

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF MAINE**

In re:

PEGASUS SATELLITE TELEVISION, INC., et al.,

Debtors.

)
) Chapter 11
)

) Case No. 04-20878
)

) (Jointly Administered)
)

DEBTORS' FIRST AMENDED JOINT CHAPTER 11 PLAN

Dated: January 31, 2005

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INTRODUCTION

Pegasus Satellite Television, Inc. and certain of its subsidiaries and affiliates, each a debtor and debtor in possession herein (collectively, the “Debtors”)¹, as “proponents of this Plan” within the meaning of section 1129 of the Bankruptcy Code, hereby jointly propose the following First Amended Joint Chapter 11 Plan (the “Plan”) pursuant to section 1121(a) of the Bankruptcy Code.

Reference is made to the Disclosure Statement (as that term is defined herein) for a discussion of the Debtors’ history, businesses, properties and operations, a summary and analysis of this Plan, and certain related matters including, among other things, the proposed substantive consolidation of certain of the Debtors’ estates for plan purposes only. Subject to certain restrictions and requirements set forth in section 1127 of the Bankruptcy Code, Bankruptcy Rule 3019 and Sections 12.1 and 12.2 of this Plan, the Debtors, subject to the consent of the Creditors’ Committee, which consent shall not be unreasonably withheld, reserve the right to alter, amend, modify, revoke or withdraw this Plan prior to its substantial consummation.

ARTICLE I

DEFINED TERMS

For purposes of this Plan, except as expressly provided or unless the context otherwise requires, all capitalized terms have the meanings ascribed to them in Article I of this Plan. Any term that is not otherwise defined herein, but that is used in the Bankruptcy Code or the Bankruptcy Rules, will have the meaning given to that term in the Bankruptcy Code or the Bankruptcy Rules, as applicable. Whenever the context requires, such terms shall include the plural as well as the singular number, the masculine gender shall include the feminine, and the feminine gender shall include the masculine.

1.1 Administrative Claim means a Claim for costs and expenses of administration of the Chapter 11 Cases under sections 503(b), 507(a)(1) or 507(b) of the Bankruptcy Code, including: (a) any actual and necessary costs and expenses incurred after the Petition Date of preserving the Debtors’ Estates and operating the businesses of the Debtors (such as wages, salaries, commissions for services and payments for inventories, leased equipment and premises), the Indenture Trustee Fees and Claims of governmental units for taxes (including tax Claims related to tax years and portions thereof commencing after the Petition

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.

Date, but excluding Claims relating to tax periods, or portions thereof, ending on or before the Petition Date); (b) compensation for legal, financial, advisory, accounting and other services and reimbursement of expenses Allowed by the Bankruptcy Court under sections 328, 330, 331 or 503(b) of the Bankruptcy Code to the extent incurred prior to the Effective Date; and (c) all fees and charges assessed against the Debtors' Estates under section 1930, chapter 123 of title 28, United States Code.

1.2 Administrative Claims Bar Date has the meaning set forth in Section 2.2 of this Plan.

1.3 Administrative Claims Bar Date Order means the Order establishing procedures for filing proofs of Administrative Claims or requests for payment of such Administrative Claims and fixing a date by which all Persons asserting Administrative Claims arising in the period from the Petition Date through the Effective Date, inclusive, must have filed proofs of such Administrative Claims or requests for payment of such Administrative Claims or be forever barred from asserting such Administrative Claims against the Debtors, the Reorganized Debtors, or the Liquidating Trustee or their respective property, or such other date by which any such Administrative Claim must be filed as may be fixed by order of the Bankruptcy Court.

1.4 Administrative Claims Reserve means funds in the Liquidating Trust as are reasonably necessary to pay Administrative Claims, Priority Tax Claims and Fee Claims that are not Disputed Claims but as they are or may become Allowed Claims.

1.5 Allowed means an Allowed Claim in a particular Class or category specified. Any reference herein to a particular Allowed Claim includes both the secured and unsecured portions of such Claim.

1.6 Allowed Claim means:

(a) a Claim that has been listed by a Debtor on its Schedules as liquidated in amount and not disputed or contingent unless it is a Disputed Claim for which an objection or request for estimation has been Filed by the Claims Objection Deadline; or

(b) a Claim for which a proof of claim has been Filed by the applicable Bar Date, or otherwise has been deemed timely Filed under applicable law, unless it is a Disputed Claim for which an objection or request for estimation has been Filed by the Claims Objection Deadline (except for a Disputed Claim for which no objection or request for estimation shall be required pursuant to this Plan); or

(c) a Claim that is allowed (i) by a Final Order; (ii) pursuant to a settlement; or (iii) pursuant to the terms of this Plan; or

(d) with respect to an Administrative Claim, an Administrative Claim for which a Holder thereof Filed and served a request for payment of such Administrative Claim unless it is a Disputed Claim for which an objection or request for estimation has been Filed by the Claims Objection Deadline (except for a Disputed Claim for which no objection or request for estimation shall be required pursuant to this Plan); or

(e) any Disputed Claim as to which (i) an objection or request for estimation is required to be Filed pursuant to this Plan and (ii) no objection or request for estimation has been Filed before the Claims Objection Deadline.

The term “Allowed Claim” shall not, for purposes of computing Distributions under this Plan, include interest on such Claim from and after the Petition Date, except as provided in section 506(b) of the Bankruptcy Code or as otherwise expressly set forth in this Plan and only to the extent not inconsistent with governing law.

1.7 Allowed [Class Designation] Claim/Interest means a Claim that is Allowed in a specified Class.

1.8 Alternate Court Approved Bid means, in the event there is a Broadcast Sale, a bid or collection of bids for the assets of the PBT Debtors or stock of the Reorganized PBT Debtors (other than the transaction embodied in the Broadcast SPA or higher bid by PCC) to the extent it is the winning bid for the Broadcast Sale as approved in the Broadcast Sale Order. In the event that there is an Alternate Court Approved Bid prior to the date of the filing of the Plan Supplement, a copy of same will be included in the Plan Supplement.

1.9 Alternate Closing means the closing of the transactions described in the Alternate Court Approved Bid in accordance with the terms, and subject to the conditions, of the Alternate Court Approved Bid, if applicable.

1.10 Alternate Closing Date means, in the event of an Alternate Court Approved Bid, the date on which the Alternate Closing occurs.

1.11 Asset Purchase Agreement means a certain Asset Purchase Agreement, dated as of July 30, 2004, by and among the PST Debtors as sellers, DIRECTV, Inc. as purchaser, and The DIRECTV Group, Inc. as to certain provisions thereof, as approved pursuant to the Global Settlement Order.

1.12 Avoidance Actions means any actions or proceedings that may be instituted for the recovery of property pursuant to chapter 5 of the Bankruptcy Code (e.g., 11 U.S.C. §§ 542, 544, 547, 548, 549, 550 or 553) or applicable state law.

1.13 Ballot means each of the ballot form or forms distributed to each Holder of an Impaired Claim entitled to vote on this Plan, on which the Holder is to indicate acceptance or rejection of this Plan.

1.14 Bankruptcy Code means title 11 of the United States Code, as now in effect or as hereafter amended to the extent such amendments are applicable to the Chapter 11 Cases.

1.15 Bankruptcy Court means the United States Bankruptcy Court for the District of Maine, Portland Division, in which the Chapter 11 Cases were commenced on the Petition Date, or any other court with jurisdiction over the Chapter 11 Cases.

1.16 Bankruptcy Rules means the Federal Rules of Bankruptcy Procedure and the local rules of the Bankruptcy Court, as now in effect or hereafter amended to the extent such amendments are applicable to the Chapter 11 Cases.

1.17 Bar Date means the applicable deadlines by which a proof of claim or request for payment of an Administrative Claim must have been or must be Filed, as established by the Bankruptcy Rules or an order of the Bankruptcy Court, including the Bar Date Order, the Administrative Claims Bar Date Order, the Confirmation Order and, to the extent applicable, the Broadcast Sale Order. The term "Bar Date" also includes the deadline for Filing Fee Claims established pursuant to Section 2.3 of this Plan and the deadline for Filing Claims arising from rejection of executory contracts and unexpired leases established pursuant to Section 8.1 of this Plan.

1.18 Bar Date Order means the "Order Pursuant to Bankruptcy Rule 3003(c)(3) Establishing Procedures for Filing Proofs of Claim and Approving the Form and Manner of Notice Thereof" dated September 1, 2004.

1.19 Broadcast Assets means, all right, title and interest of the Broadcast Asset Transferors in and to the assets, properties, interests and rights subject to a Broadcast Sale pursuant to a PCC Court Approved Bid or an Alternate Court Approved Bid, if and to the extent applicable. If, when and to the extent that it is determined that certain Broadcast Assets will not be sold pursuant to a Broadcast Sale, such assets will cease to be Broadcast Assets and shall become Remaining Assets.

1.20 Broadcast Asset Transferor means each PBT Debtor and PSC and, solely for the purposes of a PCC Court Approved Bid, WFXU License Corporation, WFXU Corporation, WGFL License Corporation and WGFL Corporation.

1.21 Broadcast Business means (a) owning or managing the television stations WOLF, Hazelton, Pennsylvania; WILF, Williamsport, Pennsylvania; WPXT, Portland, Maine; WDSI, Chattanooga, Tennessee; WTLH, Bainbridge, Georgia; WGFL, High Springs, Florida; WPME, Lewiston, Maine; WSWB, Scranton, Pennsylvania; WTLF-DT, Tallahassee, Florida and WFXU, Tallahassee, Florida, (b) acting as a cable channel sales agent for The WB Network in Gainesville, Florida and Tallahassee, Florida and (c) exercising rights from time to time under the Option Agreement, dated April 14, 1998, as amended, between PSC, W.W. Keen Butcher and certain other parties named therein, and under certain asset purchase agreements executed pursuant to such Option Agreement.

1.22 Broadcast Sale means a sale of assets of the Debtors used in the operation of the Broadcast Business or the stock of one or more of the Reorganized Debtors either pursuant to the terms of a PCC Court Approved Bid or an Alternate Court Approved Bid as approved by the Bankruptcy Court.

1.23 Broadcast Sale Order means an Order of the Bankruptcy Court approving a Broadcast Sale.

1.24 Broadcast SPA means a subscription agreement to be entered into by and among PCC and PSC in the event the Debtors pursue a Broadcast Sale with PCC as the stalking

horse bidder or such other subscription agreement to be entered into by and among PCC and PSC in the event of a PCC Court Approved Bid.

1.25 Business Day means any day, other than a Saturday, Sunday or “legal holiday” (as defined in Bankruptcy Rule 9006(a)).

1.26 Cash means cash and cash equivalents, including but not limited to bank deposits, checks, and other similar items.

1.27 Chapter 11 Cases means (a) when used with reference to a particular Debtor, the chapter 11 case pending for that Debtor in the Bankruptcy Court and (b) when used with reference to all or a portion of the Debtors, the chapter 11 cases pending for such Debtors in the Bankruptcy Court.

1.28 Charging Lien means any Lien or other priority in payment arising prior to the Effective Date pursuant to which an Indenture Trustee for the Senior Notes is entitled, pursuant to the applicable Indentures, against Distributions to be made to the Holders of Senior Notes Claims.

1.29 Claim means a “claim,” as defined in section 101(5) of the Bankruptcy Code.

1.30 Claims Objection Deadline means the last day for Filing and serving objections to Claims in accordance with the Bankruptcy Code and Bankruptcy Rules, (a) with respect to Claims other than Administrative Claims and Fee Claims, one hundred and fifty (150) days after the Effective Date, unless further extended by the Bankruptcy Court; (b) with respect to Administrative Claims, sixty (60) days (unless further extended by the Bankruptcy Court) following the Administrative Claims Bar Date; and (c) with respect to Fee Claims, thirty (30) days (unless further extended by the Bankruptcy Court) after the date on which the applicable final request for compensation or reimbursement was filed and served on counsel to the Debtors, counsel to the Creditors’ Committee and the Liquidating Trustee.

1.31 Class means a category of Holders of Claims or Interests, as described in Article II hereof.

1.32 Closing means the closing of the transactions described in a PCC Court Approved Bid in accordance with the terms, and subject to the conditions, of a PCC Court Approved Bid.

1.33 Closing Date means, in the event of a PCC Court Approved Bid, the date on which the Closing occurs.

1.34 Collateral means any property or interest in property of the Debtors’ Estates that is subject to a valid and enforceable lien to secure a Claim.

1.35 Confirmation Date means the date on which the Clerk of the Bankruptcy Court enters the Confirmation Order on the docket of the Bankruptcy Court.

1.36 Confirmation Hearing means the hearing held by the Bankruptcy Court pursuant to section 1128 of the Bankruptcy Code to consider confirmation of this Plan pursuant to section 1129 of the Bankruptcy Code, as such hearing may be adjourned or continued from time to time.

1.37 Confirmation Order means the order to be entered by the Bankruptcy Court confirming this Plan pursuant to section 1129 of the Bankruptcy Code.

1.38 Cooperation Agreement means a certain Cooperation Agreement, dated as of July 30, 2004, by and among PST (on its own behalf and on behalf of the PST Debtors) and DIRECTV, Inc., as approved pursuant to the Global Settlement Order.

1.39 Creditors' Committee means the statutory committee of unsecured creditors appointed in the Chapter 11 Cases pursuant to section 1102 of the Bankruptcy Code, as such Creditors' Committee may be reconstituted from time to time, and all successors in interest thereto or other Persons to whom the rights and powers of the Creditors' Committee are assigned, whether pursuant to this Plan or otherwise.

1.40 Debtor(s) means, individually, PSC, PMC, any of the PBT Debtors or any of the PST Debtors and, collectively, all of the above-captioned debtors and debtors in possession.

1.41 Directors and Officers has the meaning set forth in Section 11.7 of this Plan.

1.42 Disclosure Statement means the written disclosure statement (including all schedules thereto or referenced therein) that relates to this Plan, as approved by the Bankruptcy Court pursuant to section 1125 of the Bankruptcy Code, as the same may be amended, modified or supplemented.

1.43 Disputed Claim means any Claim, including any Administrative Claim, which has not been Allowed pursuant to this Plan, a Final Order or a stipulation or other agreement settling and resolving such Claim, and

(a) if no proof of claim or request for payment of an Administrative Claim has been Filed by the applicable Bar Date: (i) a Claim that has been or hereafter is listed on the Schedules as disputed, contingent or unliquidated; or (ii) a Claim that has been or hereafter is listed on the Schedules as other than disputed, contingent or unliquidated, but as to which has been interposed a timely objection or request for estimation in accordance with this Plan, the Bankruptcy Code and the Bankruptcy Rules by the Claims Objection Deadline, which objection or request for estimation has not been withdrawn or determined by a Final Order or a settlement stipulation; or

(b) if a proof of claim or request for payment of an Administrative Claim has been Filed by the applicable Bar Date: (i) a Claim for which no corresponding Claim has been or hereafter is listed on the Schedules; (ii) a Claim for which a corresponding Claim has been or hereafter is listed on the Schedules as other than disputed, contingent or unliquidated, but the nature or amount of the Claim as asserted in the proof of claim or request for payment of an

Administrative Claim varies from the nature and amount of such Claim as listed on the Schedules; (iii) a Claim for which a corresponding Claim has been or hereafter is listed on the Schedules as disputed, contingent or unliquidated; (iv) a Claim for which a timely objection or request for estimation is interposed in accordance with this Plan, the Bankruptcy Code and the Bankruptcy Rules by the Claims Objection Deadline, which objection or request for estimation has not been withdrawn or determined by a Final Order or a settlement stipulation.

1.44 Disputed Claim Amount means the least of (a) the liquidated amount, if any, set forth in the proof of claim or request for payment of an Administrative Claim relating to a Disputed Claim, (b) the amount estimated by the Bankruptcy Court for purposes of Distributions in respect of such Disputed Claim in accordance with sections 105(a), 502(c) or 505 of the Bankruptcy Code, and (c) such other amount as may be agreed to by the Holder of a Disputed Claim for purposes of estimation and/or allowance under sections 105(a), 502(c) or 505 of the Bankruptcy Code or zero, if such Disputed Claim is disallowed in its entirety by the Bankruptcy Court pursuant to such section, in either case, regardless of whether the order or judgment allowing or disallowing such Claim has become a Final Order; provided, however, that in the event a Claim has been disallowed, but the order of disallowance has not yet become a Final Order, the Bankruptcy Court may require the Liquidating Trustee to reserve, and hold in trust for the benefit of each Holder of such Claim, Cash and/or Liquidating Trust Interests, if applicable, in an amount equal to the Pro Rata Distributions which the Bankruptcy Court, in its discretion, determines will protect the rights of such Holder under all of the facts and circumstances relating to the order of disallowance and the appeal of such Holder from such order.

1.45 Disputed Claims Reserve has the meaning set forth in Section 9.3 of this Plan.

1.46 Distribution means a payment made to Holders of Allowed Claims pursuant to this Plan.

1.47 Distribution Date means a date on which a Distribution is made under this Plan including the Initial Distribution Date and the Final Distribution Date.

1.48 Effective Date means the Business Day this Plan becomes effective for the Debtors as provided in Article X hereof.

1.49 Employee Orders means, collectively: (a) the "Order Authorizing: (I) Payment of Prepetition Employee Wages, Salaries and Related Items; (II) Reimbursement of Prepetition Employee Business Expenses; (III) Prepetition Contributions and Payment of Medical and Similar Benefits; (IV) Payment of Workers' Compensation Obligations; (V) Payments for Which Payroll Deductions Were Made; (VI) Payment of all Costs and Expenses Incident to the Foregoing Payments and Contributions; and (VII) the Continuation of Certain Employee Programs" dated June 4, 2004, (b) the "Order Pursuant to 11 U.S.C. §§ 363(b) and 105(a) Authorizing and Approving Implementation of Management Retention Plan, as Modified, and Scheduling a Final Hearing" dated July 9, 2004, (c) the "Second Order Pursuant to 11 U.S.C. §§ 363(b) and 105(a) Authorizing and Approving Implementation of Management Retention Plan, as Further Modified" dated August 3, 2004, (d) the "Order Pursuant to 11 U.S.C. §§ 363(b)

and 105(a) Authorizing and Approving Implementation of Supplemental Management Retention Plan” dated September 23, 2004, and (e) the “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” dated November 24, 2004.

1.50 Estate(s) means, individually, a portion or all of the estates of PSC, PMC, any of the PBT Debtors or any of the PST Debtors, created under section 541 of the Bankruptcy Code.

1.51 Fee Claim means an Administrative Claim under sections 328, 330(a), 331, 503 or 1103 of the Bankruptcy Code for compensation of a Professional or other Person for services rendered or expenses incurred in the Chapter 11 Cases on or prior to the Effective Date (including expenses of the members of the Creditors’ Committee incurred as members of the Creditors’ Committee in discharge of their duties as such).

1.52 Fee Order means the “Order Under 11 U.S.C. §§ 331 and 105(a) Establishing Procedures for Interim Compensation and Reimbursement of Expenses for Professionals,” dated June 24, 2004.

1.53 File, Filed or Filing means file, filed or filing with the Bankruptcy Court or its authorized designee in the Chapter 11 Cases.

1.54 Final Distribution means the Distribution to be made by the Liquidating Trustee after all of the Liquidating Trust Assets have been reduced to Cash, abandoned or otherwise disposed of, and the Liquidating Trustee has resolved all Disputed Claims and paid all Fee Claims approved by the Bankruptcy Court.

1.55 Final Distribution Date means the date upon which the Final Distribution occurs.

1.56 Final Order means an order of the Bankruptcy Court as to which the time to appeal, petition for certiorari or move for reargument or rehearing has expired and as to which no appeal, petition for certiorari or other proceedings for reargument or rehearing shall then be pending or as to which any right to appeal, petition for certiorari, reargue or rehear shall have been waived in writing in form and substance satisfactory to the Debtors and the Creditors’ Committee or the Liquidating Trustee or, in the event that an appeal, writ of certiorari or reargument or rehearing thereof has been sought, such order of the Bankruptcy Court shall have been determined by the highest court to which such order was appealed, or certiorari, reargument or rehearing shall have been denied and the time to take any further appeal, petition for certiorari or move for reargument or rehearing shall have expired; provided, however, that the possibility that a motion under Rule 59 or Rule 60 of the Federal Rules of Civil Procedure, or any analogous rule under the Bankruptcy Rules, may be filed with respect to such order shall not preclude such order from being a Final Order.

1.57 General Unsecured Claim means a Claim that is not an Administrative Claim, Priority Tax Claim, Priority Non-Tax Claim, Secured Claim, or a Subordinated Claim (including, without limitation, Subordinated Note Claims).

1.58 Global Settlement Agreement means a certain Global Settlement Agreement, dated as of July 30, 2004, among PSC (on its own behalf and on behalf of the Debtors), Pegasus Communications Corporation (on its own behalf and on behalf of its direct and indirect subsidiaries other than the Debtors), DIRECTV, Inc. (on its own behalf and on behalf of its direct and indirect subsidiaries), The DIRECTV Group, Inc. (on its own behalf and on behalf of its direct and indirect subsidiaries, with the exclusion of the DTV Parties (as defined therein)), National Rural Telecommunications Cooperative, the Creditors' Committee, and certain members of the Creditors' Committee, parties thereto as to certain provisions thereof, as approved pursuant to the Global Settlement Order.

1.59 Global Settlement Order means the "Order Pursuant to 11 U.S.C. §§ 105(a), 363 and 1146(c) and Bankruptcy Rule 9019 (I) Approving Global Settlement by and among the Debtors and Debtors in Possession, Pegasus Communications Corporation and Other Non-Debtor Affiliates, DIRECTV, Inc., The DIRECTV Group, Inc., National Rural Telecommunications Cooperative, and the Official Committee of Unsecured Creditors, and (II) Authorizing and Approving in Connection Therewith a Sale, Transfer and Conveyance of Certain Assets of the Debtors to DIRECTV, Inc." dated August 26, 2004.

1.60 Holder means a Person holding a Claim or Interest and, with respect to Senior Notes, or the Subordinated Notes, the beneficial Holder as of the Voting Record Date or any authorized agent who has completed and executed a Ballot or on whose behalf a Master Ballot has been completed and executed in accordance with the voting instructions.

1.61 Impaired means, when used in reference to a Claim or Interest, a Claim or Interest that is impaired within the meaning of section 1124 of the Bankruptcy Code.

1.62 Indemnified Parties has the meaning set forth in Section 5.8 of this Plan.

1.63 Indenture(s) means, individually and collectively, the indentures under which the Senior Notes and the Subordinated Notes were issued, as such indentures are or have been amended, modified or supplemented from time to time.

1.64 Indenture Trustee(s) means, individually and collectively, the respective indenture trustees in their capacity as the indenture trustees for the Senior Notes and Subordinated Notes, respectively.

1.65 Indenture Trustee Fees means the compensation, fees, expenses, disbursements and indemnity claims, including, without limitation, attorneys' and agents' fees, expenses and disbursements, incurred by the Indenture Trustees and/or their predecessors, whether prior to or after the Petition Date and through the Effective Date.

1.66 Initial Distribution Date means the date of the first Distribution by the Liquidating Trustee or its designee to the Holders of Allowed Claims in Class 3A, which shall take place as soon as practicable after the Administrative Claims Bar Date or such later date as may be established by the Bankruptcy Court.

1.67 Interest means all rights (including unpaid dividends) arising from any equity security (as defined in section 101(16) of the Bankruptcy Code) of any of the Debtors.

1.68 IRC means the Internal Revenue Code of 1986, as amended.

1.69 IRS means Internal Revenue Service of the United States of America.

1.70 Lien means a charge against or interest in property to secure payment of a debt or performance of an obligation.

1.71 Liquidating Trust means the liquidating trust described in Section 5.4 of this Plan and the Liquidating Trust Agreement.

1.72 Liquidating Trust Agreement means the agreement(s) establishing and delineating the terms and conditions of the Liquidating Trust and the Reserves, substantially in the form included in the Plan Supplement.

1.73 Liquidating Trust Assets means (i) the Remaining Assets transferred to the Liquidating Trust, (ii) any Distribution that remains unclaimed as provided in Section 7.6 of this Plan, and (iii) all proceeds of any of the foregoing. In the event of an Alternate Court Approved Bid, Liquidating Trust Assets may also include all of the Interests in the Reorganized Debtors, subject to the terms of such Alternate Court Approved Bid. In the event that a PCC Court Approved Bid or the Alternate Court Approved Bid, as applicable, is not closed by the Outside Closing Date, or there is no Broadcast Sale, Liquidating Trust Assets shall also include the Broadcast Assets and the stock of the Reorganized Debtors. If the Creditors' Committee or Liquidating Trustee, as applicable, determines that it is appropriate for the Reorganized Debtors to transfer to the Liquidating Trust at a date subsequent to the Effective Date any of the Remaining Assets, including, but not limited to, the Patronage Certificates, or the stock of any of the Reorganized Debtors, the Reorganized Debtors shall make such transfers at such time and such Remaining Assets shall become Liquidating Trust Assets.

1.74 Liquidating Trust Available Cash means all Liquidating Trust Assets that are or have been converted to Cash, less all amounts held in the Reserves.

1.75 Liquidating Trust Board means the board of directors of the Liquidating Trust as implemented under the Liquidating Trust Agreement.

1.76 Liquidating Trust Interests means continuing beneficial interests in the Liquidating Trust issued pursuant to the terms of this Plan and the Liquidating Trust Agreement.

1.77 Liquidating Trust Reserve means funds in the Liquidating Trust at all times as are reasonably necessary for the Trust to satisfy the incurred and contingent liabilities of the Liquidating Trust under this Plan and the Liquidating Trust Agreement and to fund the prosecution, negotiation and settlement of the Litigation Claims and Disputed Claims and the administration of the Liquidating Trust, other than the Administrative Claims Reserve and the Disputed Claims Reserve.

1.78 Liquidating Trustee means the Person or Persons appointed by the Creditors' Committee in accordance with the Liquidating Trust Agreement to administer the Liquidating Trust and the Reserves.

1.79 Litigation Claims means all Avoidance Actions, and any other claims or causes of action held by the Debtors and not released pursuant to the Global Settlement Order or, to the extent applicable, pursuant to the Broadcast Order.

1.80 Master Ballot means the ballot distributed to nominees or Holders of record of the Senior Notes and to record the votes, if any, of the beneficial Holders of such instruments.

1.81 New PSC Common Stock means the newly issued common stock of Reorganized PSC authorized to be issued pursuant to Section 4.5 of this Plan.

1.82 Old PSC Common Stock means all authorized, issued and outstanding shares of Class B common stock of PSC.

1.83 Old PSC Preferred Stock means all authorized, issued and outstanding shares of preferred stock of PSC.

1.84 Outside Closing Date means (a) with respect to a PCC Court Approved Bid, the date that is one hundred twenty (120) days after the Confirmation Date or such later date as the Reorganized Debtors, the Creditors' Committee and PCC may agree, and (b) with respect to an Alternate Court Approved Bid, the date that is six (6) months after the Confirmation Date, or, such later date as may be agreed to by the Creditors' Committee in its sole discretion.

1.85 Patronage Certificates means those certain patronage capital certificates owned by the Debtors and representing the Debtors' ownership of certain equity in the National Rural Telecommunications Cooperative including any replacement patronage capital certificates and any patronage capital certificates that may subsequently be issued to the Debtors, the Reorganized Debtors or the Liquidating Trust.

1.86 PBT means Pegasus Broadcast Television, Inc., debtor and debtor in possession in the Chapter 11 Cases.

1.87 PBT Debtors means Bride Communications, Inc., BT Satellite Inc., HMW, Inc., Pegasus Broadcast Associates, L.P., PBT, Pegasus Broadcast Towers, Inc., Portland Broadcasting, Inc., Telecast of Florida, Inc., WDSI License Corp., WILF, Inc., WOLF License Corp., and WTLH License Corp., each a debtor and debtor in possession in the Chapter 11 Cases.

1.88 PCC Court Approved Bid means either the transaction embodied in a Broadcast SPA or a higher bid by PCC to the extent PCC is the winning bidder for the Broadcast Sale as approved in the Broadcast Sale Order. In the event that there is a PCC Court Approved Bid prior to the date of the filing of the Plan Supplement, a copy of same will be included in the Plan Supplement.

1.89 Person means an individual, partnership, corporation, limited liability company, business trust, joint stock company trust, unincorporated association, joint venture, governmental authority, governmental unit or other entity of whatever nature.

1.90 Petition Date means June 2, 2004, the date on which each of the Debtors filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code thereby commencing the Chapter 11 Cases.

1.91 Plan means this chapter 11 plan, including all supplements, appendices and schedules hereto, either in its present form or as the same may be altered, amended or modified from time to time, including the documents contained in the Plan Supplement.

1.92 Plan Supplement means the compilation of documents and forms of documents specified in this Plan that will be filed with the Bankruptcy Court on or before the date that is five (5) Business Days prior to the Voting Deadline, and will be a part of this Plan.

1.93 PMC means Pegasus Media & Communications, Inc., debtor and debtor in possession in the Chapter 11 Cases.

1.94 Priority Non-Tax Claim means a Claim, other than an Administrative Claim or Priority Tax Claim, that is entitled to priority in payment pursuant to section 507(a) of the Bankruptcy Code.

1.95 Priority Tax Claim means a Claim of a governmental unit of the kind specified in sections 502(i) and 507(a)(8) of the Bankruptcy Code.

1.96 Pro Rata means a proportionate share, so that the ratio of the amount of consideration distributed on account of a particular Allowed Claim to the amount of the Allowed Claim is the same as the ratio of the amount of consideration distributed on account of all specified Allowed Claims, whether or not such Allowed Claims include Claims in more than one Class, to the aggregate amount of such specified Allowed Claims; provided, however, in no event shall the amount of consideration distributed on account of an Allowed Claim exceed 100% of the amount of the Allowed Claim.

1.97 Professional means any professional employed in the Chapter 11 Cases pursuant to section 327 or 1103 of the Bankruptcy Code or otherwise and any professional or other Person seeking compensation or reimbursement of expenses in connection with the Chapter 11 Cases pursuant to section 503(b)(4) of the Bankruptcy Code.

1.98 PSC means Pegasus Satellite Communications, Inc., debtor and debtor in possession in the Chapter 11 Cases.

1.99 PST means Pegasus Satellite Television, Inc., debtor and debtor in possession in the Chapter 11 Cases.

1.100 PST Debtors means Argos Support Services Company, 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., Pegasus Satellite Television of Illinois, Inc., PST, Primewatch, Inc., PST Holdings, Inc., and South Plains DBS, LP., each a debtor and debtor in possession in the Chapter 11 Cases.

1.101 Remaining Assets means all right, title and interest of the Debtors in and to all assets, properties, interests and rights of whatever kind and nature, whether real or personal, tangible or intangible, not sold in a Broadcast Sale or a Satellite Sale, or not otherwise abandoned pursuant to section 554(a) of the Bankruptcy Code. If, when and to the extent that it is determined that certain Broadcast Assets will not be sold pursuant to a Broadcast Sale, such assets will cease to be Broadcast Assets and shall become Remaining Assets.

1.102 Reorganized Articles of Incorporation means, to the extent applicable, with respect to any Reorganized Debtor, the articles of incorporation or other equivalent documents of such Reorganized Debtor, as amended and restated, substantially in the forms to be filed with the Plan Supplement. The Reorganized Articles of Incorporation for each Reorganized Debtor shall, among other things, prohibit the issuance of nonvoting equity securities, subject to further amendment of such Reorganized Articles of Incorporation as permitted by applicable law.

1.103 Reorganized By-Laws means, with respect to any Reorganized Debtor, the by-laws of such Reorganized Debtor or other equivalent documents, as amended and restated, substantially in the forms to be filed with the Plan Supplement.

1.104 Reorganized Debtor means each Debtor on and after the Effective Date.

1.105 Reorganized PBT Debtors means the PBT Debtors on and after the Effective Date.

1.106 Reorganized PSC means PSC on and after the Effective Date.

1.107 Reporting Period has the meaning set forth in Section 5.5 of this Plan.

1.108 Reserves means, collectively, the Administrative Claims Reserve, the Liquidating Trust Reserve and the Disputed Claims Reserve.

1.109 Satellite Auction Order means the "Order Pursuant to 11 U.S.C. §§ 105, 327(a), 328(a), 363(b), and 363(f) Authorizing the Debtors to (I) Employ Garcel, Inc., D/B/A The Great American Group as a Liquidation and Auction Consultant as of November 5, 2004 and (II) Sell Certain Assets Outside of the Ordinary Course of Business" dated November 10, 2004.

1.110 Satellite Sale means one or more sales of assets of the PST Debtors approved in the Global Settlement Order or the Satellite Auction Order.

1.111 Schedules means the schedules of assets and liabilities, the list of Holders of Interests and the statements of financial affairs Filed by each of the Debtors on August 16, 2004, as such schedules have been or may be further modified, amended or supplemented in accordance with Bankruptcy Rule 1009 or Orders of the Bankruptcy Court.

1.112 Secured Claim means a Claim that is secured by a Lien on property in which an Estate has an interest or that is subject to setoff under section 553 of the Bankruptcy Code, to the extent of the value of the Claim Holder's interest in the Estate's interest in such

property or to the extent of the amount subject to setoff, as applicable, as determined pursuant to section 506(a) of the Bankruptcy Code.

1.113 Senior Notes means (i) 9 5/8% PSC senior notes due October 15, 2005, (ii) 12 3/8% PSC senior notes due August 1, 2006, (iii) 9 3/4% PSC senior notes due December 1, 2006, (iv) 12 1/2% PSC senior notes due August 1, 2007, and (v) 11 1/4% PSC senior notes due January 15, 2010.

1.114 Senior Notes Claims means claims for principal and/or interest arising under the Senior Notes.

1.115 Solicitation Order means the order entered by the Bankruptcy Court establishing procedures with respect to the solicitation and tabulation of votes to accept or reject this Plan.

1.116 Subordinated Claims means any Claim subordinated to General Unsecured Claims either contractually and/or pursuant to section 510 of the Bankruptcy Code (including, without limitation, Subordinated Note Claims).

1.117 Subordinated Notes means 13 1/2% PSC senior subordinated notes due August 1, 2007.

1.118 Subordinated Notes Claims means any claim of Holders of Subordinated Notes in respect of the Subordinated Notes.

1.119 Substantive Consolidation Order means the order, or provision of the Confirmation Order, substantively consolidating the Estates of the PST Debtors for plan purposes only and substantively consolidating the Estates of the PBT Debtors for plan purposes only.

1.120 Voting Deadline means the last day for submitting Ballots to accept or reject this Plan in accordance with section 1126 of the Bankruptcy Code, as specified in the Solicitation Order.

1.121 Voting Record Date means the record date set by the Bankruptcy Court pursuant to Bankruptcy Rule 3017(d), as specified in the Solicitation Order, for determining which Holders of Claims and Interests that are entitled to receive solicitation materials and, when applicable, to vote on this Plan.

Rules of Interpretation. The provisions of this Plan shall control over the contents of the Disclosure Statement, and the provisions of the Confirmation Order shall control over the contents of this Plan. For purposes of this Plan, unless otherwise provided herein: (a) any reference in this Plan to a contract, instrument, release or other agreement or document being in a particular form or on particular terms and conditions means that such document will be substantially in such form or substantially on such terms and conditions; (b) any reference in this Plan to an existing document or schedule Filed or to be Filed means such document or schedule, as it may have been or may be amended, modified or supplemented pursuant to this Plan; (c) any reference to a Person as a Holder of a Claim or Interest includes that Person's successors and

assigns; (d) all references in this Plan to Sections and Articles are references to Sections and Articles of this Plan; (e) the words “herein,” “hereunder” and “hereto” refer to this Plan in its entirety rather than to a particular portion of this Plan; (f) captions and headings to Articles and Sections are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation of this Plan; (g) subject to the provisions of any contract, certificate of incorporation, by-laws, instrument, release or other agreement or document entered into in connection with this Plan, the rights and obligations arising under this Plan shall be governed by, and construed and enforced in accordance with, federal law, including the Bankruptcy Code and Bankruptcy Rules; and (h) the rules of construction set forth in section 102 of the Bankruptcy Code shall apply.

Computation of Time. In computing any period of time prescribed or allowed by this Plan, the provisions of Bankruptcy Rule 9006(a) shall apply.

Governing Law. Unless otherwise required by federal law (including the Bankruptcy Code and Bankruptcy Rules), the laws of the State of New York shall govern the construction and implementation of this Plan and any agreements, documents, and instruments executed in connection with this Plan (unless such agreement, document or instrument provides otherwise) without giving effect to the principles of conflicts of law of such state.

ARTICLE II

UNIMPAIRED AND UNCLASSIFIED CLAIMS

2.1 Administrative Claims. Administrative Claims are unclassified under this Plan. Each Holder of an Allowed Administrative Claim shall receive: (i) to the extent not already paid, Cash on the later of the Effective Date or as soon as reasonably practicable thereafter and thirty (30) Business Days after the date on which such Administrative Claim becomes an Allowed Administrative Claim in the full amount of such Allowed Administrative Claim; (ii) to the extent not yet due and payable, payment in accordance with the terms and conditions of the particular transaction giving rise to the Administrative Claim; (iii) to the extent such Claims are Administrative Claims of the United States Trustee for fees pursuant to 28 U.S.C. § 1930(a)(6), Cash in accordance with the applicable schedule for payment of such fees; or (iv) treatment on such other terms as may be mutually agreed upon in writing between the Holder of such Allowed Administrative Claim and the relevant Debtor with the consent of the Creditors’ Committee, not to be unreasonably withheld, prior to the Effective Date, or the Liquidating Trustee, on or after the Effective Date; provided, however, that interim and/or final payment of Allowed Administrative Claims approved by the Bankruptcy Court shall be paid at the time of and in accordance with such Bankruptcy Court approval.

2.2 Administrative Claims Bar Date.

ADMINISTRATIVE CLAIM REQUESTS RESPECTING ADMINISTRATIVE CLAIMS THAT HAVE ARISEN OR WILL ARISE IN THE PERIOD FROM AND AFTER THE PETITION DATE, INCLUSIVE, MUST BE FILED AND SERVED PURSUANT TO THE PROCEDURES SET FORTH IN THE ADMINISTRATIVE CLAIMS BAR DATE ORDER NO LATER THAN TWENTY (20) DAYS AFTER THE EFFECTIVE DATE (UNLESS AN

EARLIER DATE IS SET FORTH IN THE ADMINISTRATIVE CLAIMS BAR DATE ORDER) (THE “ADMINISTRATIVE CLAIMS BAR DATE”). Notwithstanding anything to the contrary herein, as provided in the Administrative Claims Bar Date Order, no Administrative Claim request need be filed for the allowance of any: (a) Fee Claims; or (b) fees of the United States Trustee arising under 28 U.S.C. § 1930. Any Person that is required to but fails to file such an Administrative Claim request on or before the Administrative Claims Bar Date shall be forever barred from asserting such Claim against any of the Debtors, the Reorganized Debtors, or the Liquidating Trustee or any of their respective property, and the Holder thereof shall be enjoined from commencing or continuing any action, employment of process or act to collect, offset or recover such Administrative Claim.

2.3 Fee Claims. Fee Claims are unclassified under this Plan. Each Holder of an Allowed Fee Claim shall receive, in Cash, to the extent not already paid, the amounts allowed by the Bankruptcy Court: (a) on or as soon as practicable following the date upon which the Bankruptcy Court order allowing such Allowed Fee Claim is issued; or (b) upon such other terms as may be mutually agreed upon between the Holder of such Allowed Fee Claim on one hand, and the relevant Debtors with the consent of the Creditors’ Committee, not to be unreasonably withheld, or the Liquidating Trustee, as applicable, on the other hand. Any and all parties requesting allowance and/or payment of a Fee Claim for any period ending on or before the Effective Date must file and serve final applications therefor no later than forty-five (45) days after the Effective Date. Any Fee Claims for the period after the Effective Date shall be paid in accordance with Section 5.4(i) of this Plan.

2.4 Indenture Trustee Fees. Notwithstanding any provision contained in this Plan to the contrary, all reasonable compensation, fees, expenses, disbursements and indemnity claims incurred by the Indenture Trustees before, on and after the Petition Date and through the Effective Date, including the fees, expenses and disbursements of agents and counsel retained by the Indenture Trustee, shall be paid in Cash on the Effective Date or as soon as practicable after the Effective Date by the Liquidating Trustee as an Allowed Administrative Claim, without the need for application to, or approval of, any court. The Charging Lien for the Indenture Trustees for the Senior Notes will be discharged solely upon payment in full of the Indenture Trustee Fees for the Indenture Trustees for the Senior Notes. Nothing herein shall be deemed to impair, waive or discharge the Charging Lien for the Indenture Trustees for the Senior Notes, for any fees and expenses not paid by the Liquidating Trustee. To the extent that any Indenture Trustee provides services related to Distributions pursuant to this Plan, such Indenture Trustee will receive from the Liquidating Trustee, without further court approval, reasonable compensation for such services on terms and conditions as agreed to by the applicable Indenture Trustee and the Liquidating Trustee and reimbursement of reasonable expenses incurred in connection with such services.

2.5 Priority Tax Claims. Priority Tax Claims are unclassified under this Plan. On the later of the Effective Date or as soon as reasonably practicable thereafter and thirty (30) Business Days after the date on which a Priority Tax Claim becomes an Allowed Claim, such Claim shall be paid in full, in Cash; provided, however, that each Debtor with the consent of the Creditors’ Committee, not to be unreasonably withheld, shall have the option, exercisable upon written notice to the relevant Priority Tax Claim Holder sent prior to the Effective Date, to pay any Priority Tax Claim over a period not longer than six (6) years from the date of

assessment of the applicable tax, with interest on the unpaid portion payable annually in arrears at four percent (4%) per annum (or as otherwise agreed to by the Holder of the Claim and the relevant Debtor).

ARTICLE III

CLASSIFICATION OF CLAIMS AND INTERESTS

For purposes of this Plan, Claims and Interests are classified as follows:

A. CLASSIFICATION OF CLAIMS AND INTERESTS – PSC

3.1 Class 1A: Secured Claims. Class 1A consists of all Secured Claims against PSC. Each Secured Claim shall constitute a separate sub-class (designated, for example as Class 1A-1) for purposes of voting and Distributions.

3.2 Class 2A: Priority Non-Tax Claims. Class 2A consists of all Priority Non-Tax Claims against PSC.

3.3 Class 3A: General Unsecured Claims. Class 3A consists of all General Unsecured Claims against PSC.

3.4 Class 4A: Subordinated Claims. Class 4A consists of all Subordinated Claims against PSC.

3.5 Class 5A: Interests.

(a) **Class 5A-1:** Class 5A-1 consists of all Old Preferred Stock Interests in PSC.

(b) **Class 5A-2:** Class 5A-2 consists of all Old Common Stock Interests in PSC.

B. CLASSIFICATION OF CLAIMS AND INTERESTS – PMC

3.6 Class 1B: Secured Claims. Class 1B consists of all Secured Claims against PMC. Each Secured Claim shall constitute a separate sub-class (designated, for example as Class 1B-1) for purposes of voting and Distributions.

3.7 Class 2B: Priority Non-Tax Claims. Class 2B contains all Priority Non-Tax Claims against PMC.

3.8 Class 3B: General Unsecured Claims. Class 3B consists of all General Unsecured Claims against PMC.

3.9 Class 5B: Interests.

(a) **Class 5B-2:** Class 5B-2 consists of all common stock Interests in PMC.

C. CLASSIFICATION OF CLAIMS AND INTERESTS – PST DEBTORS

3.10 Class 1C: Secured Claims. Class 1C consists of all Secured Claims against the PST Debtors. Each Secured Claim shall constitute a separate sub-class (designated, for example as Class 1C-1) for purposes of voting and Distributions.

3.11 Class 2C: Priority Non-Tax Claims. Class 2C contains all Priority Non-Tax Claims against the PST Debtors.

3.12 Class 3C: General Unsecured Claims. Class 3C consists of all General Unsecured Claims against the PST Debtors.

3.13 Class 5C: Interests.

(a) **Class 5C-2:** Class 5C-2 consists of all common stock Interests in the PST Debtors.

D. CLASSIFICATION OF CLAIMS AND INTERESTS – PBT DEBTORS

3.14 Class 1D: Secured Claims. Class 1D consists of all Secured Claims against the PBT Debtors. Each Secured Claim shall constitute a separate sub-class (designated, for example as Class 1D-1) for purposes of voting and Distributions.

3.15 Class 2D: Priority Non-Tax Claims. Class 2D contains all Priority Non-Tax Claims against the PBT Debtors.

3.16 Class 3D: General Unsecured Claims. Class 3D consists of all General Unsecured Claims against the PBT Debtors.

3.17 Class 5D: Interests.

(a) **Class 5D-2:** Class 5D-2 consists of all common stock Interests in the PBT Debtors.

E. ELIMINATION OF CLASSES FOR VOTING PURPOSES

3.18 Elimination of Classes for Voting Purposes. Any Class of Claims that is not occupied as of the date of the commencement of the Confirmation Hearing by an Allowed Claim or a Claim temporarily Allowed under Rule 3018 of the Bankruptcy Rules or as to which no vote is cast shall be deemed deleted from this Plan for purpose of voting on acceptance or rejection of this Plan by any such Class under section 1129(a)(8) of the Bankruptcy Code.