

(k) Notwithstanding anything to the contrary in this Agreement, the foregoing provisions of paragraphs (b) through (g) of this Section 6.02 shall not apply to the Tranche D Term Loans until the payment in full of the Initial Term Loans and the Incremental Term Loans.

Section 6.03. Taxes, Etc.

Pay and discharge or cause to be paid and discharged all taxes, assessments and governmental charges or levies imposed upon it or upon its income and profits or upon any of its property, real, personal or mixed, or upon any part thereof, before the same shall become in default, as well as all lawful claims for labor, materials and supplies or otherwise, which, if unpaid, might become a lien or charge upon such properties or any part thereof; provided that no Company shall be required to pay and discharge or cause to be paid and discharged any such tax, assessment, charge, levy or claim so long as the validity thereof shall be contested in good faith by appropriate proceedings and it shall have set aside on its books adequate reserves with respect to any such tax, assessment, charge, levy or claim, so contested; and provided, further that, in any event, payment of any such tax, assessment, charge, levy or claim shall be made before any of its property shall be seized or sold in satisfaction thereof.

Section 6.04. Notice of Proceedings, Defaults, Adverse Change, Etc.

Promptly (and in any event within five (5) days after the discovery by the Borrower thereof) give written notice to each of the Lenders of (a) any proceedings instituted or threatened against it by or in any federal, state or local court or before any commission or other regulatory body, whether federal, state or local (including without limitation any Specified Authority), which, if adversely determined, could have a Material Adverse Effect; (b) any notices of default received by any Company (together with copies thereof, if requested by any Lender) with respect to (i) any alleged default under or violation of any of its material licenses, permits or franchises, including any FCC License, or under any DBS Agreement or other material agreement to which it is a party, or (ii) any alleged default with respect to, or redemption or acceleration or other action under, the Parent Term Loan Documents, the PCC Preferred Stock Designation, the PSC Subordinated Notes Indenture, the PSC Subordinated Notes, the Subordinated Debt Documents, the PCC Exchange Indenture, the PCC Exchange Notes, 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, any Replacement Parent High-Yield Debt, any Replacement Parent Term Debt, any material Acquisition Agreement, any Indebtedness of the Letter-of-Credit Subsidiary or any evidence of material Indebtedness of the Parent or any Company or any mortgage, indenture or other agreement relating thereto; (c) (i) any notice of any material violation or administrative or judicial complaint or order filed or to be filed against any Company and/or any real property owned or leased by it alleging any violations of any law, ordinance and/or regulation or requiring it to take any action in connection with the release and/or clean-up of any Hazardous Materials, or (ii) any notice from any governmental body or other Person alleging that any Company is or may be liable for costs associated with a release or clean-up of any Hazardous Materials or any damages resulting from such release; (d) any change in the condition, financial or otherwise, of any Company or the Parent which has, or could have, a Material Adverse Effect; (e) the occurrence of any Default; or (f) any transaction with any Affiliate other than (i) transactions solely among

the Companies otherwise permitted under this Agreement, (ii) in the case of the Companies only, transactions for the payment of permitted Management Fees and the License Agreements as in effect on the Third Amendment Effective Date and (iii) transactions for Restricted Payments permitted under Section 5.04.

Section 6.05. Financial Statements and Reports.

Furnish to the Agent (who shall reasonably promptly thereafter furnish to the Lenders), and except (unless otherwise requested by any such Lender in writing to the Borrower) for Projections required to be delivered pursuant to clause (e) below, each Lender:

(a) As soon as available but, in any event, within one hundred twenty (120) days after the end of each fiscal year, (i) the Consolidated balance sheets and statements of income, equity and cash flows of the Parent and (ii) the Consolidated and Consolidating balance sheets and statements of income of the Companies, together with supporting schedules in form and substance satisfactory to the Lenders (and accompanied by an unaudited breakdown of revenues, expenses and EBITDA for each of the Companies), audited by, and delivered with the opinion of, independent certified public accountants selected by the Borrower and reasonably acceptable to the Required Lenders (the "Accountants"), which opinion (A) shall not be subject to any "going concern" or like qualification, exception, assumption or explanatory language or any qualification, exception, assumption or explanatory language as to the scope of such audit, (B) shall be to the effect that such financial statements present fairly the Consolidated financial condition and results of operation of the Parent or of the Companies, as the case may be, as of the dates and for the periods indicated, in accordance with GAAP applied on a basis consistent with that of the preceding year, and shall otherwise be in form reasonably satisfactory to the Required Lenders, and (C) shall be accompanied by a report by the Accountants to the effect that the Accountants have examined the provisions of this Agreement and that, to the best of their knowledge, no Event of Default has occurred under Article VIII (or, if such an event has occurred, a statement explaining its nature and extent); provided, however, that in issuing such statement, the Accountants shall not be required to exceed the scope of normal auditing procedures conducted in connection with their opinion referred to above;

(b) Within forty-five (45) days after the end of the first three fiscal quarters in each fiscal year, (i) the Consolidated balance sheets and statements of income, equity and cash flows of the Parent and (ii) the Consolidated and Consolidating balance sheets and statements of income of the Companies, together with supporting schedules, setting forth in each case in comparative form the corresponding figures from the preceding fiscal period of the same duration, prepared by the Parent or the Borrower, as the case may be, in accordance with GAAP (except for the absence of notes) and certified by an Authorized Officer of the Parent or the Borrower, as the case may be, such balance sheets to be as of the close of such quarter, and such statements of income, equity and cash flow to be for the quarter then ended and the period from the beginning of the then current fiscal year to the end of such quarter (in each case subject to normal audit and year-end adjustments) and to include, in the case of the financial statements of the Companies, (i) a comparison of actual results to results for the comparable period of the preceding fiscal year (if available) and projected results set forth in the Budget for such period, (ii) a breakdown of Location Cash Flow for the DBS Subsidiaries and for the Borrower's other

Subsidiaries and (iii) if and to the extent prepared by the Borrower, a breakdown of revenues, expenses and EBITDA for each of the Companies, and to include, in the case of both the Companies' and Parent's financial statements delivered after the Third Amendment Effective Date, a narrative report describing the operations of the Companies and the Parent, as the case may be, similar in scope and detail to the "management's narrative analysis of results of operation" required under General Instruction I to SEC Form 10-K and General Instruction H to SEC Form 10-Q, for such fiscal quarter and for the period from the beginning of the then current fiscal year to the end of such fiscal quarter;

(c) Within forty-five (45) days after the end of each of the first eleven months of each fiscal year, the Consolidated and Consolidating balance sheets and statements of income of the Companies, together with supporting schedules, prepared by the Borrower in accordance with GAAP (except for the absence of notes) and certified by an Authorized Officer of the Borrower, such balance sheets to be as of the end of such month and such income statements to be for the period from the beginning of the then current fiscal year to the end of such month (subject to normal audit and year-end adjustments);

(d) Concurrently with the delivery of any annual financial statements required by Section 6.05(a) and any quarterly financial statements required by Section 6.05(b), a certified report (hereafter, a "Compliance Report") in the form of Schedule 6.05 attached hereto (or otherwise in a form satisfactory to the Agent), with appropriate calculations, including a detailed breakout of Subscriber Acquisition Costs, signed on behalf of the Borrower by an Authorized Officer of the Borrower, setting forth the calculations contemplated in Article V of this Agreement and certifying as to the fact that such Person has examined the provisions of this Agreement and that no Default has occurred and is continuing (or if a Default exists, a statement explaining its nature and extent);

(e) (i) On or before February 15 of each fiscal year, an updated quarterly budget approved by the Board of Directors of the Parent, including planned Capital Expenditures and projected borrowings for such fiscal year, with updated Projections showing financial covenant compliance (collectively, the "Budget"), for the operation of the Companies' businesses during the current fiscal year, setting forth in detail reasonably satisfactory to the Lenders the projected results of operations of the Companies and stating underlying assumptions, and (ii) within five (5) days after the effective date thereof, notice of any material changes or modifications in the Budget (which shall not include changes resulting from non-material adjustments to the timing of any proposed borrowings);

(f) As soon as reasonably possible and in any event within forty-five (45) days after the end of each month, one or more certificates of a responsible officer of the Borrower (collectively, the "Subscriber Reports"), setting forth in reasonable detail, the following: (i) each of the DBS Subscriber Areas and the number of homes, subscribers and Paying Subscribers in each, as of the most recent month end, (ii) the penetration percentage and churn for the most recently ended month and the most recently ended period of six (6) consecutive months for which such information is available, (iii) the average monthly aggregate revenues per subscriber as at the end of such month, (iv) rate changes, if any, on core programming packages and (v) the

number of subscribers more than sixty (60) days delinquent measured from the date of original billing;

(g) Promptly upon their becoming available, and in any event within ten (10) Business Days after receipt thereof, all Nielsen and other rating reports, if any, received by any Company;

(h) Within ten (10) days after the receipt or filing thereof by any Company, as applicable, copies of any periodic or special reports filed by any Company with any Governmental Authority (including the FCC) having jurisdiction over any Station or FCC License, and copies of any material notices and other material communications from the FCC or any other Governmental Authority which specifically relate to any Company, any Station or any FCC License, but in each case only if such reports or communications indicate any material adverse change in such Company's standing before the FCC or such other Governmental Authority in respect of any FCC License or if copies thereof are requested by the Agent;

(i) Promptly, and in any event within five (5) days, after the Borrower or any member of the Controlled Group (i) is notified by the Internal Revenue Service of its liability for the tax imposed by Section 4971 of the Code, for failure to make required contributions to a pension, or Section 4975 of the Code, for engaging in a prohibited transaction, (ii) notifies the PBGC of the termination of a defined benefit pension plan, if there are or may not be sufficient assets to convert the plan's benefit liabilities as required by Section 4041 of ERISA, (iii) is notified by the PBGC of the institution of pension plan termination proceedings under Section 4042 of ERISA or that it has a material liability under Section 4063 of ERISA, or (iv) withdraws from a multiemployer pension plan and is notified that it has withdrawal liability under Section 4202 of ERISA which is material, copies of the notice or other communication given or sent;

(j) Promptly upon receipt or issuance thereof, and in any event within five (5) Business Days after such receipt, copies of all audit reports submitted to any Company by its Accountants in connection with each yearly, interim or special audit of the books of any Company made by such Accountants, including any material related correspondence between such Accountants and the Borrower's management;

(k) Promptly upon circulation thereof, and in any event within five (5) Business Days after such circulation, copies of any material written reports issued by any of the Companies to any of its equityholders or material creditors relating to the Notes or any material change in any Company's financial condition;

(l) Within ten (10) days after the receipt or filing thereof by any Company, Pegasus Communications Corporation, the Parent or any other Affiliate of the Borrower, copies of (i) any registration statements, prospectuses and any amendments and supplements thereto, and any regular and periodic reports (including without limitation reports on Form 10-K, Form 10-Q or Form 8-K) filed by any Company, Pegasus Communications Corporation, the Parent or such Affiliate with any securities exchange or with the United States Securities and Exchange Commission (the "SEC"); and (ii) any letters of comment or correspondence with respect to

filings or compliance matters sent to any Company, Pegasus Communications Corporation, the Parent or such Affiliate by any such securities commission or the SEC in relation to any Company, Pegasus Communications Corporation, the Parent or such Affiliate and its respective affairs;

(m) To be delivered to the Agent, no later than the fifth Business Day of each fiscal quarter after the Fourth Amendment Effective Date, a report setting forth (1) the aggregate amount of the letters of credit issued in favor of the NRTC on behalf of the Borrower and each of its Affiliates (including, without limitation, the Letter-of-Credit Subsidiary) and (2) the amount of each of the "Wholesale Invoices" (as defined in the relevant NRTC Member Agreement) delivered to the Borrower or such Subsidiary during the six months most recently ended prior to the date when such report is required to be delivered;

(n) Promptly upon their becoming available, and in any event within 45 days after the end of each month, copies of the monthly executive package materials substantially in the form delivered to the agent under the Parent Term Loan Agreement on or prior to the effective date of such agreement delivered by the Parent or any Company to its management;

(o) As soon as reasonably possible after request therefor, such other information regarding its operations, assets, business, affairs and financial condition or regarding any of the Companies or (to the extent available to the Borrower without undue effort and expense) their equityholders or other Affiliates (including without limitation the Parent Affiliates) as any Lender may reasonably request, including without limitation copies of any and all material agreements to which any Company is a party from time to time; and

(p) within one hundred twenty (120) days after the end of each fiscal year of the Borrower until such time as all of the Term Loans have been paid in full, a certificate in the form of Schedule 6.05(p) containing information regarding the calculation of Excess Cash Flow.

Section 6.06. Inspection.

Permit employees, agents and representatives of the Lenders to inspect, during normal business hours, its premises and any other facilities and systems of each of the Companies and its books and records and to make abstracts or reproductions thereof. In connection with any such inspections, the Lenders will use reasonable efforts to avoid an unreasonable disruption of the Companies' businesses and, to the extent possible or appropriate absent any Default, will give reasonable notice thereof.

Section 6.07. Accounting System.

Maintain a system of accounting in accordance with GAAP and maintain a fiscal year ending December 31 for each of the Companies.

Section 6.08. Additional Assurances.

From time to time hereafter:

(a) without limiting the generality of Section 2.01(a), execute and deliver or cause to be executed and delivered, such additional instruments, certificates and documents, and take all such actions, as the Agent or the Lenders shall reasonably request for the purpose of implementing or effectuating the provisions of this Agreement and the other Loan Documents, including without limitation (i) the items set forth in Schedules 2.01(a) and 4.24 which require action after the Fourth Amendment Effective Date, as stated in each such Schedule, and (ii) only if reasonably requested by the Agent, the execution and delivery to the Agent of a mortgage or deed of trust or collateral assignment of lease or leasehold mortgage in form and substance satisfactory to the Agent (in a recordable form and in such number of copies as the Agent shall have requested) covering any real properties acquired by the Companies, together with any necessary consents relating thereto;

(b) without limiting the generality of Section 2.01, at the request and direction of the Agent, cooperate with the Agent and the Lenders from time to time in preparing, executing and/or filing and recording such (i) timely continuation statements under the Uniform Commercial Code with respect to financing statements filed under Section 2.01(a), (ii) new financing statements and (iii) conforming amendments to the Security Documents as shall be necessary from time to time to reflect the passage of time and other changed circumstances and to assure continued compliance with the Loan Documents and with Section 2.01; and

(c) upon the exercise by the Agent or the Lenders of any power, right, privilege or remedy pursuant to this Agreement or any other Loan Document which requires any consent, approval, registration, qualification or authorization of any Governmental Authority (including any Specified Authority), execute and deliver all applications, certifications, instruments and other documents and papers that the Agent or Lenders may be so required to obtain.

Nothing contained in this Section 6.08 shall constitute a waiver of any Event of Default arising from the Borrower's failure to locate, deliver and/or file or record any Security Document, any consent of any Governmental Authority or other Person or any other document required under Section 2.01, Article III or otherwise under this Agreement. Without limiting the generality of the foregoing, not more than 60 days after the Fourth Amendment Effective Date, the Borrower shall deliver to the Agent (i) a report setting forth a list of all real property assets (including leasehold interests) acquired or disposed of since the Closing Date, in detail reasonably satisfactory to the Agent, and (ii) all information, documents and instruments with respect to existing real property collateral for the Loans as the Agent may reasonably request to the Borrower on or prior to the date that is 10 Business Days after the Fourth Amendment Effective Date.

Section 6.09. Renewal of DBS Agreements and FCC Licenses.

Renew all DBS Agreements and FCC Licenses in a timely manner and in accordance with all applicable provisions thereof.

Section 6.10. Compliance with Environmental Laws.

(a) Comply, and cause all tenants or other occupants of any of the Properties to comply in all material respects with all Environmental Laws and not generate, store, handle, process, dispose of or otherwise use and not permit any tenant or other occupant of any of the Properties to generate, store, handle, process, dispose of or otherwise use Hazardous Materials in, on, under or about the Property in a manner that could lead or potentially lead to imposition on any Company or the Agent or any Lender or any of the Properties of any liability or lien of any nature whatsoever under any Environmental Law.

(b) Notify the Agent promptly in the event of any spill or other release of any Hazardous Material in, on, under or about any of the Properties which is required to be reported to a Governmental Authority under any Environmental Law, promptly forward to the Agent copies of any notices received by any Company relating to any alleged violation of any Environmental Law and promptly pay when due any fine or assessment against the Lenders, any Company or any of the Properties relating to any Environmental Law.

(c) If at any time it is determined that the operation or use of any of the Properties violates any applicable Environmental Law or that there is any Hazardous Material located in, on, under or about the Properties which under any Environmental Law requires special handling in collection, treatment, storage or disposal or any other form of cleanup or remedial or corrective action, then, within thirty (30) days after receipt of notice thereof from a Governmental Authority (or such other time period as may be specified in the notice sent by such Governmental Authority) or from the Lenders, take, at its sole cost and expense, such actions as may be necessary to fully comply in all respects with all Environmental Laws, provided, however, that if such compliance cannot reasonably be completed within such thirty (30) day period, the Borrower shall commence such necessary action within such thirty (30) day period and shall thereafter diligently and expeditiously proceed to fully comply in all respects and in a timely fashion with all Environmental Laws. Nothing herein shall prohibit the Borrower from asserting any good faith defenses against the government in any governmental demands.

(d) If a lien is filed against any of the Properties by any Governmental Authority resulting from the need to expend or the actual expending of monies arising from an action or omission, whether intentional or unintentional, of any Company or for which any Company is responsible, resulting in the releasing, spilling, leaking, leaching, pumping, emitting, pouring, emptying or dumping of any Hazardous Material, then, within thirty (30) days from the date that such Company is first given notice such lien has been placed against the Properties, either (i) pay the claim and remove the lien or (ii) furnish a cash deposit, bond or such other security with respect thereto as is satisfactory in all respects to the Lenders and is sufficient to effect a complete discharge of such lien on the Properties.

(e) At the Borrower's expense, if and as reasonably requested by the Agent in connection with any Property now or hereafter owned, acquired or leased by any Company, (i) conduct and deliver to the Agent and the Lenders, an Environmental Site Assessment prepared by an environmental consulting firm of national reputation reasonably satisfactory to the Agent, together with a letter from such firm to the Agent authorizing the Agent and the Lenders to rely thereon, or (ii) prepare and deliver to the Agent and the Lenders true and accurate responses to the Agent's Environmental Questionnaire as to such Property. Each Environmental Site

Assessment and completed Environmental Questionnaire shall be, to the best of the Borrower's knowledge, true and accurate in all material respects.

(f) Conduct any further diligence recommended under any Environmental Data Report or Environmental Site Assessment and perform any and all Remedial Work necessary under all Environmental Laws applicable (now or in the future) to the Companies or their businesses, whether as recommended under any Environmental Site Assessment or otherwise.

Section 6.11. Interest Rate Protection.

(a) Maintain in full force and effect, one or more Rate Hedging Agreements containing terms and conditions reasonably satisfactory to the Agent and sufficient to ensure that at least fifty percent (50%) of the aggregate principal amount of the Incremental Term Loans then outstanding is protected at all times against increases in the applicable Base Rate or LIBOR Rate for a term extending for at least three (3) years from the date of the initial advance of such Loans.

(b) Deliver to the Agent copies of each such Rate Hedging Agreement, including any and all amendments thereto and substitutions thereof, and such other documentation relating thereto as the Agent or the Lenders may from time to time request.

Section 6.12. Security Document Supplements.

(a) Commercial Tort Claims. Upon the request of the Agent, the Borrower shall, and shall cause its relevant Subsidiaries to, execute, deliver and/or file or record such additional Security Documents as the Agent shall deem necessary or advisable from time to time to maintain, create and perfect a first priority security interest in favor of the Agent in any "commercial tort claims" (as defined in the Uniform Commercial Code) arising out of the Litigation.

(b) Deposit Accounts. Upon the request of the Agent, the Borrower shall, and shall cause its relevant Subsidiaries and the relevant depository financial institutions, to execute, deliver and/or file or record such additional Security Documents as the Agent shall deem necessary or advisable from time to time to maintain, create and perfect a first priority security interest in favor of the Agent in all "deposit accounts" (as defined in the Uniform Commercial Code) of the Borrower and its Subsidiaries (other than the Special Purpose Subsidiary and the Letter-of-Credit Subsidiary) in existence on the Third Amendment Effective Date and all after-acquired deposit accounts in which the Borrower or any of its Subsidiaries (other than the Special Purpose Subsidiary and the Letter-of-Credit Subsidiary) maintains a balance in excess of \$50,000.00; provided, however, that no mandatory cash sweeps shall be required at any time when no Event of Default has occurred and is continuing; and provided further that the Borrower and its Subsidiaries shall, within 45 days after the Third Amendment Effective Date, deliver control agreements in form and substance satisfactory to the Agent and the relevant depository financial institutions and signed by the respective account holder and depository financial institution with respect to all deposit accounts of the Borrower and its Subsidiaries (other than the Special Purpose Subsidiary and the Letter-of-Credit Subsidiary) in existence on the Third

Amendment Effective Date. After the Third Amendment Effective Date, the Borrower and its Subsidiaries shall not open any deposit account (other than any account relating to the operation of a Station in which the balance does not exceed \$50,000.00) unless the Borrower shall have delivered to the Agent a control agreement in form and substance satisfactory to the Agent and the relevant depository financial institutions and signed by the respective account holder and depository financial institution with respect to such deposit account.

Section 6.13. Maintenance of Corporate Identity.

Operate its businesses, and will cause its Subsidiaries to operate their respective businesses, and maintain their records, independently from any Person that, directly or indirectly, is in control (as defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended) of any Company (a "Control Entity") and independently from any Subsidiary of such Company; and each Company will maintain bank accounts separate from the bank accounts of each Control Entity or Subsidiary of such Company and act solely in its own corporate name and through its own authorized officers and agents. Without limiting the generality of the foregoing, the Borrower shall also:

- (A) maintain its own separate books and records and bank accounts and not permit any Affiliate independent access to such bank accounts;
- (B) at all times hold itself out to the public and all other Persons as a legal entity separate from Pegasus Communications Corporation, the Parent, any other Company and any other Person;
- (C) have a Board of Directors separate from (but which may include members in common with) that of Pegasus Communications Corporation, the Parent, any other Company and any other Person;
- (D) file its own tax returns, if any, as may be required under applicable law, to the extent that it is (1) not part of a consolidated group filing a consolidated return or returns or (2) not treated as a division for tax purposes of another taxpayer, and pay any taxes so required to be paid under applicable law;
- (E) not commingle its assets with assets of any other Person and hold all of its assets in its own name;
- (F) conduct its business in its own name and strictly comply with all organizational formalities to maintain its separate existence;
- (G) maintain separate financial statements;
- (H) pay its own liabilities and expenses only out of its own funds;
- (I) allocate fairly and reasonably any overhead for shared office space;

- (J) use separate invoices and checks;
- (K) correct any known misunderstanding regarding its separate identity;
- (L) maintain adequate capital in light of its contemplated business purposes, transactions and liabilities;
- (M) cause its Board of Directors to act pursuant to written consent and keep minutes of such actions and observe all other general corporation formalities; and
- (N) cause the officers, agents and other representatives of the Borrower to act at all times with respect to the Borrower consistently with, and in furtherance of, the foregoing and in the best interests of the Borrower.

Section 6.14. 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, ensure that, during the period from the Third Amendment Effective Date until the Discharge of Parent Term Debt, none of the Immaterial Affiliates acquires any material assets, conducts any material business or incurs any material Indebtedness or other liabilities.

Section 6.15. Further Assurances regarding Real Estate.

(a) Mortgage Amendments. Within 60 days of the Fourth Amendment Effective Date (or such later date as the Agent shall reasonably determine), such amendments to the following mortgage documents as the Agent reasonably deems necessary in connection with the transactions contemplated by this Agreement and the making of the Tranche D Term Loans hereunder:

(i) That certain Open-End Mortgage and Security Agreement (Leasehold Mortgage) from Pegasus Broadcast Television, Inc. to and in favor of Bankers Trust Company recorded August 23, 2000 in Book 298, at Page 664 of the Lackawanna County Registry.

(ii) That certain Tennessee Deed of Trust with Security Agreement and Assignment of Rents and Leases from Pegasus Broadcast Television, Inc. to William D. Jones, as Trustee, for the benefit of Bankers Trust Company recorded December 18, 1997 in Book 4997, at Page 172, Hamilton County Register of Deeds, as amended by that certain Amendment to Tennessee Deed of Trust with Security Agreement and Assignment of Rents and Leases Pegasus Broadcast Television, Inc. to William D. Jones, as Trustee, for the benefit of Bankers Trust Company recorded January 25, 2000 in Book 5525, at Page 60, Hamilton County Register of Deeds.

(b) Additional Mortgages. Without limiting the generality of Sections 2.01(a), 6.08 and/or 6.12 hereunder, with respect to any real property owned or leased by any Company that is (A) not already subject to a first mortgage, leasehold mortgage and/or first priority perfected collateral assignment of lease, as applicable, in accordance with the requirements of Sections

2.01(a)(iii) and 2.01(a)(iv) hereof, and (B) not excepted from the requirements of Section 2.01(a) pursuant to Schedule 2.01(a), cause to be delivered to the Agent, within 60 days of the Fourth Amendment Effective Date (or such later date as the Agent shall reasonably determine):

(i) fully executed and notarized mortgages, deeds of trust or deeds to secure debt (each, as the same may be amended, modified, restated or supplemented from time to time, a "Mortgage Instrument" and collectively the "Mortgage Instruments") encumbering the fee interest and/or leasehold interest of any Company in such property (each a "Mortgaged Property" and collectively the "Mortgaged Properties") and all supporting documents reasonably requested by the Agent;

(ii) in the case of each real property leasehold interest of any Company constituting Mortgaged Property, (A) such estoppel letters, consents and waivers from the landlords of such real property as may be reasonably required by the Agent, and (B) evidence that the applicable lease, a memorandum of lease with respect thereto, or other evidence of such lease, has been or will be recorded in all places to the extent necessary or desirable, in the reasonable judgment of the Agent, so as to enable the Mortgage Instrument encumbering such leasehold interest to effectively create a valid and enforceable first priority lien (subject to Permitted Liens) on such leasehold interest in favor of the Agent (or such other Person as may be required or desired under local law) for the benefit of the Lenders.

provided, however, the failure to deliver any of the above documents with respect to a leasehold interest shall not constitute a Default hereunder if the Companies have been unable to obtain the same (to the extent required to be obtained from the landlord), or the necessary consent therefor, from the applicable landlord using commercially reasonable efforts.

VII. NEGATIVE COVENANTS.

The Borrower covenants and agrees that, so long as there remains outstanding any portion of any Obligation, whether now existing or arising hereafter, unless the Required Lenders shall otherwise consent in writing in accordance with the terms of Article XI, none of the Companies will, directly or indirectly:

Section 7.01. Indebtedness and Guarantees.

Incur, create, assume, become or be liable, directly, indirectly or contingently, in any manner with respect to, or permit to exist, any Indebtedness or Guarantee except:

- (a) Indebtedness of the Borrower to the Lenders hereunder under the Notes;
- (b) the guaranties of the Subsidiaries required under Section 2.01;
- (c) any Rate Hedging Obligation with terms and conditions reasonably acceptable to the Agent;

(d) Indebtedness existing on the Fourth Amendment Effective Date and described in Schedule 7.01, provided however, that the terms of such indebtedness shall not be modified or amended in any material respect, nor shall payment thereof be modified, without the prior written consent of the Required Lenders;

(e) Indebtedness in respect of endorsements of negotiable instruments for collection in the ordinary course of business;

(f) Guarantees by the Borrower of Indebtedness and other obligations incurred by its Subsidiaries (other than the Special Purpose Subsidiary, each Letter-of-Credit Subsidiary and South Plains DBS) and permitted by this Section 7.01;

(g) Indebtedness under Capital Leases and purchase money Indebtedness relating to the purchase price of real estate and equipment to be used in the businesses of the Borrower and its Subsidiaries (other than the Special Purpose Subsidiary, each Letter of Credit Subsidiary and the Finance Subsidiaries) which does not exceed \$10,000,000 in the aggregate outstanding at any time;

(h) customary indemnities set forth in the Acquisition Agreements;

(i) intercompany loans permitted under Section 7.05;

(j) trade payables incurred in the ordinary course of business;

(k) Permitted Seller Debt not exceeding \$50,000,000 in the aggregate outstanding at any time, in addition to the Permitted Seller Debt specified in Schedule 7.01;

(l) Permitted Seller Subordinated Debt, not exceeding \$20,000,000 in the aggregate outstanding at any time;

(m) Indebtedness to the Subordinated Noteholders under the Subordinated Debt Documents;

(n) unsecured Indebtedness of the Borrower and the Subsidiaries (other than the Special Purpose Subsidiary, each Letter-of-Credit Subsidiary and the Finance Subsidiaries) of a type not covered by any of the other provisions of this Section 7.01 and which does not exceed \$10,000,000 in the aggregate outstanding at any time;

(o) Indebtedness of each Letter-of-Credit Subsidiary in the form of its reimbursement obligations with respect to, and its obligations to pay fees and expenses and make indemnity payments (to the extent required) with respect to, letters of credit issued on or after the Third Amendment Effective Date by one or more Persons in favor of the NRTC as beneficiary, and under agreements, documents, and instruments entered into between such Letter-of-Credit Subsidiary and such Persons in connection with such letters of credit, all of which must be satisfactory in form and substance to the Agent in its reasonable discretion; provided that the aggregate amount of such Indebtedness outstanding at any time shall not exceed the value at

such time of the cash collateral pledged by such Letter-of-Credit Subsidiary to such Persons in accordance with Section 7.02(j); and

(p) Indebtedness of the Borrower under the New Revolving Credit Facility and Guarantees of such Indebtedness provided by any Subsidiary which is a party to the Subsidiary Agreement, provided that the loan documentation for the New Revolving Credit Facility and such Guarantees shall contain only such representations and warranties, covenants and events of default as are no less favorable to the Borrower and its Subsidiaries than the corresponding provisions of this Agreement and the other Loan Documents.

Notwithstanding anything in this Section 7.01 to the contrary, in no event shall the Borrower become or remain liable with respect to intercompany Indebtedness to the Parent.

Section 7.02. Liens.

Create, incur, assume, suffer or permit to exist any Lien of any nature whatsoever on any of its assets or ownership interests, now or hereafter owned, other than the following (collectively, "Permitted Liens"):

(a) liens securing the payment of taxes, assessments or government charges or levies either not yet due or the validity of which is being contested in good faith by appropriate proceedings, and as to which it shall have set aside on its books adequate reserves;

(b) deposits under workers' compensation, unemployment insurance and social security laws, or to secure the performance of bids, tenders, contracts (other than for the repayment of borrowed money) or leases, or to secure statutory obligations or surety or appeal bonds, or to secure indemnity, performance or other similar bonds arising in the ordinary course of business;

(c) liens existing on the Fourth Amendment Effective Date and described on Schedule 7.02 attached hereto;

(d) liens against the Companies imposed by law, such as vendors', carriers', lessors', warehousemen's or mechanics' liens, incurred in the ordinary course of business;

(e) liens arising out of a prejudgment attachment, a judgment or award against it with respect to which it shall currently be prosecuting an appeal, a stay of execution pending such appeal having been secured, except any such lien arising in connection with a judgment, attachment or proceeding which gives rise to an Event of Default under paragraph (m) or (n) of Article VIII;

(f) liens in favor of the Agent or the Lenders (and any Hedging Lenders) securing the Notes or the other obligations of the Companies to the Lenders hereunder or under Rate Hedging Obligations entered into with any Lender or any Lender's affiliate;

(g) liens against the Companies under or securing Capital Leases and liens or mortgages securing purchase money Indebtedness described in Section 7.01(g), provided that the obligation secured by any such lien shall not exceed one hundred percent (100%) of the lesser of cost or fair market value as of the time of the acquisition of the property covered thereby and that each such lien or mortgage shall at all times be limited solely to the item or items of property so acquired;

(h) restrictions, easements and minor irregularities in title which do not and will not interfere in any material respect with the occupation, use and enjoyment by any Company of such properties and assets in the normal course of its business as presently conducted or materially impair the value of such properties and assets for the purpose of such business; and

(i) liens in favor of the agent and lenders under the Permitted Parent Term Debt on the capital stock of the Borrower and the other collateral pledged under the Parent Term Loan Documents and any documents evidencing Permitted Parent Term Debt, in each case so long as such liens are subject to the terms of the Intercreditor Agreement;

(j) liens on the assets of each Letter-of-Credit Subsidiary, including L/C Subrogation Rights, securing Indebtedness permitted under Section 7.01(o); provided, that the value of the collateral securing such Indebtedness (exclusive of L/C Subrogation Rights) may not at any time exceed 105% of the amount of such Indebtedness; and

(k) liens securing Indebtedness of the Borrower and its Subsidiaries permitted under Section 7.01(p) on any of the Collateral, provided that (i) the Term Loans are secured by an equal and ratable lien in such Collateral and (ii) the holders of such Indebtedness (or their agent) shall have entered into an intercreditor agreement with the Agent substantially in the form of Schedule 7.02(k).

Section 7.03. Disposition of Assets; Mergers, Etc.

Merge or enter into a consolidation or sell, lease, exchange, sell and lease back, sublease or otherwise dispose of any of its assets or properties (hereinafter a "Disposition") (including without limitation the transfer of any assets or properties to the Special Purpose Subsidiary and Dispositions in exchange for similar assets and properties and commonly referred to as "asset swaps"), except the following:

(a) Dispositions of (i) inventory and cash equivalents in the ordinary course of business and (ii) tangible assets to be replaced in the ordinary course of business within twelve (12) months by other tangible assets of equal or greater value (provided that the Agent's and the Lenders' lien upon such newly acquired assets shall have the same priority as the Agent's and the Lenders' lien upon the replaced assets subject to any prior Liens permitted by Sections 7.02(g) or (iii) tangible assets that are no longer used or useful in the business of any Company.

(b) Any wholly owned Subsidiary of the Borrower may merge or be liquidated into the Borrower or any other wholly owned Subsidiary of the Borrower so long as, after giving

effect to any such merger to which the Borrower is a party, the Borrower shall be the surviving or resulting Person.

(c) Licensing of and leasing of intangible assets for fair value in the ordinary course of business.

(d) [Intentionally Omitted].

(e) [Intentionally Omitted]

(f) The Disposition of any broadcast properties listed on Schedule 7.03(f); provided, however, that (i) the selling Subsidiaries shall have received payment in cash or cash equivalents of at least eighty-five percent (85%) of gross proceeds from any such disposition of assets, (ii) all rights of the Companies under any escrow or similar agreements entered into in connection with like-kind exchanges under Section 1031 of the Code shall have been collaterally assigned to the Agent pursuant to documentation satisfactory to the Agent and (iii) the Borrower shall have complied with the provisions of Section 1.09(d).

Section 7.04. Fundamental Changes.

(a) Change the corporate structure or organization of the Borrower or the Subsidiaries from that set forth in Schedule 4.23, except (i) pursuant to mergers permitted under Section 7.03, (ii) pursuant to repurchases of Equity Securities permitted under Section 7.09, (iii) for the formation of new Subsidiaries (whether such Subsidiary is formed in connection with a Permitted Acquisition or for some other reason), so long as such Subsidiary and, if applicable, the parent company thereof, each become party to the Subsidiary Agreement, and the Subsidiary and the parent Company thereof execute and deliver (or cause to be executed and delivered) all of the documentation required to be delivered under Sections 7.05(b)(viii) and/or 7.05(b)(xii) as if such Subsidiary was formed in connection with a Permitted Acquisition, and otherwise comply with all of the provisions of Sections 2.01, 6.08 and 6.10 (iv) the formation of Finance Subsidiaries, and (v) for the formation of new Subsidiaries (each a "Letter-of-Credit Subsidiary") that shall engage in no business or activity, and shall have no assets or liabilities, at any time other than (x) cash and Cash Equivalents from Restricted Payments permitted under Section 5.04(b)(vii) and L/C Subrogation Rights or, subject to Section 5.04(b)(viii), cash equity contributed directly or indirectly to such Letter-of-Credit Subsidiary by Parent or Pegasus Communications Corporation, (y) Indebtedness permitted under Section 7.01(o) secured by liens on its assets permitted under Section 7.02(j), and (z) related obligations under agreements, documents and instruments that are incidental to and required for the foregoing and are satisfactory in form and substance to the Agent in its reasonable discretion.

(b) Permit or suffer any amendment of its Organizational Documents which could have a Material Adverse Effect (it being expressly agreed that the inclusion in any such Organizational Documents of any provision similar to those set forth in Section 102(b)(2) of Title 8 of the Delaware Code is prohibited under this Section).

Section 7.05. Investments and Acquisitions.

(a) Permitted Investments. Acquire, have outstanding or hold any Investment (including any Investment consisting of the acquisition of any business), except the following:

(i) Existing Investments of the Borrower in its Subsidiaries and of the Borrower's Subsidiaries in other Subsidiaries, as reflected in Schedule 4.23;

(ii) Intercompany loans and advances from any wholly owned Subsidiary of the Borrower to the Borrower, to the extent reasonably necessary for Consolidated tax planning and working capital management;

(iii) (A) Intercompany loans and advances from the Borrower to its Subsidiaries (excluding the Special Purpose Subsidiary, any Letter of Credit Subsidiary or the Finance Subsidiaries), from the proceeds of the Loans, to the extent necessary to fund working capital, Capital Expenditures and other operating expenses permitted hereunder and (B) intercompany loans and advances from a Subsidiary to any Subsidiary that is a party to the Subsidiary Agreement;

(iv) Investments in Cash Equivalents;

(v) Short-term loans to employees and advances to employees in the ordinary course of business for the payment of bona fide, properly documented, business expenses to be incurred on behalf of the Borrower and its Subsidiaries, provided that the aggregate outstanding amount of all such loans and advances shall not exceed \$500,000 in the aggregate at any time;

(vi) Guarantees permitted by Section 7.01;

(vii) equity investments by PSTH in the Special Purpose Subsidiary made solely for the purpose of funding SAC Payments and subject to the Special Purpose Subsidiary's obligations to distribute SAC Commissions and Excess SAC Cash to the Finance Subsidiaries and contribute the Equity Securities in the Finance Subsidiaries to PSTH under Section 7.09;

(viii) equity investments by the Borrower in PSTH made solely for the purpose of funding the equity investments referred to in clause (vii) above; and

(ix) Any Acquisition (including without limitation the transfer of assets by the Parent to the Borrower, for further transfer to a Subsidiary, and in each case as a capital contribution, free and clear of any Liens, other than Permitted Liens) made in accordance with the conditions set forth in Section 7.05(b) below (in each case, a "Permitted Acquisition").

(b) Conditions to Acquisitions. Not consummate any Acquisition unless the following conditions shall have been satisfied in full:

(i) The prior written approval of the Required Lenders, in their sole and absolute discretion, shall be required for (A) any such Acquisition of DBS territories involving consideration in excess of \$50,000,000 and (B) any such Acquisition of broadcast television or cable television properties involving consideration in excess of \$20,000,000.

(ii) If such Acquisition involves the purchase of stock or other ownership interests, the same shall be effected in such a manner as to assure that the acquired entity becomes a direct or indirect Subsidiary of the Borrower and that the parent of such Subsidiary shall own all of such ownership interests.

(iii) If such Acquisition involves the acquisition of broadcast television properties, each of the related FCC Licenses shall be held after the Acquisition in a License Subsidiary and each such License Subsidiary shall enter into an appropriate License Agreement with the Subsidiary holding the operating assets for the related Station.

(iv) The Borrower shall have delivered to the Agent (in sufficient copies for all the Lenders) the following:

(A) no later than thirty (30) days (or such shorter period as may be reasonably practicable, if approved by the Agent) prior to the consummation of any such Acquisition or, if earlier, ten (10) business days after the execution and delivery of the related Acquisition Agreement, copies of executed counterparts of such Acquisition Agreement, together with all schedules thereto, the forms of any additional agreements or instruments to be executed at the closing thereunder (to the extent available), and all applicable financial information, including (1) as soon as practicably available following any fiscal quarter with respect to which the aggregate consideration paid or payable with respect to Permitted Acquisitions in such fiscal quarter exceeds \$50,000,000, new Projections through December 31, 2006 (updated to reflect such Acquisition and any related transactions and showing compliance with all financial covenants), and (2) Subscriber Reports;

(B) promptly following a request therefor, copies of such other information or documents relating to such Acquisition as any Lender shall have reasonably requested; and

(C) promptly following the consummation of such Acquisition, certified copies of the agreements, instruments and documents referred to above to the extent the same has been executed and delivered at the closing under such Acquisition Agreement.

(v) The aggregate amount of all consideration payable by the Borrower or any Subsidiary or Subsidiaries in connection with such Acquisition (other than noncompetition and consulting agreements, earn-outs and customary post-closing

adjustments, escrows, holdbacks and indemnities and Indebtedness permitted under Section 7.01) shall be payable on the date of such Acquisition.

(vi) Neither the Borrower nor any Subsidiary shall, in connection with any such Acquisition, assume or remain liable with respect to any indebtedness (including any material tax or ERISA liability) of the related Seller(s), except (i) to the extent permitted under Section 7.01 and (ii) obligations of such Seller(s) incurred in the ordinary course of business and necessary or desirable to the continued operation of the underlying properties, and any other such liabilities or obligations not permitted to be assumed or otherwise supported by any of the Companies hereunder shall be paid in full or released as to the assets being so acquired on or before the consummation of such Acquisition.

(vii) All other assets and properties acquired in connection with any such Acquisition shall be free and clear of any Liens other than Permitted Liens.

(viii) The Borrower shall have complied as applicable with all of the provisions of Sections 2.01, 6.08 and 6.10 with respect to any acquired entity or assets, including the execution and delivery of such additional agreements, instruments, certificates, documents, consents, environmental site assessments, opinions and other papers as the Agent may reasonably require.

(ix) Immediately prior to any such Acquisition and after giving effect thereto, no Default shall have occurred and be continuing.

(x) Without limiting the generality of the foregoing, after giving effect to such Acquisition the Borrower shall be in compliance with the provisions of Article V, (A) calculated on a pro forma basis as of the last day of the most recently ended fiscal quarter for which financial statements are required to be provided, and have been so delivered, under Section 6.05 and (B) under the Borrower's updated Projections referred to in Section 7.05(b)(iv), if required to be provided thereunder. The Borrower shall provide to the Agent a certificate signed on behalf of the Borrower by an Authorized Officer demonstrating such compliance in reasonable detail.

(xi) On or before the consummation of each such Acquisition, the Borrower shall deliver to the Agent (in sufficient copies for all the Lenders) and to the Agent's counsel a compliance certificate, substantially in the form of Schedule 7.05(a) hereto or such other form as shall be satisfactory to the Agent (each, an "Acquisition Compliance Certificate"), duly executed by an Authorized Officer of the Borrower, certifying as to the matters set forth above with respect to such Acquisition. In the event that such Acquisition is financed, in whole or in part, with the proceeds of Loans hereunder, the foregoing requirement shall be deemed satisfied upon delivery of the compliance certificate required under Section 3.02, in the form of Schedule 3.02(d), in connection with such Loans.

(xii) On or before the consummation of each such Acquisition involving the purchase or formation of a new Subsidiary and/or the execution of additional Security

Documents or any other Loan Document, or otherwise, if reasonably required by the Agent, the Agent shall have received the favorable written opinions of (i) general counsel or regularly employed outside counsel to the Companies and (ii) special FCC counsel to the Companies (in the case of Acquisitions of cable television and broadcast television properties), in each case dated the date of such Loans, addressed to the Agent and the Lenders and substantially in the forms attached as Schedules 7.05(b) and (c) hereto.

(xiii) Only if reasonably requested in connection with the recording of any mortgages or similar instruments or any material issues of state law raised in connection with such Acquisition, the Agent shall have received the favorable opinion of local counsel to the Companies, dated the date of such Acquisition, addressed to the Agent and the Lenders and substantially in the form attached as Schedule 7.05(d) hereto.

Section 7.06. Local Marketing and Joint Sales Agreements, Etc.

Enter into any LMA, JSA or other similar arrangement, other than Permitted LMAs or Permitted JSAs. If any Station that is the subject of an Existing LMA is acquired by Parent or Pegasus Communication Corporation, or by a Subsidiary of either of them that is not one of the Companies, and such Existing LMA is not contributed to the Borrower, such Existing LMA (i) shall be assumed by the Person acquiring such Station on its existing terms and (ii) as so assumed, shall not be subject to the requirements of Section 7.12.

Section 7.07. Management.

Turn over the management of its properties, assets, rights, licenses and franchises to any Person other than the Manager or a full-time employee of the Companies.

Section 7.08. Sale and Leaseback.

Enter into any arrangements, directly or indirectly, with any Person whereby it shall sell or transfer any property, real, personal or mixed, used or useful in its business, whether now owned or hereafter acquired, and thereafter rent or lease such property; provided, however, that the Borrower and the Subsidiaries may engage in such transactions to the extent structured as Capital Leases and subject to the limitations in Section 7.01(g).

Section 7.09. Repurchase or Issuance of Equity Securities.

(a) Repurchase or redeem any Equity Securities, except for repurchases and redemptions by the Companies of Equity Securities in the Subsidiaries which do not result in any Default (under Section 2.01 or otherwise); or

(b) Issue any additional Equity Securities, except for securities (A) in respect of which the issuing Company has no obligation to redeem or to pay cash distributions or dividends, (B) which are pledged and, if certificated, delivered to the Agent in accordance with Section 2.01 and the applicable Security Document and (C) the issuance of which does not result in any Default.

Section 7.10. Change in Business, Limits on Activities of Special Purpose Subsidiary.

Engage, directly or indirectly, in any business other than the businesses in which it is currently engaged. Without limiting the generality of the foregoing, the Special Purpose Subsidiary shall not engage, directly or indirectly, in any business other than that of paying, or reimbursing the DBS Subsidiaries for, Subscriber Acquisition Costs incurred by the DBS Subsidiaries (such payments or reimbursements being referred to collectively herein as the "SAC Payments") in exchange for commissions payable by the DBS Subsidiaries for each affected subscriber to DBS Services (collectively, the "SAC Commissions"), and shall

- (a) hold no assets other than such funds;
- (b) not incur, create, assume, become or be liable, directly, indirectly or contingently, in any manner with respect to, any Indebtedness or liability (other than liabilities to make SAC Payments accrued in the ordinary course);
- (c) not create, incur, assume, suffer or permit to exist any mortgage, pledge, lien, charge or other encumbrance of any nature whatsoever on any of its assets, now or hereafter owned;
- (d) not make any payments or engage in any other transactions, other than SAC Payments and distributions to the Finance Subsidiaries and PSTH;
- (e) not maintain cash on hand and other liquid investments exceeding \$3,500,000 in the aggregate at any time;
- (f) distribute to the Finance Subsidiaries (i) all SAC Commissions on a regular basis (and, in any event, no less frequently than every third month) and (ii) any cash or other liquid investments exceeding \$3,500,000 ("Excess SAC Cash"), no later than thirty (30) Business Days after such excess shall arise; and
- (g) concurrently with the distributions required under paragraph (f) above, contribute the Equity Securities in the Finance Subsidiaries to PSTH.

Section 7.11. Accounts Receivable.

Sell, assign, discount or dispose in any way of any accounts receivable, promissory notes or trade acceptances held by any Company, with or without recourse, except for collection (including endorsements) in the ordinary course of business and except to the extent permitted under Section 7.03.

Section 7.12. Transactions with Affiliates.