UNITED STATES BANKRUPTCY COURT
DISTRICT OF MAINE

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

ORDER PURSUANT TO 11 U.S.C. §§ 363(b) AND 105(a) AUTHORIZING AND APPROVING SUPPLEMENTAL RETENTION PLAN FOR CERTAIN EMPLOYEES OF THE DEBTORS' SATELLITE DIVISION AND RETENTION PLAN FOR CERTAIN EMPLOYEES OF THE DEBTORS' BROADCAST DIVISION

Upon the motion dated November 9, 2004 (the "Motion") of Pegasus Satellite Television, Inc. and certain of its subsidiaries and affiliates, each a debtor and debtor-in-possession herein (collectively, the "Debtors"),[1] for an Order Pursuant to 11 U.S.C. §§ 363(b) and 105(a) Authorizing and Approving Supplemental Retention Plan for Certain Employees of the Debtors' Satellite Division and Authorizing and Approving Retention Plan for Certain Employees of the Debtors' Broadcast Division; and notice of the Motion having been given to all parties on the All Notices List as required by (and as defined in) the Order Establishing Case Management Procedures and Hearing Schedule dated July 9, 2004; and it appearing that no further notice is required; and it appearing that this Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334; and it appearing that this is a core proceeding pursuant

[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., WTLH License Corp.

to 28 U.S.C. § 157; and this Court having held a hearing on November 24, 2004 at 10:30 a.m. to consider the Motion; and all parties in interest having had an opportunity to be heard with respect to the Motion at that time; and it appearing that the relief requested in the Motion (as modified by this Order) is in the best interests of the Debtors, their estates and creditors; after due deliberation and sufficient cause appearing therefor, it is hereby

ORDERED, that the Motion is granted as modified herein; and it is further

ORDERED, that any responses or objections to the entry of this Order or the relief requested in the Motion, not previously withdrawn, waived, resolved or settled, and all reservations of rights included therein, are hereby denied and overruled on the merits with prejudice; and it is further

ORDERED, that the terms and conditions of the Broadcast Retention Plan[2] with respect to the Broadcast Key Employees is approved and authorized under sections 363(b) and 105(a) of the Bankruptcy Code as modified and set forth below:

a. The Broadcast Key Employees shall be entitled to participate in the Broadcast Retention Plan consisting solely of Severance Payments and COBRA Benefits;

b. There shall be no Retention Payments under the Broadcast Retention Plan;

c. The Broadcast Retention Plan shall supercede any pre-petition severance plans for the Broadcast Key Employees. The Severance Payment may be paid upon involuntary termination of a Broadcast Key Employee by the Debtors for reasons other than (i) termination for cause, including, without limitation, unsatisfactory performance, (ii) a transaction involving a sale, acquisition or change in control of the Debtors' Broadcast division or substantially all of the Broadcast Assets with a third party (the "Acquiror") in which the Acquiror hires such Broadcast Key Employee upon the closing of such transaction on such terms, compensation, responsibilities and geographic location materially consistent with the Broadcast Key Employee's current employment, or (iii) if Pegasus Communication Corporation ("PCC") or any of its direct or indirect

[2] Capitalized terms used herein but not otherwise defined herein shall have the meanings ascribed to them in the Motion.

subsidiaries ("Pegasus") is the winning bidder for the Broadcast Assets and hires such Broadcast Key Employee;

d. Until the Court determines the winning bidder for the Broadcast Assets, the Debtors will provide the Committee with two business days' written notice if they will be terminating the employment of any of the Broadcast Key Employees, and if the Committee objects to such proposed termination, the Committee shall be required to make an appropriate application to the Court regarding such proposed termination and the Debtors shall be prohibited from effectuating such termination prior to entry of a court order with respect thereto. If the Court approves an Acquiror as the winning bidder for the Broadcast Assets, the consent of the Committee will be required before the Debtors may terminate the employment of any of the Broadcast Key Employees;

e. If PCC is the winning bidder for the Broadcast Assets, any amounts that are paid out under the Broadcast Retention Plan by the Debtors shall be repaid by PCC to the Debtors' estates no later than the closing of the sale or consummation of such other transaction whereby PCC acquires the Broadcast Assets or the stock of the Broadcast Debtors;

f. The Severance Payments shall be calculated as follows and shall not aggregate more than $838,116 for all Broadcast Key Employees:

Employee Level	**Minimum**
Manager	13 weeks
Director	26 weeks
Vice President	52 weeks

g. A claim for the Severance Payment shall constitute an administrative priority expense claim pursuant to Section 503(b) of the Bankruptcy Code. The payment of the Severance Payment to a Broadcast Key Employee shall be conditioned upon the Broadcast Key Employee executing a valid release of claims arising out of the Broadcast Key Employee's employment or termination of employment, in a form satisfactory to the Debtors and the Committee, and reasonable in scope;

h. The COBRA Benefits shall consist of family coverage for each of the Broadcast Key Employees for the following time periods, provided, that, the aggregate amount of premiums paid by the Debtors shall not exceed $226,800:

Employee Level	**COBRA Benefits**
Manager	13 weeks
Director	26 weeks
Vice President	52 weeks

i. The reasonable expenses for the administration of COBRA Benefits, including expenses relating to an outsource benefits manager and a PCMC benefits administrator will be paid by PCMC and allocated in accordance with the Support Services Order;

j. Under no circumstances shall the Debtors have any liability to make any payments under the Broadcast Retention Plan to a Broadcast Key Employee retained by and subsequently terminated by an Acquiror; and it is further

ORDERED, that the Debtors are authorized, but not directed, to pay the Severance Payments to Broadcast Key Employees and pay the premiums for COBRA Benefits, all as appropriate under the Broadcast Retention Plan without further order of this Court; and it is further

ORDERED, that the Supplemental Satellite Retention Plan with respect to the Satellite Key Employees is approved and authorized under sections 363(b) and 105(a) of the Bankruptcy Code as modified and set forth below:

a. The Satellite Key Employees shall be entitled to participate in the Supplemental Satellite Retention Plan consisting of a Plan Bonus and a Discretionary Pool (as defined below);

b. As of the date of this Order, five (5) of the Satellite Key Employees are employees of PCMC. The allocation of the costs of the Supplemental Satellite Retention Plan with respect to such PCMC employees will be made in accordance with the Support Services Order;

c. The Plan Bonus shall consist of nine (9) weeks additional salary and shall not aggregate more than $276,000 for all Satellite Key Employees. The Plan Bonus shall be paid upon the consummation date of a Chapter 11 plan for the Debtors (the "Consummation Date"), provided, however, if the Consummation Date shall not have occurred by March 31, 2005, then 50% of the amount of the Plan Bonus shall be paid on March 31, 2005 with the balance paid on the Consummation Date. No payment of the Plan Bonus shall be made in the case of the voluntary termination of a Satellite Key Employee. In the case of an involuntary termination, without cause, on or after February 1, 2004 because such Satellite Key Employee has completed his or her duties necessary to achieve Plan Consummation, the Plan Bonus (to the extent not already paid) would be paid to the Satellite Key Employee on the date of termination. Prior to February 1, 2004, the Debtors will provide the Committee with two business days' written notice if they will be terminating the employment of any of the Satellite Key Employees, without cause, because such Satellite Key Employee has completed his or her duties necessary to achieve Plan Consummation, and if the Debtors intend to pay such Satellite Key Employee the Plan Bonus, and if the Committee objects to such proposed termination and the payment of the Plan Bonus, the Debtors shall be required to make an appropriate application to the Court regarding such proposed termination and payment of the Plan Bonus and the Debtors shall be prohibited from effectuating such termination and payment of the Plan Bonus prior to entry of a court order with respect thereto;

d. To the extent that the amounts approved under the Satellite Retention Plan or the Supplemental Satellite Retention Plan are not paid out by virtue of employees forfeiting payments that were approved under the Satellite Retention Plan or the Supplemental Satellite Retention Plan, such cost savings will accrue and may be paid to Satellite Key Employees or other employees only as provided in the next paragraph (collectively, the "Discretionary Pool");

e. To the extent there are funds in the Discretionary Pool, in the event that there are circumstances in which the Debtors believe that additional payments to the Satellite Key Employees, or other employees are necessary, the Debtors shall provide the Committee with no less than three business days' written notice of their intention to make any such additional payments to employees from the Discretionary Pool, and if the Committee objects to such proposed payment, the Committee shall be required to make an appropriate application to the Court regarding such proposed payment, and the Debtors shall be prohibited from making any such payments until entry of a Court order authorizing such payments; and it is further

ORDERED, that the Debtors are authorized, but not directed, to pay the Plan Bonus and amounts from the Discretionary Pool to Satellite Key Employees or other employees as appropriate under the Supplemental Satellite Retention Plan in accordance with the terms of this Order; and it is further

ORDERED, that to the extent there are any inconsistencies between this Order and the First KERP Order or the Second KERP Order, the terms of this Order shall supercede the terms of the First KERP Order and the Second KERP Order; and it is further

ORDERED, except as provided in the immediately preceding paragraph, in all other respects the terms of the First KERP Order and the Second KERP Order shall remain in full force and effect; and it is further

ORDERED, that no additional retention, severance, bonus or similar type of plan shall be proposed by the Debtors without the Committee's consent under any circumstances; and it is further

ORDERED, that the Court shall retain jurisdiction to hear and determine all matters arising from the implementation of this Order.

Dated:

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UNITED STATES BANKRUPTCY JUDGE