

(iii) After giving effect to such Loans and since December 31, 2002, no event shall have occurred and no circumstance shall exist that has had, or could reasonably be expected to have, a Material Adverse Effect.

(b) After giving effect to such Loans, no Default shall have occurred and be continuing.

#### IV. REPRESENTATIONS AND WARRANTIES.

The Borrower represents and warrants to the Agent and the Lenders (which representations and warranties shall give effect to the consummation of all of the transactions referred to in Section 3.01 and shall survive the delivery of the Notes and the making of the Loans) that:

##### Section 4.01. Financial Statements.

The Borrower has heretofore furnished to the Lenders:

(a) (i) audited Consolidated balance sheet of the Parent and the Borrower for the fiscal year ended December 31, 2002, and the related consolidated statements of income or operations, shareholders' equity and cash flows for such fiscal year of the Parent and the Borrower, including the notes thereto, and applicable accountants' report and (ii) the unaudited Consolidated financial statements of the Parent and the Borrower dated June 30, 2003, and the related Consolidated statements of income or operations, shareholders' equity and cash flows for the fiscal quarter ended on that date (the items described in the foregoing clauses (i) and (ii), collectively, the "Financial Statements"); and

(b) the June 30, 2003 Consolidated balance sheet of the Borrower and the Subsidiaries showing their pro forma financial condition after the consummation of any and all transactions contemplated to have occurred as of the Fourth Amendment Effective Date, as if they occurred on such date, attached as Schedule 4.01(a) (the "Opening Balance Sheet").

The Financial Statements have been prepared in accordance with GAAP. Since December 31, 2002, there has been no material adverse change in the assets, properties, business or condition (financial or otherwise) of the Parent or any of the Companies and, other than distributions permitted under the Agreement, no dividends or distributions have been declared or paid by the Parent or any of the Companies. Neither the Parent nor any of the Companies has any contingent obligations, liabilities for taxes or unusual forward or long-term commitments except as specified in such Financial Statements. The Opening Balance Sheet fairly represents the pro forma financial condition of the Companies as of its date. All financial projections submitted to the Lenders by the Borrower (including all projections set forth in the Budget) are believed by the Borrower to be reasonable in light of all information presently known by the Borrower. Except as set forth on Schedule 4.01(b), as of the date of this Agreement, the Parent has no Indebtedness. (Notwithstanding the foregoing, the representations set forth above with respect to the Parent are made and, shall be deemed made, solely as of the Fourth Amendment Effective Date.)

Since January 1, 2001, each of Pegasus Communications Corporation, the Parent and the Borrower has duly filed all forms, reports, schedules, proxy statements and documents required to be filed by it with the SEC. True and correct copies of all filings made by Pegasus Communications Corporation, the Parent or the Borrower with the SEC since such date and prior to the Fourth Amendment Effective Date (the "SEC Reports"), whether or not required by law and including any registration statement filed by Pegasus Communications Corporation, the Parent or the Borrower under the Securities Act, have been either made available or are publicly available to the Agent. As of their respective dates, the SEC Reports (other than preliminary material) complied in all material respects with the requirements of the Securities Act or the Exchange Act, as applicable, and the rules and regulations of the SEC applicable to such SEC Reports, and none of the SEC Reports, at the time filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. No other Person included in the Companies is subject to periodic reporting requirements of the Exchange Act or is otherwise required to file documents with the SEC or comparable Governmental Entity or any national securities exchange or quotation service.

The audited consolidated financial statements of each of Pegasus Communications Corporation, the Parent and the Borrower for the year ended December 31, 2002, and the audited and unaudited consolidated financial statements of Pegasus Communications Corporation, the Parent and the Borrower included (or incorporated by reference) in the SEC Reports comply when filed as to form in all material respects with applicable accounting requirements and with the rules and regulations of the SEC with respect thereto and were prepared in accordance with GAAP (except as may be indicated in the notes thereto) and fairly present in all material respects the consolidated financial position of Pegasus Communications Corporation and its Subsidiaries, the Parent and its Subsidiaries or the Borrower and its Subsidiaries, as the case may be, as of their respective dates, and the consolidated income, stockholders equity, results of operations and changes in consolidated financial position or cash flows for the periods presented therein, except that the unaudited interim financial statements were or are subject to normal and recurring year-end adjustments. The books and records of each of Pegasus Communications Corporation, the Parent and the Borrower and each of their respective Subsidiaries accurately reflect in all material respects, the transactions and accounts of such Persons. As of the Fourth Amendment Effective Date, Pegasus Communications Corporation has no Indebtedness other than its Series D and Series E preferred stock and a certain limited Guarantee by Pegasus Communications Corporation in favor of the Rural Utilities Service, United States Department of Agriculture pursuant to which Pegasus Communications Corporation agrees to guaranty up to \$1,372,761 of the obligations of Pegasus Rural Broadband, LLC to Rural Utilities Service.

#### **Section 4.02. Organization, Qualification, Etc.**

Each of the Companies (a) is a corporation, limited partnership or limited liability company, duly organized or formed, validly existing and in good standing under the laws of its state of organization or formation, all as specified in Schedule 4.02, (b) has the power and authority to own its properties and to carry on its business as now being conducted and as presently contemplated, (c) has the power and authority to execute and deliver, and perform its

respective obligations under, this Agreement, the Notes and the Security Documents and all other Loan Documents contemplated hereby and (d) is duly qualified to transact business in the jurisdictions specified in such Schedule 4.02 and in each other jurisdiction where the nature of its activities requires such qualification. As of the Fourth Amendment Effective Date, none of the Companies has any Subsidiaries, except as described in Schedule 4.23.

#### **Section 4.03. Authorization; Compliance; Etc.**

The execution and delivery of, and performance by the Companies of their respective obligations under, this Agreement, the Notes, the Security Documents, the Acquisition Agreements and the other agreements and instruments relating thereto (all of the foregoing being hereinafter referred to collectively as the "Transaction Documents") have been duly authorized by all requisite corporate, partnership and membership action and will not violate any provision of law (including without limitation the Communications Act of 1934, as amended, the Copyright Revisions Act of 1976, as amended, and all other rules, regulations, administrative orders and policies of the FCC, the FAA and the Copyright Office), any order, judgment or decree of any court or other agency of government, the Organizational Documents of any Company or any indenture, agreement or other instrument to which any Company or the Parent is a party, or by which any Company or the Parent is bound (including without limitation the PCC Exchange Indenture, the PCC Exchange Notes, the PCC 1997 Indenture, the PCC 1997 Senior Notes, the PCC 1998 Indenture, the PCC 1998 Senior Notes, the PSC 2001 Indenture, the PSC 2001 Senior Notes, the Golden Sky Exchange Indentures, the Golden Sky Exchange Notes, the PSC Subordinated Notes, the PSC Subordinated Notes Indenture, the Subordinated Debt Documents, the PCC Preferred Stock Designation and any DBS Agreement), or be in conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under, or except as may be permitted under this Agreement, result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of any Company or the Parent pursuant to, any such indenture, agreement or instrument. Each of the Transaction Documents constitutes the valid and binding obligation of each of the Companies and their Affiliates party thereto, enforceable against such party in accordance with its terms, subject, however to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the rights and remedies of creditors generally or the application of principles of equity, whether in any action in law or proceeding in equity, and subject to the availability of the remedy of specific performance or of any other equitable remedy or relief to enforce any right under any such agreement.

#### **Section 4.04. Governmental and Other Consents, Etc.**

(a) Except for filings and recordings required under Section 2.01 and the Security Documents, none of the Companies or the Parent is required to obtain any consent, approval or authorization from, to file any declaration or statement with or to give any notice to, any Governmental Authority (including without limitation, any Specified Authority), the NRTC, DirecTV, any Seller or any other Person (including, without limitation, any notices required under the applicable bulk sales law) in connection with or as a condition to the execution, delivery or performance of any of the Transaction Documents. Except as set forth in such Schedule 4.04, all consents, approvals and authorizations described in such Schedule have been

duly granted and are in full force and effect on the Fourth Amendment Effective Date and all filings described in such Schedule have been properly and timely made.

(b) Notwithstanding the foregoing, (i) from time to time, the Companies may be required to obtain certain authorizations of or to make certain filings with the FCC which are required in the ordinary course of business, (ii) copies of certain documents, including without limitation certain Transaction Documents, may be required to be filed with the FCC pursuant to 47 C.F.R. ss.73.3613, (iii) the FCC must be notified of the consummation of any assignments or transfers of control of FCC authorizations for any television broadcast stations and ownership reports are required to be filed with the FCC after such consummation pursuant to 47 C.F.R. ss.73.3615, and (iv) prior to the exercise of certain rights or remedies under the Loan Documents by the Agent or the Lenders, FCC consents and notifications with respect to such exercise may be required to be timely obtained or made.

#### **Section 4.05. Litigation.**

Except as specified in Schedule 4.05 or in the most recent report filed by Pegasus Communications Corporation, the Parent and the Companies with the SEC on Form 10-Q and/or 10-K, there is no action, suit or proceeding at law or in equity or by or before any Governmental Authority (including without limitation any Specified Authority) now pending or, to the knowledge of the Borrower, threatened (nor is any basis therefor known to the Borrower), (a) which questions the validity of any of the Transaction Documents, or any action taken or to be taken pursuant hereto or thereto, in a manner or to an extent which could reasonably be expected to have a Material Adverse Effect, or (b) against or affecting any Company or the Parent which, if adversely determined, either in any case or in the aggregate, would have a Material Adverse Effect.

#### **Section 4.06. Compliance with Laws and Agreements.**

Except as disclosed in this Agreement, none of the Companies is a party to any agreement or instrument or subject to any corporate, partnership or other restriction which could have a Material Adverse Effect. None of the Companies or the Parent is in violation of any provision of its Organizational Documents or of any material indenture, agreement or instrument to which it is a party or by which it is bound (including without limitation the PCC Exchange Indenture, the PCC Exchange Notes, the PCC 1997 Indenture, the PCC 1997 Senior Notes, the PCC 1998 Indenture, the PCC 1998 Senior Notes, the PSC 2001 Indenture, the PSC 2001 Senior Notes, the Golden Sky Exchange Notes, the Golden Sky Exchange Indentures, the PSC Subordinated Notes, the PSC Subordinated Indenture, the Subordinated Debt Documents, the PCC Preferred Stock Designation and any DBS Agreement) or, to the best of the Borrower's knowledge and belief, of any provision of law (including without limitation the Communications Act of 1934, as amended, the Copyright Revisions Act of 1976, as amended, and all other rules, regulations, administrative orders and policies of the FCC, the FAA and the Copyright Office), the violation of which could have a Material Adverse Effect, or any order, judgment or decree of any court or other Governmental Authority (including without limitation any Specified Authority). Without limiting the generality of the foregoing, all of the Obligations (a) are permitted under, and do not and will not violate, the PCC Preferred Stock Designation, the PCC

Exchange Indenture, the PCC Exchange Notes, the PCC 1997 Indenture, the PCC 1997 Senior Notes, the PCC 1998 Indenture, the PCC 1998 Senior Notes, the PSC 2001 Indenture, the PSC 2001 Senior Notes, the Golden Sky Exchange Notes, the Golden Sky Exchange Indentures, the PSC Subordinated Notes, the PSC Subordinated Indenture and the Subordinated Debt Documents, (b) constitute "Senior Debt" and, with the exception of Rate Hedging Obligations, "Designated Senior Debt" under the Subordinated Indenture, (c) constitute "Eligible Indebtedness" under the PCC Exchange Indenture, the PCC 1997 Indenture, the Golden Sky Indenture, and the PCC 1998 Indenture and (d) with the exception of Rate Hedging Obligations, are hereby designated as "Designated Senior Debt" under the Subordinated Indenture. Without limiting the generality of the foregoing, the Indebtedness represented by the Tranche D Term Loans is permitted to be incurred pursuant to 7.01(b)(ii) of the Parent Term Loan Agreement and constitutes "Permitted Indebtedness" as such term is defined in the Parent Term Loan Agreement.

Each of the Companies, the Parent and Pegasus Communications Corporation has devised and maintains systems of internal accounting controls sufficient to provide reasonable assurances, that (i) all material transactions are executed in accordance with management's general or specific authorization, (ii) all material transactions are recorded as necessary to permit the preparation of financial statements in conformity with GAAP consistently applied or any other criteria applicable to such statements, (iii) access to the property and assets of any of the Companies, the Parent or Pegasus Communications Corporation, as the case may be, is permitted only in accordance with management's general or specific authorization and (iv) the recorded amounts for items is compared with the actual levels at reasonable intervals and appropriate action is taken with respect to any differences.

**Section 4.07. [Intentionally Omitted].**

**Section 4.08 Licenses.**

Schedule 4.08 accurately and completely lists all Licenses (identified by issuing authority, licensee, Station call letters and expiration date) granted, issued or assigned to any Company as of the Fourth Amendment Effective Date. Each FCC License is held by a License Subsidiary. The Companies hold all such Licenses and all copyrights, licenses, trademarks, service marks, trade names and other contract rights, including agreements with public utilities, use, access or rental agreements, utility easements, network affiliation agreements, film rental agreements and talent employment agreements that are necessary for the operation of the Stations, free and clear of any Liens other than Permitted Liens, except to the extent the absence thereof could not reasonably be expected to have a Material Adverse Effect. Each of such Licenses, copyrights, licenses, patents, trademarks, service marks, trade names and other rights and agreements is in full force and effect and no material default by any Company has occurred and is continuing thereunder. As of the Fourth Amendment Effective Date, except as limited by the provisions of the Communications Act of 1934, as amended, and the FCC's rules and regulations and as otherwise specified on the face of any FCC License, none of the FCC Licenses is subject to any restriction or condition that would limit in any material respect the operation of the business as it is now conducted. Except as specified in Schedule 4.08, (a) there is not, as of the Fourth Amendment Effective Date, pending or to, the knowledge of the

Borrower threatened any action by or before the FCC to revoke, cancel, rescind or modify (including a reduction in coverage area) any of the FCC Licenses (other than proceedings to amend FCC rules of general applicability) or refuse to renew the FCC Licenses, and (b) there is not now issued or outstanding, pending or, to the knowledge of the Borrower threatened by or before the FCC, any order to show cause, notice of violation, notice of apparent liability, or notice of forfeiture or complaint against Borrower and or any of its Subsidiaries with respect to any of the FCC Licenses. Except as specified in Schedule 4.08, none of the FCC Licenses is the subject of a pending license renewal application and the Borrower has no reason to believe that any of the FCC Licenses will be revoked or will not be renewed in the ordinary course.

**Section 4.09. [Intentionally Omitted].**

**Section 4.10 [Intentionally Omitted].**

**Section 4.11. The Stations.**

(a) Each of the Companies and the Stations is in compliance with all applicable federal, state and local laws, rules and regulations, including without limitation, the Telecommunications Act of 1996, the Communications Act of 1934, as amended, and the rules and policies of the FCC and all rules and laws governing equal employment opportunity, except to the extent that the failure to so comply could not (either individually or in the aggregate) reasonably be expected to have a Material Adverse Effect. Without limiting the generality of the foregoing (except to the extent that the failure to comply with any of the following could not, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect):

(i) the Companies have filed all material reports and other submissions required to be filed with the FCC by the Companies or any of them with respect to the Stations and their operations;

(ii) the operation of the Stations is in compliance in all material respects with ANSI Standards C95.1-1982 to the extent required under applicable rules and regulations;

(iii) all of the existing towers used in the operation of the Stations are obstruction-marked and lighted to the extent required by, and in accordance with, the rules and regulations of the FAA and appropriate notification to the FAA has been filed for each such tower where required by the rules and policies of the FCC;

(iv) the Stations are in compliance with Part V of Title VI of the Communications Act of 1934, as amended, as well as any and all rules and policies adopted by the FCC to implement said Part V;

(v) the Stations are being operated in compliance with the applicable Licenses; and

(vi) the Stations are in compliance with the provisions of the Communications Decency Act of 1996 in effect, as well as any and all FCC rules and policies in effect to implement such Act.

(b) No FCC proceedings against any of the Companies in respect of equal employment opportunity violations are pending or, to the Borrower's best knowledge, threatened.

(c) The assets of the Stations are adequate and sufficient for all of the current operations of the Stations as contemplated as of the Fourth Amendment Effective Date.

#### **Section 4.12. DBS Rights.**

Schedule 4.12 accurately and completely lists all DBS Agreements, including without limitation all NRTC Member Agreements, to which any Company is a party as of the Fourth Amendment Effective Date, and all areas in which any Company distributes DIRECTV and other DBS services thereunder. The DBS Subsidiaries possess all such DBS Agreements, all exclusive DBS Rights and all copyrights, licenses, trademarks, service marks, trade names and other contract rights necessary for the operation of the Companies' DBS businesses, including the distribution of DBS services, free and clear of any Liens other than Permitted Liens, except to the extent the absence of such rights could not reasonably be expected to have a Material Adverse Effect. Each of such DBS Agreements, copyrights, licenses, trademarks, service marks, trade names and other contract rights is in full force and effect and no material default has occurred and is continuing thereunder.

#### **Section 4.13. Title to Properties; Condition of Properties.**

(a) Schedule 4.13 sets forth a description of all real properties owned or leased by the Companies. The Companies have good title to all of their properties and assets free and clear of all Liens (other than FCC restrictions on the transfer of equity interests or FCC Licenses) of any kind, except Permitted Liens.

(b) Schedule 4.13 accurately and completely lists, and sets forth a description of, all agreements between any Company and any Person relating to the location of (i) tower and transmitter sites used in the operation of the Stations (the "Tower Site Leases") and (ii) offices, studios and other facilities, and the same constitute the only Tower Site Leases and other leases necessary in connection with the conduct by the Companies of their businesses as presently conducted. Each of the Companies enjoys quiet possession under all leases (including without limitation the Tower Site Leases) to which it is a party as lessee, and all of such leases are valid, subsisting and in full force and effect. None of such leases contains any provision restricting the incurrence of indebtedness by the lessee.

(c) Except as specified in such Schedule 4.13, none of the improved real property owned or leased by any Company that is required to be mortgaged under Section 2.01(a) is situated in a flood zone designated as type "A", "B" or "V" by the U.S. Department of Housing and Urban Development.

#### **Section 4.14. Interests in Other Businesses.**

Except as reflected in Schedule 4.14 or Schedule 4.23 hereto, none of the Companies holds or owns any of the issued and outstanding capital stock, partnership interests, membership interests or similar equity interests, or any rights to acquire the same, of any corporation, partnership, limited liability company, firm or entity other than as specified or permitted in this Agreement.

#### **Section 4.15. Solvency.**

(a) The aggregate amount of the full saleable value of the assets and properties of each Company exceeds the amount that will be required to be paid on or in respect of such Company's existing debts and other liabilities (including contingent liabilities) as they mature.

(b) No Company's assets and properties constitute unreasonably small capital for such Company to carry out its business as now conducted and as proposed to be conducted, including such Company's capital needs, taking into account the particular capital requirements of such Company's business and the projected capital requirements and capital availability thereof.

(c) The Companies do not intend to, nor will the Companies, incur debts beyond their ability to pay such debts as they mature, taking into account the timing and amounts of cash reasonably anticipated to be received by each Company and the amounts of cash reasonably anticipated to be payable on or in respect of each Company's obligations. The Companies' aggregate cash flow, after taking into account all anticipated sources and uses of cash, will at all times be sufficient to pay all such amounts on or in respect of their indebtedness when such amounts are required to be paid.

(d) The Borrower believes that no reasonably anticipated final judgment in a pending action or, to its knowledge, any threatened actions for money damages will be rendered at a time when, or in an amount such that, any Company will be unable to satisfy such judgments promptly in accordance with their terms (taking into account the maximum reasonable amount thereof and the earliest reasonable time at which such judgments might be rendered). The cash available to each Company, after taking into account all other anticipated uses of cash (including the payment of all such Company's indebtedness) is anticipated to be sufficient to pay any such judgments promptly in accordance with their terms.

(e) No Company is contemplating either the filing of a petition by it under any state or federal bankruptcy or insolvency laws or the liquidating of all or a substantial portion of its property, and the Borrower has no knowledge of any Person contemplating the filing of any such petition against any Company.

(f) All of the foregoing representations and warranties contained in this Section 4.15 shall apply to the Parent and Pegasus Communications Corporation as though they were "Companies" under this Agreement.



#### **Section 4.16. Full Disclosure.**

No statement of fact made by or on behalf of any Person other than the Lenders in this Agreement, the Security Documents or in any certificate or schedule furnished to the Lenders pursuant hereto or thereto contains any untrue statement of a material fact or omits to state any material fact necessary to make statements contained therein or herein not misleading. There is no fact presently known to the Borrower which has not been disclosed to the Lenders in writing which has had or, as far as the Borrower can reasonably foresee, could have a Material Adverse Effect, other than facts and circumstances generally known within the cable television, broadcast television and DBS industries. Since December 31, 2002, none of the Companies, the Parent or Pegasus Communications Corporation has suffered any change, condition, event or development that has had, or could reasonably be expected to have, a Material Adverse Effect.

#### **Section 4.17 Margin Stock.**

The Companies do not own or have any present intention of acquiring any "margin stock" within the meaning of Regulation U (12 CFR Part 221), of the Board of Governors of the Federal Reserve System (herein called "Margin Stock").

#### **Section 4.18. Tax Returns.**

Each of the Companies has filed all federal, state and local tax and information returns required to be filed, and has paid or made adequate provision for the payment of all material federal, state and local taxes, franchise fees, charges and assessments shown thereon.

#### **Section 4.19. Pension Plans, Etc.**

(a) Except as described in Schedule 4.19, neither the Borrower nor any member of the Controlled Group has any pension, profit sharing or other similar plan providing for a program of deferred compensation to any employee.

(b) Neither the Borrower nor any member of the Controlled Group has any material liability (i) under Section 412 of the Code for failure to satisfy the minimum funding requirements for pension plans, (ii) as the result of the termination of a defined benefit plan under Title IV of ERISA, (iii) under Section 4201 of ERISA for withdrawal or partial withdrawal from a multiemployer plan, or (iv) for participation in a prohibited transaction with an employee benefit plan as described in Section 406 of ERISA and Section 4975 of the Code.

#### **Section 4.20. Material Agreements.**

Except for matters disclosed in Schedule 4.08, 4.12, 4.13 and 4.23, Schedule 4.20 hereto accurately and completely lists all agreements, if any, among the equityholders of the Borrower or any of the Subsidiaries and all material, acquisition, construction, engineering, management, consulting, film rental, time brokerage, local marketing network affiliation, employment and other agreements, if any, which are reasonably necessary for the operation of the business of the Borrower and the Subsidiaries, including without limitation the acquisition, construction,

extension and/or operation of the Stations and the distribution of DBS services. Each of the foregoing agreements is in full force and effect; no material default by any party thereto has occurred and is continuing thereunder; and the Borrower has provided true and complete copies thereof to the Agent and its counsel. In addition, the Companies are in compliance with all requirements set forth in the definition of "Permitted LMA" and/or "Permitted JSA" and applicable to each LMA and/or JSA to which any Company is a party.

#### **Section 4.21. Projections.**

Attached as Schedule 4.21 are projections of the operation of the Companies' businesses through December 31, 2006 (the "Projections").

#### **Section 4.22. Brokers, Etc.**

None of the Companies has dealt with any broker, finder, commission agent or other similar Person in connection with the Loans or the transactions contemplated by this Agreement or is under any obligation to pay any broker's fee, finder's fee or commission in connection with such transactions.

#### **Section 4.23. Capitalization.**

Attached as Schedule 4.23 is a description of the ownership relationships among the Companies, Pegasus Communications Corporation, the Parent and the other Parent Affiliates, showing, as to the Companies, accurate ownership percentages of the equityholders of record and accompanied by a statement of authorized and issued Equity Securities for each such entity as of the Fourth Amendment Effective Date. Such Schedule 4.23 also states, as of the Fourth Amendment Effective Date (a) with respect to the Companies, which Equity Securities, if any, carry preemptive rights; (b) to the best of the Borrower's knowledge whether there are any outstanding subscriptions, warrants or options to purchase any Equity Securities of any Company; (c) whether any Company is obligated to redeem or repurchase any of its Equity Securities, and the details of any such committed redemption or repurchase; and (d) any other agreement, arrangement or plan to which any Company is a party or participant or of which any Company has knowledge which will directly or indirectly affect the capital structure of the Companies. All such Equity Securities of the Companies are validly issued and fully paid and non-assessable, and owned as set forth on such Schedule 4.23. All such Equity Securities of the Companies are owned, legally and beneficially, free of any Lien, except for Permitted Liens and restrictions on transfer imposed by applicable securities laws indicated on the certificates evidencing such shares or as may be imposed by the FCC or local franchising authorities.

#### **Section 4.24. Environmental Compliance.**

(a) To the best of the Borrower's knowledge, all real property leased, owned, controlled or operated by the Companies (the "Properties") and their existing and, to the best of the Borrower's knowledge, prior uses and activities thereon, including, but not limited to, the use, maintenance and operation of each of the Properties and all activities in conduct of business

related thereto comply and have at all times complied in all material respects with all Environmental Laws.

(b) None of the Companies and, to the best of the Borrower's knowledge, no previous owner, tenant, occupant or user of any of the Properties or any other Person, has engaged in or permitted any operations or activities upon any of the Properties for the purpose of or in any way involving the handling, manufacture, treatment, storage, use, generation, release, discharge, refining, dumping or disposal of a material amount of any Hazardous Materials the removal of which is required or the maintenance of which is prohibited or penalized.

(c) To the best of the Borrower's knowledge, no Hazardous Material has been or is currently located in, on, under or about any of the Properties in a manner which materially violates any Environmental Law or which requires cleanup or corrective action of any kind under any Environmental Law.

(d) No notice of violation, lien, complaint, suit, order or other notice or communication concerning any alleged violation of any Environmental Law in, on, under or about any of the Properties has been received by any Company or, to the best of the Borrower's knowledge, any prior owner or occupant of any of the Properties which has not been fully satisfied and complied with in a timely fashion so as to bring such Property into full compliance with all Environmental Laws.

(e) The Companies have all permits and licenses required under any Environmental Law to be issued to them by any Governmental Authority on account of any or all of its activities on any of the Properties, except to the extent that the absence of any such permit or license has had, or could have, a Material Adverse Effect, and are in material compliance with the terms and conditions of such permits and licenses. To the best of the Borrower's knowledge, no change in the facts or circumstances reported or assumed in the application for or granting of such permits or licenses exist, and such permits and licenses are in full force and effect.

(f) No portion of any of the Properties has been listed, designated or identified in the National Priorities List (NPL) or the CERCLA information system (CERCLIS), both as published by the United States Environmental Protection Agency, or any similar list of sites published by any Federal, state or local authority proposed for or requiring cleanup, or remedial or corrective action under any Environmental Law.

(g) The Borrower, at its expense, has provided to the Agent and the Lenders a governmental environmental records search for each of the Properties designated on Schedule 4.24 (collectively the "Environmental Data Reports"), prepared by an environmental consulting firm of national reputation reasonably satisfactory to the Agent. Each of the Environmental Data Reports provided to the Agent and the Lenders is, to the best of the Borrower's knowledge, true and accurate in all material respects. In addition, if requested by the Agent, the Borrower has provided to the Agent and the Lenders true and accurate responses to the Agent's Environmental Questionnaire (each an "Environmental Questionnaire") as to each of the other Properties.

#### **Section 4.25. Investment Company Act.**

None of the Companies is an "investment company" within the meaning of the Investment Company Act of 1940, as amended, or a "holding company," or a "subsidiary company" of a "holding company," or an "affiliate" of a "holding company," or of a "subsidiary company" of a "holding company," within the meaning of the Public Utility Holding Company Act of 1935, as amended.

#### **Section 4.26. Labor Matters.**

No Company is experiencing any strike, labor dispute, slow down or work stoppage due to labor disagreements which has had, or could reasonably be expected to have, a Material Adverse Effect; there is no such strike, dispute, slow down or work stoppage threatened against any Company, to the best of the Borrower's knowledge, and none of the Companies is subject to any collective bargaining or similar arrangements.

#### **Section 4.27 Delaware Code Provisions.**

None of the Organizational Documents of the Companies contains any provision similar to those set forth in Section 102(b)(2) of Title 8 of the Delaware Code.

#### **Section 4.28. [Intentionally Omitted].**

#### **Section 4.29. Parent Term Loans.**

The execution, delivery and performance of the Parent Transaction Documents (including, without limitation, the Intercreditor Agreement) and the definitive documentation (the "L/C Facility Documents") for the Indebtedness of the Letter of Credit Subsidiary permitted pursuant to Section 7.01(o) have been duly authorized by all necessary corporate action on the part of, and are within the respective corporate power of, the Parent and each Affiliate of the Borrower that is a party thereto and (subject to obtaining the consents specified in Schedule 4.04 to the Parent Term Loan Agreement (as in effect on the Third Amendment Effective Date)) will not violate any provision of law (including without limitation the Communications Act of 1934, as amended, and all other rules, regulations, administrative orders and policies of the FCC, the FAA, the Copyright Office and the rules and regulations of NASDAQ), any order, judgment or decree of any court or other agency of government, the Organizational Documents of Pegasus Communications Corporation, the Parent or any Company or any indenture, agreement or other instrument to which any Company, the Parent or Pegasus Communications Corporation is a party, or by which any Company, the Parent or Pegasus Communications Corporation is bound (including without limitation the PCC Exchange Indenture, the PCC Exchange Notes, the PCC 1997 Indenture, the PCC 1997 Senior Notes, the PCC 1998 Indenture, the PCC 1998 Senior Notes, the PSC 2001 Indenture, the PSC 2001 Senior Notes, the Golden Sky Exchange Indentures, the Golden Sky Exchange Notes, the Subordinated Debt Documents, the PCC Preferred Stock Designation, the PSC Subordinated Notes Indenture, the PSC Subordinated Notes and any DBS Agreement), or be in conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under, or

except as may be permitted under this Agreement, result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of any Company, the Parent or Pegasus Communications Corporation pursuant to, any such indenture, agreement or instrument. Each of the Parent Transaction Documents constitutes the valid and binding obligation of each of the Parent and Pegasus Communications Corporation party thereto, and each of the L/C Facility Documents constitutes the valid and binding obligation of the Letter-of-Credit Subsidiary, in each case enforceable against such party in accordance with its terms, subject, however to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the rights and remedies of creditors generally or the application of principles of equity, whether in any action in law or proceeding in equity, and subject to the availability of the remedy of specific performance or of any other equitable remedy or relief to enforce any right under any such agreement.

#### **Section 4.30. Immaterial Affiliates.**

Except for management services provided by the Manager to the Parent and the Companies and assets owned and activities incidental or related thereto, no Immaterial Affiliate owns any material assets, conducts any material business or is the obligor under any other material Indebtedness. Notwithstanding anything to the contrary contained in this Agreement, the Borrower shall not be deemed to make any of the representations contained in this Section 4.30 on any date after the Discharge of Parent Term Debt.

### **V. FINANCIAL COVENANTS.**

The Borrower covenants and agrees that, so long as any Lender has any obligation to extend credit to the Borrower hereunder, and for so long thereafter as there remains outstanding any portion of any Obligation, whether now existing or arising hereafter, the Borrower and its Subsidiaries (other than the Special Purpose Subsidiary, each Letter-of-Credit Subsidiary and the Finance Subsidiaries) except with respect to Section 5.05) will (on a Consolidated basis):

#### **Section 5.01. Leverage.**

(a) PCC Leverage. Cause PCC to maintain at all times a PCC Leverage Ratio which is less than 7.00:1.00.

(b) Borrower Leverage. At all times during each of the periods set forth below, maintain a ratio of Total Funded Debt to LTM EBITDA (for the most recently ended fiscal quarter) (the "Borrower Leverage Ratio"), of not more than the following:

<u>Period</u>	<u>Maximum Ratio</u>
Fourth Amendment Effective Date through December 31, 2004	2.50:1.00
January 1, 2005 through March 31, 2005	2.00:1.00
April 1, 2005 and thereafter	1.75:1.00

For purposes of this covenant LTM EBITDA shall each be determined on a pro forma basis after giving effect to all Acquisitions and Dispositions made by the Companies at any time during the applicable fiscal periods, in each case as if such Acquisitions and Dispositions had occurred at the beginning of such fiscal period and calculated in a manner reasonably satisfactory to the Agent.

(c) [Intentionally Omitted].

#### Section 5.02 Interest Coverage.

Maintain a ratio of, for each fiscal quarter ending after the Fourth Amendment Effective Date, LTM EBITDA to Total Interest Expense (for the period of four (4) fiscal quarters ending at the end of such fiscal quarter) (the "Interest Coverage Ratio"), not less than the correlative ratio indicated below:

<u>Quarterly Date</u>	<u>Minimum Ratio</u>
Fourth Amendment Effective Date through December 31, 2004	5.00:1.00
March 31, 2005 and each Quarterly Date thereafter	5.50:1.00

#### Section 5.03. Fixed Charge Coverage.

Maintain a ratio of, for each fiscal quarter indicated below ending after the Fourth Amendment Effective Date, LTM EBITDA to Fixed Charges (for the period of four (4) fiscal quarters ending at the end of such fiscal quarter) (the "Fixed Charge Coverage Ratio"), of at least the following:

<u>Quarterly Date</u>	<u>Minimum Ratio</u>
Fourth Amendment Effective Date through June 30, 2004	1.35:1.00
September 30, 2004 and each Quarterly Date thereafter	1.05:1.00

#### Section 5.04. Restricted Payments.

Not directly or indirectly declare, order, pay or make any Restricted Payment or set aside any sum or property therefor except as follows:

(a) The Companies may pay monthly Management Fees to the Manager; provided that (i) such payments shall be subject to the applicable Affiliate Subordination Agreement and (ii) such payments shall not exceed, during any period of twelve (12) consecutive months, the actual cost of providing management and administrative support services to the Companies for such period provided further, that from the Third Amendment Effective Date until the Discharge of Parent Term Debt, such payments shall not exceed, during any period of twelve (12)

consecutive months, the lesser of (x) the actual cost of providing management and administrative support services to the Companies (other than the Special Purpose Subsidiary, each Letter-of-Credit Subsidiary and the Finance Subsidiaries) for such period and (y) 120% of the Management Fees paid to the Manager for the 12 month period immediately preceding such period.

(b) Subject to the provisions of the Affiliate Subordination Agreements:

(i) The Subsidiaries may (A) pay dividends and make distributions to the Borrower or other Subsidiaries holding equity interests in the payor, and (B) make intercompany loans to one another subject to the limitations set forth in Section 7.05

(ii) The Subsidiaries may repay Indebtedness owed to the Borrower or to other Subsidiaries of the Borrower.

(iii) The Borrower may (A) pay annual, semi-annual or quarterly dividends or distributions to the Parent solely for the purpose of financing regularly scheduled payments of interest (but not prepayments) due and payable in cash within two Business Days of the date of such dividend or distribution under the Permitted Parent High-Yield Debt and the Permitted Parent Term Debt, and (B) make payments of accrued interest on Indebtedness referenced in clause (A) at the time such Indebtedness is refinanced or replaced by Replacement Parent High-Yield Debt or Replacement Parent Term Debt, as the case may be, to the extent such accrued interest would otherwise have been payable in cash on a date prior to the maturity of such debt as a regularly scheduled payment of interest pursuant to clause (A), and (C) on the Third Amendment Effective Date, make the Initial L/C Capitalization; in each case provided that no Default shall exist as of the date of the proposed payment or after giving effect thereto (calculated both as of such date and on a pro forma basis as of the end of and for the fiscal period(s) most recently ended prior thereto for which financial statements are required to be provided under Section 6.05); and provided further, that the Borrower shall cause the Letter-of-Credit Subsidiary to use all of the proceeds of the Initial L/C Capitalization as cash collateral to secure Indebtedness permitted under Section 7.01(o).

(iv) The Borrower may pay dividends or distributions to the Parent, Pegasus Communications Corporation or its Affiliates for the purpose of paying (A) operating costs and Capital Expenditures for development projects related to the delivery of multichannel video or broadband services, (B) corporate overhead in excess of overhead allocated to the Borrower and its Subsidiaries and Capital Expenditures related thereto, and (C) incentive compensation in excess of amounts allocated to the Borrower and its Subsidiaries, provided that in any such case (i) no Default shall exist as of the date of the proposed payment or after giving effect thereto (calculated both as of such date and on a pro forma basis as of the end of and for the fiscal period(s) most recently ended prior thereto for which financial statements are required to be provided under Section 6.05), and (ii) the aggregate amount of all such dividends or distributions paid to the Parent, Pegasus Communications Corporation or its Affiliates after the Fourth Amendment

Effective Date shall not exceed \$12,000,000 in any 12-month period ending on any anniversary of the Fourth Amendment Effective Date.

(v) The Borrower may make Tax Sharing Payments to the Parent provided that the same shall reflect adjustments for all credits and deductions enjoyed by the Parent.

(vi) The Borrower may pay dividends or distributions to the Parent from time to time solely for the purpose of funding out-of-pocket legal fees and expenses incurred in connection with (1) the litigation encaptioned *Pegasus Development Corporation et al. v. DirecTV Inc. et al.*, pending in the United States District Court for the District of Delaware, and any appeals thereof (the "Patent Litigation") and (2) the litigations involving the NRTC or DirecTV as named parties that are reasonably related to the enforcement or interpretation of the Companies' DBS Rights, including the consolidated cases encaptioned *Pegasus Satellite Television Inc. et. al. v. DirecTV Inc., et al.* pending in the United States District Court for the Central District of California, any and all other arbitral or judicial proceedings involving DirecTV and/or any of its Affiliates, on the one hand, and the Borrower and/or any of its Affiliates and/or the NRTC, on the other hand, that are reasonably related to the foregoing, and any appeals thereof (collectively, the "DBS Rights Litigation," and, collectively with the Patent Litigation, the "Litigation"), in an aggregate amount from and after the Third Amendment Effective Date not to exceed the lesser of (x) the actual out-of-pocket legal fees and expenses incurred by the Companies, Pegasus Communications Corporation or any of its Subsidiaries other than the Companies in connection with the Litigation after the Third Amendment Effective Date and (y) \$22,000,000; provided that no Default shall exist as of the date of the proposed payment or after giving effect thereto (calculated both as of such date and on a pro forma basis as of the end of and for the fiscal period(s) most recently ended prior thereto for which financial statements are required to be provided under Section 6.05).

(vii) The Borrower may make advances or capital contributions to the Letter-of-Credit Subsidiaries from time to time, provided that (x) in any such case no Default shall exist as of the date of the proposed payment or after giving effect thereto (calculated both as of such date and on a pro forma basis as of the end of and for the fiscal period(s) most recently ended prior thereto for which financial statements are required to be provided under Section 6.05), and (y) the aggregate amount of all such advances or capital contributions paid and/or made to all Letter-of-Credit Subsidiaries after the Fourth Amendment Effective Date shall not exceed \$31,000,000.

(viii) In addition to the foregoing, the Borrower may pay further dividends or distributions to the Parent from time to time, and make advances or capital contributions to the Letter-of-Credit Subsidiaries from time to time, provided that in any such case:

(A) no Default shall exist as of the date of the proposed payment or after giving effect thereto (calculated both as of such date and on a pro forma basis as of the end of and for the fiscal period(s) most recently ended prior thereto



for which financial statements are required to be provided under Section 6.05), and

(B) (1) the aggregate amount of all such dividends or distributions paid to the Parent and all such advances or capital contributions to all Letter-of-Credit Subsidiaries made on or after the Fourth Amendment Effective Date, minus (2) the sum of (x) the aggregate cash purchase price paid by the Parent for all assets contributed to the Borrower and acquired by the Parent not more than 90 days prior to the date of such contribution, plus (y) the aggregate amount of all cash equity contributions made to the Borrower (other than from DBS Rights Litigation Proceeds, from Patent Litigation Proceeds to the extent such proceeds are required to be reimbursed to the Borrower pursuant to clause (s)(ii)(A) of Article VIII or from proceeds of a Disposition of assets of any of the Companies or, without duplication, from proceeds of the Parent Term Loan) after the Fourth Amendment Effective Date shall not exceed \$12,000,000.

Notwithstanding anything in this Section 5.04(b) to the contrary, the Restricted Payments described in clauses (v) and (vii) of this Section 5.04(b) shall be permitted to be made under this Section 5.04 only to the extent the entire amount of each such Restricted Payment is applied as promptly as possible (and in any event no later than two Business Days after such Restricted Payment is made by the Borrower) to the purpose specified in the relevant clause.

#### **Section 5.05. Maximum Average Monthly Churn.**

As of the last day of each fiscal quarter commencing with the fiscal quarter ending September 30, 2003, maintain an Average Monthly Churn for the period of twelve months ending on such date not exceeding 2.25%.

Notwithstanding any provision to the contrary contained in this Agreement, Article V (and any related reporting requirements under Section 6.05) of the Existing Credit Agreement shall be in effect for the fiscal quarter ending September 30, 2003.

### **VI. AFFIRMATIVE COVENANTS.**

The Borrower hereby covenants and agrees to and with each of the Lenders that, so long as any Lender has any obligation to extend credit to the Borrower hereunder, and for so long thereafter as there remains outstanding any portion of any Obligation, whether now existing or hereafter arising, the Borrower and each of the Subsidiaries shall:

#### **Section 6.01. Preservation of Assets; Compliance with Laws, Etc.**

(a) . Do or cause to be done all things necessary to preserve, renew and keep in full force and effect its corporate, partnership or limited liability company existence, as the case may be, all material rights, licenses, permits and franchises (including all material, FCC Licenses and DBS Agreements) and comply in every material respect with all laws and regulations applicable

to it (including without limitation the Communications Act of 1934, as amended, the Copyright Revisions Act of 1976, as amended, and all other rules, regulations, administrative orders and policies of the FCC, the FAA and the Copyright Office) and all material agreements to which it is a party, including without limitation all material DBS Agreements, and all agreements with its equityholders the violation of which could have a Material Adverse Effect;

(b) at all times maintain, preserve and protect all material trade names and proprietary rights;

(c) at all times maintain in full force and effect a License Agreement between each Subsidiary holding Station assets and the related License Subsidiary, and provide a true and complete copy thereof to the Agent; and

(d) preserve all the remainder of its material property used or useful in the conduct of its business and keep the same in good repair, working order and condition (reasonable wear and tear and damage by fire or other casualty excepted), and from time to time, make or cause to be made all needful and proper repairs, renewals, replacements, betterments and improvements thereto, so that the business carried on in connection therewith may be conducted at all times in the ordinary course in a manner substantially consistent with past practices.

#### **Section 6.02. Insurance.**

Subject in each case to the provisions of Section 6.02(k) hereof with respect to the Tranche D Term Loans:

(a) Keep all of its insurable properties now or hereafter owned adequately insured at all times against loss or damage by fire or other casualty to the extent customary with respect to like properties of companies conducting similar businesses; maintain public liability, business interruption, broadcasters' liability and workers' compensation insurance insuring such Company to the extent customary with respect to companies conducting similar businesses, all by financially sound and reputable insurers and furnish to the Lenders satisfactory evidence of the same (including certification by an Authorized Officer of the Borrower of timely renewal of, and timely payment of all insurance premiums payable under, all such policies, which certification shall be included in the next succeeding Compliance Report delivered pursuant to Section 6.05(d)); notify each of the Lenders of any material change in the insurance maintained on its properties after the Fourth Amendment Effective Date and furnish each of the Lenders satisfactory evidence of any such change; maintain insurance with respect to its headend, tower, transmission and/or studio facilities and related equipment in an amount equal to the full replacement cost thereof; provide that each insurance policy pertaining to any of its insurable properties shall:

(i) name the Agent, on behalf of the Lenders, (A) as loss payee pursuant to a so-called "standard mortgagee clause" or "Lender's loss payable endorsement", with respect to property coverage, or (B) as additional insured, with respect to general liability coverage;

(ii) provide that no action of any Company shall void any such policy as to the Agent or the Lenders; and

(iii) provide that the insurer(s) shall notify the Agent of any proposed cancellation of such policy at least thirty (30) days in advance thereof (unless such proposed cancellation arises by reason of non-payment of insurance premiums in which case such notice shall be given at least ten (10) days in advance thereof) and that the Agent or the Lenders will have the opportunity to correct any deficiencies justifying such proposed cancellation.

(b) Promptly following the occurrence of any Casualty Event affecting any asset or property of any Company (whether or not such property constitutes Collateral) (the "Damaged Property") resulting in Insurance Proceeds aggregating \$1,000,000 or more, give prompt notice thereof to the Agent and cause such Insurance Proceeds to be paid to the Agent for deposit into the Collateral Account, as additional collateral security for the payment of the Obligations, pending disbursement thereof as hereinafter provided. If, on or before the last day of the applicable Restoration Period, the Borrower or any Subsidiary shall not have restored, repaired or replaced the Damaged Property (or, if earlier, on the date such Company shall have determined not to restore, repair or replace the Damaged Property) the Insurance Proceeds so deposited in the Collateral Account shall be applied to prepay the Notes, to the extent required in Section 1.09(a) or (j)(ii)(C), as applicable.

(c) In the event of a Casualty Event affecting any Damaged Property, whether or not subject to Section 6.02(b), and provided that no Event of Default shall have occurred and be continuing, the Agent or the Lenders will deliver to the Borrower (for the benefit of such Company) any Insurance Proceeds therefrom, if the Borrower so elects following notice thereof provided by the Agent, provided that (i) such Company shall use such proceeds for the restoration or replacement of the Damaged Property within the applicable Restoration Period, (ii) the Borrower shall have demonstrated to the reasonable satisfaction of the Lenders that the Damaged Property will be restored to substantially its previous condition or will be replaced by substantially identical property or assets and (iii) if the Agent, on behalf of the Lenders, had a security interest in and lien upon the Damaged Property, the Lenders shall have received, at their request, a favorable opinion from the Borrower's counsel, in form and substance satisfactory to the Agent, as to the perfection of the Agent's security interest in and lien upon such restored or replaced property or asset and such evidence satisfactory to the Agent as to the priority of such security interest and liens. If the Borrower fails to elect the disbursement of such Insurance Proceeds as provided in the foregoing sentence within thirty (30) days following receipt of the Agent's notice, the Borrower shall be deemed to have elected that such Insurance Proceeds be applied to the prepayment of the Loans.

(d) If the Borrower receives any disbursements of Insurance Proceeds as contemplated by Section 6.02(c), but fails to restore or replace the Damaged Property within the applicable Restoration Period, as required under Section 6.02(c), then the Borrower shall return all such disbursements to the Agent for application, together with the balance of any related Insurance Proceeds not so disbursed, to the prepayment of the Loans.

(e) The Agent may, if directed by the Required Lenders upon the occurrence and during the existence of any Default, elect to apply any Insurance Proceeds paid into the Collateral Account or otherwise received by the Agent pursuant to this Section 6.02 to the replacement, restoration and/or repair of the Damaged Property, in lieu of effecting the prepayment of the Loans required under Section 1.09(a) or (j)(ii)(C), as applicable, or 6.02(d).

(f) If the Borrower or the Agent (at the direction of the Required Lenders) elects to replace, restore and/or repair the Damaged Property as provided in Section 6.02(c) or (e), the related Insurance Proceeds (and any earnings thereon) held in the Collateral Account shall be applied to the replacement, restoration and repair of the Damaged Property and advanced by the Agent in periodic installments upon compliance by the Borrower with such reasonable conditions to disbursement as may be imposed by the Agent, including, but not limited to, reasonable retention amounts and receipt of lien releases and, if a Casualty Event results in the Agent's receipt of Insurance Proceeds aggregating \$1,000,000 or more, disbursement of such Insurance Proceeds jointly to the Borrower and any contractors, subcontractors and materialmen to whom payment is owed in connection with such repair, replacement and/or restoration.

(g) Following the occurrence and the continuance of any Default, the Agent shall have no obligation to release any proceeds from the Collateral Account to the Borrower as provided above and all such proceeds shall be subject to the provisions of the Security Agreements. All Insurance Proceeds remaining in the Collateral Account after application to the repair, replacement and/or restoration of Damaged Property pursuant to this Section may, at the option of the Agent, be applied to the prepayment of the Loans or (if consented to by the Required Lenders) released to the Borrower.

(h) With respect to any Casualty Event resulting in Insurance Proceeds aggregating \$1,000,000 or more, the Agent shall be entitled, at its option and if directed by the Required Lenders, to participate in any compromise, adjustment or settlement in connection with any claims for damage or destruction under any policy or policies of insurance, and the Borrower shall, within five (5) Business Days after request therefor, reimburse the Agent for all reasonable out-of-pocket expenses (including reasonable attorneys' fees and disbursements) incurred by the Agent in connection with such participation. None of the Companies shall make any compromise, adjustment or settlement in connection with any such claim without the approval of the Agent.

(i) To the extent, if any, that any improved real property (whether owned or leased) of the Companies that is mortgaged as required under Section 2.01(a) is situated in a special flood hazard zone, as defined in 12 CFR ss. 22 or 339, in which flood insurance is available, obtain and maintain flood insurance in coverage and amount satisfactory to the Agent.

(j) Maintain at all times during the period from the Third Amendment Effective Date until the Discharge of Parent Term Debt, an aggregate of at least \$25,000,000 in key man life insurance insuring Marshall W. Pagon by a financially sound and reputable insurer and include such insurance in the certification and Compliance Report referred to in Section 6.02(a).