

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MAINE

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

**APPLICATION FOR ORDER
AUTHORIZING THE DEBTORS AND DEBTORS IN POSSESSION
TO EMPLOY KEKST AND COMPANY, INCORPORATED AS CORPORATE
COMMUNICATIONS CONSULTANT PURSUANT TO 11 U.S.C. §§ 327(a) AND 328(a)**

Pegasus Satellite Television, Inc. and certain of its subsidiaries and affiliates, each a debtor and debtor in possession herein (collectively, the "Debtors"),¹ hereby file this application (the "Application") requesting entry of an order authorizing the Debtors to employ and retain Kekst and Company, Incorporated ("Kekst"), as corporate communications consultant in these cases pursuant to sections 327(a) and 328(a) of chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"). The facts and circumstances supporting this Application are set forth in (i) the Affidavit of Ted S. Lodge, President, Chief Operating Officer and Counsel of Pegasus Satellite Communications, Inc., in support of First Day Motions and (ii) the Affidavit of Michael Freitag in Support of Application for Order Authorizing the Debtors and Debtors in

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

Possession to Employ and Retain Kekst and Company, Incorporated as Corporate Communications Consultant to the Debtors Pursuant to 11 U.S.C. §§ 327(a) and 328(a) (the “Freitag Affidavit”), attached hereto as Exhibit A. In further support of this Motion, the Debtors represent as follows:

JURISDICTION, VENUE AND STATUTORY PREDICATES

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

2. The Debtors have continued in possession of their respective properties and have continued to operate their businesses as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

3. No request has been made for the appointment of a trustee or examiner and no official committee has yet been established in these cases.

4. The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). Venue is proper in this Court pursuant to 28 U.S.C. §§ 1408 and 1409. The statutory predicates for the relief sought herein are 11 U.S.C. §§ 327(a) and 328(a).

BACKGROUND OF THE DEBTORS

5. Pegasus Satellite Television, Inc. (“PST”), together with its subsidiaries, is the nation’s largest independent provider of DIRECTV® programming. Organized in 1996 as a Delaware Corporation, PST is headquartered in Marlborough, Massachusetts. PST is a wholly owned indirect subsidiary of Pegasus Satellite Communications, Inc.

6. The Debtors' principal operating business is its direct broadcast satellite ("DBS") business.² Specifically, the Debtors provide DIRECTV® programming services to rural households across the United States and, as of December 31, 2003, had in excess of 1.1 million subscribers and the exclusive right to distribute DIRECTV® services to approximately 8.4 million rural households in certain territories within 41 states.

7. DBS services are digital broadcasting services that require a subscriber to install or have installed a satellite receiving antenna (or dish) and a digital receiver. DIRECTV®, in particular, requires subscribers to have a satellite dish, which can be as small as 18 inches in diameter depending on the services received, to which DIRECTV® directly transmits programming services via five high power Ku band satellites. The Debtors in turn offer certain core programming packages to subscribers, which vary according to channels delivered and price.

8. The Debtors maintain an independent retail network through dealer relationships to distribute DIRECTV® programming. Through acquisitions of DIRECTV® rural affiliates, the Debtors have expanded this network to include over 4,000 independent retailers, consumer electronics stores, and other retailers serving rural areas in the Debtors' service area. Today, the Debtors' retail network is one of the few sales and distribution channels available to digital satellite service providers seeking broad and effective distribution in rural areas throughout the continental United States.

9. As of March 31, 2004, the Debtors had assets aggregating approximately \$1.6 billion related to their DBS business, which generated net revenues of approximately \$831.2 million during calendar year 2003. The Debtors have approximately 943 employees.

² Debtor Pegasus Media & Communications, Inc. also conducts television broadcast operations through twelve (12) subsidiaries, all of which have filed voluntary petitions under chapter 11 and are Debtors in these cases.

RELIEF REQUESTED

10. By this Application, the Debtors seek entry of an order pursuant to sections 327(a) and 328(a) of the Bankruptcy Code authorizing the employment and retention of Kekst, as of the Petition Date, as corporate communications consultant for the purpose of providing corporate advisory, public relations, and strategic and crises communications services throughout these chapter 11 cases, in accordance with the terms and conditions of the engagement letter annexed hereto as Exhibit B (the "Engagement Letter").

BASIS FOR RELIEF

11. In light of the size and complexity of these chapter 11 cases, the Debtors require the services of a seasoned and experienced corporate and crisis communications consultant, and one that is familiar with (i) the Debtors' businesses and operations, (ii) the satellite television industry, and (iii) the chapter 11 process.

12. Kekst is particularly well suited to serve as Debtors' corporate communications consultant in these chapter 11 cases. Formed in 1970 Kekst specializes in addressing corporate communications challenges and opportunities. Kekst's professionals have extensive experience in crisis communications involving matters such as bankruptcies, restructurings and reorganizations, as well as other significant corporate developments such as mergers and acquisitions, management transitions, proxy contests and government investigations. Kekst enjoys an excellent reputation for the services it has rendered on behalf of debtors in large and complex chapter 11 cases, including FiberMark, Cable & Wireless Americas, Footstar, Loral Space & Communications, Ntelos, Comdisco, Polaroid, Loews Cineplex Entertainment, Stone & Webster and AMF Bowling.

13. On May 21, 2004, the Debtors engaged Kekst to provide corporate and crisis communications services. Since that time, Kekst's professionals have worked closely with

the Debtors' management team and the Debtors' other professionals, and they have become well acquainted with the Debtors' operations and businesses.

14. The services of Kekst are necessary for the Debtors to effectively operate in, and to emerge from, these chapter 11 cases. Indeed, a plethora of constituency groups and stakeholders, including employees, dealers, equipment distributors, subscribers, service providers, vendors, trade and other creditors, counter-parties to executory contracts and leases, lenders, public debt holders, equity holders, financial markets, potential investors, governmental entities, the media and the general public will be interested in the Debtors' bankruptcy. The cooperative participation of many of these persons and entities will be necessary for the Debtors to successfully operate in chapter 11 and manage their bankruptcy estates. Kekst will be able to assist the Debtors in protecting, retaining and developing the goodwill and confidence of these constituencies and stakeholders.

15. Additionally, the Debtors believe that by having a corporate communications consultant provide these services in these bankruptcy cases, other professionals in these cases -- and company officers who might otherwise handle corporate communications matters -- will be able to focus better on their respective competencies and their core tasks: to efficiently and effectively manage of the Debtors' businesses and operations and to facilitate a successful chapter 11 process.

16. The Debtors believe that Kekst is well qualified to provide its services to the Debtors in a cost-effective, efficient and timely manner. Kekst has indicated a willingness to act on behalf of the Debtors and subject itself to the jurisdiction and supervision of the Court.

SERVICES TO BE RENDERED

17. The Debtors anticipate that Kekst will render corporate communications services as needed throughout the course of these chapter 11 cases. The Debtors have negotiated

the terms of the Engagement Letter, which generally sets forth the services Kekst will provide to the Debtors, as well as the manner in which Kekst will be compensated for its services (the “Services”). Subject to further order of the Court, Kekst will be engaged to render, among other things, the following professional Services:

- Provide general strategic public relations advice related to the reorganization to the Debtors’ management;
- Prepare, distribute and follow-up on press releases and responsive statements relevant to the Chapter 11 cases and its progress;
- Assist in answering questions from the press on the Debtors’ behalf and proactively contacting and speaking with the media as necessary to convey information;
- Provide monitoring services related to the media’s coverage of the Debtors’ reorganization and professional evaluation of its importance, quality and tone;
- Prepare, including original writing and/or editing, of various correspondence, memoranda, letters, web sites and other communications related to the reorganization for the Debtors to use with its employees, customers, dealers, suppliers and other key business constituencies;
- Prepare and/or edit of materials to anticipate the concerns of and likely questions from various constituencies affected by the reorganization and development of appropriate information for the Debtors to use in response;
- Develop guidelines and materials for the Debtors’ employees to help them respond to questions and concerns from various external publics, such as subscribers, dealers, equipment distributors, service providers and the general public;
- Attend meetings and participate in phone conferences with, among others, the Debtors’ management and its attorneys as required; and
- Attend court hearings and develop information about such hearings for the benefit of internal and external constituencies; and
- Consult and review drafts of all materials with all appropriate company officials and attorneys.

DISINTERESTEDNESS OF PROFESSIONALS

18. To the best of Kekst's knowledge, and except as disclosed in the Freitag Affidavit, Kekst has not represented the Debtors, their creditors, equity security holders, or any other parties-in-interest or their respective attorneys and accountants or the United States Trustee in any manner relating to the Debtors or their estates.

19. To the best of Kekst's knowledge, the principals and professionals of Kekst do not have any adverse connection with the Debtors, their creditors, or any other party-in-interest or their respective attorneys and accountants or the United States Trustee; do not hold or represent an interest adverse to the Debtors' estates; and are "disinterested persons" as that term is defined in section 101(14) of the Bankruptcy Code. Moreover, pursuant to section 1107(b) of the Bankruptcy Code, Kekst's representation of the Debtors prepetition would not disqualify it from being retained by the Debtors pursuant to section 327(a) of the Bankruptcy Code.

20. Except as otherwise disclosed in the Freitag Affidavit, Kekst is not currently retained by any creditor or party-in-interest in connection with these cases. Kekst will conduct an ongoing review of its files to ensure that no conflicts or other disqualifying circumstances exist or arise. If any new relevant facts or relationships are discovered, Kekst will supplement this Application in a disclosure to the Court.

21. The Debtors' knowledge, information and belief regarding certain of the matters set forth in this application are based on, and made in reliance upon, the Freitag Affidavit.

PROFESSIONAL COMPENSATION

22. Section 328(a) of the Bankruptcy Code provides, in relevant part, that a debtor "with the court's approval, may employ or authorize the employment of a professional

person under section 327 on any reasonable terms and conditions of employment, including on a retainer, on an hourly basis, or on a contingent fee basis.” 11 U.S.C. § 328(a).

23. Subject to the Court’s approval and pursuant to the terms of the Engagement Letter, Kekst intends to charge for its professional services on an hourly basis in accordance with its ordinary and customary hourly rates in effect on the date services are rendered. Kekst’s billing rates currently range from \$175 to \$875 per hour. The hourly rates charged by Kekst’s professionals differ based on, among other things, each professional’s level of experience. The principal Kekst professionals currently engaged by the Debtors and their current billing rates are: Michael Freitag, Partner, \$600 per hour; Victoria Weld, Partner, \$500 per hour; and Heather Grizzle, Associate, \$175 per hour.

24. In addition, Kekst will seek compensation for its reasonable out-of-pocket expenses. Out of pocket expenses include, but are not limited to, travel and lodging, communication charges, courier services, and reasonable professional fees and disbursements incurred by Kekst.

25. Kekst has received a non-refundable minimum fee (the “Minimum Fee”) in an amount equal to \$75,000 in connection with preparing for the filing of these chapter 11 cases and for its proposed post-petition representation of the Debtors. Pursuant to the terms of the Engagement Letter, Kekst’s fees will be applied against the amount of the Minimum Fee. Additionally, Kekst has received a refundable deposit in the amount of \$10,000 to be used towards out-of-pocket expenses.

26. Notwithstanding any contrary provisions in the Engagement Letter, the Debtors understand that Kekst intends to apply to the Court for payment of compensation and reimbursement of expenses in accordance with applicable provisions of the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure Bankruptcy Rules (the “Bankruptcy Rules”), the

United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330 (the “Fee Guidelines”), the District of Maine Local Bankruptcy Rules (the “Local Rules”), and orders of this Court.

OTHER PROVISIONS

27. Pursuant to the terms of the Engagement Letter, Pegasus Satellite Communications, Inc. (“PSC”), one of the Debtors herein, will indemnify and hold harmless Kekst, its officers, directors, employees, and agents from and against any and all losses, claims, damages, liabilities, costs and expenses (including, but not limited to, reasonable attorney’s fees and disbursements) which Kekst or any of the foregoing persons may be subject to or incur at any time (notwithstanding the termination of the Engagement Letter) in connection with the services rendered or to be rendered by Kekst.

28. The Debtors will not be responsible for any losses, claims, damages, liabilities, costs and expenses which are judicially determined to have resulted primarily from the gross negligence or willful misconduct of the person or entity seeking indemnification. If such a judicial determination is made, Kekst agrees to reimburse PSC for any amounts paid to Kekst pursuant to the indemnification clause of the Engagement Letter.

29. The Debtors and Kekst believe these provisions are customary and reasonable for the engagement set forth herein, both in out-of-court and in chapter 11 reorganizations, and are consistent with indemnification provisions approved in large chapter 11 proceedings.

**ENGAGEMENT IS REASONABLE
AND APPROPRIATE UNDER THE CIRCUMSTANCES**

30. For the reasons set forth in the Application, sections 327(a) and 328(a) of the Bankruptcy Code permit the Court to approve the engagement of Kekst as set forth in the Engagement Letter, including the compensation and Indemnification Provisions.

31. Accordingly, the Debtors submit that such employment should be granted and approved pursuant to sections 327(a) and 328(a) of the Bankruptcy Code.

NO PREVIOUS RELIEF REQUESTED

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

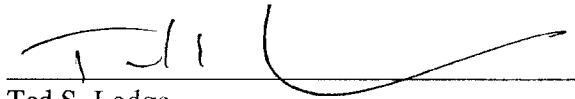
NOTICE

33. Notice of this Motion has been given to (i) the United States Trustee for the District of Maine; (ii) the Debtors' fifty (50) largest unsecured creditors on a consolidated basis, as identified in their chapter 11 petitions; (iii) the administrative agents for the credit facilities of Pegasus Media & Communications, Inc. and Pegasus Satellite Communications, Inc. ("PSC"); (iv) each of the indenture trustees for each series of notes of PSC and (v) those parties in interest who have filed a Notice of Appearance. The Debtors submit that in light of the nature of the relief requested, no further notice is required.

WHEREFORE, the Debtor respectfully requests that the Court enter an order substantially in the form of the annexed Order and grant such other and further relief as is just and proper.

Dated: Bala Cynwyd, Pennsylvania
June 2, 2004

PEGASUS SATELLITE COMMUNICATIONS,
INC.
(for itself and on behalf of its debtor subsidiaries)
Debtors and Debtors in Possession

A handwritten signature in black ink, appearing to read 'T. Lodge', is written over a horizontal line.

Ted S. Lodge
President, Chief Operating Officer and Counsel