
MEMBERSHIP INTEREST PURCHASE AGREEMENT

AMONG

KB PRIME MEDIA LLC

AND

PEGASUS SATELLITE COMMUNICATIONS, INC.

Dated as of January 17, 2007

MEMBERSHIP INTEREST PURCHASE AGREEMENT (the "*Agreement*"), dated as of January 17, 2007, by and among KB PRIME MEDIA LLC as successor in interest to KB Communications Corporation ("*Seller*") and PEGASUS SATELLITE COMMUNICATIONS, INC. ("*Purchaser*").

INTRODUCTION

Seller is the record and beneficial owner of 50% of the outstanding membership interests (the "*Interests*") of Gainesville Channel 61 Associates, LLC ("*Gainesville*"). Purchaser and Seller are parties to an Option Agreement dated as of April 14, 1998, as amended on August 19, 1998, November 9, 1998, February 27, 2001, February 1, 2004 and April 10, 2006 (the "*Option Agreement*") which grants Purchaser an option to purchase assets of Seller that are used or useful in connection with the construction of and operation of several television broadcast stations in specific geographical locations. Pursuant to the Option Agreement, Purchaser desires to purchase from Seller and Seller desires to sell to Purchaser, all of the membership interests in Gainesville owned of record or beneficially by Seller on the terms and subject to the conditions set forth in this Agreement.

In consideration of the mutual covenants and agreements set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

PURCHASE AND SALE OF MEMBERSHIP INTERESTS

1.1 Purchase and Sale of the Interests. On the terms and subject to the conditions of this Agreement, Seller agrees to sell, transfer, convey, assign and deliver to Purchaser, and Purchaser agrees to purchase from Seller, at the Closing, Seller's Interests, free and clear of all liens and security interests. To the extent the Interests are represented by a certificate, Seller shall deliver the certificate to the Purchaser at the Closing (as defined in Section 1.3 hereof), duly endorsed by Seller in blank.

1.2 Purchase Price. The purchase price for the Interests shall be Thirty Three Thousand Three Hundred Thirty Three Dollars and Thirty Three Cents (\$33,333.33) (the "*Purchase Price*"). Elliott Greenleaf & Siedzikowski, P.C. (the "*Escrow Agent*") shall, upon instruction to the Escrow Agent from Purchaser, release the Purchase Price, at Closing in the form of wire transfer of immediately available funds to such accounts as Seller shall identify at least three business days prior to the Closing.

1.3 Closing Date and Time. The closing (the "*Closing*") for the consummation of the purchase and sale of the Interests shall take place in such manner as Seller and Purchaser shall agree, at 10:00 a.m. on the third business day following the date on which all conditions set forth in Article VII shall have been satisfied or waived, or such other date and time agreed to by Seller and Purchaser (such date, the "*Closing Date*").

ARTICLE II
REPRESENTATIONS AND WARRANTIES OF SELLER

The Seller represents and warrants to Purchaser as follows:

2.1 Company Existence and Power. Seller is a limited liability company, duly organized, validly existing and in good standing under the laws of Delaware. Seller is duly qualified or authorized to do business as a foreign entity and is in good standing under the laws of each jurisdiction in which it owns or leases real property and each other jurisdiction in which the conduct of its business or the ownership of its properties requires such qualification or authorization, except where the failure to be so qualified, authorized or in good standing would not have a material adverse effect. Seller has all requisite power and authority to conduct the business of Seller and to own, lease and operate its properties. Seller has delivered to Buyer true, complete and correct copies of its certificate of formation and operating agreement as in effect on the date hereof. The execution, delivery and performance by Seller of this Agreement and the other agreements, instruments and documents contemplated by this Agreement (each, an "*Ancillary Document*" and collectively, the "*Ancillary Documents*") to which Seller is or will be a party are within the powers of Seller.

2.2 Ownership of Interests. Seller is the lawful owner of record and beneficially of, and the Interests represent, 50% of the membership interests of Gainesville. At the Closing the Seller shall transfer to Purchaser good and marketable title to all such Interests free and clear of all liens, security interests, claims, encumbrances and other restrictions arising by or through Seller, with no defects in title, other than those restrictions on transfer that are specifically set forth in the Limited Liability Company Agreement of Gainesville Channel 61 Associates, LLC dated as of March 25, 1998 (the "*Gainesville Operating Agreement*"). The Interests represent all of the membership or ownership interests of or in Gainesville that are owned of record or beneficially by the Seller.

2.3 Authorization and Binding Obligation. The execution, delivery, and performance of this Agreement and the Ancillary Documents have been (or, with respect to such other documents, will prior to the Closing be) duly authorized by all necessary actions on the part of Seller. This Agreement has been, and the Ancillary Documents have been or will prior to the Closing be, duly executed and delivered by Seller and, assuming the due authorization, execution and delivery by all the other parties to this Agreement, constitute the legal, valid and binding obligation of Seller, enforceable against Seller in accordance with their terms except as the enforceability of this Agreement may be affected by bankruptcy, insolvency, or similar laws affecting creditors' rights generally, and by judicial discretion in the enforcement of equitable remedies.

2.4 Conflicts; Consents of Third Parties.

2.4.1 Conflicts. None of the execution, delivery and performance by Seller of this Agreement and any Ancillary Document and the consummation of the transactions contemplated hereby or thereby, or the compliance by Seller with any of the provisions hereof or thereof will conflict with or result in any violation or default under or give rise to a right of termination, cancellation or acceleration (whether after the giving of notice

or the lapse of time or both) of any obligation or loss of a material benefit under, or give rise to any obligation of Seller to make any payment under, or to the increased, additional, accelerated or guaranteed rights or entitlements of any person under, or result in the creation of any liens upon any of the properties or assets of Seller under any provision of (i) the certificate of formation or operating agreement (or comparable organizational documents) of Seller, (ii) any material contract or permit to which Seller is a party or by which Seller or its properties or assets are bound, (iii) any order, injunction, judgment, decree, ruling, writ, assessment or arbitration award ("*Order*") applicable to Seller or any of its properties or assets or (iv) subject to the receipt of the FCC Consent (as hereinafter defined) any applicable statute, law, ordinance, rule, regulation, rule or order of any federal, state, or local government, governmental department, or agency, including, the Communications Act of 1934, as amended (the "*Act*"), all foreign, federal state, and local energy, public utility, zoning, building code, health, employee safety, and OSHA ("*Applicable Law*").

2.4.2 Consents of Third Parties. No consent, waiver, approval, Order, permit or authorization of, or declaration or filing with, or notification to, any person or entity exercising executive, legislative, judicial, regulatory, or administrative functions, of or pertaining to foreign, federal, state or local government, including any governmental or regulatory authority, agency, department, board, commission or instrumentality or any political subdivision thereof, and any tribunal, court or arbitrator(s) of competent jurisdiction ("*Governmental Authority*") is required on the part of Seller (A) in connection with the execution and delivery of this Agreement or the Ancillary Documents or the consummation of the transactions contemplated hereby or thereby or (B) the continuing validity and effectiveness immediately following the Closing of any contract or permit of Gainesville, except for (i) the filing related to the consent of Federal Communications Commission ("*FCC*") as described in Section 7.1 (the "*FCC Consent*"), (ii) the filing of the Agreement and Ancillary Documents with the FCC (to the extent required by the Act or the rules and regulations of the FCC), and (iii) such other consents, waivers, approvals, Orders, permits, authorizations, declarations, filings and notifications, the failure of which to be obtained or made would not reasonably be expected to have a material adverse effect on the ability of Seller to perform its obligations hereunder or to consummate the transactions contemplated hereby.

2.5 Compliance with Law. Seller is in compliance in all material respects with all laws applicable to Gainesville. Seller has not received any written or other notice of or been charged with the violation of any Applicable Laws relating to Gainesville. To Seller's knowledge, it is not under investigation with respect to the violation of any Applicable Laws.

2.6 Litigation. Except for FCC rulemaking proceedings generally affecting the broadcasting industry including the pending rulemaking proceeding in MB Docket No. 87-268 addressing the substitution of channel 9 for channel 29 for the station's digital television operations, there are no claims, actions, suits, litigation, labor disputes, arbitrations, proceeding, or investigations pending or, to Seller's knowledge, threatened against, relating to, or affecting Seller, Gainesville or the transactions contemplated by this Agreement (or to Seller's knowledge, pending or threatened, against any of the officers, directors or key employees of Seller with respect to their business activities on behalf of Seller), or to which Seller is otherwise a party, that would,

individually or in the aggregate, reasonably be expected to have a material adverse effect. Seller is not subject to any Order of any Governmental Authority.

2.7 Brokers. No agent, broker, investment banker, person or firm acting on behalf of Seller, is or will be, entitled to any broker's or finder's fee or any other commission or similar fee directly or indirectly from Purchaser or Gainesville in connection with the acquisition of the Interests by Purchaser or the transactions contemplated by this Agreement.

2.8 FCC Permit. Gainesville is the permittee of a construction permit (call sign 960920WR) to construct a full power commercial television station on channel 29 in Gainesville, Florida ("*Permit*"). The Permit is valid and is in full force and effect through September 6, 2008 and is not subject to any conditions other than those set forth on the face of the Permit. No investigation, application, complaint, action, petition, objection, or other proceeding is pending with respect to Seller, Gainesville or the Permit and, to Seller's knowledge, no investigation, application, complaint, action, petition, objection, or other proceeding is threatened with respect to Seller, Gainesville or the Permit (in each case other than proceedings of general applicability to the television broadcasting industry, including the pending rulemaking proceeding in MB Docket No. 87-268 addressing the substitution of channel 9 for channel 29 for the station's future digital television operations). All required regulatory fees with respect to the Permit have been paid or will be paid in a timely manner. Seller knows of no fact, reason, or proceeding that would disqualify Seller as the transferor of the Interests in Gainesville and has no reason to believe that the Transfer Application (as hereinafter defined) is reasonably likely to be challenged or is reasonably likely not to be granted by the FCC in the ordinary course due to any fact or circumstance relating to Seller's qualifications to hold the Permit.

2.9 No Other Representations or Warranties. Except for the representations and warranties contained in this Article, Seller makes no other express or implied representation or warranty with respect to Seller, Gainesville or the transactions contemplated by this Agreement, and Seller disclaims any other representations or warranties.

ARTICLE III REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser represents and warrants to Seller as follows:

3.1 Organization and Standing. Purchaser is duly organized, validly existing, and in good standing under the laws of its state of its formation or incorporation. Purchaser is duly qualified or authorized to do business as a foreign entity and is in good standing under the laws of each jurisdiction in which it owns or leases real property and each other jurisdiction in which the conduct of its business or the ownership of its properties requires such qualification or authorization, except where the failure to be so qualified, authorized or in good standing would not have a material adverse effect. Purchaser has all requisite power and authority to conduct its business as now conducted and to own, lease and operate its properties. Purchaser has delivered to Seller true, complete and correct copies of its certificate of incorporation and by-laws or comparable organizational documents as in effect on the date hereof. The execution, delivery and performance by Purchaser of this Agreement and each Ancillary Document to which Purchaser is or will be a party are within the corporate powers of Purchaser.

3.2 Authorization and Binding Obligation. The execution, delivery and performance of this Agreement by Purchaser, and the execution, delivery and performance of each Ancillary Document to be delivered or executed in connection with this Agreement to which Purchaser is or will be a party and the transactions contemplated hereby and thereby have been (or, with respect to such Ancillary Documents, will prior to the Closing be) duly authorized by all necessary actions on the part of Purchaser. This Agreement has been, and all such Ancillary Documents to which Purchaser is or will be a party will prior to the Closing be, duly executed and delivered by Purchaser and constitute the legal, valid, and binding obligation of Purchaser, enforceable against Purchaser in accordance with their terms except as the enforceability of this Agreement may be affected by bankruptcy, insolvency, or similar laws affecting creditors' rights generally, and by judicial discretion in the enforcement of equitable remedies.

3.3 Conflicts; Consents of Third Parties.

3.3.1 Conflicts. None of the execution, delivery and performance by Purchaser of this Agreement or the consummation of the transactions contemplated hereby, or the compliance by Purchaser with any of the provisions hereof will conflict with or result in any violation or default under or give rise to a right of termination, cancellation or acceleration (whether after the giving of notice or the lapse of time or both) of any obligation under (i) the organizational documents of Purchaser, (ii) any contract or permit to which Purchaser is a party or by which Purchaser or its properties or assets are bound, (iii) any Order applicable to Purchaser or any of its properties or assets or (iv) subject to receipt of the FCC Consent, any Applicable Law, except, in the case of clauses (ii), (iii) and (iv), for such violations, breaches, defaults, terminations, cancellations or accelerations as would not reasonably be expected to have a material adverse effect on the ability of Purchaser to perform its obligations under this Agreement or to consummate the transactions contemplated hereby.

3.3.2 Consents of Third Parties. No consent, waiver, approval, Order, permit or authorization of, or declaration or filing with, or notification to, any person or Governmental Authority is required on the part of Purchaser in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby, except for (i) the FCC Consent (ii) the filing of the Agreement and the Ancillary Documents with the FCC (to the extent required by the Act or rules of regulations of the FCC), and (iii) such other consents, waivers, approvals, Orders, permits, authorizations, declarations, filings and notifications, the failure of which to be obtained or made would not reasonably be expected to have a material adverse effect on the ability of Purchaser to perform its obligations under this Agreement or to consummate the transactions contemplated hereby.

3.4 Litigation. There are no claims, actions, suits, litigation, labor disputes, arbitrations, proceedings, or investigations pending or, to the Purchaser's knowledge, threatened against, relating to or affecting Purchaser that are reasonably likely to prohibit or restrain the ability of Purchaser to enter into this Agreement or consummate the transactions contemplated hereby.

3.5 No Broker. No agent, broker, investment banker, person or firm acting on behalf of Purchaser, is or will be, entitled to any broker's or finder's fee or any commission or similar fee directly or indirectly from Seller in connection with the acquisition of the Interests by Purchaser or the transactions contemplated by this Agreement.

3.6 No Other Representations or Warranties. Except for the representations and warranties contained in this Article, Purchaser makes no other express or implied representation or warranty with respect to Purchaser or the transactions contemplated by this Agreement, and Purchaser disclaims any other representations or warranties.

ARTICLE IV SURVIVAL OF REPRESENTATIONS, WARRANTIES, COVENANTS AND AGREEMENTS

The representations, warranties, covenants and agreements of Purchaser, and Seller contained in this Agreement shall survive the Closing indefinitely, and the provisions of Article V and Section 6.3 shall survive for the periods indicated therein.

ARTICLE V INDEMNIFICATION

5.1 Purchaser's Indemnification. Notwithstanding the Closing, the Purchaser shall indemnify and hold the Seller harmless from and against any and all damage, liability, loss, cost and deficiency (including, but not limited to, costs of settlement, attorneys' fees and other costs and expenses incident to proceedings, investigations, preparations or the defense of any claim) arising out of, resulting from or related to, and to pay the Seller on demand the full amount of any sum which the Seller is or becomes obligated to pay or suffers on account of (i) any inaccuracy in any representation or the breach of any warranty of the Purchaser under this Agreement, (ii) any failure of the Purchaser to duly perform or observe any term, provision, covenant or agreement to be performed or observed by it pursuant to this Agreement, or (iii) the imposition upon the Seller or the assessment against the Seller after the Closing of any debt, liability or obligation that relates to Gainesville that arises out of the actions or inactions of Purchaser, whether such actions or inactions occur before or after the Closing (but excluding in any event, costs or expenses incurred by Seller prior to Closing relating to Gainesville).

5.2 Seller's Indemnification. Notwithstanding the Closing, the Seller shall indemnify and hold the Purchaser harmless from and against any and all damage, liability, loss, cost and deficiency (including, but not limited to, costs of settlement, attorneys' fees and other costs and expenses incident to proceedings, investigations, preparations or the defense of any claim) arising out of, resulting from or related to and to pay the Purchaser on demand the full amount of any sum which the Purchaser is or becomes obligated to pay or suffers on account of (i) any inaccuracy in any representation or the breach of any warranty of the Seller under this Agreement, or (ii) any failure of the Seller duly to perform or observe any term, provision, covenant or agreement to be performed or observed by it pursuant to this Agreement, or (iii) the imposition upon the Purchaser or the assessment against the Purchaser after the Closing of any debt, liability or obligation that relates to Gainesville that arises out of the actions or inactions of

Seller or any officer or manager of Gainesville designated by Seller, whether such actions or inactions occur before the Closing (but excluding in any event, costs or expenses incurred by the Purchaser prior to Closing relating to Gainesville).

5.3 Indemnification Procedure. The party seeking indemnification pursuant to Sections 5.1 or 5.2 must notify the indemnifying party within 90 business days after the assertion of any claim or discovery of any fact upon which the party seeking indemnification intends to base a claim for indemnification under this Agreement. The failure of such party to so notify the indemnifying party will relieve the indemnifying party from any liability under this Agreement to the party seeking indemnification with respect to such claim. The provisions of this Article V shall survive for 90 business days after the survival period for the representation, warranty, term, provision, covenant or agreement to which the indemnification relates and with respect to Section 5.1(iii) and Section 5.2 (iii) shall survive for 90 business days after the applicable statute of limitations with respect to any debt, liability or obligation referred to therein. Article V shall also survive with respect to any claim that has been made pursuant to this Article V prior to the end of the survival period with respect to such claim until such claim is finally resolved.

ARTICLE VI ADDITIONAL AGREEMENTS

6.1 Expenses. Each party shall be responsible for its own fees and expenses, including without limitation, the fees and expenses of its counsel and advisors. The filing fees for the Transfer Application shall be shared by Purchaser and Seller equally.

6.2 Reasonable Efforts; Further Assurances. Purchaser and Seller each agree to use all commercially reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or advisable under Applicable Laws and regulations to consummate and make effective the transactions contemplated by this Agreement as expeditiously as practicable and to ensure that the conditions set forth in Article VIII are satisfied, insofar as such matters are within the control of any of them.

6.3 Restrictive Covenants. Seller acknowledges and recognizes Seller's possession of confidential information about the Purchaser and its proposed businesses and operations, and acknowledges and recognizes the highly competitive nature of the business of the Purchaser and Gainesville. Accordingly, in consideration of Purchaser purchasing the Interests from Seller and entering into this Agreement, the transactions contemplated hereby and the premises contained herein, Seller agrees as follows:

6.3.1 Confidentiality. For five (5) years following the Closing Date, Seller shall hold all the confidential information regarding Purchaser or Gainesville in confidence and shall not disclose such confidential information to any third party except as required by law, in which case Seller shall notify Gainesville or Purchaser as appropriate prior to disclosing such confidential information and shall use its best efforts to obtain a protective order or otherwise prevent or minimize disclosure of such confidential information, or with the express prior written approval of Gainesville or Purchaser as appropriate. The obligation of confidentiality set forth herein shall not extend to: (a)

information that at the time of disclosure was in the public domain or thereafter comes into the public domain through no fault of Seller or such member and (b) information that becomes known to Seller from a source other than Gainesville or Purchaser without breach of this Agreement by Seller and not otherwise, to the knowledge of Seller after due inquiry, in violation of Purchaser's or Gainesville's rights.

6.3.2 Enforceability. It is the desire and intent of the parties hereto that the provisions of this Section 6.3 shall be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, although the Seller, Gainesville and Purchaser consider the restrictions contained in this Section 6.3 to be reasonable for the purposes of preserving the goodwill and proprietary rights of the Purchaser resulting from its purchase of the Seller's Interests, if a final determination is made by a court of competent jurisdiction that the time or territory or any other restriction contained in this Section 6.3 is unenforceable against the Seller, the provisions of this Section 6.3 shall be deemed amended to apply as to such maximum time and territory and to such maximum extent as such court may judicially determine or indicate to be enforceable.

6.3.3 Remedies. The parties acknowledge that the Purchaser's damages at law would be an inadequate remedy for the breach by any party of any provision of this Section 6.3, and agree in the event of such breach that the Purchaser may seek temporary and permanent injunctive relief restraining the Seller from such breach, and, to the extent permissible under applicable statutes and rules of procedure, a temporary injunction may be granted immediately upon the commencement of any such suit. Nothing contained in this Agreement shall be construed as prohibiting the Purchaser from pursuing other remedies available at law or equity for such breach or threatened breach of this Section 6.3 or from asserting any defenses thereto (including that no breach has in fact occurred), except that the Seller covenant and agree that they shall not assert as a defense that there is (i) an adequate remedy at law or (ii) a lack of actual damages.

6.4 Public Announcements. The parties agree to consult with each other before issuing any press release or making any public statement with respect to this Agreement or the transactions contemplated hereby and, except as may be required by Applicable Law or any listing agreement with any securities exchange or automated quotation system or other securities authority, will not issue any such press release or make any such public statement prior to the Closing. Any party making an announcement under the prior sentence will give the other party reasonable advance notice and an opportunity to suggest alternative language to the extent not prohibited by Applicable Law.

ARTICLE VII

CONDITIONS PRECEDENT

7.1 FCC Consent. This Agreement is subject to the prior consent and approval of the FCC.

7.1.1 Purchaser and Seller shall file with the FCC a transfer of control application using FCC Form 315 (the "*Transfer Application*") not later than ten (10) business days after the execution of this Agreement. The parties shall prosecute the Transfer Application with all reasonable diligence and otherwise use their commercially reasonable efforts to obtain the grant of the Transfer Application as expeditiously as practicable. If the FCC Consent imposes any condition on any party hereto, such party shall use its commercially reasonable efforts to comply with such condition unless compliance would be unduly burdensome or would have a material adverse effect upon it. The parties hereto shall make available to one another, promptly after the filing thereof, copies of all correspondence, amendments, and reports filed after the date hereof and on or prior to the Closing Date with the FCC by any parties hereto, as the case may be, in respect of the Transfer Application or the Permit. Each party shall notify the other party hereto in the event it obtains knowledge of any other facts, actions, communications, or occurrences that might directly or indirectly affect the party's intent or ability to obtain prompt FCC approval of the transactions contemplated by this Agreement. The parties shall use commercially reasonable efforts to oppose any petitions to deny or other objections filed with respect to the Transfer Application; provided, however, that neither Purchaser nor Seller shall have any obligation to participate in an evidentiary hearing on the Transfer Application. If the parties mutually agree, Purchaser and Seller shall appeal or otherwise seek review of any action of the FCC denying the Transfer Application, by filing an appropriate request for appeal or review with the FCC or a court of competent jurisdiction, as the case may be. The parties agree to cooperate and to request, if necessary, such extensions of the effective date within which to close this transaction as may be permitted by the rules and policies of the FCC.

7.1.2 The assignment of the Interests hereunder is expressly conditioned upon (i) the grant of the FCC Consent and (ii) compliance by the parties hereto with the conditions (if any) imposed in the FCC Consent.

7.2 Conditions to Obligations of Purchaser. The obligations of Purchaser to consummate the transactions contemplated by this Agreement are subject to the satisfaction of each of the following conditions unless waived on or prior to the Closing Date by Purchaser:

7.2.1 Representations, Warranties and Covenants. Each of the representations and warranties of Seller made in this Agreement shall be true and correct in all material respects on the Closing Date. Seller shall have performed and complied with in all material respects all covenants and agreements required to be performed or complied with by Seller on or prior to the Closing Date.

7.2.2 No Legal Bar. No action or proceeding by or before any Governmental Authority or agency shall be pending or threatened challenging or seeking to restrain or prohibit the transactions contemplated by this Agreement. No statute, rule, regulation, executive order, decree, temporary restraining order, preliminary injunction, permanent injunction or other order enacted, entered, promulgated, enforced or issued by any Governmental Authority or agency or other legal restraint or prohibition preventing the transactions contemplated by this Agreement shall be in effect.

7.2.3 Regulatory Approvals. All necessary government and regulatory approvals shall have been received, including without limitation, the FCC Consent.

7.2.4 Seller Deliveries. At the Closing, Seller shall deliver, or cause to be delivered, to Purchaser:

(i) a certificate of Seller, dated the Closing Date, to the effect that the conditions set forth in Section 7.2.1 have been satisfied, in form and substance reasonably satisfactory to Purchaser;

(ii) an instrument assigning the Interests to Purchaser, in form and substance reasonably satisfactory to Purchaser;

(iii) resignations, effective as of the Closing Date, duly executed by each designee of Seller who has acted as a manager or officer of Gainesville,;

(iv) all other documents, instruments and writings required to be delivered by Seller to Purchaser at or prior to the Closing Date pursuant to this Agreement or that Purchaser may reasonably request.

7.3 Conditions to Obligations of Seller. The obligations of Seller to consummate the transactions contemplated by this Agreement are subject to the satisfaction of each of the following conditions unless waived on or prior to the Closing Date by Seller:

7.3.1 Representations, Warranties and Covenants. Each of the representations and warranties of Purchaser and Gainesville made in this Agreement shall be true and correct in all material respects on the Closing Date. Purchaser and Gainesville shall have performed and complied with in all material respects all covenants and agreements required to be performed or complied with by Purchaser or Gainesville on or prior to the Closing Date.

7.3.2 No Legal Bar. No action or proceeding by or before any Governmental Authority or agency shall be pending or threatened challenging or seeking to restrain or prohibit the transactions contemplated by this Agreement. No statute, rule, regulation, executive order, decree, temporary restraining order, preliminary injunction, permanent injunction or other order enacted, entered, promulgated, enforced or issued by any Governmental Authority or agency or other legal restraint or prohibition preventing the transactions contemplated by this Agreement shall be in effect.

7.3.3 Regulatory Approvals. All necessary governmental and regulatory approvals shall have been received, including without limitation, the FCC Consent.

7.3.4 Purchaser's Deliveries. At the Closing, Purchaser shall deliver, or cause to be delivered, to Seller:

(i) a certificate of Purchaser dated the Closing Date, to the effect that the conditions set forth in Section 7.3.1 have been satisfied, in form and substance reasonably satisfactory to Seller;

(ii) the Purchase Price by delivery to Seller in accordance with Section 1.2 hereof;

(iii) all other documents, instruments and writings required to be delivered by Purchaser to Seller at or prior to the Closing Date pursuant to this Agreement or that the Seller may reasonably request.

ARTICLE VIII MISCELLANEOUS

8.1 Notices. All notices, requests and other communications hereunder must be in writing and shall be deemed to have been duly given only if delivered personally against written receipt or by facsimile transmission or mailed by prepaid first class certified mail, return receipt requested, or mailed by overnight courier prepaid, to the parties at the following addresses or facsimile numbers:

If to Seller: KB Prime Media LLC
1320 Lafayette Road
Gladwyne, Pennsylvania 19035
Facsimile: (610) 526-0679
Attention: Guyon Turner

with a copy to: Elliott Greenleaf & Siedzikowski, P.C.
925 Harvest Drive, Third Floor
Blue Bell, PA 19422
Facsimile: 215-977-1099
Attention: Kevin S. Anderson

If to Purchaser or
Gainesville: Pegasus Satellite Communications, Inc.
c/o Ocean Ridge Capital Advisors, LLC
56 Harrison Street
Suite 203A
New Rochelle, NY 10801
Facsimile: (914) 235-6844
Attention: Bradley E. Scher

with a copy to: Akin Gump Strauss Hauer & Feld LLP
1333 New Hampshire Avenue NW
Washington, DC 20036
Facsimile (202) 955-7631
Attention: Russell W. Parks, Jr.

and:

Lowenstein Sandler PC
65 Livingston Avenue
Roseland, New Jersey 07068
Facsimile (973) 597-2565
Attention: Alan Wovsaniker

All such notices, requests and other communications shall (i) if delivered personally to the address as provided in this Section, be deemed given upon receipted delivery, (ii) if delivered by facsimile transmission to the facsimile number as provided in this Section, be deemed given upon confirmed receipt, (iii) if delivered by mail in the manner described above to the address as provided in this Section, be deemed given upon receipt provided that such notice is sent by certified mail and (iv) if delivered by overnight courier to the address as provided in this Section, be deemed given on the earlier of the first business day following the date sent by such overnight courier or upon receipt. Any party from time to time may change its address, facsimile number or other information for the purpose of notices to that party by giving notice specifying such change to the other party hereto. If any party refuses to accept delivery of a notice hereunder, such notice shall be deemed to have been received on the day such delivery is refused.

8.2 Termination. This Agreement shall terminate on the first to occur of any of the following events:

8.2.1 the mutual written agreement of Purchaser and the Seller;

8.2.2 If this Agreement is terminated pursuant to this Section 8.2 and the transactions contemplated hereunder are not consummated, this Agreement shall be null and void and shall have no further force or effect except that any such termination shall be without prejudice to the rights of any party on account of the nonsatisfaction of the conditions set forth in Article VII resulting from the intentional or willful breach or violation of the representations, warranties, covenants or agreements of another party under this Agreement or from the intentional or willful failure of a party to consummate the transactions contemplated by this Agreement. Upon the termination of this Agreement, all rights and obligations of the parties under this Agreement shall terminate.

8.3 Entire Agreement. This Agreement supersedes all prior discussions and agreements among the parties with respect to the subject matter hereof and contains the sole and entire agreement between the parties hereto with respect to the subject matter hereof.

8.4 Waiver. Any term or condition of this Agreement may be waived at any time by the party that is entitled to the benefit thereof, but no such waiver shall be effective unless set forth in a written instrument duly executed by or on behalf of the party waiving such term or condition. No waiver by any party of any term or condition of this Agreement, in any one or more instances, shall be deemed to be or construed as a waiver of the same or any other term or condition of this Agreement on any future occasion. All remedies, either under this Agreement or by law or otherwise afforded, shall be cumulative and not alternative.

8.5 Amendment. This Agreement may be amended, supplemented or modified only by a written instrument duly executed by or on behalf of each party hereto.

8.6 No Third Party Beneficiary. Except as otherwise expressly provided herein, the terms and provisions of this Agreement are intended solely for the benefit of each party hereto, any indemnified party and their respective successors and permitted assigns, and it is not the intention of the parties to confer third-party beneficiary rights, and this Agreement does not confer any such rights, upon any other person.

8.7 Assignment; Binding Effect. Neither this Agreement nor any right, interest or obligation hereunder may be assigned (by operation of law or otherwise) by any party hereto without the prior written consent of the other parties hereto, except that the Purchaser may assign after the Closing any of its rights under this Agreement to any affiliate of Purchaser without the consent of any other party.

8.8 Headings. Section titles and headings to sections herein are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement. The Schedules referred to herein shall be construed with and as an integral part of this Agreement to the same extent as if they were set forth verbatim herein.

8.9 Invalid Provisions. If any provision of this Agreement is held to be illegal, invalid or unenforceable under any present or future law, and if the rights or obligations of any party hereto under this Agreement shall not be materially and adversely affected thereby, (i) such provision shall be fully severable, (ii) this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof, and (iii) the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom.

8.10 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the state of Delaware, without regard to principles of conflicts of law.

8.11 Construction. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rule of strict construction shall be applied against either party.

8.12 Counterparts. This Agreement may be executed in any number of counterparts and by facsimile each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

[Signature Page Follows]

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by each party hereto as of the date first above written.

PURCHASER:

**PEGASUS SATELLITE
COMMUNICATIONS, INC.**

By: 

MICHAEL NACHMAN
SECRETARY

SELLER:

KB PRIME MEDIA LLC

By: 

Guyon Turner, President