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Policy Branch
International Bureau



January 5, 2006

By Hand Delivery

Fern Jarmulnek
Deputy Chief, Satellite Division
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

Re: Submission of Executed Satellite Construction Contract
SAT-LOA-20031119-00336, Call Sign S2603

Dear Ms. Jarmulnek:

Pegasus Development Corporation ("PDC") hereby responds to the December 20, 2005 inquiry letter by the International Bureau ("Bureau") regarding the satellite construction contract between Pegasus Development 107 Corporation ("PD 107") and Space Systems/Loral, Inc. ("Loral"), as amended (the "87°W Contract").

1. *Please clarify the relationship between the licensee, Pegasus Development Corporation, and the customer, Pegasus Development 107 Corporation.*

PD 107, the contracting party, is a wholly owned subsidiary of PDC, the licensee of the Ka-band satellite authorization for the 87°W orbital location. PDC is a wholly owned subsidiary of Pegasus Communications Corporation ("PCC"), which is a publicly held company. Thus, both PD 107 and PDC are under common control by PCC.

2. *Please indicate what obligation the licensee, Pegasus Development Corporation, has if the customer, Pegasus Development 107 Corporation, fails to perform under the terms of the Contract.*

While PDC has no obligation under the 87°W Contract, Commission precedent permits entities to execute satellite construction contracts in fulfillment of an affiliate licensee's milestone requirement. See, e.g., *KaStarCom World Satellite*,

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LLC, 18 FCC Rcd 22337, 22339 n.16 (Int'l. Bur. 2003) (holding that a licensee met its first milestone when its commonly-controlled sister corporation entered into a non-contingent construction contract with a spacecraft manufacturer); *see also* Report No. SPB-179 (June 18, 2002) (approving satellite contract executed by a commonly controlled affiliate of the licensee, File No. SAT-LOA-19931203-00040/41, SAT-LOA-19950929-00125/00129, SAT-LOA-19950929-00137); *In re Pegasus Development License Corporation*, 18 FCC Rcd 23899 (2003) (approving satellite contract executed by parent entity of licensee). Here, the licensee PDC and the contracting party PD 107 are both 100% owned and controlled by PCC. As the Commission is aware, due to requirements of lenders in the communications area, and also for tax, corporate structuring, and bankruptcy reasons, it is very common for the physical assets of an FCC licensee to be held by separate companies under common control by a single entity.

3. *Please indicate progress payments made to date by Pegasus to Space Systems/Loral, Inc., by date, amount paid, and a brief description of work completed (well understood terms in the satellite industry may be used to describe the progress payments and/or reference may be made to the progress schedule previously submitted as part of the Contract).*

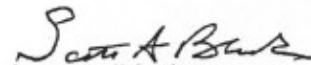
In August 2002, Pegasus Development 107 License Corporation ("PD 107 License Corp."), a wholly owned subsidiary of PD 107, submitted to the FCC a contract between PD 107 and Loral (the "107°W Contract"), evidencing PD 107 License Corp.'s compliance with its Ka-band satellite authorization at the 107°W orbital location. Based on review of that contract, the Bureau concluded that PD 107 License Corp. met its initial milestone requirement. *See In re Pegasus Development License Corporation*, 18 FCC Rcd 23899 (2003). Under the 107°W Contract, PDC on behalf of PD 107 paid Loral a total of \$1,025,000, with the most recent payment being made on July 1, 2004. As provided under Article 30.2 and the Statement of Work of the 107°W Contract, Loral provided EMES Services, including system design definition/refinement services.

In January 2005, PD 107 License Corp. surrendered its Ka-band satellite authorization for the 107°W orbital location. Concurrently, PDC negotiated with Loral to amend the 107°W Contract for the deployment of a satellite at the 87°W orbital location, salvaging to the extent possible the work related to the 107°W satellite. However, as a result of an inability to obtain financing for the deployment of the Ka-band satellite and the bankruptcy of certain affiliates of

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PCC in 2004, PDC has not submitted any payments to Loral since amending the 107°W Contract.

Very truly yours,


Scott A. Blank
*Senior Vice President of Legal and
Corporate Affairs*

cc: Jay Whaley
Tony Lin, Pillsbury Winthrop Shaw Pittman LLP