of three years. These equipment costs are not included as a component of subscriber acquisition costs in our results of operations.

Restatement of Financial Statements

At year end 2000, we corrected the purchase accounting and allocation of the purchase consideration in Pegasus Communications Corporation's acquisition in 1998 of Digital Television Services, Inc. Pegasus Communications Corporation contributed Digital Television Services to us in January 2000. The purchase consideration was revised to $336.5 million from that previously reported of $363.9 million. The correction of the purchase accounting and allocation of the purchase consideration affected amounts that we recorded at the date that Digital Television Services was contributed to us and thereafter. The effects of the corrected accounting and consideration allocation as of and for the six months ended June 30, 2000 are shown below.

As of June 30, 2000:

- Reduction of $105.4 million in the valuation allowance against deferred tax assets;
- Reduction of $49.2 million in DBS rights assets;

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o Reduction of $15.9 million in accumulated amortization of DBS rights assets;
o Increase in deferred income tax liabilities of $45.0 million; and
o An increase in additional paid-in capital of $2.1 million.

For the six months ended June 30, 2000:
o Reduction of amortization expense for DBS rights assets of $6.0 million; and
o Net increase in income tax benefits of $18.9 million.

The adjustment to additional paid-in capital relates to the cumulative effects of the purchase accounting revisions on periods that DTS was a direct subsidiary of PCC and that would have affected the amount of PCC's investment in DTS that it contributed to the Company.

Because of the magnitude of the corrections discussed, the Company restated financial information herein from that previously reported as of and for the six months ended June 30, 2000. The following presents the financial statement items that were restated along with their amounts previously reported, excluding subtotals on the financial statements.
<TABLE>
<CAPTION>

(in thousands)	As Restated	As Previously Reported
<S>	<C>	<C>
Balance sheet items as of June 30, 2000:		
Intangible assets, net of accumulated amortization	$ 793,654	$ 826,934
Noncurrent deferred tax assets, after reclassification of restated deferred tax assets of $138.4 million to deferred tax liabilities	-	33,062
Noncurrent deferred tax liabilities, net of restated deferred tax assets of $138.4 million	21,749	115,135
Additional paid-in capital	770,003	767,878
Accumulated deficit	(184,077)	(208,996)
Total assets and total liabilities and stockholder's equity	1,064,300	1,130,642
Statement of operations items for the six months ended June 30, 2000:		
DBS depreciation and amortization	41,148	47,181
Income tax benefit for continuing operations	(22,434)	(6,825)
Income from discontinued operations, net of income taxes	405	654
Loss before extraordinary items	(41,958)	(63,351)
Extraordinary loss, net of income taxes	(5,754)	(9,280)
Net loss	(47,712)	(72,631)

</TABLE>

As Digital Television Services was contributed to us in January 2000, there was no impact on the 1999 reported information.

Results of Operations

Six months ended June 30, 2000, as restated compared to six months ended June 30, 1999

Total net revenues from continuing operations for the six months ended June 30, 2000 were $218.5 million, an increase of $128.5 million, or 143%, compared to total net revenues of $90.0 million for the same period in 1999. The increase in total net revenues for the six months ended June 30, 2000 was primarily due to an increase in DBS revenues of $128.7 million attributable to acquisitions, internal growth in Pegasus' DBS subscriber base and the merger of Digital Television Services with and into a subsidiary of Pegasus in January 2000. Total operating expenses from continuing operations for the six months ended June 30, 2000 were $260.8 million, as restated, an increase of $142.9 million, or 121%, compared to total operating expenses of $118.0 million for the same period in 1999. The increase was primarily due to an increase of $136.0 million, as restated, in operating expenses attributable to the growth in Pegasus' DBS business.

Total corporate expenses from continuing operations, including corporate depreciation and amortization, were $4.7 million for the six months ended June 30, 2000, an increase of $2.4 million, or 107%, compared to $2.3 million for the same period in 1999. The increase in corporate expenses is primarily attributable to the growth in Pegasus' business.

New business development costs were $1.2 million for the six months ended June 30, 2000 compared to $2,000 for the same period in 1999.

Other expenses from continuing operations were $815,000 for the six months ended June 30, 2000, an increase of $662,000, or 433%, compared to other expenses of $153,000 for the same period in 1999. The increase is primarily due to legal fees associated with the DIRECTV litigation.

Interest expense from continuing operations was $22.6 million for the six months ended June 30, 2000, an increase of $14.9 million, or 191%, compared to interest expense of $7.8 million for the same period in 1999. The increase in

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interest expense is primarily due to interest and fees in connection with the new credit facility and the growth in Pegasus' DBS business. Interest income from continuing operations was $432,000 for the six months ended June 30, 2000, an increase of $289,000, or 202%, compared to interest income of $143,000 for the same period in 1999. The increase in interest income is due to higher average cash balances for the six months ended June 30, 2000 compared to the same period in 1999.

We had an income tax benefit of $22.4 million, as restated, for the six months ended June 30, 2000 compared to income tax expense of $185,000 for the same period in 1999. As a result of the correction to the purchase accounting for the Digital Television Services acquisition, we reduced the valuation allowance against deferred income tax assets in the current year period, which permitted us to recognize the tax benefits of the deferred tax assets in the current year period.

Equity in the net losses of unconsolidated affiliates, resulting from investments in Pegasus PCS Partners, LP in August 1999 and Personalized Media Communications, LLC in January 2000, amounted to $215,000 for the six months ended June 30, 2000.

Income from discontinued operations of the cable segment, net of income taxes, was $405,000, as restated, for the six months ended June 30, 2000, a decrease of $344,000, or 46%, compared to $749,000 for the same period in 1999. The decrease is primarily attributable to an increase in incentive compensation and income tax expense. Pegasus had approximately 56,000 cable subscribers at June 30, 2000 compared to 52,700 at June 30, 1999.

Extraordinary loss from the extinguishment of debt, net of income taxes, was $5.8 million, as restated, for the six months ended June 30, 2000. In January 2000, Pegasus entered into an amended and restated $500.0 million credit facility. Commensurate with the closing of the new credit facility, certain funds from the initial borrowing were used to repay the outstanding balances under the existing Pegasus' $180.0 million credit facility, the Digital Television Services $90.0 million credit facilities and the Pegasus Communications Corporation $35.5 million interim letter of credit facility and commitments under these credit facilities were terminated. Accordingly, the deferred financing costs related to the terminated credit facilities were written off.

DBS

During the last twelve months, Pegasus acquired, through acquisitions, approximately 63,000 subscribers and the exclusive DIRECTV distribution rights to approximately 520,000 households in rural areas of the United States. In January 2000, as a result of the merger of Digital Television Services with and into a subsidiary of Pegasus, Pegasus added approximately 263,000 subscribers and 1.8 million households. At June 30, 2000, Pegasus had exclusive DIRECTV distribution rights to 5.3 million households and 848,000 subscribers as compared to 4.8 million households and 540,000 subscribers at June 30, 1999. Pegasus had 5.7 million households and 910,000 subscribers at June 30, 2000, including pending acquisitions. At June 30, 1999, subscribers would have been 647,000, including pending and completed acquisitions and the merger of Digital Television Services with and into a subsidiary of Pegasus. Subscriber penetration increased from 11.4% at June 30, 1999 to 16.0% at June 30, 2000, including pending and completed acquisitions and the merger of Digital Television Services with and into a subsidiary of Pegasus.

Total DBS net revenues were $201.1 million for the six months ended June 30, 2000, an increase of $128.7 million, or 178%, compared to DBS net revenues of $72.5 million for the same period in 1999. The increase is primarily due to an increase in the average number of subscribers in the first half of 2000 compared to the first half of 1999. The average monthly revenue per subscriber was $43.51 for the six months ended June 30, 2000 compared to $42.48 for the same period in 1999. Pro forma for the merger of Digital Television Services with and into a subsidiary of Pegasus, DBS revenues for the six months ended June 30, 1999 were $122.5 million.

Programming, technical, and general and administrative expenses were $141.8 million for the six months ended June 30, 2000, an increase of $91.9 million, or 184%, compared to $49.9 million for the same period in 1999. The increase is attributable to significant growth in subscribers and territory during the last twelve months. As a percentage of revenue, programming, technical, and general and administrative expenses were 70.5% for the six months ended June 30, 2000 compared to 68.9% for the same period in 1999.

Subscriber acquisition costs were $51.9 million for the six months ended June 30, 2000, an increase of $22.8 million, or 78%, compared to $29.1 million for the same period in 1999. Gross subscriber additions were 154,500 for the six months ended June 30, 2000 compared to 74,300 for the same period in 1999. The total subscriber acquisition costs per gross subscriber addition were $336 for the six months ended June 30, 2000 compared to $392 for the same period

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in 1999. The decrease in subscriber acquisition costs per gross subscriber addition is primarily due to a decrease in promotional programming. Approximately $4.1 million of DBS subscriber equipment was capitalized in the first half of 2000 related to rental units which are being depreciated over a three year period.

Incentive compensation, which is calculated based on increases in pro forma location cash flow, was $785,000 for the six months ended June 30, 2000, an increase of $190,000, or 32%, compared to $595,000 for the same period in 1999. The increase resulted from a larger gain in pro forma location cash flow during the first half of 2000 as compared to the first half of 1999.

Depreciation and amortization was $41.1 million, as restated, for the six months ended June 30, 2000, an increase of $21.2 million, or 106%, compared to $20.0 million for the same period in 1999. The increase in depreciation and amortization is primarily due to an increase in the fixed and intangible asset base as the result of DBS acquisitions that occurred during the last two years and the merger of Digital Television Services with an into a subsidiary of Pegasus.

Broadcast

During the six months ended June 30, 2000, Pegasus owned or programmed ten broadcast television stations in six markets. One new station was launched during the fourth quarter of 1999. Total net broadcast revenues for the six months ended June 30, 2000 were $17.3 million, a decrease of $149,000, or 1%, compared to net broadcast revenues of $17.5 million for the same period in 1999. The decrease is primarily attributable to a decrease in barter revenue.

Programming, technical, and general and administrative expenses were $12.0 million for the six months ended June 30, 2000, an increase of $1.9 million, or 18%, compared to $10.1 million for the same period in 1999. The increase is primarily due to higher programming costs for the six months ended June 30, 2000 compared to the same period in 1999 and an increase in fees to the Fox Television Network.

Marketing and selling expenses were $3.9 million for the six months ended June 30, 2000, an increase of $832,000, or 27%, compared to $3.1 million for the same period in 1999. The increase in marketing and selling expenses was due to an increase in promotional costs associated with the launch of new stations and news programs.

Incentive compensation, which is calculated based on increases in pro forma location cash flow, was $46,000 for the six months ended June 30, 2000, a decrease of $156,000, or 77%, compared to $202,000 for the same period in 1999. The decrease resulted from a lower gain in pro forma location cash flow during the first half of 2000 as compared to the first half of 1999.

Depreciation and amortization was $2.5 million for the six months ended June 30, 2000, an increase of $59,000, or 2%, compared to $2.5 million for the same period in 1999.

As defined in the Indenture governing Pegasus' Series B Notes, Pegasus is required to provide adjusted operating cash flow data for Pegasus and its restricted subsidiaries, on a combined basis, where adjusted operating cash flow is defined as "for the four most recent fiscal quarters for which internal financial statements are available, operating cash flow of such person and its restricted subsidiaries, less DBS cash flow for the most recent four-quarter period, plus DBS cash flow for the most recent quarterly period multiplied by four." Operating cash flow is income from operations before income taxes, depreciation and amortization, interest expense, extraordinary items and non-cash charges. Although adjusted operating cash flow is not a measure of performance under generally accepted accounting principles, we believe that location cash flow, operating cash flow and adjusted operating cash flow are accepted within our business segments as generally recognized measures of performance and are used by analysts who report publicly on the performance of companies operating in such segments. Restricted subsidiaries carries the same meaning as in the Indenture. Pro forma for the merger of Digital Television Services with and into a subsidiary of Pegasus, as if such merger occurred on July 1, 1999, adjusted operating cash flow would have been approximately $129.5 million as follows (in thousands):

<TABLE>
<CAPTION>

	Four Quarters Ended June 30, 2000
Revenues	$442,657
Direct operating expenses, excluding depreciation, amortization and other non-cash charges	305,034
Income from operations before incentive compensation, corporate	

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expenses, depreciation and amortization and other non-cash charges	137,623
Corporate expenses	8,162
Adjusted operating cash flow	$129,461

</TABLE>

Seasonality

Pegasus' revenues vary throughout the year. As is typical in the broadcast television industry, Pegasus' first quarter generally produces the lowest revenues for the year and the fourth quarter generally produces the highest revenues for the year. Pegasus' operating results in any period may be affected by the incurrence of advertising and promotion expenses that do not necessarily produce commensurate revenues in the short-term until the impact of such advertising and promotion is realized in future periods.

Inflation

Pegasus believes that inflation has not been a material factor affecting its business. In general, Pegasus' revenues and expenses are impacted to the same extent by inflation.

New Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133"). As a result of the subsequent issuance of SFAS No. 137 in July 1999 and SFAS No. 138 in June 2000, SFAS No. 133 is now effective for fiscal years beginning after June 15, 2000. SFAS No. 133 establishes accounting and reporting standards for derivative instruments and for hedging activities. Management believes that the adoption of SFAS No. 133 will not have a material effect on our business, financial position or results of operations.

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB 101"), which provides guidance on the recognition, presentation and disclosure of revenue in financial statements filed with the SEC. SAB 101 outlines the basic criteria that must be met in order to recognize revenue and provides guidance for disclosure related to revenue recognition policies. The subsequent issuance of SAB 101B has deferred the timing of the adoption of the requirements until the fourth quarter of 2000. Management believes that the adoption of SAB 101 will not have a material effect on our business, financial position or results of operations.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

DIRECTV/NRTC Litigation. We hereby incorporate by reference the disclosure relating to "DIRECTV/NRTC Litigation" set forth under "Item 3: Legal Proceedings" on pages 8 and 9 of Pegasus' Annual Report on Form 10-K filed with the SEC on March 27, 2000 for the fiscal year ended December 31, 1999. The last paragraph of this disclosure is deleted and replaced in its entirety by the paragraphs set forth below. To the extent the disclosure set forth below supersedes or updates other disclosure under "Item 3: Legal Proceedings," such disclosure is hereby deemed to be modified, superseded and/or updated.

On February 10, 2000, we and Golden Sky filed an amended complaint which added new tort claims against DIRECTV for interference with plaintiffs' relationships with manufacturers, distributors and dealers of direct broadcast satellite equipment. We and Golden Sky also withdrew the class action allegations to allow a new class action to be filed on behalf of the members and affiliates of the National Rural Telecommunications Cooperative. The class action was filed on February 27, 2000. All four actions are now pending before the same judge, who has set various hearing dates, including the following. On October 2, 2000, the court will hear argument on the motion for class certification and on DIRECTV's motion to dismiss certain of our claims and claims by the class members. DIRECTV's motion for partial summary judgment on the right of first refusal will be heard on October 30, 2000. The court has set a trial date of November 27, 2001 for all four actions.

The outcome of this litigation and the litigation filed by the National Rural Telecommunications Cooperative could have a material adverse effect on our direct broadcast satellite business.

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Other Matters. In addition to the matters discussed above, from time to time we are involved with claims that arise in the normal course of our business. In our opinion, the ultimate liability with respect to these claims will not have a material adverse effect on our combined operations, cash flows or financial position.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

Exhibit 27.1 Financial Data Schedule.

(b) Reports on Form 8-K

There were no Current Reports on Form 8-K filed during the quarter ended June 30, 2000.

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Pegasus Media & Communications, Inc. has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

Pegasus Media & Communications, Inc.

August 3, 2001 By: /s/ Kasin Smith
------------------- --------------------
Date Kasin Smith
Chief Financial Officer, Treasurer and Executive Vice President of Finance and Information Technology
(Principal Financial and Accounting Officer)

Exhibit 27.1 Financial Data Schedule, as restated

Pegasus Media & Communications, Inc.
Second Quarter 2000 Form 10-Q

This schedule contains summary financial information extracted from the combined balance sheet of Pegasus Media & Communications Inc., as of June 30, 2000 (unaudited) and the related combined statements of operations for the six months ended June 30, 2000 (unaudited). This information is qualified in its entirety by reference to such financial statements.

(Dollars in thousands, except per share data)

Multiplier	1
Currency	U.S. Dollars
Period - Type	6 Months
Fiscal Year End	December 31, 2000
Period- End	June 30, 2000
Cash	10,758
Securities	0
Receivables	34,957
Allowances	1,888
Inventory	20,292
Current Assets	78,260
PP&E	86,757
Depreciation	35,166
Total Assets	1,064,300
Current Liabilities	92,205
Bonds	82,976
Preferred - Mandatory	0
Preferred	0
Common	2
Other - SE	585,928

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Total Liabilities and Equity	1,064,300
Sales	218,475
Total Revenues	218,475
CGS	0
Total Costs	260,843
Other Expenses	(217)
Loss - Provision	0
Interest Expense	22,646
Income Pretax	(64,582)
Income Tax	(22,434)
Income Continuing	(42,363)
Discontinued	405
Extraordinary	(5,754)
Changes	0
Net Income	(47,712)
EPS - Primary	(280.66)
EPS - Diluted	(280.66)

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