

Headings. The provision of the Table of Contents, the division of this Agreement into Articles, Sections and other subdivisions and the insertion of headings are for convenience of reference only and shall not affect or be utilized in construing or interpreting this Agreement. All references in this Agreement to any "Article" or "Section" of or "Schedule" to are to the corresponding Article or Section of or Schedule to this Agreement.

Herein. The words such as "herein", "hereinafter", "hereof" and "hereunder" refer to this Agreement as a whole and not merely to a subdivision in which such words appear.

Including. The word "including" or any variation thereof means "including, without limitation" and shall not be construed to limit any general statement that it follows to the specific or similar items or matters immediately following it.

(b) The parties hereto have participated jointly in the negotiation and drafting of this Agreement and, in the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as jointly drafted by the parties and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provision of this Agreement.

ARTICLE II

OPERATIONAL MATTERS

2.1 Working Teams.

(a) The Persons set forth on Schedule 2.1(a) will constitute the "Working Teams". Each party hereto may make additions to the Working Teams by providing notice to the other party. The Working Teams will be responsible for managing the implementation of this Agreement, including formulating a plan with respect to the following functional areas:

- (i) Billing and IT infrastructure;
- (ii) Customer service and Customer communications;
- (iii) Customer residence servicing activities (such as equipment servicing calls and equipment upgrade activities);
- (iv) Accounting and financial operations;
- (v) Sales and marketing; and
- (vi) Customer retention and churn minimization tactics.

(b) Each party shall designate, within three (3) Business Days of the date hereof, one person to coordinate all contacts and communications between the parties regarding the implementation of this Agreement (the "Contact Persons").

(c) The Working Teams shall, in good faith, attempt to resolve any disputes regarding the specific operations under, and timing or method of implementation or interpretation of this Agreement. If the Working Teams cannot reach a resolution within five (5) Business Days from the day a dispute first arises, the dispute shall be referred to the Contact Persons for resolution. If the Contact Persons cannot reach an agreement within five (5) Business Days of a dispute being referred to them, such dispute shall be submitted to the Bankruptcy Court in accordance with Section 6.4, provided, however, that in the event that such dispute is a financial dispute, such dispute shall be submitted to the Referee in accordance with Section 6.5. Pegasus and DIRECTV acknowledge the necessity for such disputes to be adjudicated on an expedited basis and agree that they will jointly request that the Bankruptcy Court schedule a hearing on such matters on a shortened emergency basis and seek similar expedited treatment from the Referee.

2.2 Customer Account Migration.

(a) Promptly after the date hereof, the Working Teams will begin to develop a plan to migrate the Customers to align with DIRECTV's business rules ("Migration Plan") that includes the process to implement such plan (the "Migration Planning"). Business rules for the Migration Plan will cover all aspects of the standard DIRECTV customer experience, including standard DIRECTV programming packages, pricing and offers, equipment lease rates, extended warranty provisions, Customer upgrades, Customer acquisition costs and Customer retention and churn minimization tactics that may, at DIRECTV's discretion and direction, vary from the standard DIRECTV offers and rules.

(b) Pegasus Working Team members shall provide DIRECTV Working Team members with such access, information and input as necessary for DIRECTV to determine the most efficient approach for the transfer of Customers to DIRECTV at the Closing or over such period of time after the Closing as directed by DIRECTV (the "Customer Transfer"). The information to be provided pursuant to this Section 2.2(b) shall be presented by subscriber categories established by the Working Teams (e.g., by pricing and package type); provided, however, that, prior to Closing (except as otherwise provided in the next sentence), such information from PST shall not include Subscriber List information. If upon application by DIRECTV, the Bankruptcy Court determines that Pegasus is in breach of its obligations under this Section 2.2(b), DIRECTV shall have the unilateral right, to the extent authorized by the Bankruptcy Court, to access the information required by DIRECTV (including by accessing electronic information of Pegasus maintained by or viewable by DIRECTV) to prepare the information contemplated by this Section 2.2(b). In such event, DIRECTV agrees not to use any information retrieved from such files for purposes of directly marketing to any Customers prior to the Closing or otherwise in a manner inconsistent with any orders entered by the Bankruptcy Court in the Chapter 11 Case to date. Notwithstanding anything in this Agreement to the contrary, except as set forth in this Section 2.2(b), DIRECTV shall not be provided with Subscriber List information prior to the Closing.

(c) The sharing of relevant information and planning phase of the Migration Planning shall occur as soon as practicable after the date hereof, with (i) the implementation of the Migration Plan commencing on such date after the Implementation Date as determined by the Working Teams and (ii) the Customer Transfer occurring on the

Closing Date or such time or times after the Closing, as designated by DIRECTV and implemented jointly by both parties.

(d) In connection with the Migration Planning, Pegasus shall deliver to its Customers a communication approved by DIRECTV and Pegasus, announcing this Agreement and notifying Customers that it is anticipated that they will have the opportunity to become DIRECTV customers in the future through the parties' joint efforts. The communication shall be delivered as soon as practical after the date hereof and the Working Teams shall promptly after the date hereof coordinate the preparation of such announcement. At DIRECTV's expense, Pegasus shall deliver additional communications to Customers, approved by DIRECTV and Pegasus, as the Working Teams deem appropriate from time to time to further the Migration Planning and Customer Transfer.

(e) The parties agree that Pegasus Customer service scripting, bill stuffers, website and IVR messaging, bill statement messages and all other Customer communications, to the extent used or made after the Implementation Date, will be subject to the Working Teams' approval.

2.3 Customer Service Operations.

(a) Pegasus shall use commercially reasonable efforts to obtain such consents as necessary to allow DIRECTV immediate access, after the date hereof for planning purposes, to (i) the ADS-owned customer service facility in Dallas, Texas (the "ADS Facility"), and (ii) documentation and information related thereto as requested by DIRECTV and available to Pegasus (including a copy of the ADS Facility contract, policies and procedures in place at the ADS Facility, performance statistics, training processes and materials and IT tools in place at the ADS Facility). Subject to (i) DIRECTV's determination to the contrary following its review and assessment of such information and (ii) the assumption by the Sellers in the Chapter 11 Case and assignment of the ADS Facility contract to DIRECTV as of the Closing, the ADS Facility will remain operating through the current contract period (expiring in December, 2004) to assist in facilitation of the Customer Transfer and subsequent transition activities. Within ten (10) days after the date hereof, DIRECTV shall advise Pegasus of its determination to assume or not assume the ADS Facility contract.

(b) The Working Teams shall develop a retention plan for call center employees, which will be funded by DIRECTV, in order to maintain commercially reasonable call center service levels as established by the Working Teams. If service levels prior to the Implementation Date fall below Pegasus' current service levels or if service levels after the Implementation Date fall below the service levels established by the Working Teams, Pegasus agrees to cause calls received at such call centers to be directed to the Convergys call center contracted by DIRECTV, where such calls will be handled for Pegasus' account prior to the Closing Date. The cost to utilize the excess capacity at the Convergys call center will be shared equally by Pegasus and DIRECTV. The parties shall have joint management oversight of the Convergys call center with respect to such calls, with scripts approved by Pegasus.

(c) Pegasus will not send out WARN Act notices to its call center employees until two (2) calendar days after the date hereof, in order to allow the Working Teams to establish information about the call center retention plans.

2.4 Customer Billing and Collection Activities

(a) Pegasus shall continue in the ordinary course to bill and collect from Customers from the date hereof until the Closing. The Working Teams shall determine the appropriate billing and remittance procedures for bills either mailed to Customers after the Closing or mailed before Closing with remittances due after Closing.

(b) Collection activities shall be included in the business rules addressed in the Migration Plan provided for in Section 2.2(a) hereof.

2.5 Sales and Distribution Activities; Retention and Upgrade; Residence Servicing Activities.

(a) As soon as practicable after the date hereof, the Working Teams shall begin to discuss a process to handle those potential customers who contact Pegasus to activate accounts after the Closing, including processes for the parties to manage the activation of such potential customers as DIRECTV customers and the installation of equipment in their residences. If Pegasus, in its sole discretion, decides to cease activities relating to subscriber acquisition prior to the Closing, Pegasus agrees to refer such potential customers exclusively to DIRECTV in accordance with procedures established by the Working Teams.

(b) As soon as practical after the date hereof, Pegasus shall provide the Working Teams with such data as may be reasonably requested by DIRECTV relating to the Pegasus retailers, including information regarding territories covered, number of Customers activated by each retailer in the prior twelve months, charge backs and such other information as reasonably requested by DIRECTV but excluding such information that specifically identifies or allows specific identification of, or contact with, the Pegasus retailers or any of their Affiliates. The Working Teams shall determine the content of any letters that shall be delivered to Pegasus retailers with respect to the transactions contemplated by the Asset Purchase Agreement and the future relationship between DIRECTV and the retailers. In the event that a retailer of Pegasus or any of its Affiliates contacts DIRECTV, DIRECTV may discuss its future role, if any, and any other matters deemed appropriate by DIRECTV with such retailer; provided, however, that DIRECTV shall keep the Working Teams apprised generally of contacts with Pegasus retailers relating to the establishment of future relationships with those retailers. In addition, DIRECTV and Pegasus shall keep the Working Teams apprised generally of material activities with respect to such parties' retailers or their Affiliates in Pegasus's territories, but DIRECTV shall not otherwise be limited by this Section 2.5(b).

(c) In addition, Pegasus shall promptly provide information similar to that described in Section 2.5(b) above regarding Pegasus' relationships with installation and equipment servicing providers, but excluding such information that specifically identifies or allows specific identification of, or contact with, the Pegasus installation and equipment

servicing providers or any of their Affiliates, to allow DIRECTV to assess the role, if any, that it would like such providers to undertake.

(d) As soon as practical after the date hereof, the Working Teams will discuss appropriate business rules for retaining and upgrading existing customers during the period prior to Closing. Subject to DIRECTV's right to terminate its obligations to reimburse certain costs of Pegasus as described in Section 3.1(b), the parties shall use commercially reasonable efforts to implement such business rules after the Implementation Date.

2.6 Member Agreements. DIRECTV agrees that notwithstanding the actions to terminate the Member Agreements by NRTC, and the Seamless Agreement by DIRECTV, effective on August 31, 2004 (which termination is disputed by Pegasus), from and after September 1, 2004 through the Closing Date or for the period provided by Section 5.4(e), as applicable, DIRECTV will provide Pegasus the services otherwise required to be provided by NRTC to Pegasus as if the Member Agreements and the Seamless Agreement were still in effect (without DIRECTV agreeing to assume any exclusivity obligations) and Pegasus shall continue to comply with the Member Agreements and the Seamless Agreement as if they were still in effect; provided, however, that DIRECTV does not assume any liabilities or obligations of NRTC arising under or related to the Member Agreements. It is expressly acknowledged and agreed that in the event the Asset Purchase Agreement or this Agreement is terminated, nothing in this Section 2.6 shall be construed as amending or modifying the Member Agreements, or as an assumption of the Member Agreements by DIRECTV under Section 15 thereof, and no party will offer evidence or argument about the existence or purpose of this Agreement in any proceeding, action, motion or contested matter before the Bankruptcy Court or any other court relating to the Member Agreements. It is the intent of the parties that their legal relationship return to the status quo as of the time of the signing of this Agreement and no party's legal rights or arguments existing prior to this Agreement will be prejudiced or altered by this Agreement or any action taken pursuant to this Agreement.

2.7 Existing Migration Process.

(a) The parties hereto acknowledge that DIRECTV will continue to implement a separate migration process during the term of this Agreement, to terminate the existing Customer accounts and activate new DIRECTV accounts for those Customers who request to become DIRECTV customers, all in accordance with DIRECTV's interpretation of any orders entered by the Bankruptcy Court's orders in the Chapter 11 Case to date, but without prejudice to Pegasus' right to contest this migration process if the Asset Purchase Agreement is terminated or the Settlement Agreement does not become effective (the "Existing Migration Process").

(b) Unless the Working Teams determine otherwise, Pegasus agrees to cooperate with the Existing Migration Process as follows:

(i) Without prejudice to Pegasus' rights to contest the Existing Migration Process in the event the Asset Purchase Agreement is terminated or the Settlement Agreement does not become effective, Pegasus shall not prevent the

deactivation, or refuse to deactivate, any Customer who requests to transfer to DIRECTV.

(ii) During the term of this Agreement, Pegasus shall defer the billing of any fees or charges related to the non-return of DIRECTV services receiving equipment (including access cards) or the early termination or disconnection of services, in the case of Customers who Pegasus knows have transferred to DIRECTV.

(iii) Pegasus agrees that its communications with Customers regarding the Existing Migration Process shall be handled in accordance with Section 2.2(e).

(iv) Pegasus shall comply with its obligations under Section 8.2(d) of the Asset Purchase Agreement.

(c) As soon as practical after the date hereof, the Working Teams shall discuss a process to enable Pegasus and DIRECTV, at DIRECTV's election, to screen Active Subscribers from any solicitations to be sent by DIRECTV to potential new subscribers for DIRECTV services during the period prior to Closing.

ARTICLE III

COST REIMBURSEMENT

3.1 Customer Offers Reimbursement.

(a) Subject to Section 3.1(b), DIRECTV agrees to reimburse Pegasus for amounts actually expended or incurred by Pegasus, from and after the date hereof and prior to the Closing Date, for: (i) new Customer acquisition costs, including retailer sales commissions and other dealer compensation, distributor compensation and equipment and installation subsidies and costs, but not including advertising or similar marketing expenditures unless specifically approved by the Working Teams, (ii) retention activities related to churn mitigation and Customer loyalty, and (iii) equipment upgrade activities, in each case incurred in the ordinary course of business and in accordance with Pegasus' policies existing on the date hereof until the Working Teams have developed the Migration Plan and thereafter as implemented in accordance with the Migration Plan. Nothing in this Agreement shall prevent Pegasus from incurring advertising or marketing expenditures, in its sole discretion and at its own costs.

(b) If the Working Teams have not developed and agreed upon, within ten (10) calendar days of the date hereof, the section of the Migration Plan that covers the funding aspects of the activities listed in (i) through (iii) in Section 3.1(a), DIRECTV may terminate its obligations to make reimbursements for any or all of the costs listed in Section 3.1(a) incurred after five (5) Business Days written notice to Pegasus, and Pegasus in its discretion may cease or reduce any activities giving rise to such costs. In addition, if (i) DIRECTV receives notice from Sellers' that Sellers are in breach of any representation or warranty or any covenant or agreement contained in the Asset Purchase Agreement, (ii) Sellers are in material breach of

(c) In addition, DIRECTV expressly reserves the right to terminate its obligation to reimburse Pegasus for any Customer acquisition costs incurred by Pegasus on or after September 1, 2004, at any time upon five (5) Business Days written notice to Pegasus, and Pegasus, in its discretion, may cease or reduce any activities giving rise to such costs.

3.3 Customer Conversion Reimbursement. DIRECTV agrees to reimburse Pegasus in an amount equal to the Customer Conversion Reimbursement Amount.

ARTICLE IV

4.1 Transition Services. Pegasus hereby agrees that it shall provide such transition services post-Closing as shall be determined by the Working Teams to fully effectuate the Customer Transfer and post-Closing customer care, billing and collection. Prior to the Closing, the Working Teams shall determine (i) the nature of the services required, (ii) the post-Closing time period for which the services shall be required (which shall in no event exceed 60 days following the date of the Closing) (the “Transition Period”), and (iii) a good faith estimate of all costs to be incurred with respect to such services required. DIRECTV agrees to pay Pegasus an amount equal to the Working Teams’ estimate of such costs at the beginning of each thirty (30) day post-Closing period. A monthly

statement shall be delivered by Pegasus to DIRECTV within fifteen (15) days after the end of each thirty (30) day post-Closing period. If the Working Teams estimate of such costs differs from the actual costs incurred as provided in Pegasus' monthly statement, Pegasus or DIRECTV, as the case may be, shall make an appropriate reconciliation payment to the other, within five (5) Business Days after Pegasus delivers the statement to DIRECTV, of such amount by wire transfer of immediately available funds. Any disputes pursuant to this Section 4.1 shall be resolved pursuant to Sections 6.4 or 6.5, hereof, as the case may be.

4.2 Incentive Fee. Pegasus employees shall be eligible to earn an incentive fee for the prompt and successful conclusion of all aspects of the post-Closing transition activities (including customer care, billing and collection) (the "Incentive Fee"). The Incentive Fee shall be paid by DIRECTV to Pegasus for payment to the Pegasus employees specified by the Working Teams, upon completion of certain actions and criteria established by DIRECTV prior to the Closing. The amount and time of the Incentive Fee payment shall be determined by the Working Teams; provided, however, that notwithstanding Section 6.4, in the event of a dispute, the DIRECTV Contact Person's decision regarding whether Incentive Fees should be paid or the amount thereof shall be final, conclusive and binding on the parties with respect to such matters. DIRECTV agrees to indemnify Pegasus for any liabilities and costs incurred by Pegasus in the event (i) DIRECTV announces to Pegasus employees the actions and criteria to be met for the Incentive Fee payment to be made, and (ii) DIRECTV does not pay such Incentive Fee if such criteria and actions have been met.

ARTICLE V

TERMINATION

5.1 Bankruptcy Court Approval. As part of the Approval Motion, Pegasus agrees to promptly seek approval of this Agreement (to the extent such approval is required) with the Bankruptcy Court.

5.2 Termination of Agreement. This Agreement may be terminated as follows:

- (a) by either Pegasus or DIRECTV, if for any reason the Asset Purchase Agreement or the Settlement Agreement is terminated;
- (b) by either Pegasus or DIRECTV, if the Bankruptcy Court determines that there has been a breach by the other party of any material agreement or understanding contained in this Agreement and which breach, following the receipt by the breaching party of a notice to cure such breach from the non-breaching party, has not been cured by the tenth (10th) day following receipt of such written notice;
- (c) by DIRECTV, (i) upon receiving notice from Sellers' that Sellers are in breach of any representation or warranty or any covenant or agreement contained in the Asset Purchase Agreement, or (ii) if DIRECTV provides written notice to the Sellers that Sellers are in material breach of any representation or warranty or any covenant or agreement contained in the Asset Purchase Agreement; or
- (d) by DIRECTV, if any Seller enters into a Covered Transaction.

5.3 Procedure Upon Termination. In the event of termination by Pegasus or DIRECTV, or both, pursuant to Section 5.2, written notice thereof shall forthwith be given to the other party, and this Agreement shall terminate, without further action by Pegasus or DIRECTV. If this Agreement is validly terminated as provided herein, each party shall re-deliver to the party furnishing the same or destroy all documents, work papers and other material of any other party relating to the transactions contemplated hereby, whether so obtained before or after the execution hereof.

5.4 Effect of Termination. Notwithstanding anything in this Agreement to the contrary, the parties hereby agree that in the event of termination of this Agreement pursuant to Section 5.2,

(a) the parties shall retain their then existing respective rights and obligations (if any) with respect to their relationship generally, including with respect to Customer receivables and liabilities on a going forward basis as of such termination, and no party will offer evidence or argue that the existence or performance of this Agreement prior to termination created new rights or obligations or altered the rights or obligations of the parties existing prior to the date hereof;

(b) if the Closing occurs, then the amounts owed to Pegasus pursuant to Sections 3.1 and 3.2 shall be calculated through the day this Agreement was terminated, and such amounts shall be paid in accordance to the Asset Purchase Agreement;

(c) notwithstanding the earlier termination of this Agreement, the amounts owed to Pegasus pursuant to Sections 3.3 shall be calculated through the Reference Date and such amounts shall be paid in accordance with the Asset Purchase Agreement;

(d) the parties shall retain such rights and obligations regarding the Customer information as they would have possessed absent the execution and performance of this Agreement;

(e) unless the Asset Purchase Agreement has been terminated pursuant to Sections 4.4(g), 4.4(h), 4.4(j) or 4.4(k) thereof, the rights and obligations of DIRECTV and Pegasus under Section 2.6 shall continue until the earlier of (i) the denial by the District Court of Sellers' appeal of the Bankruptcy Court order which denied Sellers' motion for a preliminary injunction, or (ii) forty five (45) days after the termination of the Asset Purchase Agreement; and

(f) if the Asset Purchase Agreement has been terminated by Sellers pursuant to Section 4.4(a), 4.4(b), 4.4(d), 4.4(e), 4.4(f) or 4.4(i) thereof, Pegasus may offset the reimbursements to be made by DIRECTV under Sections 3.1, 3.2 and 3.3 against the amount of Net Service Obligations allowed by the Bankruptcy Court and actually received by DIRECTV; provided, however, that Pegasus shall not be entitled to any reimbursement under Section 3.3 and shall not have any right to offset such amount owed under Section 3.3 if the Asset Purchase Agreement is terminated by Sellers pursuant to Section 4.4(a), 4.4(f) or 4.4(i), and at such time Pegasus had entered into a Covered Transaction.

ARTICLE VI

MISCELLANEOUS

6.1 Post-Petition Amounts Due from Pegasus to DIRECTV. Any claim that DIRECTV may have relating to or arising out of this Agreement (including if Pegasus breaches this Agreement) for post-Closing activities shall, to the extent of the amount allowed, constitute allowed expenses of administration under sections 503(b) and 507(a)(1) of the Bankruptcy Code and shall be paid to DIRECTV as and when due.

6.2 Audit.

(a) With respect to any payments required to be made by DIRECTV to Pegasus pursuant to this Agreement (other than Section 3.3), Pegasus shall deliver a statement setting forth in reasonable detail the services rendered in connection with such statement and the amount Pegasus believes it is owed. DIRECTV will have the right to raise objections to the statement within ten (10) days after their receipt thereof (but in no event will the Closing be delayed to resolve any disputes), in which event Pegasus shall provide DIRECTV and its independent auditors and agents with reasonable access, during regular business hours, to the employees, books, records or properties of Pegasus required in connection with DIRECTV's review of such statements.

(b) With respect to the reimbursement made by DIRECTV to Pegasus pursuant to Section 3.3, DIRECTV shall deliver to Pegasus within three (3) Business Days after the end of each week during the term hereof a statement setting forth the daily Excess Migration Amount during the prior week. If the Closing does not occur and Pegasus is entitled to receive payment pursuant to Section 3.3, Pegasus has the right to raise objections to the calculations set forth in the statement in a manner consistent with Section 3.2(c)(iii) of the Asset Purchase Agreement.

(c) DIRECTV will pay the amounts stated upon presentation of invoices upon Closing or prior to the Closing (in the case of amounts owed pursuant to Section 2.3(b)). Any disputes pursuant to this Section 6.2 will be resolved pursuant to Section 6.5.

6.3 Expenses. Except as otherwise provided in this Agreement, each of Pegasus on the one hand, and DIRECTV, on the other hand, shall bear their own expenses incurred in connection with the negotiation and execution of this Agreement and each other agreement, document and instrument contemplated by this Agreement and the consummation of the transactions contemplated hereby and thereby.

6.4 Submission to Jurisdiction; Consent to Service of Process.

(a) Without limiting any party's right to appeal any order of the Bankruptcy Court, (i) the Bankruptcy Court shall retain exclusive jurisdiction to enforce the terms of this Agreement and to decide any claims or disputes which may arise or result from, or be connected with, this Agreement, any breach or default hereunder, or the transactions contemplated hereby, and (ii) any and all proceedings related to the foregoing shall be filed and maintained only in the Bankruptcy Court, and the parties hereby consent to and submit to

the jurisdiction and venue of the Bankruptcy Court and shall receive notices at such locations as indicated in Section 6.8; provided, however, that if the Chapter 11 Case has closed or if the Bankruptcy Court elects to not exercise its jurisdiction, the parties agree to unconditionally and irrevocably submit to the exclusive jurisdiction of the United States District Court for the Southern District of New York sitting in New York County or the Commercial Division, Civil Branch of the Supreme Court of the State of New York sitting in New York County and any appellate court from any thereof, for the resolution of any such claim or dispute. The parties hereby irrevocably waive, to the fullest extent permitted by applicable law, any objection which they may now or hereafter have to the laying of venue of any such dispute brought in such court or any defense of inconvenient forum for the maintenance of such dispute. Each of the parties hereto agrees that a judgment in any such dispute may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(b) Each of the parties hereto hereby consents to process being served by any party to this Agreement in any suit, action or proceeding by delivery of a copy thereof in accordance with the provisions of Section 6.8.

6.5 Financial Dispute. Notwithstanding anything to the contrary contained in Section 6.4, the parties agree that in the event of a financial dispute, such dispute will be resolved in a manner consistent with Section 3.2(e)(vi) of the Asset Purchase Agreement, in the same manner as disputes with respect to any Net Service Obligations are resolved.

6.6 Waiver of Right to Trial by Jury. Each party to this Agreement waives any right to trial by jury in any action, matter or proceeding regarding this Agreement or any provision hereof.

6.7 Entire Agreement; Amendments and Waivers. This Agreement (including the Schedules), the Asset Purchase Agreement, the Confidentiality Agreement and the Settlement Agreement represent the entire understanding and agreement between the parties hereto with respect to the subject matter hereof. This Agreement can be amended, supplemented or changed, and any provision hereof can be waived, only by any resolution of dispute involving the payment of money or written instrument making specific reference to this Agreement signed by the party against whom enforcement of any such amendment, supplement, modification or waiver is sought; provided, further, that if such party against whom enforcement is sought is Pegasus or if Pegasus is giving any written notice under this Agreement, the written instrument must also be signed by a representative of the Creditors' Committee. No action taken pursuant to this Agreement shall be deemed to constitute a waiver by the party taking such action of compliance with any representation, warranty, covenant or agreement contained herein. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a further or continuing waiver of such breach or as a waiver of any other or subsequent breach. No failure on the part of any party to exercise, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of such right, power or remedy by such party preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

6.8 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts made and performed in such State, irrespective of and without regard for its conflicts of law principles, as to all matters, including matters of validity, construction, effect, enforceability, performance and remedies.

6.9 Notices. All notices and other communications under this Agreement shall be in writing and shall be deemed given (a) when delivered personally by hand (with written confirmation of receipt by the addressee thereof or any other person at such address), (b) when sent by facsimile (with confirmation of transmission) or (c) one Business Day following the day sent by overnight courier (with written confirmation of receipt by the addressee thereof or any other person at such address), in each case at the following addresses and facsimile numbers (or to such other address or facsimile number as a party may have specified by notice given to the other party pursuant to this provision):

If to DIRECTV:

DIRECTV, Inc.
2230 East Imperial Highway
El Segundo, CA 90245
Facsimile: 310-964-4991
Attention: Dan Fawcett
Executive Vice President, General Counsel and Secretary

With a copy to:

The DIRECTV Group, Inc.
2250 East Imperial Highway
El Segundo, California 90245
Facsimile: 310-964-0838
Attention: Larry D. Hunter
Executive Vice President, General Counsel and Secretary

With a copy to:

Weil, Gotshal & Manges LLP
767 Fifth Avenue
New York, New York 10153
Facsimile: (212) 310-8007
Attention: Frederick Green, Esq.
Michael Lubowitz, Esq.

If to Pegasus, to:

225 City Line Avenue
Bala Cynwyd, PA 19004
Facsimile: 610-934-7072
Attention: Scott Blank, Senior Vice President and General Counsel

With a copy to:

Sidley Austin Brown & Wood LLP
1501 K Street, NW
Washington, DC 20005
Facsimile: 202 736 8711
Attention: Thomas H. Yancey

With a copy to:

Akin Gump Strauss Hauer & Feld, LLP
590 Madison Avenue
New York, NY 10022
Facsimile: (212)872-1002
Attention: Daniel Golden, Esq.
David Botter, Esq.

6.10 Severability. If any term or other provision of this Agreement is invalid, illegal, or incapable of being enforced by any law or public policy, all other terms or provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic and legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal, or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the transactions contemplated hereby are consummated as originally contemplated to the greatest extent possible.

6.11 Binding Effect; Assignment. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns and, additionally with respect to Pegasus, shall be binding upon any chapter 11 or 7 trustee appointed or elected for Pegasus and shall not be discharged by any plan of reorganization or liquidation that may be confirmed in the Chapter 11 Case, the conversion of such case to Chapter 7, or the dismissal of any such case. The terms of any plan submitted by Pegasus to the Bankruptcy Court for confirmation shall not be in conflict with, supersede, abrogate, nullify, modify or restrict the terms of this Agreement and the rights of DIRECTV hereunder, or in any way prevent or interfere with the consummation or performance of the transactions contemplated by this Agreement, including, without limitation, any transaction that is contemplated by or approved pursuant to the order of the Bankruptcy Court approving this Agreement. Nothing in this Agreement shall create or be deemed to create any third party beneficiary rights in any Person not a party to this Agreement. No assignment of this Agreement or of any rights or obligations hereunder may be made by Pegasus or DIRECTV (by operation of law or otherwise) without the prior written consent of the other parties hereto and any attempted assignment without the required consents shall be void; provided,

however, that Pegasus may assign its rights to receive payments pursuant to this Agreement to a liquidating trust. No assignment of any obligations hereunder shall relieve the parties hereto of any such obligations.

6.12 Non-Recourse. No past, present or future director, officer, employee, incorporator or stockholder of Pegasus or DIRECTV shall have any liability for any obligations or liabilities of Pegasus or DIRECTV under this Agreement of or for any claim based on, in respect of, or by reason of, the transactions contemplated hereby and thereby.

6.13 Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Agreement and all of which, when taken together, will be deemed to constitute one and the same agreement.

6.14 Reservation of Rights. Notwithstanding anything in this Agreement, it is acknowledged and understood that there exist disputes between the parties regarding the Purchased Assets (as defined in the Asset Purchase Agreement), including disputes about ownership, rights to use, access and what is in fact an asset or right of Pegasus or DIRECTV, including with respect to Subscriber Information. If this Agreement is terminated, nothing in this Agreement shall be deemed to be a waiver of any claim or defense relating to such assets or rights or an admission with respect to any claim or defense relating to such pre-existing disputes or other matters. If the Closing does occur, the Settlement Agreement shall be effective in accordance with its terms.

6.15 No Survival. In the event that this Agreement is validly terminated in accordance with Section 5.2, then each of the parties shall be relieved of its duties and obligations arising under this Agreement after the date of such termination and such termination shall be without liability to any of the parties; provided, however, that the obligations of the parties set forth in Sections 2.3(b), 2.6, 5.3, 5.4, Articles IV and VI shall survive such termination and shall be enforceable hereunder.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first written above.

PEGASUS SATELLITE TELEVISION,
INC.

By: /s/ Ted S. Lodge
Name: Ted S. Lodge
Title: President and Chief Operating
Officer

DIRECTV, INC.

By: /s/ Michael W. Palkovic
Name: Michael W. Palkovic
Title: Executive VP and Chief
Financial Officer

Exhibit D: Letter Agreement

AGREEMENT

This AGREEMENT (this "Agreement") is made and entered into as of July 30, 2004 by and among (a) Pegasus Communications Corporation, a Delaware corporation ("PCC") (on its own behalf and on behalf of its direct and indirect subsidiaries (other than Pegasus Satellite Communications, Inc. ("PSCI") and its direct and indirect subsidiaries) (collectively with PCC, the "Company")), (b) the statutory committee of unsecured creditors duly appointed in the Chapter 11 Cases (as defined below) (the "Committee") and (c) each member of the Official Committee of Unsecured Creditors (the "Committee") appointed in the Chapter 11 Cases (as defined below) listed on the signature pages of this Agreement (individually, a "Consenting Holder," and collectively, the "Consenting Holders").

RECITALS

WHEREAS, on June 2, 2004 (the "Petition Date"), PSCI and substantially all of its direct and indirect subsidiaries (the "Debtors") filed voluntary petitions for relief with the United States Bankruptcy Court for the District of Maine (the "Bankruptcy Court") commencing cases (the "Chapter 11 Cases") under chapter 11, title 11 of the United States Code (the "Bankruptcy Code");

WHEREAS, the Debtors are in the business of providing direct broadcast satellite television ("DBS") services in certain rural areas through agreements with the National Rural Telecommunications Cooperative ("NRTC") called the "NRTC/Member Agreements for Marketing and Distribution of DBS Services" (as amended, the "Member Agreements"), and NRTC, in turn, obtains the services for distribution to the Debtors and to certain other members and affiliates of NRTC through a contract with DIRECTV, Inc. ("DIRECTV") called the "DBS Distribution Agreement" (as amended, the "DBS Agreement");

WHEREAS, prior and subsequent to the Petition Date, the Debtors were, and continue to be, engaged in litigation (the "Litigation") with NRTC and DIRECTV concerning the Member Agreements and DBS Agreement and certain related matters;

WHEREAS, the Debtors, the Company, NRTC, DIRECTV, the Committee and the Consenting Holders have agreed to settle these disputes pursuant to a Global Settlement Agreement, dated as of July 30, 2004 (the "Global Settlement Agreement"), providing for the exchange of various releases, and the Debtors have agreed to sell to DIRECTV, and DIRECTV has agreed to acquire from the Debtors, the assets associated with the DBS business pursuant to an Asset Purchase Agreement, dated as of July 30, 2004 (the "Asset Purchase Agreement"), for a purchase price of \$937,719,121.00 (subject to adjustment as provided therein) and the assumption of certain liabilities;

WHEREAS, PCC is the ultimate parent of the Debtors and holds a Promissory Note, dated June 28, 2002, issued by PSCI (the "PSCI Note");

WHEREAS, each Consenting Holder is a beneficial owner, or an investment adviser or manager for a beneficial owner (with the power to vote and dispose of investments on behalf of such beneficial owner), of claims against one or more Debtors (the "Claims") in the amounts listed below its name on the signature pages hereto;

WHEREAS, the Company, the Committee and the Consenting Holders have engaged in good faith negotiations with the objective of reaching an agreement (the "Settlement") with regard to (a) a settlement of the Debtors dispute with NRTC and DIRECTV pursuant to the Global Settlement Agreement and the Asset Purchase Agreement, (b) the disposition of the broadcast assets of Pegasus Broadcast Television, Inc. ("PBTI") and certain of its affiliates that own or operate broadcast television stations and (c) certain related matters, in each case substantially on the terms set forth in the Term Sheet attached as Exhibit A hereto (the "Term Sheet");

WHEREAS, in order to facilitate the implementation of the Settlement, each Consenting Holder is prepared to commit, as set forth in more detail herein, during the period commencing on the date hereof and ending on the date a Termination Event (as defined herein) first occurs, and no longer, not to sell, transfer or assign any of the Claims except as permitted herein; and

WHEREAS, the Company, the Committee and each Consenting Holder is prepared to commit, on the terms and subject to the conditions of this Agreement and applicable bankruptcy law, to support the Settlement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company, the Committee and the Consenting Holders hereby agree as follows:

1. Restriction on Transfer. Each Consenting Holder represents that, as of the date hereof, it is the beneficial owner, or an investment adviser or manager for a beneficial owner (with the power to vote and dispose of investments on behalf of such beneficial owner), of the Claims listed below its name on the signature pages hereto. Each Consenting Holder hereby agrees that, during the period commencing on the date hereof and ending on the date that a Termination Event first occurs, and no longer, it may sell, transfer or assign any Claims or any option thereon or any right or interest therein, provided, however, that each Consenting Holder shall maintain beneficial ownership of sufficient Claims to maintain membership on the Committee as stated in the Committee By-Laws as in existence on the date hereof.

2. Support of the Settlement. The Company will take all necessary and appropriate action to support the Settlement and the consummation of the transactions envisioned thereby. The Committee and the Consenting Holders will take all reasonably necessary and appropriate actions to support the Settlement and the consummation of the transactions envisioned thereby. The Committee and each Consenting Holder agree that they shall support any motions or applications filed by the Debtors seeking approval of the Bankruptcy Court for the auction of the Broadcast Assets (as defined in the Term

Sheet) pursuant to the procedures and on the timetable described in the Term Sheet and shall not take any action inconsistent with such transaction.

3. Acknowledgment. This Agreement is not and shall not be deemed to be a solicitation by any Debtor for consents to any plan of reorganization.

4. Termination of Agreement and Consenting Holders' Obligations. The Company, the Committee and each Consenting Holder may terminate its obligations hereunder and this Agreement shall terminate if any of the following events (any such event, a "Termination Event") occurs: (i) the Global Settlement Agreement is terminated pursuant to its terms or (ii) the Asset Purchase Agreement is terminated pursuant to its terms (other than a termination of the Asset Purchase Agreement that results in a draw under the Letter of Credit (as defined in the Asset Purchase Agreement) pursuant to Section 3.4 thereof) and the Debtors do not substantially contemporaneously enter into an agreement to sell the DBS business to another buyer for consideration equal to or greater than the consideration provided in the Asset Purchase Agreement or (iii) the effective date of a plan of reorganization.

5. Representations and Warranties. The Company and each Consenting Holders represents and warrants to each other the following statements are true, correct and complete as of the date hereof:

(a) Corporate Power and Authority. It has all requisite power and authority to enter into this Agreement and to carry out the transactions contemplated by, and perform its respective obligations under, this Agreement.

(b) Authorization. The execution and delivery of this Agreement and the performance of its obligations hereunder have been duly authorized by all necessary corporate, partnership or LLC action on its part.

(c) No Conflicts. The execution, delivery and performance by it of this Agreement do not and shall not (i) violate any provision of law, rule or regulation applicable to it or any of its subsidiaries or its certificate of incorporation or bylaws or other organizational documents or those of any of its subsidiaries or (ii) conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any material contractual obligation to which it or any of its subsidiaries is a party.

(d) Governmental Consents. The execution, delivery and performance by it of this Agreement do not and shall not require any registration or filing with, consent or approval of, or notice to, or other action to, with or by, any federal, state or other governmental authority or regulatory body, except such filings as may be necessary in connection with the commencement of the Chapter 11 Cases, the approval of a disclosure statement and the confirmation of a plan of reorganization.

(e) Binding Obligation. This Agreement is the legally valid and binding obligation of it, enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium

or other similar laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability or a ruling of the Bankruptcy Court.

6. Further Acquisition of Securities. This Agreement shall in no way be construed to preclude the Consenting Holders from acquiring additional Claims against the Debtors. However, any such additional Claims so acquired shall automatically be subject to the terms of this Agreement.

7. Amendments. This Agreement may not be modified, amended or supplemented except in writing signed by the Company, the Committee and each Consenting Holder.

8. Disclosure. Unless required by applicable law or regulation or a ruling by a court of competent jurisdiction, the Company shall not disclose any Consenting Holder's holdings of Claims without the prior written consent of such Consenting Holder, and if such announcement or disclosure is so required by law or regulation or court ruling, the Company shall afford such Consenting Holder a reasonable opportunity to review and comment upon any such announcement or disclosure prior to such announcement or disclosure. The foregoing shall not prohibit the Company or the Debtors from disclosing the approximate aggregate holdings of Claims by the Consenting Holders as a group or the existence and terms of this Agreement and that the Consenting Holders have expressed support for the Settlement.

9. Creditors Committee. Notwithstanding anything herein to the contrary, the terms of this Agreement shall not be construed so as to limit any Consenting Holder's exercise of its fiduciary duties to any person arising from its service on the Committee, and any such exercise of such fiduciary duties shall not be deemed to constitute a breach of the terms of this Agreement (but the fact of such service on the Committee shall not otherwise affect the continuing validity or enforceability of this Agreement).

10. Governing Law; Jurisdiction. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York, without regard to any conflicts of law provision which would require the application of the law of any other jurisdiction. By its execution and delivery of this Agreement, the parties hereto hereby irrevocably and unconditionally agrees for itself that any legal action, suit or proceeding against it with respect to any matter under or arising out of or in connection with this Agreement or for recognition or enforcement of any judgment rendered in any such action, suit or proceeding, may be brought in the United States District Court for the Southern District of New York. By execution and delivery of this Agreement, each of the parties hereto hereby irrevocably accepts and submits itself to the nonexclusive jurisdiction of each such court, generally and unconditionally, with respect to any such action, suit or proceeding. Notwithstanding the foregoing consent to New York jurisdiction, during the pendency of the Chapter 11 Cases, each of the parties hereto hereby agrees that the Bankruptcy Court shall have exclusive jurisdiction of all matters arising out of or in connection with this Agreement.

11. Reservation of Rights. This Agreement and the Settlement (including, without limitation, the Global Settlement Agreement and the Asset Purchase Agreement) are part of a proposed settlement of disputes among the parties hereto. Except as expressly provided in this Agreement, nothing herein is intended to, or does, in any manner waive, limit, impair or restrict the ability any party to protect and preserve its rights, remedies and interests, including, without limitation, its Claims against the Debtors. If the transactions contemplated herein (including consummation of the transactions contemplated in the Global Settlement Agreement or the Asset Purchase Agreement) are not consummated, or if this Agreement is terminated for any reason, the parties hereto fully reserve any and all of their rights.

12. Headings. The headings of the sections, paragraphs and subsections of this Agreement are inserted for convenience only and shall not affect the interpretation hereof

13. Successors and Assigns. This Agreement is intended to bind and inure to the benefit of the parties and their respective successors, assigns, heirs, executors, administrators and representatives. The agreements, representations and obligations of the Consenting Holders under this Agreement are, in all respects, several and not joint.

14. Prior Negotiations. This Agreement and the Term Sheet supersede all prior negotiations with respect to the subject matter hereof.

15. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which shall constitute one and the same Agreement.

16. No Third-Party Beneficiaries. Unless expressly stated herein, this Agreement shall be solely for the benefit of the parties hereto and no other person or entity shall be a third-party beneficiary hereof.

17. Consideration. It is hereby acknowledged by the parties hereto that no consideration shall be due or paid to the Consenting Holders for their agreement to support the Settlement or the Company's acquisition of the Broadcast Assets in accordance with the terms and conditions of this Agreement other than the Company's agreement to support the Settlement.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed and delivered by its duly authorized officer as of the date first above written.

PEGASUS COMMUNICATIONS CORPORATION

(on its own behalf and on behalf of its direct and indirect non-debtor subsidiaries)

By: T. S. Lodge
Name: Ted S. Lodge
Title: President and Chief Operating Officer

LC CAPITAL MASTER FUND

By: Steven Laune
Name: MANAGING MEMBER
Title: STEVEN LAUNE

Claims:

\$ _____

David Botto 735 4701

SILVER POINT CAPITAL

By: _____

Name: _____

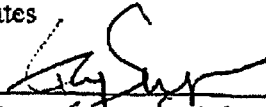
Title: _____

[Handwritten signature: Jeffrey Conroy]
[Handwritten signature: By Chr. Conroy]

Claims:

\$ _____

SINGER CHILDREN MANAGEMENT TRUST and
Affiliates

By: 
Name: GARY SINGER
Title: Investment Advisor

Claims:

\$ _____

STATUTORY COMMITTEE OF UNSECURED
CREDITORS

By WACHOVIA BANK N.A. (solely in its capacity as
Committee Chairperson and not in its individual capacity)

By: 

Name: Staci E Marino

Title: Vice President