

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MAINE

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

**MOTION OF DEBTORS AND DEBTORS IN POSSESSION
FOR AN ORDER PURSUANT TO 11 U.S.C. §§ 105(a) AND 363(b)
AUTHORIZING PEGASUS SATELLITE COMMUNICATIONS,
INC. TO TAKE AN ASSIGNMENT OF CERTAIN LOANS MADE
BY WACHOVIA BANK, N.A. TO W.W. KEEN BUTCHER AND GUYON W.
TURNER AND CONTINUE TO PROVIDE FUNDING UNDER SUCH LOANS**

Pegasus Satellite Television, Inc. and certain of its subsidiaries and affiliates, each a debtor and debtor-in-possession herein (collectively, the “Debtors”),¹ hereby file this motion (the “Motion”) requesting entry of an order pursuant to sections 105(a) and 363(b) of title 11 of the United States Code (the “Bankruptcy Code”) authorizing Pegasus Satellite Communications, Inc. (“PSC”) to take an assignment of certain loans made by Wachovia Bank National Association (“Wachovia”) to each of W.W. Keen Butcher (“Butcher”) and Guyon W. Turner (“Turner”) and continue to provide funding under such loans. In support of this Motion, the Debtors respectfully state as follows.

¹ The Debtors are: Argos Support Services Company, Bride Communications, Inc., B.T. Satellite, Inc., Carr Rural TV, Inc., DBS Tele-Venture, Inc., Digital Television Services of Indiana, LLC, DTS Management, LLC, Golden Sky DBS, Inc., Golden Sky Holdings, Inc., Golden Sky Systems, Inc., Henry County MRTV, Inc., HMW, Inc., Pegasus Broadcast Associates, L.P., Pegasus Broadcast Television, Inc., Pegasus Broadcast Towers, Inc., Pegasus Media & Communications, Inc., Pegasus Satellite Communications, Inc., Pegasus Satellite Television of Illinois, Inc., Pegasus Satellite Television, Inc., Portland Broadcasting, Inc., Primewatch, Inc., PST Holdings, Inc., South Plains DBS, LP., Telecast of Florida, Inc., WDSI License Corp., WILF, Inc., WOLF License Corp., and WTLH License Corp.

PRELIMINARY STATEMENT

By this Motion, the Debtors seek to preserve a complex series of agreements with KB Prime Media, LLC (“KB Prime”) and its principals, Butcher and Turner, pending the auction and ultimate sale in these chapter 11 cases of the Debtors’ broadcast television assets. As discussed more fully below, certain of the Debtors are parties to various executory contracts with KB Prime that allow the Debtors, subject to KB Prime’s overall control, to operate and retain the revenue from KB Prime’s television stations. As part of this relationship, PSC provides and maintains collateral support in respect of the outstanding principal amount of loans made by Wachovia to Butcher and Turner (the “Wachovia Notes”), which financed KB Prime’s television station acquisitions and fund KB Prime’s current operations. In exchange for such collateral support, PSC was granted an exclusive and irrevocable option to acquire from KB Prime any or all broadcast station licenses, permits, and/or the equity interests or assets of KB Prime, in whole or in part, exercisable when permitted by the rules, policies or decisions of the Federal Communications Commission (“FCC”).

Prior to the Petition Date, PSC had exercised options to acquire certain of KB Prime’s station licenses and related broadcast assets for cash and entered into certain asset purchase agreements that provide for the transfer of such assets upon FCC approval. The Debtors anticipate moving to assume those asset purchase agreements and certain related agreements in connection with the auction of the Debtors’ broadcast television assets. Recent events, however, threaten the stability of KB Prime and its principals, Butcher and Turner, and have compelled the Debtors to seek the expedited relief requested herein in advance of the Debtors’ proposed auction process.

By virtue of PSC's chapter 11 filing, Butcher and Turner are in default under the Wachovia Notes. Just recently Wachovia issued separate default notices to Butcher and Turner and stated that it will soon enforce its rights and remedies under the Wachovia Notes. Unless Wachovia withdraws its default notices and restores access to further credit under the Wachovia Notes – two highly improbable events -- KB Prime, Butcher and/or Turner threaten to file petitions for bankruptcy relief, which would imperil PSC's valuable option to acquire the station licenses and related broadcast assets. The Debtors, in close cooperation with the official committee of unsecured creditors, have devoted a substantial amount of time and resources in an attempt to broker a standstill among Wachovia, Butcher, Turner and the Debtors, but have met with little success to date, thus compelling the expedited relief requested herein.

STATUS OF THE CASE AND JURISDICTION

1. On June 2, 2004 (the "Petition Date"), each of the Debtors filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code. On the Petition Date, the Debtors also jointly filed motions or applications seeking certain typical "first day" orders, including an order to have these cases jointly administered.

2. The Debtors continue in possession of their properties and are operating and maintaining their businesses as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

3. On June 10, 2004, the United States Trustee for the District of Maine appointed the Official Committee of Unsecured Creditors (the "Committee") pursuant to section 1102(a) of the Bankruptcy Code. No request has been made for the appointment of a trustee or examiner in these cases.

4. The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). Venue is proper in this Court pursuant to 28 U.S.C. §§ 1408 and 1409. The statutory predicate for the relief sought herein is sections 105(a) and 363(b) of the Bankruptcy Code.

BACKGROUND TO THE MOTION

The Debtors' Relationship with KB Prime

5. KB Prime owns licenses to operate several full-power television stations, a construction permit to build and operate a full-power so-called DTV-only² station, as well as various applications for construction permits that, if granted by the FCC, would authorize KB Prime to build and operate additional full-power television stations. The majority owner of KB Prime is W.W. Keen Butcher, the stepfather of Marshall W. Pagon, who is Chairman of the Board and Chief Executive Officer of PSC, and the minority owner of KB Prime is Guyon W. Turner. PSC and its Debtor subsidiaries Pegasus Broadcast Television, Inc. ("PBT") and B.T. Satellite, Inc. ("BT") are parties to various agreements with KB Prime that allow the Debtors to operate and retain the revenue from KB Prime's television stations.

6. PBT owns and operates television stations in each of the designated market areas ("DMA") in which KB Prime owns television station licenses. Pursuant to the currently applicable rules and policies of the FCC, and subject to certain exceptions, the number of television stations any one entity may own in a given DMA is generally dependent on the overall number of independently-owned stations operating in the DMA. A single entity may

² The term "DTV" refers to "digital television." As directed by Congress, the FCC is overseeing the television industry's transition from analog (the method used for the past 40 plus years) to digital broadcasting.

own two television stations in any market where, after the combination, at least eight independently-owned stations remain. Time Brokerage Agreements (“TBAs”) or similar agreements allow licensees in DMAs with less than eight independently-owned stations to combine operations without violating the FCC’s local television ownership rules, provided that the licensee of the brokered station retains ultimate control over its station, including the right to reject any programming provided by its broker. PBT and/or BT have entered into TBAs with KB Prime in the Portland, Maine and Wilkes-Barre/Scranton, Pennsylvania DMAs. Because both of these DMAs have fewer than eight independently-owned television stations, a single entity would not be permitted to own more than one television station absent a waiver from the FCC.³

The Wachovia Notes

7. Butcher is a borrower under that certain amended promissory note dated April 1, 2004 and payable to Wachovia in the principal amount of up to \$8,500,000 (the

³ Pursuant to the TBAs, PBT (which for these purposes includes BT) currently provides, subject to KB’s overall control of its stations, management services, technical and back office support as well as programming to KB Prime’s two broadcast television stations: (i) WSWB, serving the Wilkes-Barre/Scranton, Pennsylvania designated market area (“DMA”); and (ii) WPME, serving the Portland, Maine DMA. For both WSWB and WPME, PBT also retains all revenues generated from advertising sold in the programming provided in exchange for monthly payments to KB Prime in the approximate amounts of \$4,500 for WSWB and \$5,000 for WPME. Pursuant to a Joint Sales Agreement (“JSA”), PBT also provides management services, technical and back office support as well as a reduced amount of programming to WTLF-DT, serving the Tallahassee, Florida DMA. As with WSWB and WPME, PBT and BT retain all revenue from advertising sales on WTLF-DT in return for a monthly payment to KB Prime of \$4,000. In addition to those monthly amounts, the TBAs, JSA and/or other lease and administrative service agreements require PBT to reimburse KB Prime for certain expenses including, *inter alia*, utilities, salaries, and legal and accounting fees. The aggregate monthly reimbursement obligations of PBT is approximately \$21,194 for WSWB, \$23,785 for WPME, and \$9,039 for WTLF. Since the Petition Date, PBT has continued to operate in the ordinary course of business with respect to the TBAs and JSA and has paid all amounts it is contractually obligated to pay in accordance with the terms of such agreements.

“Butcher Note”), and Turner is a borrower under that certain amended promissory note dated March 31, 2004 and payable to Wachovia in the principal amount of up to \$250,000 (the “Turner Note”, and together with the Butcher Note, the “Wachovia Notes”).

8. The obligations of Butcher and Turner under the Wachovia Notes are secured by a lien on and security interest in the collateral (the “Collateral”) described in those certain Security Agreements each dated March 29, 2002 (collectively, the “Security Agreement”) executed and delivered by PSC. Under the terms of the Security Agreement, PSC granted Wachovia a security interest in an account PSC maintains with Wachovia that collateralizes each of the Wachovia Notes at 105% of the outstanding principal amount of the loans advanced under the Wachovia Notes (the “Wachovia Account”). Although KB Prime is a beneficiary of the credit arrangements among Butcher, Turner, PSC and Wachovia, it is not a party to any of the loan documents among any of those parties.

The Option Agreement

9. On April 14, 1998, PSC (f/k/a Pegasus Communications Corporation) entered into an agreement with KB Prime (as amended, the “Option Agreement”) under which, *inter alia*, PSC agreed to provide and maintain collateral support in respect of the outstanding principal amount of the loans advanced under Wachovia Notes, which is implemented by the Security Agreement. In turn, Butcher and Turner agreed to contribute the proceeds of the loans advanced under the Wachovia Notes to KB Prime and to cause KB Prime to use the Wachovia Loan proceeds for the acquisition and/or operation of KB Prime’s television stations. In exchange for, *inter alia*, providing credit support in respect of the Wachovia Notes, PSC was granted an exclusive and irrevocable option to acquire any or all broadcast station licenses,

permits, and/or the equity interests or assets of KB Prime, in whole or in part, exercisable when permitted by the rules, policies or decisions of the FCC.

10. Under the Option Agreement, the option price for each KB Prime station is based upon (i) the cost attributed to the applicable station, (ii) compound interest at a rate equal to the borrowing interest rate of KB Prime (2.6% as of December 31, 2003) plus 3%; and (iii) an allocable portion of KB Prime's corporate expenses.⁴ The option price is increased by the amount of any additional borrowings made by Butcher and Turner under the Wachovia Notes to cover specified costs of KB Prime, excluding interest on such notes.

11. When FCC approval is obtained after PSC has exercised its option under the Option Agreement and the transactions contemplated under the applicable purchase agreement are consummated, KB Prime is required to repay the Wachovia Notes with the net proceeds received from the disposition of the applicable assets with holdback for up to 25% of taxable gain.

12. KB Prime's corporate expenses are funded by periodic borrowings made by Butcher and Turner under the Wachovia Notes, the proceeds of which are in turn contributed to KB Prime pursuant to the terms of the Option Agreement. Butcher and Turner also fund their

⁴ The Option Agreement sets forth the types of expenses and amount of expenses which Butcher and Turner can borrow from Wachovia and for which PSC has the obligation to collateralize. Specifically, under the Fourth Amendment to the Option Agreement the amount of new borrowings for which PSC is obligated to provide collateral support pursuant to the Option Agreement shall not exceed the sum of: (i) \$200,000 annually for specified corporate expenses of KB Prime; (ii) capital expenditures; (iii) interest on the Wachovia Notes; (iv) direct expenses of any KB Prime station; (v) reasonable legal, accounting and broker fees in connection with the sale of a KB Prime stations, and (vi) amounts to buy out a partner or participate in an auction. Pursuant to the Security Agreement, PSC is required to collateralize the Wachovia Notes at 105% of the outstanding principal amount of the loans advanced by Wachovia to Butcher and Turner under the Wachovia Notes.

interest payments and other costs and expenses due under the Wachovia Notes through additional periodic borrowings from Wachovia under the Wachovia Notes. As of November 5, 2004, (i) the aggregate principal and interest outstanding under the Butcher Note was approximately \$6,398,498; (ii) the aggregate principal and interest outstanding under the Turner Note was approximately \$96,417; and (iii) and over \$6.8 million of PSC assets were on deposit in the Wachovia Account to collateralize the Wachovia Notes.

13. Prior to the Petition Date, PSC's board of directors authorized PSC to exercise its options under the Option Agreement and to acquire any of the stations, licenses, permits, or other assets of KB Prime. Accordingly, also prior to the Petition Date, the Debtors' exercised their options with respect to two FCC licenses and a construction permit held by KB Prime.⁵ In connection with the exercise of the options, PSC entered into three separate asset purchase agreements. Pursuant to the terms of the asset purchase agreements, KB Prime and PSC filed FCC applications prior to the Petition Date for each of the transactions, all of which are currently pending before the FCC and are unopposed. See FCC File No. BALCT-20040227 AAA (WPME); FCC File No. BALCT-20040510 ACH (WSWB); FCC File No. BAPCT-20040506 AAU (Hammond, Louisiana construction permit – WHMM-DT). The closing of the transactions contemplated under each of the asset purchase agreements is contingent upon first receiving FCC approval. Counsel for the Debtors and the Committee have been advised by the FCC staff that further processing of these applications has been suspended pending the

⁵ KB Prime also owns one other so-called DTV-only television station (WTLF-DT in Tallahassee, Florida) and has applications pending before the FCC for construction permits that, if granted, would authorize the construction and operation of additional television stations. The Debtors may wish to acquire WTLF-DT and the construction permits, if granted by the FCC, in the future.

submission of satisfactory amendments demonstrating that the Debtors or their estates have sufficient funds to consummate the proposed transactions and operate the stations thereafter.

- a) The WPME Asset Purchase Agreement - In February 2004, PSC exercised an option to acquire WPME serving Portland, Maine. In connection with the exercise of the option, PSC entered into an asset purchase agreement with KB Prime, dated February 17, 2004, to purchase such television station (the "WPME Asset Purchase Agreement"). The estimated purchase price for WPME as of September 30, 2004 was \$3,797,928 and will be finalized upon FCC approval.
- b) The WSWB Asset Purchase Agreement -- In March 2004, PSC exercised an option to acquire KB Prime's station in Scranton, Pennsylvania (WSWB). In connection with the exercise of the option, PSC entered into an asset purchase agreement with KB Prime, dated March 15, 2004, to purchase such television (the "WSWB Asset Purchase Agreement"). The estimated purchase price for WSWB as of September 30, 2004 was \$2,085,941 and will be finalized upon FCC approval.
- c) The Hammond Asset Purchase Agreement - In Spring 2004, the FCC granted a construction permit to KB Prime for a new, full-power DTV-only station in Hammond, Louisiana (WHMM-DT), which is located in the New Orleans DMA. PSC exercised its option with respect to this permit and in connection with the exercise of the option, PSC entered into an asset purchase agreement with KB Prime, dated April 7, 2004, to purchase such construction permit (the "Hammond Asset Purchase Agreement", and together with the WPME Asset Purchase Agreement and the WSWB Asset Purchase Agreement, the "Asset Purchase Agreements"). The estimated purchase price for the Hammond construction permit as of September 30, 2004 was \$1,489,279 and will be finalized upon FCC approval.

The Alleged Default under the Wachovia Notes

14. According to Wachovia, pursuant to the default provisions in the Wachovia Notes, the Wachovia Notes became immediately due and payable upon the bankruptcy of PSC. On October 12, 2004, PSC received a letter from Turner advising PSC of Turner's belief that PSC is in default under the Option Agreement due to PSC's alleged failure to adequately provide collateral as required by the Option Agreement (the "Turner Letter"). The

Debtors and PSC deny that PSC is in default under the Option Agreement and believe that PSC is in full compliance with the Option Agreement. It is the Debtors' understanding, however, that the Turner Letter is based primarily on Wachovia's determination that, as a result of PSC's bankruptcy, Wachovia will no longer permit additional borrowings under the Wachovia Notes. Because Butcher and Turner use only proceeds of the Wachovia Notes to provide funding for KB Prime's operations, without Butcher and Turner's access to funding from Wachovia, KB Prime no longer has access to such funding to pay its expenses that the Debtors are not otherwise obligated to pay pursuant to the TBAs or the JSA. In addition, because of the alleged default under the Wachovia Notes, neither Butcher or Turner can borrow additional sums from Wachovia to pay interest due by them on the Wachovia Notes, or to pay Wachovia its legal fees and costs payable in connection with the Wachovia Notes.

RELIEF REQUESTED

15. By this Motion, the Debtors seek entry of an order pursuant to sections 105(a) and 363(b) of the Bankruptcy Code authorizing the Debtors to (i) take an assignment of the Wachovia Notes pursuant to that certain Loan Sale Agreement by and between Pegasus Communications Corporation, Inc., Debtor under Chapter 11, and Wachovia Bank National Association, successor by merger to First Union National Bank, dated as of November 12, 2004 (the "Loan Sale Agreement"), attached hereto as Exhibit A, and to continue to provide funding under such notes and (ii) submit amendments to the three applications pending with the FCC confirming that the Debtors and/or their estates have sufficient funds available to consummate the transactions and operate the stations as contemplated under the Asset Purchase Agreements.

16. Among other things, the Loan Sale Agreement provides that Wachovia agrees to sell, and PSC agrees to purchase, the Wachovia Notes and certain related instruments,

agreements, and documents, as well as any and all extensions and amendments to the Wachovia Notes (collectively, and as defined in the Loan Sale Agreement, the “Loan Documents”) for a purchase price equal to the sum of the principal and interest outstanding under the Wachovia Notes on the Closing Date (as defined in the Loan Sale Agreement), together with all fees and costs of Wachovia as authorized under the Wachovia Notes and the Loan Documents. At the Closing, Wachovia shall deliver to PSC: (i) a Blanket Assignment of Loan Documents executed by an authorized officer of Wachovia; (ii) the original Wachovia Notes, and all other original Loan Documents in Wachovia’s possession, and Wachovia shall also deliver to PSC, including by cancellation or termination of the Security Agreement and the Control Agreement (as such terms are defined in the Loan Sale Agreement), any and all Collateral (in the amount set forth in section 6.9 of the Loan Sale Agreement) in Wachovia’s possession and Wachovia shall follow PSC’s instructions for disposition of such Collateral; and (iii) the Loan Documents free and clear of all liens and encumbrances.

BASIS FOR RELIEF REQUESTED

17. The Debtors are seeking entry of an order granting the relief requested herein pursuant to section 363(b)(1) of the Bankruptcy Code which provides that the “trustee, after notice and hearing, may use, sell, or lease, other than in the ordinary course of business, property, of the estate.” 11 U.S.C. § 363(b)(1). Although stated various ways, courts generally hold that a debtor’s decision to enter into a transaction outside of the ordinary course of business is governed by the “business judgment test.” 3 Collier on Bankruptcy ¶ 363.01[1][f] (15th ed. rev. 2003); see also WBQ P’ship v. Virginia (In re WBQ P’ship), 189 B.R. 97, 104 (Bankr. E.D. Va. 1995) (holding that price to be paid in sale of substantially all assets must be “fair and reasonable”); In re Phoenix Steel Corp., 82 B.R. 334, 335-336 (Bankr. D. Del. 1987) (concluding

that a sale under Section 363 of the Bankruptcy Code is appropriate when “there is a good reason for completing the sale and the transaction is in good faith”); In re Delaware & Hudson Rwy. Co., 124 B.R. 169, 176 (Bankr. D. Del. 1991) (stating that a sale under section 363 of the Bankruptcy Code is appropriate if there is a “sound business reason for the sale” and the “purchase price is fair and reasonable”).

18. The business judgment rule shields a debtor’s management from judicial second-guessing. See In re Johns-Manville Corp., 60 B.R. 612, 615-16 (Bankr. S.D.N.Y. 1986) (“[T]he [Bankruptcy] Code favors the continued operation of a business by a debtor and a presumption of reasonableness attached to a Debtor’s management decisions.”). Once the debtor articulates a valid business justification, “[t]he business judgment rule is a presumption that in making a business decision the directors of a corporation acted on an informed basis, in good faith and in the honest belief that the action was in the best interest of the company.” In re Integrated Resources, Inc., 147 B.R. 650, 656 (S.D.N.Y. 1992) (quoting Smith v Van Gorkom, 488 A.2d 858, 872 (Del. 1985)).

19. The Debtors, in exercising their sound business judgment, believe that the relief requested herein is more than warranted. First, the Debtors anticipate that the purchase price will be offset by cash freed as Collateral under the Security Agreement. The acquisition of the Wachovia Notes will free these estates from the obligation to provide cash collateral equal to 105% of the outstanding amount, resulting in a net addition to distributable cash at the Closing of approximately \$300,000. Although any additional advances made under the Wachovia Notes by the Debtors to Butcher and/or Turner will require further use of their available cash, the Debtors will have a claims against Butcher and/or Turner for the advances, and, in the event that the Debtors assume the Asset Purchase Agreements or the Option Agreement, amounts received by

Butcher and/or Turner or KB Prime under those agreements will be used to repay some or all of the advances.

20. Most importantly, the Debtors believe that taking an assignment of the Wachovia Notes and the continued funding thereunder will stabilize the financial situations of KB Prime, Butcher, Turner that have been strained by Wachovia's refusal to lend additional amounts under the Wachovia Notes. As discussed, unless access to further credit is restored under the Wachovia Notes, KB Prime has threatened to file a petition for bankruptcy relief, which could adversely affect the Debtors' estates. The Debtors also expect that PSC's acquisition of the Wachovia Notes will remove the threat of any of KB Prime, Butcher or Turner seeking to establish that a default has occurred under the Option Agreement and the Asset Purchase Agreements in order to prevent the acquisition of the KB Prime's assets by PSC on favorable terms.

21. Although by this Motion the Debtors are not seeking to assume the Option Agreement, TBAs, JSA and Asset Purchase Agreements, PSC's rights under such agreements are valuable assets of these estates and retaining the Debtors' ability to assume such agreements will be important in achieving maximum value for the estates in any future sale of the Debtors' broadcast television assets. For example, the TBAs currently allow the Debtors to operate more than one television station in each of the DMAs discussed above (subject to KB Prime's overall control of its stations) that would not otherwise be permitted under the FCC's current rules. These combined operations create significant economies of scale and enable the Debtors to generate and retain advertising revenue for two programming streams in each of the Portland and Wilkes-Barre/Scranton DMAs without a material increase in the Debtors operating costs. The combined operations in the applicable DMAs will materially enhance the value of the Debtors'

broadcast television assets. The Asset Purchase Agreements will eventually allow the Debtors or their successors to own two stations in these DMAs upon FCC approval. Accordingly, providing direct financing to Butcher, Turner and KB Prime (which has no other source of financing) at this critical time is vital to maintaining the value of PSC's assets and will ultimately provide the Debtors with greater opportunity to increase the proceeds from the contemplated sale of the broadcast television assets. Thus, the Debtors, in their business judgment, respectfully submit that the relief requested herein is necessary to preserve the assets of the estates for the benefit of their creditors.

NOTICE

22. Notice of this Motion has been given to (i) the Office of the United States Trustee; (ii) counsel to the Creditors Committee; and (iii) all parties on the All Notices List as required by (and as defined in) this Court's Order Establishing Case Management Procedures and Hearing Schedule, dated July 9, 2004 (the "Case Management Order"). The Debtors submit that in light of this Case Management Order and the nature of the relief requested, no further notice is required.

NO PRIOR REQUEST

23. No previous request for the relief sought herein has been made by the Debtors to this or any other court.

WHEREFORE, the Debtors respectfully request that the Court enter an order granting the relief request herein and such other and further relief as the Court may deem just and warranted.

Dated: Portland, Maine
November 12, 2004

SIDLEY AUSTIN BROWN & WOOD LLP
Larry J. Nyhan
James F. Conlan
Paul S. Caruso
Jessica C. Knowles
Bank One Plaza
10 South Dearborn Street
Chicago, Illinois 60603
Telephone: (312) 853-7000
Facsimile: (312) 853-7036

-and-

SIDLEY AUSTIN BROWN & WOOD LLP
Guy S. Neal
Ellen Moring
787 Seventh Avenue
New York, New York 10019
Telephone: (212) 839-5300
Facsimile: (212) 839-5599

-and-

BERNSTEIN, SHUR, SAWYER &
NELSON

By: /s/ Robert J. Keach
Robert J. Keach
100 Middle Street
P.O. Box 9729
Portland, ME 04104
Telephone: (207) 774-1200
Facsimile: (207) 774-1127

Attorneys for Debtors and Debtors
in Possession

EXHIBIT A

Loan Sale Agreement

(attached hereto)

LOAN SALE AGREEMENT

THIS LOAN SALE AGREEMENT ("Agreement") is entered into this 12th day of November, 2004 by and between Pegasus Satellite Communications, Inc., Debtor and Debtor in Possession under Chapter 11 in Case No. 04-20878 (jointly administered) before the U.S. Bankruptcy Court for the District of Maine ("Purchaser"), and Wachovia Bank National Association, successor by merger to First Union National Bank ("Seller").

BACKGROUND

A. Seller is the lender under that certain Promissory Note dated April 1, 2004 in the original principal amount of up to \$8,500,000.00 made by W.W. Keen Butcher and payable to Seller (the "Butcher Note"), and all related instruments, agreements and documents, and all extensions and amendments thereto, (collectively, with the Butcher Note, the "Butcher Loan Documents"). The Butcher Loan Documents reflect amended and restated terms for certain loans and advances to or for the benefit of W.W. Keen Butcher.

B. Seller is the lender under that certain Promissory Note dated March 31, 2004, in the original principal amount of up to \$250,000 made by Guyon W. Turner and payable to Seller (the "Turner Note"), and all related instruments, agreements and documents and all extensions and amendments thereto, (collectively, with the Turner Note, the "Turner Loan Documents"). The Butcher Note and the Turner Note are sometimes collectively referred to herein as the "Notes". The Turner Loan Documents reflect amended and restated terms for certain loans and advances to or for the benefit of Guyon W. Turner. The Butcher Loan Documents and the Turner Loan Documents are sometimes collectively referred to herein as the "Loan Documents". The makers of the Notes are sometimes referred to herein individually as an "Obligor, or collectively as the "Obligors".

C. The obligations of the Obligors under the Loan Documents are secured by, inter alia, a lien on and security interest in the collateral (the "Collateral") described in those certain Security Agreements by and between Seller and Purchaser dated March 29, 2002 and a Control Agreement by and between Seller and Purchaser dated March 29, 2002 (collectively, the "Security Agreement"), which are themselves among the Loan Documents.

D. Seller has asserted that Butcher and Turner are in default of the Loan Documents as a result of the filing of a voluntary petition under Chapter 11 of Title 11, U.S.C. §§101, et seq., by Purchaser (the "Pegasus Default").

E. Purchaser desires to purchase and Seller desires to sell all of its right, title and interest in and to the Notes and the Loan Documents.

TERMS

NOW, THEREFORE, in consideration of the foregoing premises and mutual agreements herein contained, Seller and Purchaser, intending to be legally bound hereby, agree as follows:

1. Agreement to Sell and Purchase Notes. Seller agrees to sell, and the Purchaser agrees to purchase, the Notes and Loan Documents pursuant to the terms of this Agreement.

2. Purchase Price. The purchase price for the Notes and the Loan Documents shall be the sum of the principal and interest outstanding under the Butcher Note and the Turner Note on the Closing Date (defined below) together with all fees and costs of Seller as authorized under the Notes and the Loan Documents.

3. Due Diligence. Purchaser hereby represents that (i) Purchaser has, prior to execution of this Agreement, reviewed all such documents, files and other information as it deems appropriate; and (ii) Purchaser has taken or has had an opportunity to take any and all actions deemed necessary by the Purchaser to determine for itself whether the Loan Documents and the collateral pledged to secure the Butcher Note and the Turner Note (collectively, the "Notes") are satisfactory to Purchaser.

4. Closing. Subject to prior entry of a final, nonappealable Order of the United States Bankruptcy Court for the District of Maine approving the transaction contemplated in this Agreement, the closing and consummation of this transaction (the "Closing") shall take place on December 1, 2004 (the "Closing Date"), at the offices of McCarter & English, LLP, 1735 Market Street, Suite 700, Philadelphia, Pennsylvania. On the Closing Date, Purchaser shall pay to Seller the Purchase Price in cash or by wire transfer and Seller shall absolutely sell, transfer, assign, set over and convey to the Purchaser, without recourse, warranty or representation other than as set forth herein, all of Seller's right, title and interest in and to the Notes and the Loan Documents.

5. Deliveries by Seller at Closing.

5.1 Blanket Assignment. At Closing, Seller shall deliver to Purchaser a Blanket Assignment of Loan Documents in the form attached hereto as Exhibit A, executed by an authorized officer of Seller.

5.2 Loan Files and Collateral. At Closing, Seller shall deliver to Purchaser the original Notes, and all other original Loan Documents in Seller's possession (or certified copies of such Loan Documents (other than the Notes) to the extent such originals are not in Lender's possession), and shall deliver, including by cancellation or termination of the Security Agreement, the Control Agreement and any UCC Financing Statements, any and all Collateral in Seller's possession and shall follow instructions of Purchaser for disposition of such Collateral.

5.3 Endorsement to Notes. Seller shall deliver the original Notes to Purchaser, endorsed by separate instrument to Seller, as follows:

PAY TO THE ORDER OF PEGASUS SATELLITE COMMUNICATIONS, INC., DEBTOR AND DEBTOR IN POSSESSION, WITHOUT RECOURSE, REPRESENTATION OR WARRANTY EITHER EXPRESS OR IMPLIED EXCEPT AS MAY OTHERWISE BE EXPRESSLY PROVIDED IN THAT CERTAIN LOAN SALE AGREEMENT DATED NOVEMBER ____, 2004, BETWEEN WACHOVIA BANK NATIONAL ASSOCIATION, AS SELLER, AND PEGASUS SATELLITE COMMUNICATIONS, INC., DEBTOR AND DEBTOR IN POSSESSION, AS PURCHASER.

Wachovia Bank National Association

By: _____

Name:

Title:

6. Representations and Warranties of Seller. Seller hereby represents and warrants to Purchaser as of the date of this Agreement and as of the Closing Date that:

6.1 Organization/Good Standing. Seller is a national banking association duly organized, validly existing and in good standing under the National Bank Act, 12 U.S.C. § 1, et seq.;

6.2 Ownership of Loan. Seller is the sole owner and holder of the Notes and the Loan Documents and all rights arising therefrom;

6.3 Documents Valid and Binding. This Agreement, the Assignment of Loan Documents and all assignments and other documents executed by Seller in connection with this transaction (the "Transfer Documents"), when duly executed and delivered by the Seller, will constitute valid and legally binding obligations of the Seller and will be enforceable against the Seller in accordance with their terms, except as enforcement might be limited by bankruptcy, insolvency, reorganization or similar laws affecting the enforcement of rights generally and by general principles of equity (regardless of whether such enforcement is considered in a proceeding in equity or at law);

6.4 Noncontravention. The execution and delivery of the Transfer Documents by Seller and the performance by Seller of its obligations thereunder do not and will not conflict with or constitute a breach of or result in a violation of (a) the organizational documents of Seller; (b) any agreement or other instrument to which the Seller is a party or by which it is

bound; or (c) any decree, judgment, injunction, writ or order of any court of competent jurisdiction, governmental agency or arbitrator;

6.5 Prior Endorsements. Seller has not endorsed the Notes or granted, assigned, transferred, set over, pledged, participated or negotiated the Notes or any of the Loan Documents to any other party, nor has Seller entered into any agreement to grant, assign, transfer, pledge or participate, in whole or in part the Notes or any of the Loan Documents to any other party;

6.6 Encumbrances on the Loan. Seller will deliver the Notes and the Loan Documents to Purchaser free and clear of all liens and encumbrances;

6.7 No Modification. Except as contained in the Loan Documents made available to Purchaser during its due diligence review prior to execution of this Agreement and to be delivered to Purchaser on the Closing Date, the Seller has not modified the Notes or Loan Documents or satisfied, canceled or subordinated the Notes or Loan Documents in whole or in part or executed any instrument of release, cancellation or satisfaction of the Note or the Loan Documents. The Notes and Loan Documents and any documents modifying their terms made available to Purchaser for its review thereof are true and correct copies of the documents they purport to be and have not been superseded, amended, modified, canceled or otherwise changed except as disclosed to Purchaser;

6.8 No Litigation. Except as related to the asserted Pegasus Default, to the best of Seller's knowledge, there is no litigation, proceeding or governmental investigation pending, or any order, injunction or decree outstanding, existing or relating to the Notes, the Loan Documents or the Collateral; and

6.9 Amount of Collateral. The Collateral in Seller's possession, as of the date of this Agreement, consists of assets in the amount of \$6,843,537.96 held on account by the Seller; and at Closing the Seller will deliver as provided in section 5.2 the Collateral or cash in such amount, plus interest credited to the Collateral account through Closing.

Except as set forth herein, neither the Seller, nor its affiliates or associates, makes any further representation or warranty with respect to the Loan Documents, the Notes or this loan sale.

7. Disclaimer of Warranties. EXCEPT FOR THOSE WARRANTIES AND REPRESENTATIONS SET FORTH IN SECTION 6 HEREOF AND SECTION 4 OF THE BLANKET ASSIGNMENT OF LOAN DOCUMENTS, NEITHER SELLER NOR ANY OF ITS OFFICERS, EMPLOYEES OR AGENTS HAS MADE ANY REPRESENTATIONS OR WARRANTIES TO PURCHASER, ITS EMPLOYEES, AGENTS OR OTHER REPRESENTATIVES, EITHER EXPRESS OR IMPLIED, PARTICULARLY, BUT WITHOUT IN ANY WAY LIMITING THE GENERALITY OF THE FOREGOING, REGARDING (a) THE COLLECTIBILITY OF THE NOTES, (b)

THE CREDITWORTHINESS OF ANY OBLIGOR OF THE NOTES, (c) THE VALUE OF ANY COLLATERAL SECURING PAYMENT OF THE NOTES, (d) THE FREEDOM OF ANY COLLATERAL FOR THE LOAN FROM LIENS AND ENCUMBRANCES, IN WHOLE OR IN PART, (e) THE PERFECTION OR PRIORITY OF THE LIEN ON ANY COLLATERAL SECURING THE NOTES, (f) THE GENUINENESS OF ANY SIGNATURES OTHER THAN THOSE OF THE SELLER, (g) THE EXECUTION, LEGALITY, VALIDITY, GENUINENESS, SUFFICIENCY, VALUE, TRANSFERABILITY OR ENFORCEABILITY OF ANY COLLATERAL DOCUMENTS SUPPORTING THE NOTES, OR (h) THE TRANSFERABILITY OF ANY RIGHTS OF SELLER AND ENFORCEABILITY OF ANY ASSIGNMENT THEREOF BY SELLER. EXCEPT AS OTHERWISE PROVIDED IN THIS AGREEMENT, THE NOTES AND LOAN DOCUMENTS SOLD TO PURCHASER UNDER THIS AGREEMENT ARE SOLD AND TRANSFERRED "AS IS, WITH ALL FAULTS," WITHOUT RECOURSE, REPRESENTATION OR WARRANTY, EITHER EXPRESS OR IMPLIED.

8. Order of the United States Bankruptcy Court for the District of Maine. Purchaser shall, no later than the date of the execution of this Agreement, file, with the Clerk of the United States Bankruptcy Court for the District of Maine, a motion seeking the entry of an order (the "Order") approving the sale contemplated by this Agreement in form and substance reasonably satisfactory to Seller.

9. Representations and Warranties of the Purchaser. Purchaser hereby represents and warrants to Seller as of the date of this Agreement and as of the Closing Date that:

9.1 Organization/Good Standing. Except as a result of the filing of a Chapter 11 case, Purchaser is a corporation, duly organized, validly existing and in good standing under the laws of Delaware;

9.2 Authority. Subject to entry of the final nonappealable Order, Purchaser has all requisite authority to enter into and perform this Agreement and has complied with all laws, rules, regulations, charter provisions, articles, bylaws or agreements to which it is bound or subject necessary to enter into this Agreement and to consummate the transactions contemplated herein;

9.3 Enforceability. This Agreement, when duly executed and delivered, and approved by the final nonappealable Order, will be the legal, valid and binding obligation of Purchaser, enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization or similar laws affecting the enforcement of creditors' rights generally and by general principles of equity (regardless of whether such enforcement is considered in a proceeding in equity or at law);

9.4 Noncontravention. Subject to entry of the final nonappealable Order, Purchaser's performance of its duties and obligations under this Agreement will not conflict with,

result in a breach of or default under, or be adversely affected by, its organizational documents, or any agreements, instruments, decrees, judgments, injunctions, orders, writs, laws, rules or regulations, or any determination or award of any arbitrator, to which Purchaser is a party or by which it is bound;

9.5 Decision to Purchase. As of the date of this Agreement, the Purchaser has reviewed the Notes and the Loan Documents, all collateral for the Notes and related information or has had an adequate opportunity to do so, and has made its bid and decision to buy the Notes based upon its own independent evaluation of the Notes and Loan Documents, the files related thereto and has not relied upon any oral or written statement made by any officer, employee, agent or other representative of Seller, or any of Seller's agents, attorneys or representatives, except for the representations and warranties provided by Seller in section 6 of this Agreement and section 4 of the Blanket Assignment of Loan Documents. Purchaser is a sophisticated investor and understands the nature and effect of the transactions referred to herein. Purchaser has made such independent investigations as it deems to be warranted into the nature, legality, genuineness, sufficiency, validity, enforceability, collectibility and value of the Notes and Loan Documents, performed all studies and investigations that it deems appropriate with respect to any collateral for the Notes and investigated all other facts it deems material to its purchase and is entering into this transaction solely on the basis of that investigation, the Purchaser's own judgment and the representations and warranties expressly set forth in section 6 this Agreement and section 4 of the Blanket Assignment of Loan Documents;

9.6 Change in Status of Loan. Purchaser understands that events may occur between the date of this Agreement and the Closing Date which may decrease the value of the Notes to Purchaser, including, without limitation, the death or insolvency of an Obligor or the principal of an Obligor, or a bankruptcy filing by an obligor or the principal of an Obligor. Purchaser acknowledges that the occurrence of any such event, or any other event which may decrease the value of the Notes to Purchaser which does not arise from actions of the Seller, shall not alter, modify, waive or otherwise affect any of the Purchaser's obligations hereunder, including, without limitation, payment of the full Purchase Price on the Closing Date; subject to the validity of as of the Closing Date of all representations and warranties of the Seller contained in section 6 of this Agreement and section 4 of the Blanket Assignment of Loan Documents and compliance by Seller with all covenants to be performed through the Closing;

9.7 Seller's Information. The Loan Documents, the files related thereto and any other documents made available to Purchaser were an adequate and sufficient basis on which to determine whether to purchase the Notes, and other than the representations and warranties of Seller contained herein, Purchaser is not acting in reliance on any representation or warranty made, or information furnished, by Seller, or any of its employees, agents, attorneys, representatives or independent contractors;

9.8 Loan Not a Security. The sale and purchase of the Notes contemplated by this Agreement does not constitute the sale of a "security" or "securities" within the meaning of

any applicable securities laws.

9.9 Investment Risk. Purchaser acknowledges, understands and agrees that the acquisition of loans such as the Notes involves a high degree of risk and is suitable only for persons or entities of substantial financial means who have no need for liquidity and who can hold the Notes indefinitely and bear the partial or entire loss of the value of the Notes; and

9.10 Business and Financial Experience. Purchaser has knowledge and experience in financial and business matters which enables Purchaser to evaluate the merits and risks of the transactions contemplated hereby.

10. Notification of Obligor. Promptly after the Closing Date, Purchaser shall notify all of the Obligors of the Notes that the Notes have been sold to Purchaser and that all payments on and communications regarding the Notes must be sent to Purchaser's principal office.

11. Covenants of Purchaser and Seller.

11.1 Informational Tax Reporting. Upon the Closing Date, Purchaser agrees to assume all obligations with respect to federal and state income tax informational reporting with respect to periods from and after the Closing Date related to the Notes, including filing Forms 1099 and 1098 and back-up withholding. The parties agree to cooperate with each other to the extent necessary to allow them to fulfill their obligations with respect to such informational reporting for the Notes.

11.2 Collection Practices. Purchaser agrees not to violate any law relating to unfair collection practices in connection with the Notes. Purchaser agrees to indemnify Seller, defend Seller and hold Seller harmless from and against any and all claims, demands, losses, damages, penalties, fines, forfeitures, judgments, legal fees and other costs, fees and expenses at any time incurred by Seller as a result of (a) Purchaser's breach of the covenant set forth in this section 11.2 or (b) any act or omission of Purchaser resulting in any claim, demand or assertion that Seller, subsequent to the Closing Date, engaged in or authorized any unlawful collection practices in connection with the Notes. Each party agrees to notify the other within ten (10) days of receiving notice or knowledge of any such claim, demand or assertion.

11.3 Servicing. From and after the Closing Date, Purchaser shall service the Notes.

11.4 Litigation. After the Closing Date, Purchaser shall not institute any legal action in the name of Seller or continue to prosecute or defend in the name of Seller any pending legal action, nor shall Purchaser misrepresent or conceal from any person the identity of the Purchaser of the Notes, whether intentionally or unintentionally or through misrepresentation or nondisclosure; provided, however, that nothing herein shall be deemed to preclude the Purchaser from disclosing to potential transferees of the Notes the fact that the Notes were acquired from

the Seller.

12. Payments Subsequent to the Closing Date. From time to time after the Closing Date, the Seller shall pay to the Purchaser, promptly after receipt thereof, any amounts received by Seller from or on behalf of any Obligor under the Notes or the Loan Documents on or after the Closing Date (to the extent collected in good funds by the Seller) and not already so paid to the Purchaser.

13. Purchaser's Waivers. Purchaser, all successors or assignees thereof and all subsequent transferees of the Notes, hereby waive any right or cause of action they may now or in the future have against the Seller and its affiliates, employees, agents, officers, attorneys, representatives, successors and assigns, as a result of the purchase of the Notes; provided, however, that this waiver shall not extend to any liability of Seller arising from Seller's failure to perform its obligations in accordance with the terms of this Agreement or for Seller's breach of any representation or warranty in this Agreement.

14. Forbearance. From the date of this Agreement through and including December 1, 2004, Seller agrees that it shall forbear from exercising its rights and remedies under the Notes and the Loan Documents, except with respect to the obligations of an Obligor in the event such Obligor is subject to a petition in bankruptcy.

15. Miscellaneous.

15.1 Entire Agreement; Amendments. This Agreement, including all exhibits, schedules, lists and other documents referred to herein which form a part hereof, contain the entire understanding of the parties hereto with respect to the subject matter contained herein. All prior or contemporaneous oral or written agreements pertaining to the subject matter hereof are superseded. This Agreement may be amended only by a written instrument executed by the parties or their respective successors or assigns. Any condition to a party's obligation hereunder may be waived by such party in writing.

15.2 Successors and Assigns. The terms and provisions of this Agreement shall be binding upon, shall inure to the benefit of, and shall be enforceable by, the successors and assigns of the parties hereto. This Agreement may be assigned by the Purchaser.

15.3 Headings. The section and paragraph headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement or give full notice of the provisions hereof.

15.4 Further Assurances. The Seller shall execute and deliver such documents and instruments and take such further actions, as Purchaser may reasonably request in order to consummate the transactions contemplated by this Agreement.

15.5 Notices. Unless otherwise provided for herein, all notices and other

communications required or permitted hereunder shall be in writing and shall be deemed to have been duly given (a) when delivered, if sent by registered or certified mail (return receipt requested), (b) when delivered, if delivered personally or (c) on the second following Business Day, if sent overnight mail or overnight courier, in each case to the parties at the following addresses (or at such other address as shall be specified by like notice):

If to the Purchaser: Pegasus Satellite Communications, Inc.
225 City Line Avenue, Suite 200
Bala Cynwyd, Pennsylvania 19004
Attn: Scott A. Blank, Senior Vice President
and General Counsel

With a copy to: Sidley Austin Brown & Wood LLP
1501 K Street, N.W.
Washington, DC 20005
Attn: Guy S. Neal, Esquire

If to Seller: Wachovia Bank National Association
123 S. Broad Street
14th Floor - PA1246
Philadelphia, PA 19109
Attn: Kathleen Hedrich, Vice President

With a copy to: McCarter & English, LLP
Mellon Bank Center, Suite 700
1735 Market Street
Philadelphia, PA 19103
Attn: Rosetta B. Packer, Esquire

15.6 Governing Law. This Agreement has been negotiated in and shall be governed by and construed and enforced in accordance with the internal laws of the Commonwealth of Pennsylvania.

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

15.8 Time of the Essence. The parties hereto acknowledge that time is of the essence in the performance of all obligations under this Agreement.

15.9 Survival. All representations, warranties and covenants of the Seller and Purchaser contained herein and in the Blanket Assignment of Loan Documents shall survive the Closing, if it occurs, but shall not survive termination of this Agreement if such termination

occurs without a Closing.

15.10 Termination. In the event that the Closing does not occur on or before December 1, 2004, this Agreement shall terminate without any liability or obligation of any party hereunder, including without limitation, under section 14 of this Agreement.

15.11 WAIVER OF JURY TRIAL. THE PARTIES HERETO, ON BEHALF OF THEMSELVES AND THEIR SUCCESSORS AND ASSIGNS, AGREE THAT ANY SUIT, ACTION OR PROCEEDING, WHETHER CLAIM OR COUNTERCLAIM, BROUGHT OR INSTITUTED BY OR AGAINST ANY PARTY HERETO OR ANY SUCCESSOR OR ASSIGN OF ANY PARTY HERETO, ARISING OUT OF OR IN ANY WAY RELATING TO THIS AGREEMENT, OR ANY FACTS OR CIRCUMSTANCES IN WHICH THIS AGREEMENT IS INVOLVED IN ANY WAY, SHALL BE TRIED ONLY BY A COURT AND NOT BY A JURY. EACH PARTY HERETO KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY SUCH SUIT, ACTION OR PROCEEDING. EACH OF THE PARTIES REPRESENTS AND WARRANTS THAT THIS WAIVER OF THE RIGHT TO A JURY TRIAL HAS BEEN MADE AFTER CONSULTATION WITH LEGAL COUNSEL.

IN WITNESS WHEREOF, the parties hereto have executed this Loan Sale Agreement as of the date first written above.

WACHOVIA BANK NATIONAL BANK

By: *Kathleen Hedrich*
Name: Kathleen Hedrich
Title: Vice President

PEGASUS SATELLITE COMMUNICATIONS, INC.,
DEBTOR AND DEBTOR IN POSSESSION

Attest:

By: _____
Title: _____

By: _____
Name: _____
Title: _____

IN WITNESS WHEREOF, the parties hereto have executed this Loan Sale Agreement as of the date first written above.

WACHOVIA BANK NATIONAL BANK

By: _____
Name: Kathleen Hedrich
Title: Vice President

PEGASUS SATELLITE COMMUNICATIONS, INC.,
DEBTOR AND DEBTOR IN POSSESSION

Attest:

By: J. S. Colby
Title: President

By: Scott A. Black
Name: Scott A. Black
Title: Senior Vice President

EXHIBIT A

(Form of Assignment of Loan Documents)

BLANKET ASSIGNMENT OF LOAN DOCUMENTS

This Blanket Assignment of Loan Documents (the "Assignment") is made this 1st day of December, 2004, between Wachovia Bank National Association, with a place of business at 123 S. Broad Street, 17th Floor, Philadelphia, Pennsylvania 19109 (hereinafter referred to as "Assignor") and Pegasus Satellite Communications, Inc., with an address at 225 City Line Avenue, Suite 200, Bala Cynwyd, Pennsylvania 19004 ("Assignee").

BACKGROUND

A. Assignor and Assignee entered into a Loan Sale Agreement dated November 12, 2004 (the "Sale Agreement"). Pursuant to the terms of the Sale Agreement, Assignor is selling to Assignee all of its right, title and interest in and to the Notes and the Loan Documents as defined in the Sale Agreement.

TERMS

NOW, THEREFORE, in consideration of the premises herein contained and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties hereto agree as follows:

1. Subject to the terms and conditions set forth in the Sale Agreement, Assignor hereby irrevocably sells and transfers, assigns, grants and conveys unto Assignee, its successors and assigns all of its right, title and interest in and to the Notes and the Loan Documents as defined in the Sale Agreement and all future payments thereunder and proceeds thereof. THIS ASSIGNMENT IS MADE WITHOUT RECOURSE, REPRESENTATION OR WARRANTY OF ANY KIND OR NATURE BY ASSIGNOR, EXCEPT AS EXPRESSLY SET FORTH IN SECTION 4 OF THIS ASSIGNMENT OR IN SECTION 6 OF THE SALE AGREEMENT. This is intended to be a presently effective assignment and shall entitle Assignee to collect and receive all payments and to exercise and enforce all rights with respect to the Notes and the Loan Documents from and after the date hereof.

2. In consideration of the sale and assignment contemplated herein and in the Sale Agreement, Assignee has paid to Assignor, and Assignor has received from Assignee the amount of _____ (\$ _____) Dollars.

3. Simultaneously with the execution and delivery of this Assignment, Assignor has delivered and caused to be delivered to Assignee: (a) the original, executed Notes endorsed to Assignee; and (b) original counterparts or certified true copies of the Loan Documents.

4. Assignor hereby represents and warrants to Assignee, its successors and assigns that as of the date of this Assignment; (a) the Notes and the Loan Documents are not subject to any prior

assignment, in whole or in part; (b) the total amounts outstanding under the Notes consist of the principal balance outstanding under the Butcher Note of \$_____ and under the Turner Note of \$_____, plus accrued but unpaid interest of \$_____ under the Butcher Note and \$_____ under the Turner Note and plus other costs and expenses due under the Notes of \$_____ for _____; (c) Assignor is the sole owner of the Notes and the Loan Documents, free and clear of all liens, interests and encumbrances, subject to the terms and conditions set forth in the Loan Documents; (d) Assignor has full corporate power and authority to execute this Assignment and to consummate the transactions contemplated herein; and (e) this Assignment has been duly authorized by Assignor, is valid and enforceable against Assignor in accordance with its terms and is not in contravention of any law, rule, regulation or agreement by which Assignor is bound.

5. Assignee hereby represents and warrants to Assignor that: (a) it is a sophisticated investor and understands the nature and effect of the transactions referred to herein; (b) it has fully and completely examined and investigated the facts and circumstances surrounding and pertaining to the Loan Documents, creditworthiness of W.W. Keen Butcher and Guyon W. Turner is relying solely upon its own independent examination and investigation in entering into this Assignment; (c) other than as set forth in this Assignment and the Sale Agreement, Assignee has neither received nor is relying upon any representations as to fact, law or any other matter by Assignor relating to the Notes and the Loan Documents, or the transactions referred to herein; (d) Assignee has full corporate power and authority to execute this Assignment and to consummate the transactions contemplated herein; and (e) this Assignment has been duly authorized by Assignee, is valid and enforceable against Assignee in accordance with its terms and is not in contravention of any law, rule, regulation or agreement by which Assignee is bound.

6. In the event Assignor shall receive any payment or distribution with respect to the Notes or the Loan Documents after the date hereof, including cash, securities, obligations or other property, Assignor agrees to accept the same as Assignee's agent and to hold the same in trust on behalf of and for the benefit of Assignee, and to deliver the same forthwith to Assignee in the same form received, with the endorsement of Assignor, without recourse, when necessary or appropriate.

7. The parties agree to execute such further instruments and to take such further action as may be reasonably necessary to carry out the intent of this Assignment and the Sale Agreement.

8. The terms of this Assignment shall be binding upon, and shall inure to the benefit of the Assignor, the Assignee and their respective successors and assigns. All representations and warranties made herein shall survive the execution and delivery of this Assignment.

9. This Assignment shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania without reference to conflicts of law.

10. This Assignment may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the undersigned has executed and delivered this Assignment as of the date first above written.

WACHOVIA BANK NATIONAL ASSOCIATION

By: _____

Name: Kathleen Hedrich

Title: Vice President

ACKNOWLEDGED AND ACCEPTED:

PEGASUS SATELLITE COMMUNICATIONS, INC.,

By: _____

Title: _____

PHI: 488700.01