

**UNITED STATES BANKRUPTCY COURT  
DISTRICT OF MAINE**

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

**STIPULATION AND ORDER PERMITTING PAYMENT OF  
AMOUNTS TO SENIOR SECURED LENDERS, REVOLVING LENDERS AND  
JUNIOR SECURED LENDERS AND RESERVING RIGHTS WITH RESPECT  
TO PAYMENT OF PREPAYMENT PREMIUMS AND DEFAULT INTEREST**

This stipulation (the “Stipulation”) is entered into this 17th day of September, 2004, by and among (i) the Bank Steering Committee (the “Bank Steering Committee”), comprised of the majority lenders under that certain Fourth Amendment and Restatement of Credit Agreement (the “Senior Credit Agreement”), dated as of October 22, 2003, by and among Pegasus Media & Communications, Inc., as borrower (the “Borrower”), and the lenders from time to time party thereto (the “Senior Secured Lenders”), (ii) the lenders under that certain credit agreement (the “Revolving Credit Agreement”), dated as of December 19, 2003, among Pegasus Media & Communications, Inc., as borrower, the lenders from time to time party thereto (the “Revolving Lenders”), and Madeleine L.L.C., as administrative agent, (iii) Wilmington Trust Company (“Wilmington Trust”), as the successor administrative agent for the various lenders (the “Junior Secured Lenders” and, together with the Senior Secured Lenders and the Revolving Lenders, the “Secured Lenders”) under that certain Amended and Restated Term Loan Agreement (the “Junior Credit Agreement”), dated as of August 1, 2003, among Pegasus Satellite Communications, Inc., as borrower, and the lenders

from time to time party thereto, (iv) Pegasus Satellite Television, Inc. and certain of its subsidiaries and affiliates, the above-captioned debtors and debtors in possession (each a “Debtor” and, collectively, the “Debtors”)<sup>1</sup> and (v) the Official Committee of Unsecured Creditors appointed in the above-captioned cases (the “Committee”), by their undersigned counsel. The parties hereby stipulate as follows:

### **RECITALS**

A. On August 1, 2003, pursuant to Section 1.01 of the Junior Credit Agreement, the Junior Secured Lenders agreed to make term loans to the borrower in an aggregate principal amount not to exceed \$100,000,000 (the “Junior Loans”), which principal has increased since the Junior Loans were made pursuant to Section 1.02(c)(ii) of the Junior Credit Agreement as a result of the accrual of PIK interest added to principal. Pursuant to Section 1.01(c) of the Junior Credit Agreement, the Junior Secured Lenders are entitled to payment on their allowed claim of principal and accrued interest, at a rate equal to 12.5% per annum, on amounts outstanding on the maturity date (the “Allowed Claim for Junior Principal and Non-Default Accrued Interest”).

B. On October 22, 2003, pursuant to Section 1.04A of the Senior Credit Agreement, the Senior Secured Lenders agreed to make term loans to the Borrower in an aggregate principal amount of \$300,000,000 (the “Tranche D Term Loans”). There are

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<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.

also Incremental Term Loans and Initial Term Loans outstanding under the Senior Credit Agreement that predate the Tranche D Term Loans. Pursuant to Sections 1.03 through 1.06 of the Senior Credit Agreement, the Senior Secured Lenders are entitled to payment on their allowed claim of principal and accrued interest at variable rates on amounts outstanding under the Senior Credit Agreement (the “Allowed Claim for Senior Principal and Non-Default Accrued Interest”).

C. On December 19, 2003, pursuant to the Revolving Credit Agreement, the Revolving Lenders agreed to make a \$20,000,000 revolving credit facility available to the Borrower (the “Revolving Loans”). Pursuant to Section 2.05 of Revolving Credit Agreement, the Revolving Lenders are entitled to payment on their allowed claim of principal on amounts outstanding under the Revolving Credit Agreement, and pursuant to Section 2.06 are entitled to accrued interest at variable rates on the outstanding Revolving Loans (the “Allowed Claim for Revolving Balance and Non-Default Accrued Interest”).

D. 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”), in the United States Bankruptcy Court for the District of Maine (the “Bankruptcy Court”).

E. On June 25, 2004, the Bankruptcy Court entered that certain 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 (Docket Number 262) (the “Cash Collateral Order”).

F. On August 3, 2004, the Debtors filed their Motion for Entry of an Order Pursuant to Sections 105(a), 363 and 1146(c) of the Bankruptcy Code and Bankruptcy Rule 9019 (I) Approving Global Settlement Agreement 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. (Docket Number 409) (the “Global Settlement Motion”), pursuant to which, *inter alia*, the Debtors’ proposed to sell certain of the Debtors’ assets to DIRECTV (the “DIRECTV Sale”).

G. On August 26, 2004, the Bankruptcy Court entered an order approving the DIRECTV Sale.

H. On August 27, 2004, the closing of the DIRECTV Sale occurred. At the closing, DIRECTV transferred proceeds of the DIRECTV Sale into the Debtors’ bank account held at Deutsche Bank Trust Company Americas (the “Concentration Account”).<sup>2</sup>

I. On September 10, 2004, the Debtors filed their Motion for an Order Pursuant to Sections 105 and 363(b) of the Bankruptcy Code (i) Shortening the Challenge Period in the Debtors’ Cash Collateral Order, (II) Allowing Certain Prepetition Secured Claims and (III) Authorizing the Debtors to Make Payments to Certain Prepetition Secured Parties (the “Repayment Motion”).

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<sup>2</sup> Account number 00-374-715.

J. Pursuant to the Repayment Motion, the Debtors seek to make payment of the Allowed Claim for Senior Principal and Non-Default Accrued Interest, the Allowed Claim for Revolving Balance and Non-Default Accrued Interest and the Allowed Claim for Junior Principal and Non-Default Accrued Interest (collectively, the “Outstanding Principal and Non-Default Rate Interest Amount”). These amounts do not include default interest or any prepayment premiums asserted to be due under the terms of the Senior Credit Agreement, Junior Credit Agreement or the Revolving Credit Agreement.

K. The Senior Secured Lenders have asserted that they are entitled to a prepayment premium, payment of interest at the Base Rate for all loans and payment of default interest under the Senior Credit Agreement (the “Senior Prepayment Premium and Default Interest”), the Revolving Lenders have asserted that they are entitled to a prepayment premium, payment of interest at the Base Rate for all loans and payment of default interest under the Revolving Credit Agreement (the “Revolving Prepayment Premium and Default Interest”) and the Junior Secured Lenders have asserted that they are entitled to a prepayment premium and payment of default interest under the Junior Credit Agreement (the “Junior Prepayment Premium and Default Interest”).

L. In order to resolve the Secured Lenders’ potential objections to the Repayment Motion, the parties hereto have agreed to the terms and conditions of this Stipulation as set forth herein.

## AGREEMENT

### NOW THEREFORE, IT IS HEREBY STIPULATED AND

**AGREED**, as among the Senior Secured Lenders, the Revolving Lenders and the Junior Secured Lenders, the Debtors and the Committee as follows:

1. The Debtors shall pay the Senior Secured Lenders the amount of \$393,609,123.23 in satisfaction of the Allowed Claim for Senior Principal and Non-Default Accrued Interest due and owing under the Senior Credit Agreement as of September 17, 2004 (the "Proposed Payment Date"), plus non-default interest thereon of \$103,473.17 per diem (assuming no change in the Prime Rate of Bank of America N.A.) as set forth on Exhibit A hereto for each day after the Proposed Payment Date until the Allowed Claim for Senior Principal and Non-Default Accrued Interest is paid. The amount to be paid on the Proposed Payment Date is based on<sup>3</sup> (a) the outstanding principal amount of the Initial Term Loans, the Incremental Term Loans and the Tranche D Term Loans, (b) for the Incremental Term Loans and the Initial Term Loans that were LIBOR Loans on the Petition Date, the non-default interest at the LIBOR Rate plus 3.5% for such loans until the expiration of the LIBOR Period for such loans and at the Base Rate plus 2.5% for such loans thereafter, (c) for the Incremental Term Loans and the Initial Term Loans that were Base Rate Loans on the Petition Date, the non-default interest at the Base Rate plus 2.5%, (d) for the Tranche D Term Loans that were LIBOR Loans on the Petition Date, non-default interest at a rate equal to 7.00% plus the greater of (1) the LIBOR Rate and (2) 2.0% until the expiration of the LIBOR Period for such

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<sup>3</sup> The defined terms used in this paragraph shall have the meanings ascribed to such terms in the Senior Credit Agreement.

loans and at the Base Rate plus 6.00% for such loans thereafter, (e) for the Tranche D Loans that were Base Rate Loans on the Petition Date, non-default interest at the Base Rate plus 6.00%, and (f) accrued costs and fees in the amounts set forth on Exhibit A.

2. The Debtors' payment of the Allowed Claims for Senior Principal and Non-Default Accrued Interest is without prejudice to the Senior Secured Lenders' rights to assert claims for the Senior Prepayment Premium and Default Interest, or other amounts due under the Senior Credit Agreement and the Cash Collateral Order or the rights of any party in interest to oppose such assertions.

3. The Debtors shall pay the Revolving Lenders the amount of \$18,087,786.81 in satisfaction of the Allowed Claim for Revolving Balance and Non-Default Accrued Interest due and owing under the Revolving Credit Agreement as of the Proposed Payment Date, plus non-default interest thereon in the amount of \$5,163.93 per diem as set forth on Exhibit B hereto for each day after the Proposed Payment Date until the Allowed Claim for Revolving Balance and Non-Default Accrued Interest is paid. The amount to be paid on the Proposed Payment Date is based on (a) the outstanding principal amount of the Revolving Loans, (b) for the Revolving Loans that were LIBOR Loans on the Petition Date, non-default interest at a rate equal to 7.00% plus the greater of (1) the LIBOR Rate and (2) 2.0% until the expiration of the Interest Period for such Loans and at the Base Rate plus 6.00% for such Loans thereafter, (c) for the Revolving Loans that were Base Rate Loans on the Petition Date, non-default interest at the Base Rate plus 6.00%, and (d) accrued costs and fees in the amounts set forth on Exhibit B.

4. The Debtors' payment of the Allowed Claim for Revolving Balance and Non-Default Accrued Interest is without prejudice to the Revolving Lenders' rights to assert claims for the Revolving Prepayment Premium and Default Interest, or other amounts due under the Revolving Credit Agreement and the Cash Collateral Order or the rights of any party in interest to oppose such assertions.

5. The Debtors shall pay the Junior Secured Lenders the amount of \$107,842,758.76 (comprised of principal, non-default cash and PIK interest and accrued costs and fees in the amounts set forth on Exhibit C), in satisfaction of the Allowed Claim for Junior Principal and Non-Default Accrued Interest due and owing under the Junior Credit Agreement as of the Proposed Payment Date, plus non-default interest thereon in the amount of \$33,415.35 per diem as set forth on Exhibit C hereto for each day after the Proposed Payment Date until the Allowed Claim for Junior Principal and Non-Default Accrued Interest is paid.

6. The Debtors' payment of the Allowed Claim for Junior Principal and Non-Default Accrued Interest is without prejudice to the Junior Secured Lenders' rights to assert claims for the Junior Prepayment Premium and Default Interest, or any other amounts due under the Junior Credit Agreement and the Cash Collateral Order or the rights of any party in interest to oppose such assertions.

7. The payments made pursuant to paragraphs 1-6 above on account of the Outstanding Principal and Non-Default Rate Interest Amount shall be final and not provisional, nor subject to recharacterization of any kind and the claims associated with such payments shall be deemed allowed pursuant to section 502 of the Bankruptcy Code.



8. Sale Proceeds of the DIRECTV Sale in an amount sufficient to satisfy the Senior Prepayment Premium and Default Interest, Junior Prepayment Premium and Default Interest and Revolving Prepayment Premium and Default Interest plus interest thereon at the highest contractual rate specified in the applicable loan documents shall remain in the Concentration Account until such time as a final order is entered with respect to the Premium Motions (as defined below).

9. The Senior Secured Lenders, the Revolving Lenders and the Junior Secured Lenders shall file and serve those motions seeking allowance and payment of the Senior Prepayment Premium and Default Interest, the Revolving Prepayment Premium and Default Interest and the Junior Prepayment Premium and Default Interest, together with accrued default interest thereon (the "Premium Motions") so as to be received by the Debtors and the Committee on or before October 5, 2004.

10. Any party in interest shall file any response to the Premium Motions so as to be received by the Secured Lenders on or before October 20, 2004.

11. The Secured Lenders shall file and serve any reply to the objections to the Premium Motions so as to be received by the Debtors and the Committee on or before October 27, 2004.

12. A hearing on the Premium Motions shall be held before the Bankruptcy Court on or before November 8, 2004.

13. The terms of this Stipulation and acceptance thereof and the payments contemplated hereby shall not waive or prejudice the rights of any party with

respect to any matter not covered hereby, including, without limitation, whether the payments contemplated by this Stipulation are voluntary or involuntary or whether the Secured Lenders have any right to receive the Senior Prepayment Premium and Default Interest, the Revolving Prepayment Premium and Default Interest and/or the Junior Prepayment Premium and Default Interest.

14. Except as otherwise provided herein, until such time as an order has been entered by the Bankruptcy Court with respect to the Secured Lenders' entitlement or lack thereof to the Senior Prepayment Premium and Default Interest, the Revolving Prepayment Premium and Default Interest and the Junior Prepayment Premium and Default Interest, the Debtors shall continue to comply with the Cash Collateral Order, including, without limitation, paragraph 6.

15. To the extent the services of the financial advisor to the Steering Committee are deemed necessary by the Steering Committee, until such time as an order has been entered by the Bankruptcy Court with respect to the Secured Lenders' entitlement or lack thereof to the Senior Prepayment Premium and Default Interest, the Revolving Prepayment Premium and Default Interest and the Junior Prepayment Premium and Default Interest, the Debtors shall pay the reasonable and necessary fees and expenses of such financial advisor as determined by the Parties, provided, however, that in no event shall such fees and expenses exceed \$25,000. After the date hereof, the Debtors shall have no responsibility to pay any fees and expenses of the financial advisor to the Steering Committee other than as set forth in this paragraph 15.

16. Paragraph 12 of the Cash Collateral Order shall be deleted in its entirety. Paragraph 19 of the Cash Collateral Order shall be deleted in its entirety and replaced with the following:

"19. Financial Reports, Notices and Other Information. The Debtors shall provide to the Creditors' Committee an updated 13 week cash receipts and disbursements forecast on the Tuesday following the last business day of each calendar month, and any other materials requested by the Creditors' Committee."

17. This Stipulation is subject to the approval of the Bankruptcy Court and shall be deemed effective immediately upon the entry of an order by the Bankruptcy Court approving same.

18. Each of the parties hereto represents that except for the approval of this Stipulation by the Bankruptcy Court, no consent, approval or authorization of any third party is required for such party's valid execution and performance of this Stipulation.

19. This Stipulation may not be amended or modified except by subsequent agreement in writing signed by the Secured Lenders, the Debtors and the Committee.

20. This Stipulation shall constitute the entire agreement between the parties with respect to the subject matter hereof and shall supersede any previous negotiations, commitments and writings with respect to such subject matter.

21. Nothing contained or provided for herein shall be deemed to constitute a waiver or admission by any party with respect to any rights, claims, defenses

or objections if the Bankruptcy Court does not approve this Stipulation. No party may use or refer to this Stipulation if the Bankruptcy Court does not approve this Stipulation.

22. This Stipulation shall be binding upon all successors and assigns of the parties hereto.

23. This Stipulation may be executed in one or more counterparts, all of which shall be considered one and the same document.

24. The Challenge Period (as defined in the Cash Collateral Order) shall expire on September 17, 2004. The Allowed Claim for Junior Principal and Non-Default Accrued Interest, the Allowed Claim for Senior Principal and Non-Default Accrued Interest and the Allowed Claim for Revolving Balance and Non-Default Accrued Interest are each allowed claims, not subject to set-off, deduction, counter-claim, subordination or recharacterization. Notwithstanding the foregoing, the Challenge Period shall be extended solely with respect to issues related to the Senior Prepayment Premium and Default Interest, the Revolving Prepayment Premium and Default Interest and the Junior Prepayment Premium and Default Interest until such time as a final order is entered with respect to the Premium Motions and nothing herein shall constitute an allowance of such claims.

Dated: September 17, 2004	
<p>DRUMMOND WOODSUM &amp; MACMAHON</p> <p>By: <u>/s/ Benjamin Marcus</u> Benjamin E. Marcus</p> <p>Post Office Box 9781 245 Commercial Street Portland, Maine 04104 Telephone: (207) 772-1941 Fax: (207) 772-3627</p> <p style="text-align: center;">- and -</p> <p>PAUL, WEISS, RIFKIND, WHARTON &amp; GARRISON, LLP Andrew N. Rosenberg Elizabeth R. McColm Lori E. Chasen 1285 Avenue of the Americas New York, New York 10019-6064 Telephone: (212) 373-3000 Fax: (212) 757-3990</p> <p>Attorneys for the Bank Steering Committee for the Senior Secured Lenders and the Revolving Lenders</p>	<p>VERRILL &amp; DANA, LLP</p> <p>By: <u>/s/ Gayle H. Allen</u> Gayle H. Allen</p> <p>One Portland Square Portland, Maine 04112-0586 Telephone: (207) 774-4000 Fax: (207) 774-7499</p> <p style="text-align: center;">- and -</p> <p>STROOCK STROOCK &amp; LAVAN LLP Kristopher Hansen Brett Lawrence 180 Maiden Lane New York, New York 10038-4982 Telephone: (212) 806-5400 Fax: (212) 806-6006</p> <p>Attorneys for The Wilmington Trust Company</p>

<p>BERNSTEIN, SHUR, SAWYER &amp; NELSON</p> <p>By: <u>/s/ Robert J. Keach</u> Robert J. Keach</p> <p>100 Middle Street Post Office Box 9729 Portland, Maine 04104 Telephone: (207) 774-1200 Fax: (207) 774-1127</p> <p style="text-align: center;">- and -</p> <p>SIDLEY AUSTIN BROWN &amp; WOOD LLP Larry J. Nyhan, Esq. James F. Conlan, Esq. Paul S. Caruso, Esq. Jessica C. Knowles, Esq. Bank One Plaza 10 South Dearborn Street Chicago, Illinois 60603 Telephone: (312) 853-7000 Fax: (312) 853-7036 Attorneys for Debtors</p>	<p>PIERCE ATWOOD</p> <p>By: <u>/s/ Jacob Manheimer</u> Jacob A. Manheimer, Esq.</p> <p>One Monument Square Portland, Maine 04101 Telephone: (207) 791-1100 Fax: (207) 791-1350</p> <p style="text-align: center;">- and -</p> <p>AKIN, GUMP, STRAUSS, HAUER &amp; FELD, LLP Daniel H. Golden, Esq. David H. Botter, Esq. 590 Madison Avenue New York, New York 10022 Telephone: (212) 872-1036</p> <p>Attorneys for Official Committee of Unsecured Creditors</p>

SO ORDERED: Dated:

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UNITED STATES BANKRUPTCY JUDGE

## EXHIBIT A

Calculations to 9/17/04 with per diem

Outstanding Accrued Interest as of September 17, 2004

		<u>Per Diem</u>
Tranche D Loans at Base Rate plus 6.00% (10.50%)	\$1,370,163.93	\$85,635.25
Incremental Term Loans at Base Rate plus 2.50% (7.00%)	\$53,969.11	\$3,373.07
Initial Term Loans at Base Rate plus 2.50% (7.00%)	\$231,437.66	\$14,464.85
<b>Subtotal of Accrued Non-Default Interest (9/1/04 through 9/17/04)</b>	<b>\$1,655,570.70</b>	
Per diem for non-default interest (Per Diem assumes no change to the prime rate of Bank of America, N.A.)		\$103,473.17
<b>Principal Amount of Term Loans</b>		
Principal Amount Tranche D Term Loan	\$298,500,000.00	
Principal Amount Incremental Term Loan	\$17,636,334.41	
Principal Amount Initial Term Loan	\$75,630,521.43	
<b>Subtotal of Principal Amount of Term Loans</b>	<b>\$391,766,855.84</b>	
<b>Other Fees and Expenses</b>		
Admin Agency Fee due July 22, 2004	\$37,500.00	
Expenses through September 17, 2004		
Paul Weiss	\$129,311.32	
Moore & Van Allen	\$6,019.43	
Chanin	\$3,000.00	
Drummond Woodsum	\$10,865.94	
<b>Subtotal of Fees and Expenses</b>	<b>\$186,696.69</b>	
<b>TOTAL</b>	<b>\$393,609,123.23</b>	

**EXHIBIT B**

9/17/04 Principal Balance	\$18,000,000
9/1/04 – 9/17/04 Accrued and Unpaid Interest at 10.50% (Base Rate of 4.50% plus 6.0% Applicable Margin)	\$87,786.81
Per Diem Interest Commencing 9/18/04	\$5,163.93
Fees and Costs	\$0



## EXHIBIT C

### **Allowed Claims Due and Owing under the Junior Credit Agreement as of the Proposed Payment Date**

#### **Allowed Claim for Junior Principal and Non-Default Accrued Interest**

Principal Amount Due	\$106,108,714.43
Interest & PIK Payment to, but not including, September 17, 2004	1,527,915.51
<b>TOTAL</b>	<b>\$107,636,629.94</b>

Non-Default Per Diem Interest Accrual after September 17, 2004	\$33,415.35
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#### **Legal Fees and Expenses for Counsel to Wilmington Trust Company for the Period from August 1, 2004 through August 31, 2004**

##### Stroock & Stroock & Lavan LLP

Legal Fees	\$187,415.00
Expenses	<u>5,426.28</u>
SUBTOTAL	\$192,841.28

##### Verrill Dana LLP

Legal Fees	\$9,956.50
Expenses	<u>3,331.04</u>
SUBTOTAL	\$13,287.54

**TOTAL FEES & EXPENSES      \$206,128.82**

**TOTAL AMOUNT DUE      \$107,842,758.76**