

UNITED STATES BANKRUPTCY COURT  
DISTRICT OF MAINE

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

**ORDER PURSUANT TO 11 U.S.C. §§ 105(a), 363 AND 1146(c) AND  
BANKRUPTCY RULE 9019 (I) APPROVING GLOBAL SETTLEMENT BY  
AND AMONG THE DEBTORS AND DEBTORS IN POSSESSION, PEGASUS  
COMMUNICATIONS CORPORATION AND OTHER NON-DEBTOR  
AFFILIATES, DIRECTV, INC., THE DIRECTV GROUP, INC., NATIONAL  
RURAL TELECOMMUNICATIONS COOPERATIVE, AND THE OFFICIAL  
COMMITTEE OF UNSECURED CREDITORS, AND (II) AUTHORIZING AND  
APPROVING IN CONNECTION THEREWITH A SALE, TRANSFER AND  
CONVEYANCE OF CERTAIN ASSETS OF  
THE DEBTORS TO DIRECTV, INC.**

This matter is before the Court upon the motion (the “Motion”), dated August 3, 2004, of Pegasus Satellite Television, Inc. (“PST”) and certain of its subsidiaries and affiliates, each a debtor and debtor-in-possession herein (collectively, the “Debtors”)<sup>1</sup> in the above-captioned chapter 11 cases (the “Chapter 11 Cases”) for entry of an order pursuant to 11 U.S.C. §§ 105(a), 363 and 1146(c) and Fed. R. Bankr.

---

<sup>1</sup> 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.

P. 9019 authorizing and approving (a) the Global Settlement Agreement, dated as of July 30, 2004, by and among the Debtors, Pegasus Communications Corporation (“PCC”) (on its own behalf and on behalf of its non-Debtor subsidiaries, the “Pegasus Non-Debtors”), DIRECTV, Inc. (“DIRECTV”) (on its own behalf and on behalf of its direct and indirect subsidiaries), The DIRECTV Group, Inc. (“DTVG”) (on its own behalf and on behalf of its direct and indirect subsidiaries, other than DIRECTV and its direct and indirect subsidiaries), National Rural Telecommunications Cooperative (“NRTC”), and the official committee of unsecured creditors appointed in the Chapter 11 Cases (the “Committee”) and certain members of the Committee with respect to specified provisions thereof, a copy of which is attached hereto as Exhibit A (the “Settlement Agreement”); (b) the Asset Purchase Agreement, dated as of July 30, 2004, by and among certain of the Debtors and DIRECTV and (solely for purposes of Section 12.12 thereof), DTVG, a copy of which is attached hereto as Exhibit B (the “Asset Purchase Agreement”)<sup>2</sup>; and (c) the Cooperation Agreement, dated as of July 30, 2004, by and among PST and certain other Debtors and DIRECTV, a copy of which is attached hereto as Exhibit C (the “Cooperation Agreement”, and together with the Settlement Agreement and the Asset Purchase Agreement, collectively, the “Settlement”)<sup>3</sup>; and the Court having reviewed and considered the Motion, the Settlement, and the arguments of counsel made, and the evidence proffered or adduced

---

<sup>2</sup> Capitalized terms used herein and not otherwise defined shall have the meanings given to such terms in the Asset Purchase Agreement.

<sup>3</sup> The Debtors will also file a Motion to Assume and Assign Executory Contracts and Unexpired Leases pursuant to 11 U.S.C. §365 pursuant to which the Debtors will request authority to assume and assign to DIRECTV various leases and executory contracts as contemplated by the Asset Purchase Agreement.

at the hearing on the Motion held on August 25, 2004 (the "Hearing") and upon all the proceedings heretofore held in the Chapter 11 Cases; and it appearing that the relief requested in the Motion is in the best interests of the Debtors, their estates and creditors and other parties in interest; and after due deliberation thereon; and good and sufficient cause appearing therefor, it is hereby

FOUND AND DETERMINED THAT:<sup>4</sup>

A. The Court has jurisdiction over the Motion and the relief requested therein pursuant to 28 U.S.C. §§ 157 and 1334. This matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A), (N), and (O). Venue of the Chapter 11 Cases and the Motion in this district is proper under 28 U.S.C. §§ 1408 and 1409.

B. The statutory predicates for the relief sought in the Motion are Sections 105(a), 363(b), (f), and (m), and 1146(c) of the United States Code, 11 U.S.C. §§ 101-1330, as amended (the "Bankruptcy Code"), and Rules 2002, 6004, 9014 and 9019 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules").

C. As evidenced by the affidavits of service previously filed with the Court, and based on the representations of counsel at the hearing on the Motion, (i) proper, timely, adequate and sufficient notice of the Motion and the Hearing has been provided in accordance with Sections 102(l) and 363 of the Bankruptcy Code and Bankruptcy Rules 2002, 6004, 9014 and 9019 and in substantial compliance with this Court's Order Establishing Case Management Procedures and Hearing Schedule, dated July 9, 2004

---

entered in the Chapter 11 Cases, (ii) such notice was good and sufficient, and appropriate under the circumstances of these cases, and (iii) no other or further notice of the Motion is or shall be required.

D. A reasonable opportunity to object or be heard with respect to the Motion and the relief requested therein has been afforded to all interested persons and entities, including: (i) the Office of the United States Trustee for the District of Maine; (ii) counsel to the Committee and all Committee members; (iii) administrative agents to the Debtors' prepetition credit facilities; (iv) counsel to the indenture trustees; (v) counsel to the prepetition senior secured lenders; (vi) counsel to the prepetition junior secured lenders; (vii) counsel to DIRECTV and DTVG; (viii) counsel to PCC; (ix) counsel to NRTC; (x) all entities who have filed a notice of appearance or request for service of papers pursuant to Fed. R. Bankr. P. 2002; (xi) all relevant taxing authorities, (xii) all persons and entities known to the Debtors as having or asserting any Liens against, and any interests in, any of the Purchased Assets; and (xiii) all creditors in these Chapter 11 Cases.

E. The Settlement represents a fair, prudent and reasonable compromise of the controversies resolved by the Settlement and is in the best interests of the Debtors, their estates and creditors taking into account, among other things, (a) the probability of success on the claims being released as part of the Settlement, (b) the complexity of the litigation involved with respect to the claims being released as part of the Settlement

---

<sup>4</sup> Findings of fact shall be construed as conclusions of law and conclusions of law shall be construed as findings of fact when appropriate. See Fed. R. Bankr. P. 7052, as made applicable herein by Fed. R. Bankr. P. 9014.

and (c) the paramount interest of the creditors and a proper deference to their views in respect of the Settlement.

F. The Debtors have demonstrated both (i) good, sufficient, and sound business purpose and justification, and (ii) compelling circumstances for entering into the Settlement prior to, and outside of, a plan of reorganization, and the Settlement pursuant to Sections 105(a) and 363(b) of the Bankruptcy Code and Bankruptcy Rule 9019 is the best alternative for preserving the value of the Purchased Assets for the benefit of the Debtors, their respective estates and creditors.

G. The Settlement was negotiated, proposed and entered into by the parties without collusion, in good faith and from arms' length bargaining positions. DIRECTV is not an "insider" or an "affiliate" as those terms are defined in Section 101 of the Bankruptcy Code.

H. DIRECTV has acted in "good faith" within the meaning of section 363(m) of the Bankruptcy Code and, as such, is entitled to all of the protections afforded thereby.

I. The Settlement Agreement, the Asset Purchase Agreement and the Cooperation Agreement are mutually dependent agreements constituting a single integrated Settlement.

J. The transfer of the Purchased Assets to DIRECTV under the terms of the Asset Purchase Agreement is or will be a legal, valid, and effective transfer of the Purchased Assets, and will vest DIRECTV with good title to the Purchased Assets free and clear of all Liens and interests other than Permitted Exceptions .

K. The Debtors may transfer the Purchased Assets free and clear of all Liens and interests because (other than the Permitted Exceptions), in each case, one or more of the standards set forth in Section 363(f)(1)-(5) of the Bankruptcy Code has been satisfied.

NOW THEREFORE, IT IS HEREBY ORDERED, ADJUDGED, AND DECREED THAT:

1. The Motion is granted in all respects.
2. All objections, if any, to the Settlement, or any component thereof, that have not been withdrawn, waived, settled, or specifically addressed in this Order and all reservations of rights included in such objections, are hereby overruled on the merits.
3. The Debtors' entry into the Settlement Agreement, the Asset Purchase Agreement and the Cooperation Agreement is authorized and ratified pursuant to Sections 105, 363 and 1146(c) of the Bankruptcy Code and Bankruptcy Rule 9019, and the Debtors are hereby authorized, empowered and directed to enter into and perform, and consummate the transactions, under the Settlement Agreement, the Asset Purchase Agreement and the Cooperation Agreement. The terms of each of the Settlement Agreement, the Asset Purchase Agreement and the Cooperation Agreement are hereby approved in all respects.
4. The Debtors are authorized, empowered and directed to take any and all actions and execute any and all documents and instruments that are reasonably necessary or appropriate to implement and effectuate the Settlement.

5. The Debtors are authorized, empowered and directed to execute and deliver all additional instruments and documents that may be reasonably necessary or desirable to implement the Settlement Agreement, the Asset Purchase Agreement and the Cooperation Agreement, and to take all further actions as may be requested by DIRECTV for the purpose of assigning, transferring, granting, conveying and conferring to DIRECTV or reducing to possession, the Purchased Assets free and clear of all Liens and interests (other than Permitted Exceptions), or as may be necessary or appropriate to the performance of the obligations as contemplated by the Asset Purchase Agreement or the Cooperation Agreement.

6. Pursuant to Sections 105(a) and 363(f) of the Bankruptcy Code, the Purchased Assets shall be transferred to DIRECTV, and upon consummation and Closing shall be, free and clear of all Liens and interests (other than Permitted Exceptions); provided, however, that any Liens that do exist on, and any interests in, the Purchased Assets (other than the Permitted Exceptions) shall attach solely to the net Purchase Price in the order of their priority, with the same validity, force and effect which they now have as against the Purchased Assets, subject to any claims and defenses the Debtors or other parties in interest may possess with respect thereto.

7. The transfer of the Purchased Assets to the DIRECTV pursuant to the Asset Purchase Agreement constitutes a legal, valid, and effective transfer of the Purchased Assets, and vests or shall vest DIRECTV with good title and all right, title, and interest of the Debtors in and to the Purchased Assets free and clear of all Liens and interests (other than Permitted Exceptions).

8. Each and every federal, state, and local governmental agency or department is hereby directed to accept any and all documents and instruments necessary and appropriate to consummate the transactions contemplated by the Settlement.

9. All entities who are presently, or on the Closing Date may be, in possession of some or all of the Purchased Assets are hereby directed to surrender possession of the Purchased Assets to DIRECTV on the Closing Date other than subscribers of the Debtors that are renting DBS equipment in the ordinary course of the Debtors' Business involving the marketing and distribution of DIRECTV Services.

10. The Asset Purchase Agreement, the Settlement Agreement and the Cooperation Agreement, and the transactions contemplated thereby, are mutually dependent and constitute a single integrated Settlement. All such transactions are undertaken by DIRECTV in "good faith," as that term is used in section 363(m) of the Bankruptcy Code, and accordingly, no reversal or modification on appeal of the authorization provided herein to consummate the transfer the Purchased Assets under the Asset Purchase Agreement, the settlements under the Settlement Agreement, and the transactions contemplated by the Cooperation Agreement, shall affect the validity of the transfer of the Purchased Assets to DIRECTV, said settlements or said transactions, unless such authorization is duly stayed pending such appeal. DIRECTV is a purchaser in good faith of the Purchased Assets, and is entitled to all of the protections afforded by Section 363(m) of the Bankruptcy Code.



11. In furtherance of this Order, the Settlement Agreement, the Asset Purchase Agreement and the Cooperation Agreement and any related agreements, documents or other instruments may be modified, amended or supplemented by the parties thereto, in a writing signed by such parties, and in accordance with the terms thereof, without further order of the Court; provided such modification, amendment or supplement is not material.

12. No party to the Settlement is acquiring or assuming the liabilities of any other party except as expressly provided in the Settlement.

13. The transfer of the Purchased Assets pursuant to the Asset Purchase Agreement is a transfer pursuant to section 1146(c) of the Bankruptcy Code, and, accordingly, shall not be taxed under any law imposing a stamp tax or any other similar transfer tax. Each and every federal, state and local government agency or department is hereby directed to accept any and all documents and instruments necessary and appropriate to consummate the transfer of any of the Purchased Assets, all without imposition or payment of any stamp tax or similar transfer tax.

14. As provided by Bankruptcy Rule 6004(g), and notwithstanding Bankruptcy Rule 7062, this Order shall be effective and enforceable immediately upon entry. Time is of the essence in closing the transactions pursuant to the Settlement, and the parties are permitted to consummate the transactions contemplated by the Settlement immediately upon entry of this Order.

15. This Court retains jurisdiction to interpret, enforce and implement the Settlement, including the Settlement Agreement, the Asset Purchase Agreement and the

Cooperation Agreement and all amendments thereto, any waivers and consents thereunder, and each of the agreements executed in connection therewith in all respects, including, but not limited to, retaining jurisdiction to resolve any disputes, controversy or claims arising under or related to the Settlement, and interpret, implement, and enforce the provisions of this Order.

16. Nothing contained in any plan of reorganization or liquidation confirmed in these cases or any order of this Court confirming such plan shall conflict with or derogate from the provisions of the Settlement Agreement, the Asset Purchase Agreement, the Cooperation Agreement or the terms of this Order. The Settlement and the transactions contemplated thereby shall be specifically performable and enforceable against and binding upon, and not subject to rejection or avoidance by, or on behalf of the Sellers, their respective estates or any chapter 7 or chapter 11 trustee of any Seller.

17. The provisions of this Order are nonseverable and mutually dependent.

Portland, Maine

August \_\_\_\_, 2004

---

UNITED STATES BANKRUPTCY JUDGE

**EXHIBIT A**

**Global Settlement Agreement**

(attached hereto)

**EXHIBIT B**

**Asset Purchase Agreement**

(attached hereto)

**Exhibit C**

**Cooperation Agreement**

(attached hereto)