

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF MAINE**

In re:)	
)	Chapter 11
PEGASUS SATELLITE TELEVISION, INC, et al.,)	Case No. 04-20878
)	
Debtors.)	(Jointly Administered)
)	

**FINAL ORDER (A) AUTHORIZING THE USE OF CASH
COLLATERAL, (B) GRANTING ADEQUATE PROTECTION TO CERTAIN
PREPETITION SECURED PARTIES PURSUANT TO SECTIONS 105, 361, AND 363
OF THE BANKRUPTCY CODE INCLUDING REPLACEMENT LIENS
AND SUPERPRIORITY CLAIMS AND (C) SCHEDULING A HEARING
FOR FINAL APPROVAL OF USE OF CASH COLLATERAL**

This matter coming to be heard on the Motion for an Order Pursuant to Sections 105, 361 and 363 of the Bankruptcy Code (1) Authorizing the Pegasus Satellite Television, Inc. and certain of its subsidiaries and affiliates, each a debtor and debtor in possession herein (each a “Debtor”, and collectively, the “Debtors”)¹ to use Cash Collateral, (2) Granting Adequate Protection to Certain Prepetition Secured Parties and (3) Scheduling and Approving the Form and Method of Notice of Final Hearing (the “Motion”) of the Debtors filed on June 2, 2004; and

¹ The Debtors are: Argos Support Services Company, Bride Communications, Inc., B.T. Satellite, Inc., Carr Rural TV, Inc., DBS Tele-Venture, Inc., Digital Television Services of Indiana, LLC, DTS Management, LLC, Golden Sky DBS, Inc., Golden Sky Holdings, Inc., Golden Sky Systems, Inc., Henry County MRTV, Inc., HMW, Inc., Pegasus Broadcast Associates, L.P., Pegasus Broadcast Television, Inc., Pegasus Broadcast Towers, Inc., Pegasus Media & Communications, Inc., Pegasus Satellite Communications, Inc., Pegasus Satellite Television of Illinois, Inc., Pegasus Satellite Television, Inc., Portland Broadcasting, Inc., Primewatch, Inc., PST Holdings, Inc., South Plains DBS, LP., Telecast of Florida, Inc., WDSI License Corp., WILF, Inc., WOLF License Corp., and WTLH License Corp.

(footnote continued)

this Court having considered the Motion and Exhibits attached thereto; and, in accordance with Rules 2002 and 4001 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”) and D. Me. L.B.R. 4001-2, and under the circumstances of the final relief requested, due and proper notice of the Motion having been given; and a hearing to consider approval of the Motion having been held and concluded; and upon all of the pleadings filed with the Court and proceedings held before the Court; and after due deliberation and consideration and good and sufficient cause appearing therefore,

THE COURT HEREBY FINDS:

A. On June 2, 2004 (the “Petition Date”), each of the Debtors filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq.* (the “Bankruptcy Code”). Pursuant to sections 1107 and 1108 of the Bankruptcy Code, the Debtors have retained possession of their property and are authorized thereby, as debtors-in-possession, to continue the operation and management of their businesses.

B. The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§157 and 1334. This is a “core” proceeding within the meaning of 28 U.S.C. §157(b)(2). The statutory predicates for the relief sought herein are §§ 105, 361, 362 and 363 of the Bankruptcy Code and Bankruptcy Rules 4001(b). Venue of the Debtors’ chapter 11 cases and the Motion in this District is proper pursuant to 28 U.S.C. §§1408 and 1409. No request has been made for appointment of a trustee or examiner.

C. Subject to paragraph 14 below, the stipulations set forth in paragraphs D through M below are without prejudice to the right of any party-in-interest (other than the Debtors),

(footnote continued)

including the official committee of unsecured creditors (the “Creditors’ Committee”) appointed in these cases, to challenge or dispute the statements and characterizations set forth therein. **The release of claims and waiver of defenses of the Debtors contained in paragraphs D through M below vary from the requirements of D. Me. L.B.R. 4001-2(c).**

D. The Debtors admit that pursuant to that certain Fourth Amendment and Restatement of Credit Agreement, dated as of October 22, 2003 (as amended, the “Prepetition Term Loan Agreement” and, together with all agreements, documents, mortgages, assignments, guarantees, notes and instruments delivered pursuant thereto or in connection therewith, the “Prepetition Term Loan Documents”), among Pegasus Media & Communications, Inc. (“PM&C”, the direct parent of Pegasus Satellite Television, Inc., “Pegasus”), as borrower, Bank of America, N.A., as administrative agent (in such capacity, the “Prepetition Term Loan Agent”), Deutsche Bank Trust Company Americas, as resigning agent, and the lenders from time to time party thereto (collectively, the “Prepetition Term Loan Lenders”), the Prepetition Term Loan Lenders made terms loans either directly or through an affiliate, to PM&C. The Debtors admit that, as of the Petition Date, (a) PM&C was truly and justly indebted to the Prepetition Term Loan Lenders and the Prepetition Term Loan Agent, without defense, counterclaim or offset of any kind, for (i) term loans in the aggregate principal amounts of \$391,766,856 (the “Term Loans”), and (ii) accrued but unpaid interest thereon in the approximate amount of \$2,950,150, plus all fees and other amounts due and owing under the Prepetition Term Loan Documents (collectively, the “Prepetition Term Loan Obligations”), (b) Pegasus Satellite Communications, Inc. (“PSC”), the direct parent of PM&C, as limited recourse guarantor, is contingently liable to the Prepetition Term Loan Lenders with respect to the Prepetition Term Loan Obligations pursuant to and in accordance with the terms of a certain limited recourse guarantee executed by PSC in favor of the Prepetition Term Loan Agent for the benefit of the Prepetition Term Loan Lenders and (c) certain subsidiaries of PM&C, including Pegasus, as guarantors (the “Subsidiary Guarantors”, collectively with PSC, the “Guarantors”), are contingently liable to the Prepetition

Term Loan Lenders with respect to the Prepetition Term Loan Obligations pursuant to a certain subsidiary guaranty executed by such Subsidiary Guarantors in favor of the Prepetition Term Loan Agent for the benefit of the Prepetition Term Loan Lenders.

E. The Debtors admit that pursuant to that certain Credit Agreement, dated as of December 19, 2003 (as amended, the “Prepetition Revolving Credit Agreement” and, together with all agreements, documents, guarantees, notes and instruments delivered pursuant thereto or in connection therewith, the “Prepetition Revolving Credit Documents”), among PM&C, as borrower, Madeleine, L.L.C., as administrative agent (in such capacity, the “Prepetition Revolving Credit Agent”), and the lenders from time to time party thereto (collectively, the “Prepetition Revolving Credit Lenders”), the Prepetition Revolving Credit Lenders made revolving loans and other financial accommodations to PM&C. The Debtors admit that, as of the Petition Date, (a) PM&C was truly and justly indebted to the Prepetition Revolving Credit Lenders and the Prepetition Revolving Credit Agent, without defense, counterclaim or offset of any kind, for (i) revolving loans in the aggregate principal amounts of \$18,000,000 (the “Revolving Loans”, together with the Term Loans, the “Senior Loans”), (ii) accrued but unpaid interest thereon in the approximate amount of \$275,410, (iii) a commitment fee in the approximate amount of \$10,416.67 plus all other fees and other amounts due and owing under the Prepetition Revolving Credit Documents (collectively, the “Prepetition Revolving Credit Obligations,” together with the Prepetition Term Loan Obligations, the “Prepetition Senior Obligations”) and (b) the Guarantors were contingently liable to the Prepetition Revolving Credit Lenders and the Prepetition Revolving Credit Agent with respect to the Prepetition Revolving Credit Obligations pursuant to and subject to the terms of the guarantees executed by the Guarantors in favor of the Prepetition Revolving Credit Lenders for the benefit of the Prepetition Revolving Credit Agent.

F. The Debtors admit that, to secure the Prepetition Term Loan Obligations, pursuant to and subject to the terms of various security agreements, pledge agreements,

mortgages, assignments, deposit account agreements and other related agreements, (i) PM&C and the Subsidiary Guarantors granted to the Prepetition Term Loan Agent security interests in and Liens² upon substantially all of their respective personal and material real property and other assets, then owned or thereafter acquired or arising, and the proceeds, products, rents and profits of all of the foregoing and (ii) PSC granted to the Prepetition Term Loan Agent security interests in and Liens upon PSC's right, title and interest in all outstanding equity securities of PM&C and certain of its other direct subsidiaries and certain other personal property collateral (the "PSC Collateral") as provided for in the related pledge agreement and deposit account agreements (all such collateral referred to in the preceding clauses (i) and (ii) and all property subject to valid rights of setoff in favor of the Prepetition Term Loan Agent and the Prepetition Term Loan Lenders, as of the Petition Date, is collectively referred to herein as the "Prepetition Term Loan Collateral" and the security interests and Liens upon such Prepetition Term Loan Collateral in favor of the Prepetition Term Loan Agent are referred to herein as the "Prepetition Term Loan Liens").

G. The Debtors admit that, to secure the Prepetition Revolving Credit Obligations, pursuant to and subject to the terms of various security agreements, pledge agreements, mortgages, assignments and other related agreements, PM&C and the Guarantors granted to the Prepetition Revolving Credit Agent security interests in and Liens (the "Prepetition Revolving Credit Liens", together with the Prepetition Term Loan Liens, the "Prepetition Senior Liens") upon all of the Prepetition Term Loan Collateral (all such collateral and all property subject to valid rights of setoff in favor of the Prepetition Revolving Credit Agent and the Prepetition Revolving Credit Lenders, as of the Petition Date, is collectively referred to herein as the

² Unless otherwise defined in the applicable Prepetition Financing Documents, the term "Lien" as used herein shall mean any "lien" within the meaning of Bankruptcy Code section 101(37).

“Prepetition Revolving Credit Collateral”, together with the Prepetition Term Loan Collateral, the “Prepetition Priority Collateral”).

H. As provided in that certain Intercreditor Agreement, dated as of December 19, 2003 (the “Senior Lender Intercreditor Agreement”), between the Prepetition Term Loan Agent and the Prepetition Revolving Credit Agent, the Prepetition Term Loan Liens and the Prepetition Revolving Credit Liens share pari passu in all Prepetition Priority Collateral.

I. The Debtors admit that pursuant to that certain Amended and Restated Term Loan Agreement, dated as of August 1, 2003 (as amended, the “Junior Term Loan Agreement” and, together with all agreements, documents, mortgages, assignments, guarantees, notes and instruments delivered pursuant thereto or in connection therewith, the “Junior Term Loan Documents”), among PSC, as borrower, Wilmington Trust Company (“WTC”), as administrative agent (the “Junior Term Loan Agent”, together with the Prepetition Term Loan Agent and the Prepetition Revolving Credit Agent, the “Prepetition Agents”), and the lenders from time to time party thereto (collectively, the “Junior Term Loan Lenders”), the Junior Term Loan Lenders made term loans and other financial accommodations to PSC. The Debtors admit that, as of the Petition Date, PSC was truly and justly indebted to the Junior Term Loan Lenders and the Junior Term Loan Agent, without defense, counterclaim or offset of any kind, for (i) term loans in the aggregate principal amounts of \$104,402,897 (the “Junior Term Loans”, together with the Senior Loans, the “Prepetition Loans”) and (ii) accrued but unpaid interest thereon in the approximate amount of \$2,246,374, plus all fees and other amounts due and owing under the Junior Term Loan Documents (collectively, the “Junior Term Loan Obligations”).

J. The Debtors admit that, to secure the Junior Term Loan Obligations, pursuant to and subject to the terms of the related pledge agreement and other security documents (the “Junior Security Documents”), PSC granted to the Junior Term Loan Agent security interests in and Liens (the “Junior Term Loan Liens”, together with the Prepetition Senior Liens, the

“Prepetition Liens”) upon all outstanding equity securities of PM&C, all dividends and distributions thereon and all proceeds thereof, all Indebtedness (as defined in the Junior Term Loan Agreement) of PM&C owed to PSC, including without limitation all intercompany loans made to PSC from PM&C, and all payments received by PSC from PM&C with respect thereto, and all Tax Sharing Payments (as defined in the Junior Term Loan Documents) received by PSC, as identified in the Junior Security Documents (the “Junior Term Loan Collateral”).

K. Pursuant to that certain Intercreditor Agreement, dated as of August 1, 2003 (the “Junior Intercreditor Agreement”, together with the Senior Lender Intercreditor Agreement, the “Intercreditor Agreements”), among the Prepetition Term Loan Agent, the Junior Term Loan Agent and PSC, the parties thereto agreed that, among other things, the Junior Term Loan Liens on any Junior Term Loan Collateral are junior and subordinate to the Prepetition Senior Liens thereon on the terms and subject to the conditions set forth in the Junior Intercreditor Agreement.

L. As used herein, the term “Prepetition Obligations” shall mean the Prepetition Revolving Credit Obligations, the Prepetition Term Loan Obligations and the Junior Term Loan Obligations. The term “Prepetition Financing Documents” shall mean the Prepetition Revolving Credit Documents, the Prepetition Term Loan Documents and the Junior Term Loan Documents. The term “Prepetition Priority Lenders” shall mean the Prepetition Revolving Credit Lenders and the Prepetition Term Loan Lenders. The term “Prepetition Senior Agents” shall mean the Prepetition Revolving Credit Agent and the Prepetition Term Loan Agent. The term “Prepetition Secured Parties” shall mean the Prepetition Revolving Credit Lenders, the Prepetition Term Loan Lenders, the Junior Term Loan Lenders, the Prepetition Revolving Credit Agent, the Prepetition Term Loan Agent and the Junior Term Loan Agent. The term “Prepetition Liens” shall mean the Prepetition Revolving Credit Liens, the Prepetition Term Loan Liens and the Junior Term Loan Liens. The term “Prepetition Collateral” shall mean any collateral in which any Prepetition Secured Party has a security interest in or Lien upon as of the Petition Date

pursuant to any of the Prepetition Financing Documents. The term “Majority Secured Parties” shall mean the holders of a majority of the outstanding Prepetition Senior Obligations.

M. The Debtors admit that (i) the Prepetition Liens constitute valid, binding, enforceable (other than in respect of the stay of enforcement arising from Bankruptcy Code section 362) and perfected Liens, (ii) the Prepetition Collateral is subject to no other Liens other than the Prepetition Liens and certain permitted Liens described in the Prepetition Financing Documents and (iii) the Prepetition Liens are not subject to avoidance, subordination, recharacterization or defense pursuant to the Bankruptcy Code or applicable non-bankruptcy law.

N. It would appear that adequate protection may be required pursuant to Sections 361 and 363(e) of the Bankruptcy Code with respect to the Prepetition Collateral, including, without limitation, to compensate the Prepetition Secured Parties for any loss, diminution or damage resulting from the use of their respective interests in Cash Collateral (as defined below) or the use, sale or other disposition of their respective interests in the Prepetition Collateral and the imposition of the automatic stay.

O. The Majority Secured Parties have consented to the use by the Debtors of Cash Collateral and/or other Prepetition Collateral and the Junior Term Loan Agent has consented to PSC's use of the PSC Collateral on the terms and conditions of this Order, including without limitation the adequate protection arrangements contemplated by this Order.

P. Debtors have certified that a copy of the Motion, the Interim Order and notice of the Final Hearing have been served by United States mail, electronic mail, telecopy transmission, hand delivery or overnight courier upon: (a) the entities set forth on the list of the fifty largest unsecured creditors of the Debtors (on a consolidated basis); (b) the office of the United States Trustee for the District of Maine; (c) counsel to the Prepetition Term Loan Agent; (d) counsel to the Prepetition Revolving Credit Agent, (e) counsel to the Junior Term Loan Agent; (f) counsel to the Steering Committee; (g) counsel for the Creditor's Committee, (h) the Securities and

Exchange Commission; (i) the Internal Revenue Service; (j) all parties who have requested notice pursuant to Bankruptcy Rule 2002; (k) any state taxing authority having a claim against any of the Debtors; and (l) all parties known by the Debtors to have liens on, or security interests in, the Debtors' assets. The Court finds that notice, as it relates to this Order, is, under the circumstances, sufficient under the Bankruptcy Code and the Bankruptcy Rules, including, without limitation, Sections 102(1) and 363 of the Bankruptcy Code and Bankruptcy Rule 4001(b)(2).

Q. Good cause has been shown for the entry of this Order. Among other things, entry of this Order will minimize disruption of the Debtors' businesses and operations and permit them to meet payroll and other operating expenses, and to retain customer confidence by demonstrating the ability to maintain normal operations. The disbursement of funds and use of Cash Collateral contemplated hereby and by the budget in substantially the form attached hereto as Exhibit A (the "Budget") is intended by the Debtors to enable them to continue the operation of their businesses and to maximize the value of their estates.

R. The Debtors represent, and it appears, that the adequate protection arrangements authorized hereunder have been negotiated in good faith and at arm's length, and the terms of such adequate protection arrangements are fair and reasonable under the circumstances, reflect the Debtors' exercise of prudent business judgment consistent with their fiduciary duties and are supported by reasonably equivalent value and fair consideration.

S. The Debtors have requested prompt entry of this Order pursuant to Bankruptcy Rules 4001(b). The permission granted herein to enter into the adequate protection arrangements set forth herein is vital to avoid irreparable harm to the Debtors and their estates. This Court concludes that entry of this Order is in the best interests of the Debtors and their estates and creditors as its implementation will, among other things, allow for the continued operation of the Debtors' existing businesses.

THEREFORE, IT IS HEREBY ORDERED, ADJUDGED AND DECREED that:

1. Grant of Motion. The Motion is granted with respect to the matters covered by this Order on a final basis.

2. Authorization to Use Cash Collateral; Limitations on Use. Subject to the provisions of this Order that apply to the Prepetition Priority Lenders, the Debtors are authorized to use from the Petition Date through the Termination Date (as hereinafter defined), pursuant to section 363(c)(2) of the Bankruptcy Code, cash collateral (as such term is defined in section 363(a) of the Bankruptcy Code) arising from, or constituting Proceeds (as defined in the Uniform Commercial Code) of, the Prepetition Priority Collateral or the proceeds thereof (“Cash Collateral”); provided that Cash Collateral may be used only to satisfy the Debtors’ ongoing business expenses in a manner consistent with the Budget (substantially in the form of Exhibit A attached hereto) as supplemented and extended by the cash forecasts delivered in accordance with paragraph 1 of Exhibit B attached hereto.

3. Adequate Protection Liens. Subject to paragraph 14 hereof, as adequate protection in accordance with section 363(e) of the Bankruptcy Code:
 - (i) To secure the Term Loan Adequate Protection Obligations (as defined below), the Prepetition Term Loan Agent is hereby granted, effective as of the Petition Date, for the benefit of itself and the Prepetition Term Loan Lenders, a perfected replacement security interest in and valid, binding, enforceable and perfected Lien (the “Term Loan Adequate Protection Liens”) on all Postpetition Collateral (as defined below), including any proceeds of such Postpetition Collateral and of any Prepetition Collateral, of the same type and of the same Debtors that the Prepetition Term Loan Agent had a security interest in or Lien upon as of the Petition Date, which security interests and Liens shall be pari passu with the Revolving Loan Adequate Protection Liens on the same terms and conditions as that provided under the Senior Lender Intercreditor Agreement, but senior to the Junior Term Loan Adequate Protection Liens to the

same extent as provided for under, and subject to the same terms and conditions of, the Junior Intercreditor Agreement;

- (ii) To secure the Revolving Loan Adequate Protection Obligations (as defined below), the Prepetition Revolving Credit Agent is hereby granted, effective as of the Petition Date, for the benefit of itself and the Prepetition Revolving Credit Lenders, a perfected replacement security interest in and valid, binding, enforceable and perfected Lien (the “Revolving Credit Adequate Protection Liens,” together with the Term Loan Adequate Protection Liens, the “Senior Adequate Protection Liens”) on all Postpetition Collateral, including any proceeds of such Postpetition Collateral and of any Prepetition Collateral, of the same type and of the same Debtors that the Prepetition Revolving Credit Agent had a security interest in or Lien upon as of the Petition Date, which security interests and Liens shall be pari passu with the Term Loan Adequate Protection Liens on the same terms and conditions as that provided under the Senior Lender Intercreditor Agreement, but senior to the Junior Term Loan Adequate Protection Liens to the same extent as provided for under, and subject to the same terms and conditions of, the Junior Intercreditor Agreement; and
- (iii) To secure the Junior Term Loan Adequate Protection Obligations (as defined below), PSC hereby grants to the Junior Term Loan Agent, effective as of the Petition Date and for the benefit of itself and the Junior Term Loan Lenders, a perfected replacement security interest in and valid, binding, enforceable and perfected Lien (the “Junior Term Loan Adequate Protection Liens,” together with the Senior Adequate Protection Liens, the “Adequate Protection Liens”) on all Postpetition Collateral owned by PSC of the same type in which the Junior Term Loan Agent had a security interest in or Lien upon as of the Petition Date, which security interests and Liens shall be junior and subordinate to the Senior Adequate Protection Liens and the Prepetition Priority Liens to the same extent as provided for under, and subject to the same terms and conditions of, the Junior Intercreditor Agreement.

The term “Postpetition Collateral” shall mean all of each Debtors’ assets (real and personal), including, without limitation, all of each Debtors’ real and personal property, including all cash, accounts, inventory, equipment, fixtures, general intangibles, documents, instruments, chattel paper, stock certificates, deposit accounts, letter-of-credit rights, commercial tort claims, investment property, owned or leased real estate, contract rights and books and records relating

to any assets of a Debtor and all proceeds (including insurance proceeds) of the foregoing, whether in existence on the Petition Date or thereafter created, acquired or arising and wherever located (all such real and personal property, and the proceeds thereof, other than property owned by the Debtors on the Petition Date, being collectively hereinafter referred to as the "Postpetition Collateral"); provided that Postpetition Collateral shall not include any claims or causes of action pursuant to Sections 502(d), 544, 545, 547, 548, 549, 550 or 553 of the Bankruptcy Code and the proceeds thereof ("Avoidance Claims"). The Adequate Protection Liens shall be first priority perfected liens in the Postpetition Collateral to which they are subject on the terms set forth above, including the terms of the Intercreditor Agreements, subject to no other liens or encumbrances other than the Carve-Out (as defined below) and the Prepetition Liens to the extent such Postpetition Collateral also includes any Prepetition Collateral or the proceeds thereof.

4. Adequate Protection Obligations. Subject to paragraph 14 hereof, the Debtors shall be obligated to compensate the Prepetition Term Loan Lenders in an amount equal to the lesser of (x) the amount by which the value of the Prepetition Term Loan Collateral diminishes during the term of this Order by virtue of the Debtors' use of the Cash Collateral as contemplated hereby, the use of any other Prepetition Term Loan Collateral and/or by virtue of the imposition of the automatic stay and (y) the amount by which the Prepetition Term Loan Obligations exceed the value of the Prepetition Term Loan Collateral as of the date of determination, which shall be no later than the date the Debtors' authority to use Cash Collateral under this Order terminates (the "Term Loan Adequate Protection Obligations"). Subject to paragraph 14 hereof, the Debtors shall be obligated to compensate the Prepetition Revolving Credit Lenders in an amount equal to the lesser of (x) the amount by which the value of the Prepetition Revolving Credit

Collateral diminishes during the term of this Order by virtue of the Debtors' use of the Cash Collateral as contemplated hereby, the use of any other Prepetition Revolving Credit Collateral and/or by virtue of the imposition of the automatic stay and (y) the amount by which the Prepetition Revolving Credit Obligations exceed the value of the Prepetition Revolving Credit Collateral as of the date of determination, which shall be no later than the date the Debtors' authority to use Cash Collateral under this Order terminates (the "Revolving Credit Adequate Protection Obligations," together with the Term Loan Adequate Protection Obligations, the "Senior Adequate Protection Obligations"). Subject to paragraph 14 hereof, the Debtors shall be obligated to compensate the Junior Term Loan Lenders in an amount equal to the lesser of (x) the amount by which the value of the Junior Term Loan Agent's interest in the Junior Term Loan Collateral diminishes during the term of this Order by virtue of the use of any Junior Term Loan Collateral and/or by virtue of the imposition of the automatic stay and (y) the amount by which the Junior Term Loan Obligations exceed the value of the Junior Term Loan Agent's interest in the Junior Term Loan Collateral as of the date of determination (the "Junior Term Loan Adequate Protection Obligations," together with the Senior Adequate Protection Obligations, the "Adequate Protection Obligations").

5. Superpriority Claims. Subject to paragraph 14 hereof, as additional adequate protection, to the extent that the Adequate Protection Liens are inadequate to repay the Adequate Protection Obligations, each of the Prepetition Secured Parties shall have administrative claims to the extent of such deficiency against each of those Debtors (and only those Debtors) who owes Prepetition Obligations to such Prepetition Secured Party as of the Petition Date (the "Deficiency Claims") with super priority over all other administrative expenses of the kind specified in section 503(b) or 507(b) of the Bankruptcy Code ("Superpriority"), but subject to (i) the same

relative priorities among the Prepetition Secured Parties as described above with respect to the Adequate Protection Liens and (ii) the Carve-Out; provided that the Superpriority status conferred upon the Deficiency Claims pursuant to this paragraph 5 shall not extend to Avoidance Claims except as follows: the Prepetition Priority Lenders (x) shall receive fifty percent (50%) of the proceeds of any Avoidance Claims to satisfy any Deficiency Claims and (y) may share the remaining fifty percent (50%) of such proceeds of any Avoidance Claims with respect to the balance of its Deficiency Claims or any other general unsecured claims on a *pro rata* and *pari passu* basis with the holders of general unsecured claims allowed against the subject Debtor, in each such case without prejudice to any Prepetition Secured Party's right to the residual value of the equity of any Debtor in whose capital stock such Prepetition Secured Party has a valid and perfected lien. Unless otherwise provided in a further Order of this Court with the consent of the Majority Secured Parties and except as expressly set forth herein, no costs or administrative expenses which have been or may be incurred in the Debtors' chapter 11 cases, in any conversion of the Debtors' chapter 11 cases pursuant to section 1112 of the Bankruptcy Code, or in any other proceeding related thereto, and no priority claims, including, without limitation, any other Superpriority claims, are or will be prior to or on a parity with the Deficiency Claims.

6. Periodic Payments; Fees and Expenses. Subject to paragraph 14, as additional adequate protection, the Debtors shall (a) pay to each of the Prepetition Priority Lenders on the first business day of each calendar month beginning on July 1, 2004 all accrued, but unpaid, interest on the Prepetition Revolving Credit Obligations and the Prepetition Term Loan Obligations at the base rate plus applicable non-default margin as specified in the Prepetition Revolving Credit Agreement and the Prepetition Term Loan Agreement, respectively (for the avoidance of doubt, the first such payment shall also include any accrued, but unpaid, prepetition

interest, any unpaid commitment fees, and all unpaid pre-petition professional fees and expenses due to the professionals specified in paragraph 6 hereof or otherwise payable under the terms of such Prepetition Financing Documents), (b) pay to each of the Junior Term Loan Lenders on the first business day of each calendar month beginning on July 1, 2004 all accrued, but unpaid, interest on the Junior Term Loan Obligations at the non-default rate specified in the Junior Term Loan Agreement, but only to the extent such interest (including the accrual of all interest payable in kind pursuant to the Junior Term Loan Agreement) would otherwise be payable in cash to such Junior Term Loan Lenders under the terms of the Prepetition Financing Documents in the absence of these chapter 11 proceedings (for the avoidance of doubt, the first such payment shall also include any accrued, but unpaid, prepetition interest otherwise payable by the Debtors in cash), and (c) no later than 10 days following receipt of any invoice therefor, pay, or reimburse, (i) the steering committee on behalf of the Majority Secured Parties (the "Steering Committee") for any reasonable fees and out-of-pocket expenses of one law firm (plus Portland co-counsel) engaged or retained by the Steering Committee to represent the interests of the Prepetition Priority Lenders in these chapter 11 cases (the "Senior Restructuring Counsel"), (ii) the Prepetition Term Loan Agent for any reasonable out-of-pocket costs and expenses incurred by the Prepetition Term Loan Agent relating to its administrative functions as agent including the reasonable fees and expenses of one law firm engaged by the Prepetition Term Loan Agent to provide advice in connection with such administrative functions, including the negotiation, preparation and execution of any documents, amendments or proofs of claim relating to such Prepetition Financing Documents and other agency functions which would customarily be conducted by such agent in the absence of these chapter 11 proceedings (but excluding providing restructuring advice on behalf of the Prepetition Term Lenders or otherwise duplicating the

services of the Senior Restructuring Counsel), (iii) the Prepetition Revolving Credit Agent for any reasonable out-of-pocket costs and expenses incurred by the Prepetition Revolving Credit Agent relating to its administrative functions as agent including the reasonable fees and expenses on one law firm engaged by the Prepetition Revolving Credit Agent to provide advice in connection with such administrative functions, including the negotiation, preparation and execution of any documents, amendments or proofs of claim relating to such Prepetition Financing Documents and other agency functions which would customarily be conducted by such agent in the absence of these chapter 11 proceedings (but excluding providing restructuring advice on behalf of the Prepetition Revolving Lenders or otherwise duplicating the services of the Senior Restructuring Counsel), (iv) the Steering Committee for any reasonable fees and out-of-pocket expenses of a financial advisor engaged or retained to represent the interests of the Prepetition Priority Lenders in these chapter 11 cases, (v) members of the Steering Committee for reasonable out-of-pocket costs and expenses incurred by such members in connection with these chapter 11 cases (which costs and expenses will not include any professional fees or expenses except as provided in clauses (i) and (iv) above), and (vi) the Prepetition Junior Agent for any reasonable fees and out-of-pocket expenses of one law firm (plus Portland co-counsel) engaged or retained to represent the interests of the Prepetition Junior Lenders in these chapter 11 cases, including any reasonable attorney's fees and expenses incurred by the Prepetition Junior Agent prior to the Petition Date in connection with the negotiation and drafting of this Order and the commencement of these chapter 11 cases; provided that, the recipients of any payments under clause (c) above shall provide to the Creditor's Committee copies of all of their invoices (prepared in reasonable detail, but subject to applicable privileges) on a monthly basis, and the Creditor's Committee and the Debtors expressly reserve all their rights to object to the

reasonableness of any payments made to such parties hereunder; provided that such objection is filed with the Court within twenty (20) days of receipt by the Creditor's Committee of such invoice (an "Objection"). Notwithstanding the receipt of an Objection, the Debtors shall nevertheless be required to make the subject payment in accordance with the terms of this paragraph 6, but the recipient thereof may be required to disgorge all or a portion of such payment to the extent it is so determined by the Court in a final order that such amount should not have been paid by the Debtors to the recipient. No recipient of any payment under clause (c) above shall be required to file with respect thereto any interim or final fee application with this Court. Payments made by the Debtors pursuant to this paragraph 6 shall be provisional in nature pending ultimate allowance under §506(b) of the Bankruptcy Code. Nothing contained herein shall preclude the Prepetition Secured Parties from asserting that they are entitled to the allowance of interest at rates higher than those specified herein (including at the default rates contemplated by the Prepetition Financing Documents) or the payment of any principal amounts or requesting the Court to direct the payment of such higher rates or principal amounts, nor shall anything contained herein limit the Debtors' rights to contest such assertions and requests. The entry of this Order is without prejudice to the rights of the Prepetition Secured Parties to seek a further order of the Court to obtain other or additional adequate protection, including, *inter alia*, the payment or reimbursement by the Debtors of fees and expenses for a financial advisor retained by the Junior Term Loan Agent or for additional amounts that may be due to the Prepetition Agents for fees and expenses not covered hereby but provided for under the Prepetition Financing Documents.

7. Carve-Out. The term "Carve-Out" means, after a Termination Date (as defined below), the following: (i) in respect of allowed but unpaid fees and expenses payable under

sections 330 and 331 of the Bankruptcy Code to professionals (including attorneys, accountants, appraisers, consultants and investment bankers) retained by the Debtors or the Creditors' Committee (the "Professional Persons") arising prior to the occurrence of a Termination Date, (ii) in respect of allowed but unpaid fees and expenses payable under Sections 330 and 331 of the Bankruptcy Code to Professional Persons arising after the occurrence of a Termination Event in an aggregate amount not to exceed (x) \$1,000,000 for the Professional Persons retained by the Debtors and (y) \$1,000,000 for the Professional Persons retained by the Creditors Committee (for an aggregate total of \$2,000,000); (iii) fees required to be paid to the Clerk of the Court; and (iv) quarterly fees required to be paid pursuant to 28 U.S.C. § 1930(a)(6); provided, that before being entitled or permitted to realize or otherwise receive, directly or indirectly, any proceeds arising from such Carve-Out, each Professional Person entitled to a payment under the Carve-Out must first apply any amounts held as a retainer by such Professional Person that is available for the payment of such unpaid fees and expenses. Amounts paid prior to the Termination Date shall not reduce the amount of the Carve-Out. Unless otherwise consented to by the Majority Secured Parties (or by the Junior Term Loan Lenders but solely with respect to the proceeds of the Junior Term Loan Collateral), no proceeds of the Prepetition Collateral or Postpetition Collateral to which any Prepetition Secured Party has an interest and no amounts received pursuant to the Carve-Out shall be used to pay compensation or expense reimbursement of any Professional Person or any other costs incurred in connection with (1) commencing or continuing any claims, causes of actions or contested matters against any Prepetition Secured Party, including, without limitation, discovery proceedings subsequent to the commencement of any such claims or causes of action; (2) preventing, hindering or delaying performance or enforcement by any Prepetition Secured Party of its rights or remedies under this Order or any of

the Prepetition Financing Documents; or (3) challenging the Prepetition Liens, Adequate Protection Liens or Superpriority Claims of any of the Prepetition Secured Parties or the validity, enforceability or amount of any of the Prepetition Obligations.

8. Cash Management. Until further order of Court, the Debtors will continue to maintain their existing cash management systems, and the Adequate Protection Liens and Prepetition Priority Liens granted to the Prepetition Priority Agents hereunder or under the Prepetition Financing Documents shall extend to all bank accounts and cash deposits maintained by the Debtors.

9. Sale Proceeds. Until further order of Court, the Debtors will, consistent with their cash management practices, deposit proceeds realized from the sale of assets constituting Prepetition or Postpetition Collateral, other than sales in the ordinary course of business, into a segregated investment account that will contain only such proceeds and will be subject to the liens of the Prepetition Priority Lenders. The Debtors will not use such sale proceeds without further order of Court.

10. No Surcharge on Collateral: No Consent. No costs or expenses of administration pursuant to section 506(c) of the Bankruptcy Code which have or may be incurred in these chapter 11 cases or after any conversion of any of these cases pursuant to section 1112 of the Bankruptcy Code shall be charged against the Prepetition Secured Parties, the Prepetition Obligations or any of the Prepetition Collateral, without the prior written consent of the Majority Secured Parties, to the extent that prior notice of the incurrence of such costs and expenses was not provided to the financial advisors to the Steering Committee or in the event that the Steering Committee has objected to the incurrence of such costs and expenses in writing to the Debtors; provided that, other than with respect to the Carve-Out, the right of the Debtors under Section

506(c) of the Bankruptcy Code to surcharge the Prepetition Secured Parties, the Prepetition Obligations, any of the Prepetition Collateral or otherwise with respect to the fees and expenses of Professional Persons employed by the Debtors, the Creditor's Committee or on behalf of the Debtors' estates are hereby waived. In addition, no consent by any Prepetition Secured Party to any administrative claims sought to be assessed against or attributed to any of the Prepetition Secured Parties with respect to their interests in the Prepetition Collateral pursuant to the provisions of section 506(c) of the Bankruptcy Code or otherwise shall be implied from the preceding sentence or from any other action, inaction or acquiescence by the Prepetition Secured Parties in connection herewith or otherwise.

11. Modification of Automatic Stay. The automatic stay extant under section 362(a) of the Bankruptcy Code shall be, and it hereby is, modified to the extent necessary to effectuate the terms of this Order and to permit the Prepetition Agents, for the benefit of the Prepetition Secured Parties, to receive, collect and apply payments and proceeds in respect of the Prepetition Collateral and the Postpetition Collateral in accordance with the terms and provisions of this Order.

12. Covenant. The Debtors covenant to maintain a minimum cash balance equal to 80% of their forecasted cash balance as reflected on the Budget in substantially the form attached hereto as Exhibit A to be delivered by the Debtors to the Prepetition Secured Parties and the Creditor's Committee from time to time in accordance with the terms of this paragraph 12. The covenant contained in the immediately preceding sentence shall be tested initially on July 2, 2004 and on the last business day of each succeeding four week period thereafter (i.e., July 30, 2004, August 27, 2004, etc.) (each such date, a "Testing Date"). The initial Budget is attached hereto as Exhibit A, and the same shall be supplemented and extended by the Debtors, in form

and substance reasonably satisfactory to the Steering Committee and the Creditor's Committee, at the end of each successive four week testing period for the thirteen (13) week period following the immediately preceding testing period.

13. Termination. In the absence of a further order of this Court and notwithstanding anything herein to the contrary, the Debtors shall no longer be authorized pursuant to this Order to use Cash Collateral on the date (the "Termination Date") any of the following events shall occur (unless in each case waived in writing by the Prepetition Senior Agents):

- (i) material non-compliance by any of the Debtors with any of the terms or provisions of this Order;
- (ii) any stay, reversal, vacatur, rescission or other modification of the terms of this Order;
- (iii) entry of an order by this Court or any other Court having jurisdiction over these chapter 11 cases approving any postpetition secured financing or any administrative expense or financing obligation is accorded Superpriority administrative claim status except to the extent that such financing satisfies the Prepetition Senior Obligations in full in cash;
- (iv) entry of an order by this Court dismissing any of the Debtors' chapter 11 cases or converting any of the Debtors' chapter 11 cases to cases under chapter 7 of the Bankruptcy Code;
- (v) the appointment of a trustee or the appointment of an examiner with enlarged powers beyond those section 1106 of the Bankruptcy Code in any of these chapter 11 cases; or
- (vi) the occurrence of a "Termination Event" (as defined below).

Notwithstanding the occurrence of the Termination Date, all of the rights, remedies, benefits and protections provided to the Prepetition Secured Parties under this Order as of such Termination Date shall survive the Termination Date. The Prepetition Senior Agents shall also have the right at any time to terminate their consent to the Debtors' continued use of Cash Collateral pursuant to the terms of this Order by providing the Debtors and the Creditor's Committee with 10 days

advance written notice of their intent to terminate such consent (the “10 Day Notice Period”). If such notice is given, the Debtors' authority to use Cash Collateral shall automatically terminate (the “Termination Event”) at the expiration of the 10 Day Notice Period unless an order has been entered by the Court authorizing the Debtors’ continued usage of Cash Collateral on or prior to the expiration of the 10 Day Notice Period. The Debtors retain the right, at any time, to seek authority to use Cash Collateral without the Prepetition Senior Agents' consent and on terms that are different from those set forth in this Order (including terms that are less favorable to the Prepetition Priority Lenders), and the Prepetition Priority Lenders reserve the right to object thereto. The Junior Term Loan Agent shall have the right at any time to request the Court for additional adequate protection (or a vacation of the automatic stay in respect of the PSC Collateral), and the Debtors reserve the right to contest any such request. The Debtors retain the right, at any time, to request a modification of the adequate protection afforded to the Prepetition Junior Lenders under the terms of this Order (including modifications that are less favorable to the Prepetition Junior Lenders). Without limiting the foregoing in any respect, nothing contained in this Order shall constitute a finding concerning the adequacy of adequate protection afforded to the Prepetition Secured Parties under this Order, or a finding concerning the Prepetition Secured Parties' entitlement to adequate protection.

14. Claims and Defenses; Challenge Period. **The bold typeface provisions set forth in this section vary from the requirements of D. Me. L.B.R. 4001-2(c).** Notwithstanding anything herein to the contrary, without the consent of the Majority Secured Parties (or the Junior Term Loan Lenders but solely with respect to the proceeds of the Junior Term Loan Collateral), no Prepetition Collateral or Postpetition Collateral or Proceeds of either thereof to the extent any Prepetition Secured Party has an interest, including any Cash Collateral, is

authorized hereunder to be used by any of the Debtors, the Creditors' Committee or any other person or entity to prosecute any proceeding to object to or contest in any manner, or raise any defenses to, the extent, validity, perfection, priority, amount or enforceability of the Prepetition Obligations or the Prepetition Liens, or to prosecute any action for preferences, fraudulent conveyances, other Avoidance Claims, equitable subordination, or any other claims or causes of action against any of the Prepetition Secured Parties with respect to the Prepetition Obligations (collectively, "Claims and Defenses"); provided that reasonable fees and expenses may be incurred by the Creditors' Committee (as expressly determined by the Court) and paid by the Debtors in respect of the investigation of any such Claims and Defenses. Without limitation of the foregoing, nothing in the Order shall be construed to limit or otherwise restrict the ability of the Creditors' Committee or any other person or entity (**other than the Debtors**) to the extent such other person or entity, other than the Creditors' Committee, has legal standing to do so, to assert any Claims and Defenses; it being agreed that the Creditor's Committee has standing to assert any Claims and Defenses; **provided that any such assertion of Claims and Defenses must be made in an action or other appropriate proceeding commenced in this Court on or before the later to occur of 120 days after the appointment of the Creditors' Committee in the Debtors' chapter 11 cases and 90 days from the date this Order is entered (the "Challenge Period")**. If no such action or proceeding is commenced on or before such date, (1) the Prepetition Liens shall have been deemed to have been, as of the Petition Date, legal, valid, binding, perfected, not subject to recharacterization, subordination (other than in accordance with their terms) and otherwise enforceable and unavoidable and having the respective priorities discussed above, (2) the Prepetition Obligations shall have been deemed to have been, as of the Petition Date, legal, valid, binding, not subject to recharacterization, subordination (other than in

accordance with their terms) and otherwise enforceable and unavoidable in the amounts set forth in Paragraphs D, E and I above and (3) all Claims and Defenses shall be deemed, immediately and without further action by any of the Prepetition Secured Parties, to have been forever relinquished and waived as to the Debtors, the Creditors' Committee and other person or entity. If an action or proceeding is commenced on or before such dates, all Claims and Defenses not expressly asserted therein shall be deemed, immediately and without further action by the Prepetition Agents or any of the Prepetition Secured Parties, to have been forever relinquished and waived as to the Debtors, the Creditors' Committee and other person or entity. If an action or proceeding described above is properly filed as of the applicable date, the findings contained in this Order shall nonetheless remain binding and preclusive except to the extent that such findings were expressly and successfully challenged in such action or proceeding by such person bringing such action or proceeding and such person has obtained a final order rendered by a court of competent jurisdiction, which final order may, to the extent appropriate, provide that the Adequate Protection Liens granted hereunder be vacated and/or any payment made to the Prepetition Secured Parties hereunder be disgorged or recharacterized.

15. Remedies. Nothing herein shall preclude any Prepetition Agent from seeking relief from the automatic stay under section 362(d) of the Bankruptcy Code on and after the Termination Date to exercise any of their respective rights and remedies hereunder, if any, under the Prepetition Financing Documents or under applicable law, but subject to the terms and conditions of the Intercreditor Agreements, upon not less than five (5) business days' written notice to the Debtors, any Creditors' Committee, the United States Trustee, any trustee appointed in these case and each of the other Prepetition Agents (which written notice must be furnished by

hand, telecopier or other means reasonably intended to provide immediate delivery), without prejudice to the Debtors or any other party-in-interests right or ability to object thereto.

16. No Other Liens. Without the consent of the Majority Secured Parties, the Debtors shall be enjoined and prohibited from at any time during their chapter 11 cases granting to any other parties, pursuant to section 364(d) of the Bankruptcy Code or otherwise, Liens on the Prepetition Priority Collateral or the Postpetition Priority Collateral that are equal or senior in priority to the liens held by the Prepetition Priority Agents.

17. Further Assurances. (a) The Debtors shall execute and deliver to the Prepetition Agents all agreements, financing statements, instruments and other documents as the Prepetition Agents may reasonably request to evidence, confirm, validate or perfect the Liens granted pursuant hereto.

(b) The Debtors are authorized to do and perform all acts, to make, execute and deliver all instruments and documents (including, without limitation, the execution of additional security agreements, mortgages and financing statements) and to pay costs and expenses which may be required or necessary for the Debtors' performance under this Order.

18. Monitoring of Collateral. The Debtors shall permit representatives, agents and/or employees of the Prepetition Agents and the Steering Committee to have reasonable access to their premises and their records during normal business hours (without unreasonable interference with the proper operation of the Debtors' businesses) and shall cooperate, consult with, and provide to such persons all such non-privileged information as they may reasonably request.

19. Financial Reports, Notices and Other Information. The Debtors shall provide to the Prepetition Agents and the Creditor's Committee the information specified, and on the dates, terms and conditions set forth in Exhibit B attached hereto. Each Prepetition Agent shall be

authorized, but not obligated, to provide any other Prepetition Agent upon its request with copies of all such information provided to it hereunder, subject to the confidentiality provisions in the applicable Prepetition Financing Documents.

20. No Filings Required. All Liens granted herein to secure repayment of the Adequate Protection Obligations shall pursuant to this Order be, and they hereby are, deemed perfected effective as of the Petition Date, and no further notice, filing or other act shall be required to effect such perfection; provided, however, if any Prepetition Agent shall, in its sole discretion, choose to file such mortgages, financing statements, notices of liens and security interests and other similar documents, all such mortgages, financing statements or similar instruments shall be deemed to have been filed or recorded as of the Petition Date.

21. Survival; Successors and Assigns. The provisions of this Order shall be binding upon and inure to the benefit of the Prepetition Agents, the Prepetition Secured Parties and the Debtors and their respective successors and assigns (including, to the extent permitted by applicable law, any Chapter 7 or Chapter 11 trustee or other fiduciary hereafter appointed or elected for the estate or as a legal representative of the Debtors or with respect to the property of the estates of the Debtors). If an order dismissing any of these chapter 11 cases under Section 1112 of the Bankruptcy Code or otherwise is at any time entered, such order shall provide (in accordance with Sections 105 and 349 of the Bankruptcy Code) that the Superpriority claims, replacement security interests and liens and other protections afforded or granted to the Prepetition Agents pursuant to this Order as of the date of such dismissal shall continue in full force and effect and shall maintain their priorities as provided in this Order until all obligations in respect thereof shall have been paid and satisfied in full (and that such Superpriority claims, replacement liens and other protections, shall, notwithstanding such dismissal, remain binding on

all parties in interest). Notwithstanding any reversal, stay, modification or vacatur of this Order, any use of Cash Collateral prior to such reversal, stay, modification or vacation shall be governed in all respects by the original provisions of this Order, and the Prepetition Agents shall be entitled to all the rights, remedies, privileges and benefits granted herein with respect to such use. The Adequate Protection Liens and the Superpriority claims against the Debtors in respect of the Adequate Protection Obligations shall not be discharged by the entry of an order confirming a chapter 11 plan in any of the Debtors' chapter 11 cases.

22. Non-Exclusive Remedy. Notwithstanding anything herein, the entry of this Order is without prejudice to, and does not constitute an admission or waiver of, expressly or implicitly, or otherwise impair, any of the rights of the Prepetition Agents under the Bankruptcy Code or under non-bankruptcy law, including, without limitation, the right, if any, of the Prepetition Agents or any Prepetition Secured Party to (i) request additional adequate protection of their interests in the Prepetition Collateral or the Postpetition Collateral or relief from or modification of the automatic stay extant under section 362 of the Bankruptcy Code, (ii) request conversion of any of the Debtors' chapter 11 cases to cases under chapter 7 of the Bankruptcy Code, and (iii) propose, subject to the provisions of section 1121 of the Bankruptcy Code, a chapter 11 plan or plans or (y) any of other rights, claims or privileges (whether legal, equitable or otherwise) of the Prepetition Agents or the Prepetition Secured Parties.

23. No Effect on Intercreditor Rights. No part of this or any other order entered by the Court on an interim basis or without the conduct of a final hearing shall in any way affect or impair the rights, claims or interests of any Prepetition Secured Party against the Debtors, each other, or with respect to their relative rights, interests, or priority in the Prepetition Collateral or the Postpetition Collateral as provided in the Intercreditor Agreements.

24. Immediate Effect. This Order shall constitute findings of fact and conclusions of law and shall take effect immediately upon the entry of this Order.

Dated: June 25, 2004

/s/ James B. Haines, Jr.

UNITED STATES BANKRUPTCY
JUDGE

Exhibit A

Budget

(attached hereto)

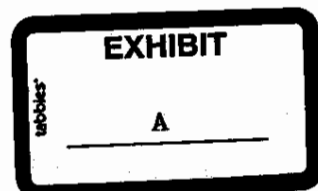
Pegasus Satellite Communications, Inc.
Consolidated PSC Cash Forecast Scenario

Privileged and Confidential
 Working Draft: subject to change
 Prepared by Management

	June 18, 2004 Actual	June 18, 2004 Forecast	Variance	June 25, 2004 Forecast	July 2, 2004 Forecast	July 9, 2004 Forecast	July 16, 2004 Forecast	July 23, 2004 Forecast	July 30, 2004 Forecast	August 6, 2004 Forecast	August 13, 2004 Forecast
Beginning balance	\$39,846,064	\$39,846,064	\$-	\$52,571,308	\$64,747,660	\$74,028,909	\$68,402,859	\$81,392,709	\$87,010,152	\$89,628,512	\$100,178,672
Total cash receipts	15,554,489	15,895,100	(340,611)	15,895,000	15,703,690	13,238,200	17,334,300	15,223,700	15,223,700	14,984,200	15,069,300
Total disbursements to Manager	-	-	-	-	-	-	-	-	-	58,441	354,284
Total disbursements to (receipts from) other debtors	-	-	-	-	-	-	-	-	-	-	-
Total cash disbursements to third parties	2,829,245	3,106,426	277,181	3,718,648	6,422,351	18,864,250	4,344,450	9,606,257	12,605,340	4,375,600	37,137,400
Ending balance (1)	\$52,571,308	\$52,634,739	(63,430)	\$64,747,660	\$74,028,909	\$68,402,859	\$81,392,709	\$87,010,152	\$89,628,512	\$100,178,672	\$77,956,288
Covenant (80% of forecasted ending balance)					\$49,223,137						

Notes:

(1) This forecast does not consider the operational impacts of DTV's aggressive termination tactics. We are determining near term impacts on subscriber growth and will revise cash projections accordingly.



Pegasus Satellite Communications, Inc.
Consolidated PSC Cash Forecast Scenario

*Proprietary and Confidential
 Working Draft: subject to change
 Prepared by Management*

	August 20, 2004 Forecast	August 27, 2004 Forecast	September 3, 2004 Forecast	September 10, 2004 Forecast	September 17, 2004 Forecast	September 24, 2004 Forecast	October 1, 2004 Forecast
Beginning balance	\$77,756,288	\$88,291,812	\$91,694,505	\$102,601,829	\$80,704,345	\$33,929,869	\$98,640,049
Total cash receipts	14,944,300	14,944,300	15,520,500	14,151,200	18,551,500	16,288,900	16,197,200
Total disbursements to Manager	251,576	1,557,007	251,576	354,284	1,423,576	280,820	\$70,393
Total disbursements to (receipts from) other debtors	-	-	-	-	-	-	-
Total cash disbursements to third parties	4,157,200	9,984,600	4,531,600	35,694,400	3,802,400	11,207,900	12,538,790
Ending balance (1)	\$88,291,812	\$91,694,505	\$102,601,829	\$80,704,345	\$99,529,869	\$98,640,049	\$101,428,056

Covenant (80% of forecasted ending balance)

Notes:

(1) This forecast does not consider the operational impacts of DT

EXHIBIT B

Reports

(attached hereto)

Financial Reporting Requirements under the Final Adequate Protection Order

All items described in Section 6.05 of the Fourth Amended and Restated Credit Agreement dated October 22, 2003 (the "Credit Agreement"), and, in addition:

1. 13-week cash receipts and disbursements forecast updated on the Tuesday following each Testing Date (as such term is defined in the Final Adequate Protection Order) with a comparison of actual versus forecast amounts, including a detailed breakout of the following line items:
 - a. "Distributions to Manager" and "Other Professional Services" with line items including, but not limited to, the following:
 - i. Transfers to Pegasus Communications Corp. and/or any other subsidiaries (e.g., Pegasus Communications Management Company)
 - ii. NRTC/DirecTV Litigation
 - iii. Bankruptcy professional fees; and
 - iv. Normal course/other professional fees.
 - b. "NRTC," with line items including, but not limited to, the following:
 - i. Programming;
 - ii. Infrastructure; and,
 - iii. Billing.
2. Ending cash balance of each week, updated and submitted to the Senior Lenders and the Junior Term Loan Agent on Tuesdays for the preceding week, for comparison to the 13-week forecast. Ending cash balance will be evaluated on each Testing Date for compliance with the cash covenant, which is a minimum cash balance of 80% of the forecasted cash balance.
3. Weekly subscriber count roll-forward, including beginning subscribers, gross additions, churn and ending subscribers, reported on Tuesdays for the preceding week.
4. Include consolidated statements of cash flows in addition to the reporting requirement under Section 6.05(c) of the Credit Agreement.
5. Beginning with the month ending July 31, 2004, reduce the reporting timeframe from forty-five (45) days to thirty (30) days under Sections 6.05(c) and 6.05(f) of the Credit Agreement.

6. Any materials that are provided to the unsecured creditors' committee must be provided to the Senior Lenders and the Junior Term Loan Agent.
7. Company will use commercially reasonable efforts to provide the Senior Lenders and the Junior Term Loan Agent with other customary financial information as reasonably requested from time to time by the Senior Lenders and their financial advisors and the Junior Term Loan Agent.

CERTIFICATE OF SERVICE

District/off: 0100-2
Case: 04-20878User: rrowell
Form ID: pdf900Page 1 of 2
Total Served: 50

Date Rcvd: Jun 28, 2004

The following entities were served by first class mail on Jun 30, 2004.

db Pegasus Satellite Television, Inc., 213 Felton Street, Marlborough, MA 01752
 aty +Alexander Simon, Weil, Gotshal & Manges, LLP, 767 Fifth Avenue, New York, NY 10153-0119
 aty +Andrew N. Rosenberg, Paul, Weiss, Rifkind, Wharton & Garrison, 1285 Avenue of the Americas, New York, NY 10019-6031
 aty +Barbara Ellis-Munro, Smith, Gambrell & Russell, LLP, 1230 Peachtree Street N.E., Suite 3100, Atlanta, GA 30309-3592
 aty Benjamin E. Marcus, Esq., Drummond Woodsum & MacMahon, 245 Commercial Street, P.O. Box 9781, Portland, ME 04104-5081
 aty +Bruce B. Hochman, Esq., Lambert Coffin, 477 Congress St., 14th Floor, P. O. Box 15215, Portland, ME 04112-5215
 aty +C. MacNeil Mitchell, Winston & Strawn, LLP, Attn: Denise Cunsolo, Legal Asst., 200 Park Avenue, New York, NY 10166-0005
 aty Daniel M. Glosband, Goodwin Proctor, LLP, Exchange Place, Boston, MA 02109
 aty +Debra SuDock, Kelley Drye & Warren LLP, 101 Park Avenue, New York, NY 10178-0062
 aty +Diane Meyers, Paul, Weiss, Rifkind, Wharton & Garrison,, 1285 Avenue of the Americas, New York, NY 10019-6031
 aty +Diane W. Sanders, Linebarger, Goggan, Blair & Sampson, LLP, 1949 South I.H. 35 (78741), P.O. Box 17428, Austin, TX 78760-7428
 aty +Ellen Moring, Esq., Sidley Austin Brown & Wood LLP, 787 Seventh Avenue, New York, NY 10019-6018
 aty +Eric D. Statman, Lovells, 900 Third Avenue, New York, NY 10022-4728
 aty +Eric K. Bradford, Esq., Office of the U.S. Trustee, 10 Causeway Street, Room 1184, Boston, MA 02222-1047
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 aty +Rosetta B. Packer, McCarter & English, LLP, Mellon Bank Center, 1735 Market Street, Suite 700, Philadelphia, PA 19103-7518
 aty +Rufus E. Brown, Esq., Brown & Burke, P.O. Box 7530, Portland, ME 04112-7530
 smg Maine Department of Labor, Bureau of Unemployment Compensation, P.O. Box 259, Augusta, ME 04332-0259
 smg +State of Maine, Bureau of Revenue Services, Bankruptcy Unit, P.O. Box 9113, Augusta, ME 04333-0001
 ust +Office of U.S. Trustee, 537 Congress Street, Room 302, Portland, ME 04101-3353
 cr +Angelo, Gordon & Co., Attn: Leigh Walzer, 245 Park Avenue, 26th Floor, New York, NY 10167-0094
 cr +CRT Capital Group LLC, Attn: Nadav Braun, 262 Harbor Drive, Stamford, CT 06902-7438
 cr +Cohanzick Management, LLC, 427 Bedford Road, Suite 260, Pleasantville, NY 10570-3029
 cr Daily Insights, Attn: Bill Angelowitz, JAF Box 3127, New York, NY 10116
 cr Felton Street Associates Limited Partnership, Weir & Partners, Lambert Coffin, P.O. Box 15215, Portland, ME 04112-5215
 cr +Gabriel Capital, L.P., 450 Park Ave., Suite 3201, New York, NY 10022-2633
 cr +IKON Financial Services, Bankruptcy Administration, IOS Capital LLC, 1738 Bass Road, P.O. Box 13708, Macon, GA 31208-3708
 cr J.P. Morgan Trust Company, N.A., Attn: James R. Lewis, Esq., VP, 4 New York Plaza, 15th Floor, New York, NY 10004-2413
 cr Manatee County Tax Collector, Attn: Ken Burton, Jr., P.O. Box 25300, Bradenton, FL 34206-5300
 cr +National Rural Telecommunications Cooperative, 2121 Cooperative Way, Herndon, VA 20171-4543
 cr +Nucentrix Broadband Networks, Inc., Attn: J. Curtis Henderson, Sr. VP and General Counsel, 17440 North Dallas Parkway, Suite 230, Dallas, TX 75287-7336
 crcm +Official Committee of Unsecured Creditors, Wachovia Bank, N.A., Trustee, c/o Smith, Gambrell & Russell, LLP, Attn: John T. Vian, Esq., 1230 Peachtree Street, NE, Suite 3100, Atlanta, GA 30309-3592
 cr +Tejas Securities Group, Inc., 2700 Via Fortuna, Suite 400, Austin, TX 78746-7570
 intp +Trumbull Services, L.L.C., 4 Griffin Road North, Windsor, CT 06095-1579
 intp +United States Trustee, 537 Congress Street, Portland, ME 04101-3318

The following entities were served by electronic transmission.
NONE.

TOTAL: 0

***** BYPASSED RECIPIENTS (continued) *****

***** BYPASSED RECIPIENTS (undeliverable, * duplicate) *****

aty Andrew D. Gottfried
aty Dustin F. Hecker, Posternak, Blankstein
aty Jay Teitelbaum, Morgan, Lewis
aty Kristopher M. Hansen, Stroock & Stroock & Lavan LLP
aty Stephen M. Ryan
cr Austin CAD
cr Blanco CAD
op Capital Management Associates, Inc.
cr Directv
cr HBK Investments L.P.
cr HSBC Bank USA
consult Hewitt Associates LLC
cr Houston CAD
cr Jackson County
consult Kekst and Company Incorporated
cr Lampass CAD
cr Lee County
cr Llano County
cr Madison County
cr Mastagorda County
cr Normangee ISD
cr Nortel Networks, Inc.
cr Par Capital Management, Inc.
intp Pegasus Communications Corporation
cr Polk County
cr Refugio County
cr Shelby County
cr The Steering Committee of Senior Secured Creditors
cr Trinity County
cr Trinity/Groveton Tax Office
cr Wachovia Bank, National Association
cr Wilmington Trust Co.

TOTALS: 32, * 0

Addresses marked '+' were corrected by inserting the ZIP or replacing an incorrect ZIP.
USPS regulations require that automation-compatible mail display the correct ZIP.

I, Joseph Speetjens, declare under the penalty of perjury that I have served the attached document on the above listed entities in the manner shown, and prepared the Certificate of Service and that it is true and correct to the best of my information and belief.

First Meeting of Creditor Notices only (Official Form 9): Pursuant to Fed. R. Bank. P. 2002(a)(1), a notice containing the complete Social Security Number (SSN) of the debtor(s) was furnished to all parties listed. This official court copy contains the redacted SSN as required by the bankruptcy rules and the Judiciary's privacy policies.

Date: Jun 30, 2004

Signature:

