FCC Form 314
KB Prime Media LLC
FCC File No. BAPCT-20030422AAX
August 2003

Supplement to Exhibit 1

This supplement has been submitted in response to an informal request from Commission staff.

On April 14, 1998, Pegasus Communications Corporation ("Pegasus") entered into an Option Agreement with KB Prime Media LLC ("KB Prime"), KB Prime's principals and other related companies. A copy of the Option Agreement was filed with the FCC in a May 2003 amendment to the above-referenced application.

In the Option Agreement, Pegasus committed to provide certificates of deposit to secure lending by First Union Bank to KB Prime's principals . *See* 1998 Option Agreement, ¶ 1. In return for this commitment, Pegasus received "an exclusive and irrevocable" option to purchase all the capital stock or assets of KB Prime or its related companies at a price specified in the paragraph 3 of the Agreement. Id. ¶ 2. The calculation of the Option price is formulaic and essentially based on the expenses incurred or assets purchased by KB Prime or related company compounded at an annual interest rate of 12 percent. Id. ¶ 3a & b.

Pegasus is a party to the instant transaction because (i) it has agreed not to exercise its exclusive and irrevocable option to acquire the channel 35 construction permit and (ii) it has consented to such sale by KB Prime to Mississippi Television, LLC. In return for its agreement not to exercise its option, Pegasus will receive the difference between the $4.1 million overall purchase price paid by Mississippi Television (referred to in the Purchase & Sale

Agreement as the Asset Purchase Price) and the estimated $2.65 million price Pegasus would have paid under the Option Agreement (referred to as the Estimated Asset Purchase Price in the Agreement).