

Hearing Date:
July 22, 2004 at 10:30 a.m.
PORTLAND

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
AND RETAIN KING & SPALDING LLP AS
SPECIAL CORPORATE AND TRANSACTIONAL COUNSEL PURSUANT
TO 11 U.S.C. §§ 327(e) AND 328(a) NUNC PRO TUNC TO JUNE 2, 2004**

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 the law firm of King & Spalding LLP ("King & Spalding") Nunc Pro Tunc to June 2, 2004 as special corporate and transactional counsel pursuant to sections 327(e) and 328(a) of chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") and Rules 2014 and 2016 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") 2014 and 2016. The facts and circumstances supporting this Application are set forth herein and in the

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.

concurrently filed Affidavit of John L. Graham, Member of King & Spalding LLP in Support of Application for Order Authorizing the Debtors and Debtor-in-Possession to Employ and Retain King & Spalding as Special Corporate and Transactional Counsel pursuant to 11 U.S.C. §§ 327(e) and 328(a) and Disclosure of Compensation Pursuant to 11 U.S.C. § 329 (the “Graham Affidavit”), attached hereto as Exhibit A. 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. On June 10, 2004, the United States Trustee for the District of Maine appointed an official committee of unsecured creditors pursuant to section 1102(a) of the Bankruptcy Code (the “Committee”).

3. No request has been made for the appointment of a trustee or examiner 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(e) 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. 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

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.

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 942 employees.

RELIEF REQUESTED

10. By this Application, the Debtors seek entry of an order pursuant to sections 327(e) and 328(a) of the Bankruptcy Code authorizing the employment and retention of King & Spalding, *nunc pro tunc* to the Petition Date, as their special corporate and transactional counsel in connection with these chapter 11 cases. The Debtors believe that the attorneys at King & Spalding are well qualified to act as special corporate and transactional counsel on behalf of the Debtors in these chapter 11 cases.

11. The Debtors anticipate that during the course of the Chapter 11 proceeding that the Debtors may be approached or engage in discussions relating to certain strategic transactions, such as a possible sale of some or all of their assets and/or a financial restructuring and/or possible joint venture or a strategic merger during these Chapter 11 cases. As such, the Debtors will require the services of special corporate counsel with extensive experience in complex transactional matters, along with strength in other associated practice areas, including corporate finance, banking, tax, antitrust and employee benefits law. The Debtors have selected King & Spalding, subject to the Court's approval, to serve as their special corporate counsel in connection with certain possible transactional matters in these chapter 11 cases. The Debtors believe that King & Spalding is particularly well qualified to act as their special corporate and transactional counsel in these matters based on King & Spalding's extensive experience with corporate and transactional issues, and its familiarity with the Debtors and their businesses,

operations and capital structure. Indeed, the attorneys at King & Spalding have been advising the Debtors' parent company, Pegasus Communications Corporation ("PCC"), a non-debtor entity, on a variety of corporate and transactional issues since 1998.

12. Over the last six years, the attorneys at King & Spalding have developed a close working relationship with the Debtors' management team and the Debtors' other professionals, and they have become well acquainted with the Debtors' operations and businesses. Accordingly, King & Spalding has developed significant relevant experience and expertise regarding the Debtors' businesses, operations, finances and capital structure that will assist it in providing effective and efficient services in these cases. Such experience and knowledge will be valuable to the Debtors in their efforts to reorganize and successfully emerge from these chapter 11 proceedings. Accordingly, the Debtors wish to retain King & Spalding to provide assistance during these chapter 11 cases.

13. The Debtors, after discussion with King & Spalding, agree and consent that King & Spalding may continue and in the future may undertake to represent PCC in transactions, disputes, litigations, and other matters that are not substantially related to the subject matter of King & Spalding's work for the Debtors so long as the interests of PCC and the Debtors do not become materially adverse to one another. In addition, if an actual conflict of interest develops in connection with a matter in which King & Spalding is rendering services to both a Debtor and PCC, King & Spalding will discontinue rendering services to such Debtor and PCC solely with respect to such matter in which the conflict exists, subject to the Debtors' obligations concerning fees and expenses theretofore incurred. King & Spalding may, however, otherwise continue rendering services to such Debtor and/or PCC on matters in which there is no actual conflict of interest, in which event, the Debtors shall not assert the prior engagement of

King & Spalding by the Debtors as a basis to prevent or terminate its representation of PCC with respect to matters in which no actual conflict exists.

APPLICABLE LEGAL AUTHORITY

14. The Debtors submit that the retention of King & Spalding under the terms described herein is appropriate under sections 327(e) and 328(a) of the Bankruptcy Code. With the court's approval, a debtor in possession has the power to employ attorneys as special counsel pursuant to section 327(e) of the Bankruptcy Code, which provides:

The trustee, with the court's approval, may employ, for a specified special purpose, other than to represent the trustee in conducting the case, an attorney that has represented the debtor, if in the best interests of the estate, and if such attorney does not represent or hold any interest adverse to the debtor or to the estate with respect to the matter on which such attorney is to be employed.

11 U.S.C. § 327(e). Simply put, section 327(e) authorizes the retention of an attorney who previously represented a debtor prepetition, provided that: (a) such retention is for a special purpose; (b) the purpose of the retention is not to conduct the chapter 11 cases; (c) the retention is in the best interests of the estates; and (d) the attorney does not hold any interest adverse to the debtor respecting the subject of its retention. As detailed below, the Debtors' proposed retention of King & Spalding as special corporate counsel falls squarely within the scope of and purpose for which Congress enacted section 327(e).

(i) Special Purpose

15. King & Spalding's proposed retention pursuant to section 327(e) of the Bankruptcy Code for the limited purpose of providing advice relating to, among other things, a possible sale of some or all of the Debtors' assets, financial restructuring, possible joint ventures and/or strategic mergers during these Chapter 11 cases. In these activities, King & Spalding will work closely with general bankruptcy counsel so that King & Spalding's experience with respect

to respecting the Debtors can be made available to the Debtors' bankruptcy counsel in these cases.

(ii) Conduct of the Cases

16. King & Spalding's proposed retention is for the limited matters described herein. King & Spalding will not render services typically performed by Sidley Austin Brown & Wood LLP ("Sidley"), the Debtors' general bankruptcy counsel, or Drinker Biddle & Reath LLP ("Drinker"), the Debtors' special corporate and regulatory counsel. Sidley, Drinker and King & Spalding will make every effort to avoid duplication and overlap of their work. Sidley will serve as general bankruptcy counsel to the Debtors, while King & Spalding will focus on issues related to strategic mergers, acquisitions, sales and joint ventures. Drinker will focus on issues related to employee benefits, securities offerings and compliance with federal and state securities laws and financings. By clearly delineating each firm's particular roles, the Debtors, Sidley, Drinker and King & Spalding have ensured that service will not be duplicated.

(iii) Best Interests of the Estates

17. King & Spalding's retention also is in the best interests of the Debtors, their estates and creditors. PCC selected King & Spalding prepetition because, among other things, its attorneys have extensive experience and knowledge in corporate and transactional matters. As attorneys at King & Spalding have represented PCC, for and on behalf of the Debtors, in such matters for more than six years, King & Spalding has developed an extensive knowledge and in-depth understanding of the Debtors' complex array of assets, liabilities, businesses, regulatory issues and the Debtors' operational structure. This information leaves King & Spalding uniquely situated to assist the Debtors in providing the services described above.

18. Accordingly, King & Spalding enjoys a familiarity with the Debtors which, to obtain today from new counsel, would result in the additional and unnecessary expenditure of both time and money. Courts have recognized the benefits of retaining special counsel under such conditions. See In re Sharon Steel Corp., 156 B.R. 14, 16 (W.D. Pa. 1993) (noting that appointment of special counsel will “eliminate the possibility of derailing reorganization because the expertise and knowledge of pre-petition counsel in the areas of their prior service will be maintained” and “result in significant cost savings”). King & Spalding is best suited to serve as special corporate and transactional counsel and to ensure that these cases proceed in an efficient and successful manner. As such, King & Spalding should be retained as the Debtors’ special counsel.

(iv) Adverse Interest

19. To the best of the Debtors’ knowledge, the members and associates of King & Spalding do not have any connection with the Debtors, their creditors or any other party in interest, or their respective attorneys, except to the extent set forth in the Graham Affidavit. King & Spalding has informed the Debtors that it represents no interest adverse to the Debtors’ estates respecting the matters on which it is to be retained. To the extent that any information disclosed in the Graham Affidavit requires amendment or modification upon additional analysis or discovery of additional information by King & Spalding, or as additional party-in-interest information becomes available, King & Spalding will submit a supplemental affidavit disclosing such information.

20. Where, as here, there is no conflict concerning the subject matter of the proposed special engagement, an application to employ special counsel should be granted. As recognized in In re Carla Leather, Inc., 44 B.R. 457, 474 (Bankr. S.D.N.Y. 1984), aff’d, 50 B.R.

764 (S.D.N.Y. 1985), “[section] 327(e) bars engagement of special counsel only in the presence of an actual conflict of interest concerning the subject matter of the engagement.” (citations omitted).

COMPENSATION AND BILLING

21. Section 328(a) of the Bankruptcy Code authorizes the employment of a professional person “on any reasonable terms and conditions of employment, including a retainer.” 11 U.S.C. § 328(a). Prior to the Debtors’ chapter 11 filing, and since June 1, 2003, PCC has paid King & Spalding approximately \$592,437.00 in fees, and \$8,667.00 in expenses, largely in connection with King & Spalding’s representation of PCC in structuring and negotiating various strategic transactions for and on behalf of PCC and its subsidiaries, including the Debtors. No such amounts have been paid by the Debtors.

22. Subject to this Court’s approval, King & Spalding will charge the Debtors for its legal services on an hourly basis in accordance with its ordinary and customary rates for matters of this type in effect on the date such services are rendered, and for reimbursement of all costs and expenses incurred in connection with these cases as set forth in the Graham Affidavit filed concurrently herewith. King & Spalding’s current standard hourly billing rates for attorneys range from a low of \$380 to as much as \$675 for partners, \$215 to \$380 for associates and \$100 to \$185 for paralegals. King & Spalding’s standard hourly rates are subject to periodic adjustment increases in the normal course of King & Spalding’s business to reflect economic and other conditions.

23. King & Spalding has advised the Debtors that it intends to apply to the Court for allowance of compensation for professional services rendered and reimbursement of

charges and costs and expenses incurred in these chapter 11 cases in accordance with the applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, the Local Bankruptcy Rules for the District of Maine, the United States Trustee Guidelines and the Order Under 11 U.S.C. § § 331 and 105(a) Establishing Procedures for Interim Compensation and Reimbursement of Expenses for Professionals entered by the Court on June 24, 2004.

24. As to the time spent in assisting and advising the Debtors regarding the Services described above, King & Spalding will comply with this Application, sections 330 and 331 of the Bankruptcy Code, Bankruptcy Rule 2016, the Local Rules of this Court and any orders of the Court, the fee and expense guidelines established by the United States Trustee and all other applicable requirements, including the submission of detailed time records in tenths of an hour.

25. In accordance with section 504 of the Bankruptcy Code, there is no agreement or understanding between King & Spalding and any other entity, other than a member, partner or regular associate of King & Spalding, for the sharing of compensation received or to be received for services rendered in connection with these proceedings.

26. The Debtors believe that the fees of King & Spalding are fair and reasonable in light of industry practice, market rates both in and out of chapter 11 cases and the scope of work to be performed pursuant to King & Spalding's retention and King & Spalding's importance to the Debtors.

27. Subject to this Court's approval, King & Spalding has indicated its willingness to serve as the Debtors' special corporate and transactional counsel.

28. The Debtors believe that it is necessary and in the best interest of their estates and creditors to employ and retain King & Spalding as their special corporate and transactional counsel to render professional services on their behalf in connection with various matters referenced above.

NOTICE

29. Notice of this Motion has been given to (i) the United States Trustee for the District of Maine; (ii) the proposed counsel to the Committee; and (iii) those parties in interest who have filed a notice of appearance. The Debtors submit that in light of this Court's Order Establishing Notice and Service Requirements in Debtors' Chapter 11 Cases dated June 7, 2004, and the nature of the relief requested, no further notice is required.

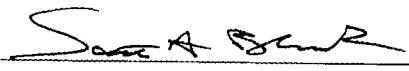
NO PREVIOUS RELIEF REQUESTED

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

WHEREFORE, for the foregoing reasons, the Debtors respectfully request that the Court approve the retention of King & Spalding as their special corporate and transactional counsel in these chapter 11 cases pursuant to sections 327(e) and 328(a) of the Bankruptcy Code and grant such other relief as may be just and proper.

Dated: Bala Cynwyd, Pennsylvania
July 2, 2004

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



Scott A. Blank, Esq.
Senior Vice President, Legal and Corporate Affairs,
and General Counsel

EXHIBIT A

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF MAINE**

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

**AFFIDAVIT OF JOHN L. GRAHAM
IN SUPPORT OF APPLICATION FOR AN ORDER
AUTHORIZING THE DEBTORS AND DEBTORS-IN-POSSESSION
TO EMPLOY AND RETAIN KING & SPALDING LLP AS SPECIAL
CORPORATE AND TRANSACTIONAL COUNSEL PURSUANT
TO 11 U.S.C. §§ 327(e) AND 328(a) NUNC PRO TUNC TO JUNE 2, 2004**

STATE OF NEW YORK)	
)	ss:
COUNTY OF NEW YORK)	

JOHN L. GRAHAM, being duly sworn, deposes and says:

1. I am admitted to practice in the State of Texas and am a partner in the law firm of King & Spalding LLP ("King & Spalding") which maintains an office, among others, at 1185 Avenue of the Americas, New York, New York 10036.

2. I submit this affidavit (the "Affidavit") in support of the Application (the "Application") for an Order Authorizing the Employment and Retention of King & Spalding as Special Corporate and Transactional Counsel for the Debtors and Debtors-in-Possession Pursuant to 11 U.S.C. §§ 327(e) and 328(a) and Disclosure of Compensation Pursuant to 11 U.S.C. § 329,

3. I have been advised by the Debtors that they wish to employ and retain King & Spalding as their attorneys to assist them as special corporate and transactional counsel. The Debtors have requested that King & Spalding be available to advise and represent the Debtors in strategic transactions such as a possible sale of some or all of their assets, a financial restructuring, a possible joint venture and/or a strategic merger during these chapter 11 cases.

BEST INTERESTS OF THE DEBTORS

4. I believe King & Spalding is particularly well qualified to act as special corporate and transactional counsel to the Debtors. Significantly, King & Spalding is particularly familiar with the Debtors, their business operations, management team and other professionals. I have actively represented Pegasus Communications Corporation ("PCC"), the non-debtor parent company of the Debtors, in connection with mergers and acquisitions, strategic partnerships, capital raising and have provided capital structuring advice to PCC and its subsidiaries, including the Debtors, since 1998.

5. King & Spalding also has extensive experience with complex transactional matters, in addition to strengths in other associated practice areas, including corporate finance, banking, tax, antitrust and employee benefits law. Given King & Spalding's relationship and experience with the Debtors, King & Spalding's retention is in the best interests of the Debtors, their estates and creditors.

SPECIAL AND LIMITED PURPOSE OF RETENTION

6. King & Spalding's proposed retention is for the limited matters described herein. King & Spalding will not render services typically performed by Sidley Austin Brown & Wood

LLP ("Sidley"), the Debtors' general bankruptcy counsel, or Drinker Biddle & Reath LLP ("Drinker"), the Debtors' special corporate and regulatory counsel. Sidley, Drinker and King & Spalding will make every effort to avoid duplication and overlap of their work. King & Spalding will focus on issues related to strategic mergers, acquisitions, sales and joint ventures, while Drinker will focus on issues related to employee benefits, securities offerings and compliance with federal and state securities laws and financings. Finally, Sidley will serve as general bankruptcy counsel to the Debtors. By clearly delineating each firm's particular roles, the Debtors, Sidley, Drinker and King & Spalding have ensured that service will not be duplicated.

KING & SPALDING'S CONNECTIONS WITH INTERESTED PARTIES

7. To the best of my knowledge, information and belief formed after reasonable inquiry, except as otherwise set forth herein, the partners, counsel and associates of King & Spalding (a) do not have any connection with the Debtors, their creditors, any other party in interest, their respective attorneys and accountants, the U.S. Trustee or any other person employed in the office of the U.S. Trustee and (b) do not represent or hold any interest adverse to the Debtors or to the estate with respect to the matters on which we are being retained.

8. The Debtors have provided an extensive list of parties-in-interest to King & Spalding (the "Conflicts List") for the purpose of ascertaining any potential conflicts of interest King & Spalding may have with respect to its proposed representation of the Debtors (the "PCC Conflicts Check"). The Conflicts List used for the purposes of preparing this Affidavit is annexed to this Application as Exhibit B.

9. In preparing this Affidavit, King & Spalding submitted the Conflicts List to its computer conflicts database (the "Conflicts Database"). The Conflicts Database generally includes the name of each client of King & Spalding, the name of each party who is or was known to be adverse to such client of King & Spalding, the name of each party that has or had a substantial role with regard to the subject matter of King & Spalding's retention, and the names of the King & Spalding attorneys who are or were primarily responsible for matters of such clients. Thus, King & Spalding submitted to the Conflicts Database, as part of the PCC Conflicts Check, the parties listed on Exhibit B which we understand includes the following:

- (a) all Debtor entities, including non-debtor affiliates;
- (b) the fifty largest unsecured creditors to the Debtors;
- (c) major lenders to the Debtors;
- (d) parties to significant litigation with the Debtors;
- (e) major insurance carriers, reinsurance carriers, agents and brokers;
- (f) all indenture trustees for any outstanding issuance of debt;
- (g) equity holders holding more than 5% of the equity in any one of the Debtors or PCC;
- (h) additional equity holders in Pegasus Satellite Communications, Inc.;
- (i) directors and officers of the filing entities; and
- (j) other retained professionals.

10. If the parties on the Conflicts List produced a match with a known party in the Conflicts Database, King & Spalding reviewed a report for that specific party to determine

whether King & Spalding: (a) is currently working with the party and/or (b) has worked with the party during the prior twelve months.

11. Based on the results of the above-described review, it appears that King & Spalding currently represents or has formerly represented the entities or entities' affiliates listed on Exhibit C, attached hereto. The representations listed on Exhibit C are wholly unrelated to the Debtors and these chapter 11 cases. If attorneys at King & Spalding: (a) are currently working with the interested party and/or (b) have worked with the interested party during the past twelve months, the relationship between King & Spalding and such party is identified on Exhibit C as "Active". All other matters are identified as "Closed".

12. In addition, certain attorneys at King & Spalding own shares of stock in the following entities: (i) Bank of America Corp., (ii) Wachovia Bank, N.A., (iii) Microsoft Corp., (iv) J.P. Morgan Chase Bank & Co., (v) Citibank, N.A. and (vi) American International Group, Inc. Moreover, certain attorneys at King & Spalding have a relative who is an employee/partner at the following entities: (i) J.P. Morgan Chase Bank & Co., (ii) Alston & Bird and (iii) Capell & Howard P.C.

13. The Debtors are aware of King & Spalding's representation of PCC. Furthermore, the Debtors have agreed that King & Spalding may continue and in the future may undertake to represent PCC in transactions, disputes, litigations, and other matters that are not substantially related to the subject matter of King & Spalding's work for the Debtors, so long as the interests of PCC and the Debtors do not become materially adverse to one another. In addition, if an actual conflict of interest develops in connection with a matter in which King &

Spalding is rendering services to both the Debtor and PCC, King & Spalding will discontinue rendering services to such Debtor and PCC solely with respect to such matter in which the conflict exists, subject to the Debtors' obligations concerning fees and expenses theretofore incurred. King & Spalding may, however, otherwise continue rendering services to such Debtor and/or PCC on matters in which there is no actual conflict of interest, in which event the Debtors have agreed not to assert the prior engagement of King & Spalding by the Debtors as a basis to prevent or terminate King & Spalding's representation of PCC with respect to matters in which no conflict exists.

14. I believe the proposed employment of King & Spalding is not prohibited by or improper under Bankruptcy Rule 5002. King & Spalding and the professionals it employs are qualified to represent the Debtors in the matters for which King & Spalding is proposed to be employed.

15. King & Spalding is a large national law firm with an international practice and may have represented, may represent, or may in the future represent, other entities not currently known to King & Spalding who may be creditors, shareholders or parties-in-interest of the Debtors in matters wholly unrelated to these chapter 11 cases. To the extent that any information disclosed in this Affidavit requires amendment or modification upon additional analysis or discovery of additional information by King & Spalding, or as additional party-in-interest information becomes available, King & Spalding will submit a supplemental affidavit disclosing such information.

COMPENSATION AND BILLING

16. King & Spalding has not received a prepetition retainer from the Debtors in connection with the services to be rendered in its bankruptcy case. Prior to the Debtors' chapter 11 filing, and since June 1, 2003, PCC has paid King & Spalding approximately \$592,437.00 in fees, and \$8,667.00 in expenses, largely in connection with King & Spalding's representation of PCC in structuring and negotiating various strategic transactions for and on behalf of PCC and its subsidiaries, including the Debtors. Upon information and belief, no such amounts were paid by the Debtors.

17. In consideration for the services to be rendered to the Debtors in these chapter 11 cases, King & Spalding, subject to the approval of the Bankruptcy Court, will be compensated for such services rendered at its standard hourly rates and will be reimbursed for all reasonable and necessary out-of-pocket expenses. The current standard hourly billing rates of King & Spalding's attorneys range from a low of \$380 to as much as \$675 for partners, \$215 to \$380 for associates and \$100 to \$185 for paralegals. I currently anticipate that any matters on which we will be asked to represent the Debtors will be handled primarily by me, and by various partners, associates, document clerks, and paralegals under my supervision. My current standard hourly billing rate is \$560 per hour. The firm's standard hourly rates are subject to periodic adjustment increases in the normal course of King & Spalding's business to reflect economic and other conditions.

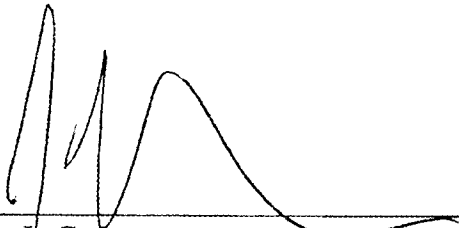
18. King & Spalding is willing to act on the Debtors' behalf at its normal and customary rates for the matters described above, together with reimbursement of all costs and expenses incurred by King & Spalding in connection with these cases. The Debtors have

proposed to pay King & Spalding, subject to court approval, at such rates and to reimburse it for such costs and expenses in accordance with the applicable provisions of the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, the Local Bankruptcy Rules for the District of Maine, the United States Trustee Guidelines and the Order Under 11 U.S.C. §§ 331 and 105(a) Establishing Procedures for Interim Compensation and Reimbursement of Expenses for Professionals entered by the Court on June 24, 2004. Subject to the Court's approval of the Application, King & Spalding will only earn and receive those fees and other payments authorized by this Court or otherwise set forth and described in the Application.

19. No agreement or understanding in any form or guise exists between King & Spalding and any other person for a division of compensation for services rendered in or in connection with these cases, and no such division of compensation prohibited by section 504 of the Bankruptcy Code will be made, except among members of King & Spalding. King & Spalding has not shared or agreed to share any compensation received in this case with any entity other than its partners, counsel and associates.

20. Based on the foregoing, I believe King & Spalding's representation of the Debtors as special corporate and transactional counsel, in connection with the specified matters referenced above, is in the best interests of the estates and creditors, and that King & Spalding does not hold any interests adverse to the debtors or the estates within the meaning of section 327(e) of the Bankruptcy Code.

I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge.


John L. Graham

Sworn to and subscribed before
me the 1st day of July, 2004

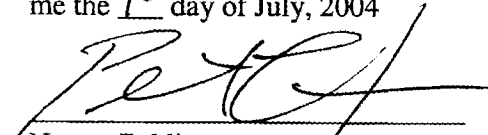

Notary Public **PETER CARPIO**
My Commission Expires **12/03/2005**
Notary Public State of New York
No. 02CA6067138
Qualified in New York County
Commission Expires 12/03/2005

EXHIBIT B

ALL PEGASUS ENTITIES (including non-debtor affiliates)

ARGOS SUPPORT SERVICES COMPANY
B.T. SATELLITE, INC.
BRIDE COMMUNICATIONS, INC.
CARR RURAL TV, INC.
DBS TELE-VENTURE, INC.
DIGITAL TELEVISION SERVICES OF INDIANA,
LLC
PBT HOLDING, INC.
PEGASUS BROADCAST TELEVISION I, INC.
PEGASUS SATELLITE FINANCE CORPORATION
PEGASUS SATELLITE TELEVISION I, INC.
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 COMMUNICATIONS CORPORATION
PEGASUS COMMUNICATIONS CORPORATION
PAC
PEGASUS COMMUNICATIONS MANAGEMENT
COMPANY
PEGASUS DEVELOPMENT 107 CORPORATION
PEGASUS DEVELOPMENT 107 LICENSE
CORPORATION
PEGASUS DEVELOPMENT 9182 CORPORATION
PEGASUS DEVELOPMENT CORPORATION
PEGASUS DEVELOPMENT DBS CORPORATION
PEGASUS GUARD BAND, LLC
PEGASUS LETTER OF CREDIT SUBSIDIARY, INC.
PEGASUS MEDIA & COMMUNICATIONS, INC.
PEGASUS REAL ESTATE COMPANY
PEGASUS RURAL BROADBAND, LLC
PEGASUS RURAL TELEVISION, LLC
PEGASUS PCS PARTNERS, LP
PEGASUS SATELLITE COMMUNICATIONS
HOLDINGS, INC.
PEGASUS SATELLITE COMMUNICATIONS, INC.
PEGASUS SATELLITE DEVELOPMENT
CORPORATION
PEGASUS SATELLITE TELEVISION OF ILLINOIS,
INC.
PEGASUS SATELLITE TELEVISION, INC.
PEGASUS TRAVEL, INC.
PMC SATELLITE DEVELOPMENT, LLC
PORTLAND BROADCASTING, INC.
PRIMEWATCH, INC.
PST HOLDINGS, INC.
SATELLITE ACCESS CORPORATION

SOUTH PLAINS DBS, L.P.
TELECAST OF FLORIDA, INC.
WDSI LICENSE CORPORATION
WFXU CORPORATION
WFXU LICENSE CORPORATION
WGFL CORPORATION
WGFL LICENSE CORPORATION
WILF, INC.
WOLF LICENSE CORPORATION
WPME CORPORATION
WPME LICENSE CORPORATION
WTLH LICENSE CORPORATION

50 LARGEST UNSECURED CREDITORS

AIG GLOBAL INVESTMENTS
AMERICAN EXPRESS ASSET MANAGEMENT
BANK ONE
BASIC YOUR BEST BUY INC.
BCK COMMUNICATIONS
CITY OF MARLBOROUGH
COLLECTECH SYSTEMS, INC.
COMMISSIONER OF REV. SERVICES
DIRECTV
DIRECTV LITIGATION VERDICT
EATON VANCE MANAGEMENT
ESTADO LIBRE ASOCIADO DE PUERTO RICO
FEDEX CORPORATION
FIDELITY MANAGEMENT & RESEARCH CO.
FIRST UNION NATIONAL BANK
FLORIDA DEPARTMENT OF FINANCE
FLORIDA DEPARTMENT OF REVENUE
GUCKENHEIMER ENTERPRISES INC
INDIANA DEPT OF REV
IOWA DEPARTMENT OF REVENUE
J.P MORGAN TRUST COMPANY, N.A.
JEFFERSON CO. SHERIFF'S OFFICE
JOHN HANCOCK ADVISORS
JOHNSON COUNTY TAC
JOHNSON COUNTY TREASURER
KANSAS DEPARTMENT OF REVENUE
MINNESOTA DEPT OF REVENUE
NATIONAL RURAL TELECOMMUNICATIONS COOPERATIVE
NATIONWIDE CREDIT, INC.
NEBRASKA DEPT. OF REVENUE
NEW MEXICO TAXATION
NORTEL NETWORKS
NORTH CAROLINA DEPT OF REVENUE
NRTC
NUCONTRIX CONVERSIONS
PAYMENTECH
PCC
PEGASUS COMMUNICATIONS CORPORATION
PROFESSIONAL SATELLITE & COMMUNICATIONS
SATELLITE SYSTEM NETWORK
SOUTH CAROLINA DEPT OF REVENUE
SOUTH DAKOTA STATE TREASURER

STANDARD & POOR'S
STATE CONTROLLER - TEXAS
STATE OF ARKANSAS
STATE OF TEXAS COMPTROLLER
STATE TAX COMMISSIONER
TENNESSEE DEPT OF REVENUE
TREASURER OF STATE (OHIO)
UTAH STATE TAX COMMISSION
VERMONT DEPARTMENT OF TAXES
WACHOVIA BANK, NA
WEBCLICK CONCEPTS INC.
WEST VIRGINIA STATE TAX DEPT

MAJOR LENDERS TO THE DEBTORS

1888 FUND LTD
A3 FUNDING LP
ABLECO FINANCE LLC
AMMC CDO I LIMITED
AMMC CDO II LTD
APEX (TRIMARAN) CDO I, LTD
ARCHIMEDES FUNDING III LTD
AVERY POINT CLO LTD
BALLYROCK CDO I LIMITED
BANK OF AMERICA
BANK OF AMERICA DISTRESSED TRADE
BILL & MELINDA GATES FOUNDATION
BINGHAM CDO LP
BLUE SQUARE FUNDING LIMITED SER 3
BRANT POINT CBO 1999-1 LTD
CALIFORNIA ENDOWMENT
CALIFORNIA PUBLIC EMPLOYEES
CANPARTNERS INVESTMENTS IV LLC
CASTLE HILL I – INGOTS LTD
CASTLE HILL II – INGOTS LTD
CENTURION CDO II LTD
CENTURION CDO VI LTD
CANADIAN IMPERIAL BANK OF COMMERCE
COHANZICK CREDIT OPPORTUNITIES FUND, LTD.
COHANZICK HIGH YIELD PARTNERS, LP
CREDIT OPPORTUNITIES FUNDING INC
DAIMLER CHRYSLER CORPORATION MASTER
DELTA MASTER TRUST
DEBT STRATEGIES FUND INC.
DEUTSCHE BANK TRUST CO AMERICAS
ELF FUNDING TRUST I
EMERALD ORCHARD LIMITED
ENDURANCE CLO I LTD
FERNWOOD ASSOCIATES
FERNWOOD RESTRUCTURING
FIDELITY ADVISOR SERIES II
FIR TREE RECOVERY MASTER FUND LP
FIR TREE VALUE PARTNERS LDC
FRANKLIN CLO II, LIMITED
FRANKLIN FLOATING RATE TRUST
FRANKLIN FLOATING RATE DAILY ACCESS
FRANKLIN FLOATING RATE MASTER

GABRIEL CAPITAL, L.P.
GENERAL BOARD OF PENSION AND HEALTH
GENERAL MOTORS INVESTMENT
GLENEAGLES TRADING LLC
GMAC INVESTMENT FUNDS
GREAT POINT CLO 1999-1 LTD
HALCYON FUND
HARBOUR TOWN FUNDING LLC
HIGHLAND LEGACY LIMITED
HIGHLAND LOAN FUNDING V LTD
HIGHLAND OFFSHORE PARTNERS LP
IBM RETIREMENT PLAN
ING PRIME RATE TRUST
ING SENIOR INCOME FUND
INNER HARBOR CBO 2001-1 LTD
INTERNATIONAL PAPER RETIREMENT PLAN
IOWA PUBLIC EMPLOYEES RETIREMENT
J PAUL GETTY TRUST
KZH CYPRESS TREE-1 LLC
KZH STERLING LLC
LONG LANE MASTER TRUST IV
LONGHORN CDO (CAYMAN) LTD
LONGHORN CDO II LTD
MAGMA CDO LTD
MASTER SENIOR FLOATING RATE TRUST
MERRILL LYNCH GLOBAL INVESTMENT SERIES
MERRILL LYNCH PRIME RATE PORTFOLIO
MICROSOFT CORPORATION
ML CBO IV CAYMAN LTD
ML CLO XV PILGRIM AMERICA CAYMAN
ML CLO XX PILGRIM AMERICA CAYMAN
OCM HIGH YIELD FUND II LP
OCM HIGH YIELD LIMITED PARTNERSHIP
OCM HIGH YIELD TRUST
ORIX FINANCE CORP I
PACIFIC GAS AND ELECTRIC COMPANY
PAM CAPITAL FUNDING LP
PAMCO CAYMAN LTD
PILGRIM AMERICA HIGH INCOME INVESTMENT
PILGRIM CLO 1999-1 LTD
QWEST PENSION TRUST
RACE POINT CLO LIMITED
RACE POINT II CLO LIMITED
RESTORATION FUNDING CLO LTD
SAB CAPITAL PARTNERS II
SAB CAPITAL PARTNERS, LP
SAB OVERSEAS FUND
SAN DIEGO COUNTY EMPLOYEES
SANKATY HIGH YIELD PARTNERS III LP
SAWGRASS TRADING LLC
SEA PINES FUNDING LLC
SENIOR HIGH INCOME PORTFOLIO
SEQUILS CENTURION V, LTD.
SEQUILS PILGRIM 1 LTD
SEQUILS-ING I (HBDGM) LTD
STANFIELD ARBITRAGE CDO, LTD.

STANFIELD CLO LTD
STANFIELD QUATTRO CLO LTD
STANFIELD/RMF TRANSATLANTIC CDO LTD
STATE TEACHERS RETIREMENT SYSTEM
STELLAR FUNDING LTD
SUNAMERICA LIFE INSURANCE COMPANY
SUNAMERICA SENIOR FLOATING RATE
THE PRESIDENT & FELLOWS OF HARVARD
COLLEGE
T ROWE PRICE HIGH YIELD FUND INC
T ROWE PRICE INSTITUTIONAL HIGH
TORONTO DOMINION (NEW YORK), INC.
TRIPAR PARTNERSHIP
TRS CALLISTO LLC
TRS ELARA LLC
UBS AG, STAMFORD BRANCH
VULCAN VENTURES INC
WELLS CAPITAL MANAGEMENT
WELLS FARGO BANK NA
WHIPPOORWILL DISTRESSED OPPORTUNITY
FUND, L.P.
WINDSOR LOAN FUNDING LIMITED

PARTIES TO SIGNIFICANT LITIGATION WITH THE DEBTORS

ANTERA BROADBAND, INC.
ASSOULIN, MICHAEL D/B/A DISH AMERICA
CABLE AMERICA, INC. D/B/A SATELLITE AMERICA, INC.
DIRECTV
ERVING FOODS
FOX ENTERTAINMENT GROUP, INC. (PARENT TO DIRECTV)
GALAXY AMERICAN COMMUNICATIONS
GALAXY TELECOM, L.P.
GENSSER PELLEGER D/B/A SATELLITE CONCEPTS
HESTER, FELICIA
HUGHES ELECTRONICS CORPORATION (PARENT TO DIRECTV)
JONES, OLA
MIDAMERICAN CABLE SYSTEMS, L.P.
MILLER, DAVID
MORRIS, GREGORY
NEW PATH COMMUNICATIONS, L.C.
NEWS CORPORATION, LTD. (PARENT TO DIRECTV)
OMEGA SATELLITE
PARACOMM, INC.
R/COM, L.C.
RAMSEY, JATARQUA
RUSSELL, ROBERT
TELEPARTNERS, L.L.C.
WESTCOM, L.C.

MAJOR INSURANCE CARRIERS, REINSURANCE CARRIERS, AGENTS AND BROKERS

NATIONAL CASUALTY COMPANY
XL SPECIALTY INSURANCE CO.
HOUSTON CASUALTY
SCOTTSDALE INSURANCE CO.
HARTFORD FIRE INS. CO.

CHUBB GROUP

INDENTURE TRUSTEES

J.P MORGAN TRUST COMPANY, N.A.
FIRST UNION NATIONAL BANK
WACHOVIA BANK, NA

EQUITY HOLDERS HOLDING MORE THAN 5% OF THE EQUITY IN ANY ONE OF THE DEBTORS

ARGOS SUPPORT SERVICES COMPANY
BRIDE COMMUNICATIONS, INC.
DTS MANAGEMENT (SOLE MEMBER)
GOLDEN SKY HOLDINGS, INC.
GOLDEN SKY SYSTEMS, INC.
GOLDEN SKY SYSTEMS, INC. (GENERAL PARTNER)
LEC DEVELOPMENT, INC. (GENERAL PARTNER)
PEGASUS BROADCAST TELEVISION, INC. (GENERAL PARTNER)
PEGASUS BROADCAST TELEVISION, INC.
PEGASUS COMMUNICATIONS CORPORATION
PEGASUS DEVELOPMENT CORPORATION
PEGASUS DEVELOPMENT CORPORATION
PEGASUS MEDIA & COMMUNICATIONS, INC.
PEGASUS SATELLITE COMMUNICATIONS, INC.
PEGASUS SATELLITE TELEVISION, INC.
PEGASUS SATELLITE TELEVISION, INC. (SOLE MEMBER)
PST HOLDINGS, INC.

ADDITIONAL EQUITY HOLDERS IN PEGASUS SATELLITE COMMUNICATIONS, INC.

JPMORGAN CHASE BANK
AMERICAN EXPRESS TRUST COMPANY
BEAR, STEARNS SECURITIES, CORP.
CITIBANK, N.A.
FLEET NATIONAL BANK
J.J.B HILLIARD, W.L. LYONS, INC.
LEHMAN BROTHERS, INC.
MORGAN STANLEY & CO. INCORPORATED
PNC BANK, NATIONAL ASSOCIATION
STATE STREET BANK AND TRUST COMPANY
WACHOVIA CAPITAL MARKETS, LLC

EQUITY HOLDERS HOLDING MORE THAN 5% OF THE EQUITY IN PEGASUS COMMUNICATIONS CORPORATION

ALTA COMMUNICATIONS VI, L.P
AVENUE SPECIAL SITUATIONS FUND II, LP
DBS INVESTORS, LLC
FMR CORP.
JOHN HANCOCK FINANCIAL SERVICES, INC.
PAR CAPITAL MANAGEMENT, INC.
FARLEY, STEPHEN L.
PERRY CORP.
PENINSULA CAPITAL ADVISORS.

DIRECTORS AND OFFICERS OF THE FILING ENTITIES

BLANK, SCOTT A.
CARPENTER, LEE M.
CRATE, CHERYL

DIDIO, JOHN
DORRAN, WILLIAM
FINCK, DOUGLAS B.
HANE, JOHN
HEISLER, KAREN M.
JORDAN, MICHAEL B.
LINDGREN, RORY J.
LODGE, TED S.
PAGON, MARSHALL W.
PARIS, JACK
POOLER, JOSEPH W., JR.
ROLFE, DENISE
VERLIN, HOWARD E.
YANNUZZI, MICHAEL

OTHER RETAINED PROFESSIONALS

ARNOLD & PORTER
BALCH & BINGHAM LLP
CAPELL & HOWARD, P.C.
CAPITAL MANAGEMENT ASSOCIATES, INC.
DRINKER BIDDLE & REATH LLP
FLEISHMAN & WALSH
FTI CONSULTING, INC.
HERBEIN & COMPANY, INC.
HEWITT ASSOCIATES
HUNTER, MACLEAN, EXLEY & DUNN
KEKST & COMPANY, INC.
KING & SPAULDING LLP
LEWIS, FISHER, HENDERSON, CLAXTON & MULROY

EXHIBIT C

Interested Parties Which K&S Represents or Has Represented in Matters Unrelated to the Debtors' Chapter 11 Cases

Name of Interested Party	Debtors Description of Party	Status
Pegasus Communications Corporation	Client	Active
Bank One	50 Largest Unsecured Creditors	Active
DirectTV	50 Largest Unsecured Creditors	Closed
First Union National Bank *(a/k/a Wachovia Bank, N.A.)	50 Largest Unsecured Creditors	Active
J.P. Morgan Trust Company, N.A.	50 Largest Unsecured Creditors	Active (Represent J.P. Morgan Chase Bank)
Canadian Imperial Bank of Commerce	Major Lenders to the Debtors	Closed
Deutsche Bank Trust Co. Americas	Major Lenders to the Debtors	Active (Represent Deutsche Bank, A.G., the ultimate parent company)
State Teachers Retirement System	Major Lenders to the Debtors	Closed (Represented New York State Teachers Retirement System)
Microsoft Corporation	Major Lenders to the Debtors	Active
Merrill Lynch Global Investment Series	Major Lenders to the Debtors	Active (Represent Merrill Lynch & Company)
Merrill Lynch Prime Rate Portfolio	Major Lenders to the Debtors	Active (Represent Merrill Lynch & Company)

Name of Interested Party	Debtors Description of Party	Status
Nationwide Credit, Inc.	Major Lenders to the Debtors	Active
Pacific Gas & Electric Co.	Major Lenders to the Debtors	Active (Represent Attala Generating Company, a subsidiary company)
Toronto Dominion (New York), Inc.	Major Lenders to the Debtors	Closed
Hughes Electronics Corporation	Parties to Significant Litigation with the Debtors	Closed
Hartford Fire Insurance Company	Major Insurance Carriers, Reinsurance Carriers, Agents and Brokers	Closed
Fleet National Bank, NA	Additional Equity Holders in Pegasus Satellite Communications, Inc.	Closed
Morgan Stanley & Co., Inc.	Additional Equity Holders in Pegasus Satellite Communications, Inc.	Closed
State Street Bank & Trust Co.	Additional Equity Holders in Pegasus Satellite Communications, Inc.	Closed
Blach & Bingham LLP	Other Retained Professionals	Closed
Capell & Howard, P.C.	Other Retained Professionals	Closed
Drinker, Biddle & Reath LLP	Other Retained Professionals	Closed
Hunter, Maclean, Exley & Dunn	Other Retained Professionals	Closed