

Hearing Date:  
June \_\_, 2004 at \_\_: \_\_.m.  
**PORTLAND**

UNITED STATES BANKRUPTCY COURT  
DISTRICT OF MAINE

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| In re:                                      | ) | Chapter 11                       |
|   | ) |                                  |
| PEGASUS SATELLITE TELEVISION, INC., et al., | ) | Case No. 04-20878                |
|   | ) |                                  |
| Debtors.                                    | ) | (Joint Administration Requested) |

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**APPLICATION FOR AN ORDER AUTHORIZING THE RETENTION AND  
EMPLOYMENT OF SIDLEY AUSTIN BROWN & WOOD LLP AS  
ATTORNEYS FOR THE DEBTORS AND DEBTORS IN POSSESSION**

Pegasus Satellite Television, Inc. and certain of its subsidiaries and affiliates, each a debtor and debtor-in-possession herein (collectively, the “Debtors”),<sup>1</sup> by and through their undersigned attorneys, hereby file this Application (the “Application”) requesting entry of an order authorizing the retention and employment of the law firm of Sidley Austin Brown & Wood LLP (“Sidley”) as general reorganization and bankruptcy counsel for the Debtors pursuant to §§ 327(a) and 1107 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 the concurrently filed Affidavit of Ted S. Lodge, President, Chief Operating Officer and Counsel of Pegasus Satellite Communications, Inc., in Support of First Day Motions (the “Lodge Affidavit”) and the Affidavit of Larry J. Nyhan in Support of Application for an Order Authorizing the Retention

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<sup>1</sup> 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.

and Employment of Sidley Austin Brown & Wood LLP as Attorneys for the Debtors and Debtors in Possession and Disclosure of Compensation Pursuant to Bankruptcy Code Section 329 (the “Nyhan Affidavit”), a copy of which is attached hereto as Exhibit A and incorporated herein by reference. In further support of this Application, the Debtors respectfully state as follows:

### **STATUS OF THE CASE AND JURISDICTION**

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

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

3. No request has been made for the appointment of a trustee or examiner in these cases, and no official committees have yet been appointed by the Office of the United States Trustee.

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 and 1107.

### **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.<sup>2</sup> 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. The Debtors have expanded this network to include over 4,000 consumer electronics stores and other independent 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.

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<sup>2</sup> 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.

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.

### **RELIEF REQUESTED**

10. These cases are likely to be complex and will require counsel with extensive experience in bankruptcy cases, as well as specialized and substantial experience in intellectual property issues, litigation and corporate law. The Debtors have chosen Sidley as their bankruptcy counsel and desire to retain and employ Sidley as their attorneys. The Debtors hereby seek authority to employ and retain Sidley in these chapter 11 cases on the terms and subject to the conditions described below.

11. Sidley is a full-service law firm with a national and international presence. Sidley has more than 1,400 lawyers in fourteen offices in major cities throughout the United States, Europe and Asia. Sidley has experience and expertise in every major substantive area of legal practice and its regular clients include leading public companies in a variety of industries, privately-held businesses, and major nonprofit organizations.

12. The Debtors have chosen Bernstein, Shur, Sawyer & Nelson (“Bernstein”) to act as Maine bankruptcy co-counsel for the Debtors. Bernstein is submitting, concurrently herewith, a separate retention application. The Debtors also have chosen Arnold & Porter LLP, Drinker, Biddle & Reath LLP, King & Spaulding LLP and Shaw Pittman LLP, respectively, to act as special counsel for the Debtors in a variety of matters. Sidley will make every effort to avoid duplication of their work with respect to these other firms.

13. In the months leading up to the Petition Date, Sidley has been advising the Debtors as to restructuring and bankruptcy issues, including factors pertinent to the

commencement of these cases as well as to general corporate, real estate and litigation matters. In so doing, Sidley has become intimately familiar with the Debtors and their affairs. The partners and associates who will advise the Debtors in these cases have wide-ranging experience in restructuring and bankruptcy law, as well as in litigation, corporate, and tax law. The Debtors believe that Sidley is uniquely well-qualified to represent them as debtors in possession in these chapter 11 cases.

14. Sidley's professional services are necessary to enable the Debtors to faithfully and competently execute their duties as debtors in possession. Subject to the control and further order of this Court, the Debtors anticipate that Sidley will perform, among others, the following legal services:

- (a) providing legal advice with respect to the Debtors' powers and duties as debtors in possession in the continued operation of their businesses;
- (b) taking all necessary action to protect and preserve the Debtors' estates, including prosecuting actions on behalf of the Debtors, negotiating any and all litigation in which the Debtors are involved, and objecting to claims filed against the Debtors' estates;
- (c) preparing on behalf of the Debtors all necessary motions, answers, orders, reports and other legal papers in connection with the administration of the Debtors' estates;
- (d) attending meetings and negotiating with representatives of creditors and other parties in interest, attending court hearings and advising the Debtors on the conduct of the cases;
- (e) performing any and all other legal services for the Debtors in connection with these chapter 11 cases and with the formulation and implementation of the Debtors' plan;
- (f) advising and assisting the Debtors regarding all aspects of the plan confirmation process, including, but not limited to, securing the approval of a disclosure statement by the Bankruptcy Court and the confirmation of a plan at the earliest possible date;

- (g) providing legal advice and performing legal services with respect to general corporate matters, and advice and representation with respect to obligations of the Debtors and their Boards of Directors and officers;
- (h) providing legal advice and performing legal services with respect to matters involving the negotiation of the terms and the issuance of corporate securities, matters relating to corporate governance and the interpretation, application or amendment of the Debtors' corporate documents, including their Certificates or Articles of Incorporation, by-laws, material contracts, and matters involving stockholders and the Debtors' legal duties toward them;
- (i) providing legal advice and legal services with respect to litigation, tax and other general non-bankruptcy legal issues for the Debtors to the extent requested by the Debtors; and
- (j) rendering such other services as may be in the best interests of the Debtors in connection with any of the foregoing and all other necessary or appropriate legal services in connection with these chapter 11 cases, as agreed upon by Sidley and the Debtors.

15. Subject to the Court's approval, Sidley intends to (i) charge the Debtors for its legal services on an hourly basis in accordance with ordinary and customary rates for matters of this type in effect on the date such services are rendered, and (ii) seek reimbursement of actual and necessary costs and expenses incurred in connection with these cases. Sidley has informed the Debtors that its hourly rates may change from time to time in accordance with Sidley's established billing practices and procedures. Sidley's billing rates currently range from \$425 to \$775 per hour for partners and senior counsel, \$170 to \$435 per hour for associates, and \$50 to \$190 per hour for para-professionals.

16. In addition to the hourly rates set forth above, Sidley customarily charges its clients for all costs and expenses incurred in connection with the client's case. These charges include, among other things, telephone and telecopier toll and other charges, mail and express mail charges, special or hand delivery charges, document processing, photocopying charges,

travel expenses, expenses for “working meals,” computerized research, and transcription costs, as well as non-ordinary overhead expenses such as secretarial overtime.

17. Sidley has represented the Debtors in connection with their restructuring efforts to date. Prior to the Petition Date, Sidley received from a non-Debtor affiliate of the Debtors a retainer relating to the preparation for the filing of these chapter 11 cases and for Sidley’s proposed post-petition representation of the Debtors. As of the Petition Date, the balance of the retainer is estimated at approximately \$300,000, which excess amount will be applied against allowed post-petition fees and expenses of Sidley in connection with Sidley’s representation of the Debtors. In addition, although Sidley has not received any amounts from the Debtors within one year prior to the Petition Date, Sidley has received, within one year prior to the Petition Date, approximately \$7,586,928 from non-Debtor affiliates including amounts on account of services rendered to the Debtors. Sidley estimates that approximately \$1,500,000 of this total amount received from non-Debtor affiliates was for services rendered in preparation for this chapter 11 filing. All fees and expenses of Sidley with respect to services rendered to the Debtors and non-Debtor affiliates during the prepetition period have been paid in full. Sidley will not represent any of the non-Debtor affiliates after the Petition Date.

18. As set forth in more detail in the Nyhan Affidavit and subject to any exceptions contained therein, Sidley (a) does not hold or represent any interest adverse to the Debtors’ estates in matters upon which Sidley is to be engaged, and (b) is disinterested.

19. The Debtors believe that it is necessary and in the best interests of their estates and creditors for the Debtors to be authorized to employ and retain Sidley to render professional services on their behalf.

**NO PREVIOUS RELIEF REQUESTED**

20. No previous application for the relief sought herein has been made by the

Debtors to this or any other court.

**NOTICE**

21. 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") and (iv) each of the indenture trustees for each series of notes of PSC. The Debtors submit that in light of the nature of the relief requested, no further notice is required.



WHEREFORE, for the foregoing reasons, the Debtors respectfully request that the Court enter an order (i) authorizing the Debtors to retain and employ Sidley as their counsel in these chapter 11 cases pursuant to § 327(a) of the Bankruptcy Code, with compensation and reimbursement of expenses to be paid as an administrative expense in such amounts as may be allowed by the Court pursuant to §§ 330, 331, and 507(a)(1) of the Bankruptcy Code, and (ii) granting to the Debtors such other relief as may be 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



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Ted S. Lodge  
President, Chief Operating Officer and Counsel