

EXHIBIT B

KEKST AND COMPANY

TEL 212 521-4800
FAX 212 521-4900

GERSHON KEKST
LAWRENCE A. RAIN
JAMES N. PINCEGOTH
ROBERT D. SIEGFRED
JEFFREY Z. TAUFIELD
THOMAS M. DALY, JR.
FREDRIC J. SPAR
LISSA PERLMAN
ROANNE M. SULAKOFF
THOMAS J. DAVIES
RUTH E. PACHMAN
ROY H. WINNICK
DAWN DOVER
MICHAEL FREITAG
THOMAS E. FOGARTY
WENDI A. KOPSICK
ADAM WEINER
MARK A. SEWER
CAROLINE N. CENTILE
VICTORIA A. WELD
ERIC A. BERMAN
MICHAEL D. HERLEY
MICHAEL CHAFETS
MOLLY A. MORSE
ANDREA C. CALISE
JEREMY FIELDING
KIMBERLY KRUCER
DAVID A. LILLY

May 21, 2004

Mr. Howard E. Verlin
Executive Vice President of Business Affairs,
Communications and IR/Capital Markets
Pegasus Satellite Communications, Inc.
c/o Pegasus Communications Management Company
225 City Line Avenue, Suite 200
Bala Cynwyd, PA 19004

Dear Mr. Verlin:

This letter will confirm our agreement that:

1. Pegasus Satellite Communications, Inc. (the "Company") has retained Kekst and Company, Incorporated ("Kekst") as corporate communications advisor in connection with a possible restructuring of the Company and certain of its affiliates. Kekst agrees that, unless otherwise agreed by the Company in writing, Michael Freitag shall be assigned to this engagement and shall be the Kekst representative principally responsible for overseeing the engagement and interfacing with the Company. It is understood that other Kekst personnel also are expected to work on this matter under Mr. Freitag's supervision.
2. This agreement is effective May 21, 2004. As a condition to preparing for and serving as corporate communications advisor, we require the payment of a minimum non-refundable fee ("Minimum Fee") of \$75,000.00 (to be paid in full at the time the Company countersigns this agreement below), plus a refundable deposit ("Expense Deposit") of \$10,000 for out-of-pocket expenses and other charges ("Expenses"). Kekst's fees will be applied against the Minimum Fee and will be determined in accordance with standard billing practices taking into account such factors as extraordinary efforts and special expertise required. A current schedule of Kekst's billing rates is attached hereto. Expenses are billed in accordance with Kekst's standard

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policies, described in the enclosed summary which may be periodically updated. Kekst will provide monthly statements showing the application of the Minimum Fee and the Expense Deposit to these fees and to the Expenses. Fees in excess of the Minimum Fee and Expenses in excess of the Expense Deposit will be billed separately and will be payable within thirty (30) days of the Company's receipt of Kekst's invoice. At all times during the term of this agreement the Company must pay to Kekst such additional amounts as necessary in order that Kekst maintains a credit balance (including any unapplied portion of the Minimum Fee) of not less than \$25,000 for fees and not less than \$5,000 for Expenses. Any such credit balances will be refundable upon termination of this agreement, provided that the Company has paid all outstanding fees and Expenses to Kekst, except that Kekst will not be required to refund any portion of the Minimum Fee.

3. The Company will indemnify and hold harmless Kekst, its officers, directors, employees, and agents from and against any and all losses, claims, damages, liabilities, costs and expenses (including, but not limited to, reasonable attorney's fees and disbursements) which Kekst or any of the foregoing persons may be subject to or incur at any time (notwithstanding the termination of this agreement) in connection with the services rendered or to be rendered by Kekst to the Company (including, but not limited to, those arising from or out of its or their reliance upon or use of any information, documents, representations, reports or data furnished or prepared by the Company and those arising from or out of any need to produce documents or give testimony at any time arising out of the services rendered or to be rendered by Kekst to the Company.) Notwithstanding the prior sentence, (i) the Company will not be responsible for any losses, claims, damages, liabilities, costs and expenses which are judicially determined to have resulted primarily from the gross negligence or willful misconduct of the person or entity seeking indemnification hereunder and (ii) if such a judicial determination is made, Kekst agrees to reimburse the Company for any amounts paid to Kekst pursuant to this paragraph #3.
4. Kekst, on behalf of itself and its employees, agrees to take all reasonable steps to maintain the confidentiality of all confidential or non-public proprietary information relating to the Company which is furnished by or on behalf of the Company to Kekst in connection with the performance of services under this agreement (the "Confidential Information"). The Confidential Information will not be used by Kekst or its employees for any purpose other than in connection with the performance of services under this agreement. Kekst will promptly, upon the Company's written request,

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return to the Company all documents constituting Confidential Information. Kekst's obligations under this paragraph shall remain in effect for a period of two years following the expiration of this agreement. Notwithstanding the foregoing, this paragraph shall not apply to any part of the Confidential Information that (i) was in Kekst's possession prior to the date of this agreement, (ii) has been, or hereafter shall be, publicly known through no breach by Kekst or its employees of the provisions of this paragraph, (iii) is independently developed by Kekst personnel or (iv) Kekst or its personnel are required or requested to disclose to a court, governmental or regulatory agency, stock exchange or similar body, or as otherwise required by law, provided that Kekst shall promptly notify the Company thereof prior to disclosure so that the Company may, if it chooses to do so, seek an appropriate protective order.

5. This agreement will terminate upon the earliest of (i) completion of Kekst's services to the Company relating to the matter(s) specified in paragraph #1, (ii) the Company's determination, as indicated through public announcement or otherwise, not to pursue the matter(s) specified in paragraph #1, or (iii) 30 days' notice by the Company or by Kekst.
6. In the event that the Company becomes a debtor under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"), the Company agrees that, if requested to do so by Kekst, it will use its best efforts to obtain approval, as soon as practicable, from the bankruptcy court having jurisdiction over any chapter 11 case in which the Company becomes a debtor (the "Bankruptcy Court") to retain Kekst on the terms and conditions set forth in this agreement and pursuant to sections 327(a) and 328(a) of the Bankruptcy Code. Pending such approval by the Bankruptcy Court, Kekst may, in its sole and absolute discretion, continue to provide services pursuant to this agreement pending such approval, but will be under no obligation to do so, and will continue to provide services pursuant to this agreement upon such approval, which may include interim approval; however, Kekst shall cease providing any further services under this agreement in the event that the Bankruptcy Court does not approve the Company's retention of Kekst within 60 days after the order for relief in the chapter 11 case or denies the Company's request for approval. Kekst acknowledges that payment of its

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Mr. Howard E. Verlin
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fees and expenses pursuant to this agreement incurred after an order for relief in the Company's chapter 11 case may be subject to approval by the Bankruptcy Court.

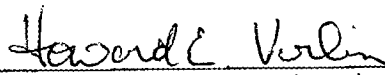
Please countersign and return the enclosed copy, whereupon this letter will constitute an agreement between the Company and Kekst.

Sincerely,

KEKST AND COMPANY, INC.

BY: 
Gershon Kekst, President

AGREED: PEGASUS SATELLITE COMMUNICATIONS, INC.

BY: 
Howard E. Verlin, Executive Vice President of Business Affairs,
Communications and IR/Capital Markets

KEKST AND COMPANY

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TEL 212 521-4900
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Mr. Howard E. Verlin
Executive Vice President of Business Affairs,
Communications and IR/Capital Markets
Pegasus Satellite Communications, Inc.
c/o Pegasus Communications Management Company
225 City Line Avenue, Suite 200
Bala Cynwyd, PA 19004

INVOICE: 67624

DATE: May 21, 2004

| | |
|---|--------------------|
| Fee for the period beginning May 21, 2004 | \$75,000.00 |
| Deposit:..... | <u>10,000.00</u> |
| Total Due:..... | <u>\$85,000.00</u> |

KEKST AND COMPANY, INCORPORATED
Policy Statement Concerning Charges and Disbursements
Dated: October 1, 2003

Kekst and Company, Incorporated ("Kekst") bills clients for reasonable charges and disbursements incurred in connection with an engagement. Clients are billed for direct out-of-pocket expenses at actual cost to Kekst, and are charged for certain internal support services as described below.

I. Travel-Related Expenses. Out-of-town travel expenses are billed at actual cost and include air or rail travel, lodging, meals, car rental, taxi or car service, tips and other reasonable miscellaneous costs associated with travel. For arrangements made by Kekst's travel agent, their fee charged to Kekst is passed on to the client.

Local travel charges include commercial transportation and, when a private car is used, mileage, tolls and parking. Specific policies govern how and when a client is charged for these expenses. These include:

- Fares for commercial transportation (e.g., car service, taxi, and rail) are billed at actual cost. The charge for private car usage is the IRS rate allowance per mile (or the equivalent outside the United States) plus the actual cost of tolls and parking.
- Round-trip transportation to the office may be charged for employees who work weekends or holidays. On weekdays, transportation to and from the office may be charged when an employee is required to be in the office before or after certain hours (as determined in accordance with Kekst and Company policy).

II. Secretarial Services. Secretarial services during normal business hours are not charged to clients. Secretarial overtime is charged to clients at \$50 per hour.

III. Postage and Courier Services. Outside messenger and express carrier services are billed at actual cost to Kekst. Postage is charged at actual mail rates.

IV. Meals. Business meals with a client are charged at actual cost. Meals for professional employees working past 8 p.m. on a weekday are charged at actual cost.

When overtime, weekend or holiday work is required, clients are charged for the actual cost of a professional employee's meal and, for part and full-time support staff, a standard amount as determined by Kekst policy.

V. Press Releases. Press release distribution costs are billed at actual cost.

VI. Research Services. Charges for use of on-line computerized research (e.g. LexisNexis) and use of outside research services and materials are billed at the actual amounts charged by vendors, which have been reduced by discounts Kekst receives from vendors.

VII. Other Disbursements. Certain other major disbursements incurred in connection with an engagement will be paid directly by the client. Disbursements which are incurred and paid for by Kekst will be charged to the client at actual cost to Kekst.

VIII. Certain Internal Support Services. Clients are charged for the following internal support services: telecommunications, subscriptions, photocopying, news services and information technology. Such charges are estimated for the full year based on the prior year's actual costs (including, in the case of photocopying and news services, a portion of compensation expenses for employees principally engaged in performing such support services), and are allocated to clients monthly based on a formula related to the number of hours billed to the client in the particular month.

KEKST AND COMPANY BILLING RATES

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|-------------------|----------------------|
| Senior Partners | \$625.00 to \$875.00 |
| Partners | \$425.00 to \$600.00 |
| Senior Associates | \$300.00 to \$425.00 |
| Associates | \$175.00 |