

Hearing Date:  
November 8, 2004 at 10:30 a.m.  
Objection Deadline:  
November 3, 2004 at 4:00 p.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)
	)	

**MOTION OF THE DEBTORS AND DEBTORS IN POSSESSION  
PURSUANT TO 11 U.S.C. SECTION 365(a) OF THE BANKRUPTCY  
CODE FOR AN ORDER APPROVING THE DEBTORS' REJECTION OF  
CERTAIN UNEXPIRED LEASES AND EXECUTORY CONTRACTS AND  
NOTICE PROCEDURES FOR FIXING THE REJECTION EFFECTIVE  
DATE OF CERTAIN UNEXPIRED LEASES AND EXECUTORY CONTRACTS**

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> hereby file this motion (the "Motion") requesting that this Court enter an order (i) authorizing the Debtors to reject 2 unexpired leases of non-residential real property (collectively, the "Leases") and 37 executory contracts (collectively, the "Contracts"), each as more particularly identified and described in Exhibits A and B attached hereto, and (ii) approving the notice procedures for fixing the Rejection Effective Date (as defined below) for certain of those Leases and Contracts identified

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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.,

on Exhibit B hereto, pursuant to section 365(a) of chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”). In support of this Motion, the Debtors respectfully represent 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 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. On June 10, 2004, the United States Trustee appointed an official committee of unsecured creditors pursuant to section 1102(a) of the Bankruptcy Code (the “Creditors Committee”).

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 requested herein are section 365(a) of the Bankruptcy Code and Federal Rule of Bankruptcy Procedure 6006.

### **BACKGROUND OF THE DEBTORS**

5. As of the Petition Date, the Debtors’ principal operating business was their direct broadcast satellite (“DBS”) business. At that time, the Debtors were the largest independent distributor of DIRECTV ® DBS services with approximately 1.1 million

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South Plains DBS, LP., Telecast of Florida, Inc., WDSI License Corp., WILF, Inc., WOLF License Corp., and WTLH License Corp.

subscribers and the exclusive right to distribute certain DIRECTV services to approximately 8.4 million rural households in certain territories within 41 states.

6. On August 26, 2004, this Court entered an order (the “Global Settlement Order”) authorizing and approving the Global Settlement Agreement (as defined in the Global Settlement Order) and the agreements executed in connection therewith (the “Global Settlement”). As an integral component of the Global Settlement, the Court authorized the Debtors to (i) sell, transfer and convey to DIRECTV substantially all of the assets that comprise the Debtors’ DBS business as provided in the Asset Purchase Agreement (as defined in the Global Settlement Order) free and clear of all liens, claims, encumbrances and other interests (other than “Permitted Exceptions”), pursuant to sections 363(b) and 363(f) of the Bankruptcy Code and (ii) assist in the transitioning of their DBS business to DIRECTV in accordance with the terms of the Cooperation Agreement (as defined in the Global Settlement Order). Details regarding all such transactions (collectively the “Global Settlement Transactions”) are provided in the Global Settlement Order, the exhibits thereto and the Debtors’ motion seeking entry of the Global Settlement Order.

7. The closing of the Asset Purchase Agreement occurred on August 27, 2004 (the “Closing”). Upon the Closing, in exchange for the sale of the DBS business and the settlement of certain claims specified under the Global Settlement Agreement, the Debtors’ estates received in excess of \$900 million dollars in cash consideration (the “Sale Proceeds”). Pursuant to the terms of the Final Order (A) Authorizing the Use of Cash Collateral and (B) Granting Adequate Protection to Certain Prepetition Secured Parties Pursuant to Sections 105, 361, and 363 of the Bankruptcy Code Including Replacement Liens and Superpriority Claims entered on June 25, 2004 (the “Cash Collateral Order”), the Debtors deposited the Sale Proceeds

into three separate interest bearing accounts. In accordance with the Stipulation and Order Permitting Payment of Amounts to Senior Secured Lenders, Revolving Lenders and Junior Secured Lenders and Reserving Rights with Respect to Payment of Prepayment Premiums and Default Interest entered on September 17, 2004 (the "Stipulation"), the Debtors paid the uncontested Prepetition Obligations (as defined in the Stipulation), exclusive of any default interest or any prepayment premiums asserted to be due to the Senior Secured Lenders, the Revolving Lenders, and the Junior Secured Lenders (as each term is defined in the Stipulation).

8. Under the terms of the Cooperation Agreement, the Debtors agreed to provide various services to, or for the benefit of, DIRECTV, to implement the migration of the Debtors' DBS customers to DIRECTV during a transition period extending from the Closing until no later than October 31, 2004 (the "Transition Period").

9. Although the Transition Period expires on October 31, 2004, the Debtors believe that they may need to retain access to certain leased premises in connection with their DBS business through January 31, 2005, in order to dispose of certain assets located at those premises that were not purchased by DIRECTV under the Asset Purchase Agreement and vacate the premises. In addition, during such period the Debtors believe that they may need to continue using the services provided under certain Contracts in connection with the disposition of the DBS assets not purchased by DIRECTV or to complete an orderly wind-down of the Debtors' DBS business. The precise period of time within which the Debtors will continue to need these Leases and Contracts is not yet known. The Debtors therefore seek the flexibility to provide the non-debtor counterparties under such Leases and Contracts ten (10) days prior notice of the Rejection Effective Date (as defined below) for such Leases and Contracts rather than incur the

cost and expense of having to file numerous motions for the rejection of numerous contracts and leases.<sup>2</sup>

### **RELIEF REQUESTED**

10. For the reasons set forth herein, the Debtors seek an order of the Court pursuant to section 365(a) of the Bankruptcy Code and Bankruptcy Rule 6006 approving and authorizing (i) the rejection of 2 Leases and 37 Contracts, each as more particularly identified on Exhibits A and B, and (ii) the notice procedures for fixing the Rejection Effective Date (as defined below) for certain of those Leases and Contracts identified on Exhibit B. The “Rejection Effective Date” for the Leases and Contracts set forth on Exhibit A shall be November 8, 2004. The Rejection Effective Date for the Leases and Contracts set forth on Exhibit B shall be ten (10) days after the date a Rejection Notice substantially in the form attached here to as Exhibit D is delivered by the Debtors to the non-debtor counterparties under such Leases and Contracts.

11. As a result of the transfer of the DBS assets to DIRECTV under the Asset Purchase Agreement, upon the expiration of the Transition Period the Debtors will no longer have any current or anticipated business use for the Leases and Contracts; provided, however, that certain of the Leases and Contracts listed on Exhibit B will be needed beyond the expiration of the Transition Period in connection with the disposition of the DBS assets not purchased by DIRECTV or to complete an orderly wind-down of the Debtors’ DBS business. None of the Contracts or Leases are being assumed or assigned by the Debtors because DIRECTV (the purchaser under the Asset Purchase Agreement) does not require any of the services or premises

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<sup>2</sup> In the ordinary course of their business, the Debtors from time to time, terminate various contracts with vendors by providing notice of termination to the vendors consistent with the Debtors’ customary business practices. Because the terms of these contracts provide the Debtors with the right to terminate upon written notice to the applicable vendors, the Debtors do not need

specified under the Contracts and Leases for its ongoing business operations. The Debtors seek rejection of the Contracts and Leases to avoid the unnecessary ongoing obligation on their part to pay post-petition amounts for leased premises and other obligations for which the Debtors have no current or anticipated business use. By rejection such Contracts and Leases, the Debtors will be able to minimize unnecessary administrative expenses and to preserve such amounts for the benefit of their estates and creditors. Accordingly, the Debtors respectfully submit that rejection of such Contracts and Leases is supported by the Debtors' business judgment and is in the best interest of the Debtors and their estates.

12. The Debtors have sent letters, substantially in the form of the Rejection Letter on Exhibit C, to each of the counterparties to the Leases and Contracts listed on Exhibit A by facsimile, overnight mail, or first-class regular mail confirming that the Debtors have elected to reject such Leases and Contracts as of Rejection Effective Date listed on Exhibit A. See Form of Rejection Letter, attached hereto as Exhibit C. Accordingly, the Debtors now seek an order of the Court approving and authorizing the rejection of the Leases and Contracts specified on Exhibit A, effective as of November 8, 2004.

13. By this motion, the Debtors also seek authority to reject certain Leases and Contracts from time to time, without further Court Order, as identified on Exhibit B, pursuant to sections 105 and 365 of the Bankruptcy Code. The Debtors estimate that those Contracts and Leases may be necessary for a short time following the expiration of the Transition Period to allow the Debtors to either (a) dispose of certain DBS assets not purchased by DIRECTV under the Asset Purchase Agreement or (b) otherwise complete the wind-down of their DBS business.

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to move to reject these contracts pursuant to section 365(a) and believe that no claims will be made against their estates as a result of such terminations in the ordinary course.

During and after the expiration of the Transition Period, the Debtors will continue to evaluate the need for the Contracts and Leases identified on Exhibit B, and from time to time will terminate such Contracts and Leases by delivering a Rejection Notice to the non-debtor parties to such Contracts or Leases by facsimile, overnight mail, or first-class regular mail ten (10) days prior to the effective date of the rejection of such Contracts or Leases.

14. Accordingly, the Debtors request that the rejection of the Contracts and Leases identified on Exhibit B be effective without further order of the Court upon the Rejection Effective Date which will be ten (10) days after the date a Rejection Notice is delivered by the Debtors to the non-debtor counterparties under such Leases or Contracts. The Rejection Notice that will be sent by the Debtors to all counterparties under such Contracts and Leases will be substantially in the form of the letter attached hereto as Exhibit D and will be delivered by facsimile, overnight, or first-class regular mail.

15. The Debtors further seek entry of an order requiring that the counterparties to the Leases and Contracts identified on Exhibit A shall have thirty (30) days from the date of entry of the order approving such rejections to file proofs of claim for damages, if any, arising from the Debtors' rejection of such Leases and Contracts. In addition, the counterparties to the Leases and Contracts identified on Exhibit B shall have thirty (30) days from the date that rejection is effective to file proofs of claim for damages, if any, arising from the Debtors' rejection of such Leases or Contracts.

#### **BASIS FOR RELIEF**

16. Section 365 of the Bankruptcy Code provides that a debtor in possession, "subject to the court's approval, may assume or reject any executory contract or unexpired lease

of the debtor.” 11 U.S.C. § 365(a). Courts have deferred uniformly to the “business judgment” of the debtor to determine whether the assumption or rejection of an unexpired lease or executory contract is appropriate under Section 365(a) of the Bankruptcy Code. See Eagle Ins. Co. v. BankVest Capital Corp. (In re BankVest Capital Corp.), 290 B.R. 443, 447 (B.A.P. 1st Cir. 2003), aff’d Eagle Ins. Co. v. Bankvest Capital Corp., 360 F.3d 291 (1st Cir. 2004) (“Under a motion to assume or reject an executory contract, the only issue properly before a court is whether the assumption or rejection of the subject contract is based upon a debtor's business judgment”); see also Butler & Lateran Partners, Inc. v. Resident Care Innovation Corp., 241 B.R. 37, 45 (D. R.I. 1999), (“[I]n confronting the question of rejection, a court looks to see whether the decision to reject an executory contract is in the best interest of the estate under the "business judgment test," but only after that court has first found that the contract in question is executory”); In re Blackstone Potato Chip Co., 109 B.R. 557, 560 (Bankr. D. R.I. 1990) (“the business judgment standard is appropriate in determining whether a debtor may reject or accept an executory contract”). The business judgment standard affords debtors in possession broad discretion to elect to reject an executory contract or unexpired lease.

17. “[A] debtor's business decision ‘should be approved by the court unless it is shown to be so manifestly unreasonable that it could not be based upon sound business judgment, but only on bad faith, or whim or caprice.’” In re Aerovox, Inc., 269 B.R. 74, 80 (Bankr. D. Mass. 2001) (quoting In re Logical Software, 66 B.R. 683, 686 (Bankr. D. Mass. 1986)); see also, Butler & Lateran Partners, Inc. v. Resident Care Innovation Corp., 241 B.R. 37, 47 (D. R.I. 1999); In re Leroux, 1997 Bankr. LEXIS 971 (Bankr. D. Mass. 1997) (“courts should defer to -should not interfere with - decisions of corporate directors upon matters entrusted to their business judgment except upon a finding of bad faith or gross abuse of their ‘business



discretion”’) (quoting Lubrizol Enters., Inc. v. Richmond Metal Finishers, Inc., 756 F.2d 1043, 1047 (4th Cir. 1985), cert. denied, 475 U.S. 1057 (1986)). Furthermore, the business judgment standard does not require a debtor to demonstrate severe hardship or undue burden in order to reject an executory contract. See In re Federal-Mogul Global Inc., 293 B.R. 124, 127 (Bankr. D. Del. 2003). Instead, the focus of a rejection motion is simply “the benefit to the debtor’s estate.” Federal-Mogul, 293 B.R. at 127; see also Butler & Lateran Partners, Inc. v. Resident Care Innovation Corp., 241 B.R. 37, 48 (D. R.I. 1999).

18. Once a debtor articulates a valid business justification, the business judgment rule is “a presumption that in making a business decision the director of a corporation acted on an informed basis, in good faith and in the honest belief that the action taken was in the best interest of the company.” Brandt v. Hicks, Muse & Co. (In re Healthco Int’l, Inc.), 208 B.R. 288, 306 (Bankr. D. Mass. 1997) (quoting Aronson v. Lewis, 473 A.2d 805, 812 (Del. 1984)). The purpose of the business judgment rule is to shield a debtor’s management from judicial second-guessing. See Committee of Asbestos-Related Litigants and/or Creditors v. Johns-Manville Corp. (In re Johns-Manville Corp.), 60 B.R. 612, 615-16 (Bankr. S.D.N.Y. 1986) (“[T]he Code favors the continued operation of a business by a debtor and a presumption of reasonableness attaches to a debtor's management decisions”).

19. In light of the foregoing, the Debtors submit that they have satisfied the business judgment standard in moving to reject the Leases and Contracts listed on Exhibits A and B. The Debtors have determined that these Contracts and Leases, which are primarily employed in connection with the Debtors’ DBS business, are no longer necessary because that business has been sold to DIRECTV. Because the Debtors no longer have ongoing DBS operations, the Contracts and Leases are not sources of value or potential value for the Debtors’

estates, and by rejecting them the Debtors will be able to minimize unnecessary administrative expenses for the benefit of their estates and creditors.

20. Furthermore, the procedures set forth herein, will relieve the Debtors from having to file numerous motions for the rejection of numerous contracts and leases. As the Debtors determine that certain Contracts and Leases identified on Exhibit B are no longer necessary, a Rejection Notice can be delivered and rejection of such Contract or Lease will become effective ten days thereafter.

### **NOTICE**

21. Notice of this Motion has been provided to (i) each of the non-debtor parties to the Leases; (ii) each of the non-debtor parties to the Contracts; (iii) the Office of the United States Trustee for the District of Maine; and (iv) all parties on the All Notices List as required by (and as defined in) this Court's Order Establishing Case Management Procedures and Hearing Schedule, dated July 9, 2004.

### **NO PRIOR REQUEST**

22. No prior request for the relief sought in this Motion has been made to this or any other court.

WHEREFORE, the Debtors respectfully request that the Court enter an Order authorizing and approving (i) the rejection of the Leases and Contracts, each as more particularly identified in Exhibits A and B attached hereto, with such rejection being effective as of the Rejection Effective Dates set forth in Exhibits A and B hereto, (ii) approving the notice procedures for fixing the Rejection Effective Date for certain of those Leases and Contracts identified on Exhibit B hereto and (iii) granting such other relief as the Court deems just and proper.

Dated: Portland, Maine  
October 25, 2004

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BERNSTEIN, SHUR, SAWYER &  
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By: /s/ Robert J. Keach  
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Attorneys for Debtors and Debtors  
in Possession

**EXHIBIT A**

(attached hereto)

**REJECTION EXHIBIT A**  
(Hearing Date)

Contract - Vendor	Address	Pegasus Debtor Entity	Rejection Effective Date	Contract Detail
AquaPerfect	11003 BLUEGRASS PARKWAY, SUITE 420, LOUISVILLE, KY 40299	PST	11/8/2004	Purity Protection Plan between AquaPerfect and Pegasus Satellite Television, Inc. dated May 9th, 2000
Aramark Refreshment Services	1101 MARKET STREET, PHILADELPHIA, PA 19107	PST	11/8/2004	Vending and Office Coffee Service Agreement between Aramark Refreshment Services, Inc. and Pegasus Satellite Television, Inc. dated March 21st, 2001
Mellon (Ascarr) Leasing	P.O. BOX 828, DEERFIELD, IL 60015	PST	11/8/2004	Single Sided Lease Agreement between Mellon Leasing and Pegasus Satellite Television, Inc. dated January 4th, 2002
Aspect Communications Corporation	1310 RIDDER PARK DRIVE SAN JOSE CA 95131-2313	PST	11/8/2004	Professional Services Agreement between Aspect Communications Corporation and Pegasus Satellite Television, Inc. dated the 20th day of March, 2001
Aspect Communications Corporation	1310 RIDDER PARK DRIVE SAN JOSE CA 95131-2313	PST	11/8/2004	Customer Agreement between Aspect Communications Corporation and Pegasus Satellite Television, Inc. dated the 20th day of March, 2001 along with all order schedules entered into thereunder.
AT&T Corp.	55 CORPORATE DRIVE BRIDGEWATER NJ 08807	PSC	11/8/2004	AT&T Master Agreement No. 112110 between AT&T Corp. and Pegasus Satellite Communications, Inc. as amended, modified or supplemented by Service Orders between the parties, including those dated February 21st, 2002, July 25th, 2002 (by Pegasus Satellite Television, Inc. and Pegasus Satellite Communications, Inc. dated October 17th, 2001
AT&T Solutions, Inc.	15 VREELAND ROAD FLORHAM PARK NJ 07932	PSC	11/8/2004	Terms and Conditions for the Purchase of Customer Premises Equipment between AT&T Solutions, Inc. and Pegasus Satellite Communications, Inc. dated October 17th, 2001
Avaya, Inc.	44 MACKENZIE LANE MARBLE HILL GA 30148	PSC	11/8/2004	Professional Services Consulting Agreement entered into between Avaya, Inc. and Pegasus Satellite Communications, Inc. dated April 25th, 2001
Capitol Indemnity Corporation	4610 UNIVERSITY AVENUE MADISON WI 53705-0900	PST	11/8/2004	General Indemnity Agreement between Capitol Indemnity Corporation and Pegasus Satellite Television, Inc. dated March 4th, 2002
Cornerstone Group, Inc.	206 RUSSELL STREET WORCESTER MA 01609	PST	11/8/2004	The Predictive Index Client Agreement between The Cornerstone Group, Inc. and Pegasus Satellite Television, Inc. dated March 10th, 2002
Datavorld, Inc.	4833 RUGBY AVENUE SUITE 300 BETHESDA MD 20814	PST	11/8/2004	Network License and Maintenance Agreement between Datavorld, Inc. and Pegasus Satellite Television, Inc. dated the 19th day of October, 2000
Decisionmark Corporation	818 DOWS ROAD, S.E. CEDAR RAPIDS IA 52403	PST	11/8/2004	Software License Agreement between Decisionmark Corporation and Pegasus Satellite Television, Inc. dated October 3rd, 2002
Earthlink Networks, Inc.	3100 NEW YORK DRIVE PASADENA CA 91107	PST	11/8/2004	Service Agreement dated September 11th, 2002 between EarthLink Network, Inc. and Pegasus Satellite Television, Inc.
Equifax Information Services, LLC	1550 PEACHTREE STREET, NW ATLANTA GA 30309	PST	11/8/2004	Equifax Information Services, LLC Agreement for Service between Equifax Information Services, LLC and Pegasus Satellite Television, Inc. dated November 2001, as amended.
Metro Air Conditioning Co.	10016 DARNELL LENEKA KS 66215	PST	11/8/2004	Service and Inspection Agreement between Metro Air Conditioning and Pegasus Satellite Television, Inc. dated February 13th, 2002

Contract - Vendor	Address	Pegasus Debtor Entity	Reflection Effective Date	Contract Detail
Nextira	2800 POST OAK BLVD., HOUSTON, TX, 77056	PST	11/8/2004	Service Agreement dated November 1st, 2001 between Nextira, LLC and Pegasus Satellite Television, Inc. as amended
Nortel Networks	4000 VETERANS MEMORIAL HWY. BOHEMIA NY 11716	PST	11/8/2004	Peripherals Standard Sales Agreement dated August 1999 between Pegasus Satellite Television, Inc. and Peripherals Corporation
Nucentrix Broadband Networks, Inc.	17440 NORTH DALLAS PARKWAY SUITE 230 DALLAS TX 75287	PST	11/8/2004	Sales Agency Agreement between Nucentrix Broadband Networks, Inc. and Pegasus Satellite Television, Inc. dated March 14th, 2002
Pitney Bowes Credit Corporation	8001 CHATHAM CTR DRIVE, SAVANNAH, GA 31405	PST	11/8/2004	Smart Business Lease between Pitney Bowes Credit Corporation and Pegasus Satellite Television dated February 3rd, 2002
Powerware Global Services	8609 SIX FORKS ROAD, RALEIGH, NC 27615	PST	11/8/2004	Powerware Global Services - Service Agreement between Powerware Global Services and Pegasus Satellite Television, Inc.
STARZ Encore Group, LLC	2250 E. IMPERIAL HIGHWAY SUITE 650 EL SEGUNDO CA 90245	PST	11/8/2004	X Free Months of STARZ Super Pak Letter Agreement between Pegasus Satellite Television, Inc. and STARZ Encore Group, LLC dated February 13th, 2004
VAC Service Corp.	99 TOWER DRIVE P. O. BOX 703 MIDDLETOWN NY 10941	PST	11/8/2004	Services and Support Agreement between VAC Service Corp. and Pegasus Satellite Television, Inc. dated January 31th, 2002

**EXHIBIT B**

(attached hereto)

**REJECTION EXHIBIT B  
(10 Day Notice)**

<b>Contract - Vendor</b>	<b>Address</b>	<b>Pegasus Debtor Entity</b>	<b>Rejection Effective Date</b>	<b>Contract Detail</b>
Collectech Systems, Inc.	31229 CEDAR VALLEY DRIVE WESTLAKE VILLAGE CA 91362	PSC	10 Day Notice Required	Master Services Agreement for Third Party Collection Services by Collectech Systems, Inc. entered into between Collectech Systems, Inc. and Pegasus Satellite Communications, Inc. (formerly known as Pegasus Communications Corporation) dated June 15th, 1999
Felton Street Associates, LP	C/O O'NEILL PROPERTIES 1101 WEST DEKALB PIKE SUITE 200 WAYNE PA 19087	PST	10 Day Notice Required	Office Space Lease for High Ridge Business Center, 123 Felton Street, Marlborough, Massachusetts between Felton Street Associates Limited Partnership and Pegasus Satellite Television, Inc. dated February 25th, 2000 as amended
Hurley of America	41 MONTVALE AVENUE SUITE B50 STONEHAM MA 02180	PST	10 Day Notice Required	Contract Services Agreement between Pegasus Satellite Television and Hurley of America, LLC dated the 8th day of November 2000, as amended
IOS Capital, Inc. (IKON Office Solutions, Inc.)	1738 BASS ROAD, MACON, GA, 31210	PST	10 Day Notice Required	Image Management Agreement between IOS Capital, Inc. and Pegasus Satellite Television, Inc. dated January 31st, 2002
IOS Capital, Inc. (IKON Office Solutions, Inc.)	1738 BASS ROAD, MACON, GA, 31210	PST	10 Day Notice Required	Image Management Agreement between IOS Capital, Inc. and Pegasus Satellite Television, Inc. dated March 18th, 2004
IOS Capital, Inc. (IKON Office Solutions, Inc.)	1738 BASS ROAD, MACON, GA, 31210	PST	10 Day Notice Required	Image Management Agreement between IOS Capital, Inc. and Pegasus Satellite Television, Inc. dated March 18th, 2004
Iron Mountain Information Management Inc	21 TERRY AVENUE, BURLINGTON, MA 01803	PST	10 Day Notice Required	Customer Agreement between Iron Mountain Information Management, Inc. and Pegasus Satellite Television, Inc. dated October 30th, 2002
Lenexa Industrial Park, Inc.	1220 WASHINGTON KANSAS CITY MO 64105	PST	10 Day Notice Required	Lease between Lenexa Industrial Park, Inc. and Pegasus Satellite Television, Inc. dated January 31st, 2001
Minuteman Protection Systems	1 CONNECTOR ROAD, ANDOVER, MA 1810	PST	10 Day Notice Required	Security Monitoring Service Agreement between Minuteman Protection Services and Pegasus Satellite Television, Inc. dated May 17th, 2001
National Security Protective Services, Inc.	SERVICES, INC. 131 EAST MERRIMACK STREET LOWELL MA 01852	PST	10 Day Notice Required	Security Personnel Service Agreement between National Security Protective Services, Inc. and Pegasus Satellite Television, Inc. dated March 1st, 2002
Nationwide Credit, Inc.	6190 POWERS FERRY ROAD SUITE 400 ATLANTA GA 30339	PST	10 Day Notice Required	Recovery Services Agreement between Nationwide Credit, Inc. and Pegasus Satellite Television, Inc. dated January 2nd, 2002
NICE Systems	200 PLAZA DRIVE 4TH FLOOR SECAUCUS NJ 07094	PST	10 Day Notice Required	Maintenance Service Agreement between NICE Systems and Pegasus Satellite Television, Inc. dated February 18th, 2004
Oxford Management Services	135 MAXESS ROAD SUITE 2A MELVILLE NY 11747	PST	10 Day Notice Required	Recovery Services Agreement between Oxford Management Services and Pegasus Satellite Television, inc. dated February 28th, 2003
Professional Fire & Security, Inc.	93 SOUTH MAIN STREET ASSONET MA 02702	PST	10 Day Notice Required	Professional Fire & Security Agreement for Alarm System Services between Professional Fire & Security, Inc. and Pegasus Satellite Television, Inc. dated November 27th, 2002
Rosado & Sons Inc.	P.O. BOX 1879, FRAMINGHAM, MA 01701-0079	PST	10 Day Notice Required	Agreement between Rosado & Sons, Inc. and Pegasus Satellite Television, Inc. for Landscaping and Snowplowing
Star Brite Cleaning Service, Inc.	38 MONTVALE AVENUE SUITE 150 STONEHAM MA 2180	PST	10 Day Notice Required	Maintenance Service Agreement between Star Brite Cleaning Service, Inc. and Pegasus Satellite Television, Inc. dated August 24th, 2000



<b>Contract - Vendor</b>	<b>Address</b>	<b>Pegasus Debtor Entity</b>	<b>Rejection Effective Date</b>	<b>Contract Detail</b>
Western Union Commercial	155 GLENDALE AVENUE SUITE 18 SPARKS NV 89431	PST	10 Day Notice Required	Western Union Quick Collect/Quickpay Service Agreement between Western Union Financial Services, Inc. and Pegasus Satellite Television, Inc. dated June 10th, 2003

**EXHIBIT C**

Rejection Letter

(attached hereto)

October 25, 2004

Address

Re: (the "Agreement")

Dear Sirs:

Pegasus Satellite Television, Inc. and certain of its subsidiaries and affiliates, ("Pegasus") commenced voluntary chapter 11 cases in the United States Bankruptcy Court for the District of Maine on June 2, 2004. These cases are being jointly administered as Case No. 04-20878.

This letter is to inform you that Pegasus has elected to reject the Agreement and hereby immediately elects to discontinue performance thereunder. Pegasus will be promptly filing a motion with the Bankruptcy Court of Maine to obtain the Court's approval of this action pursuant to 11 U.S.C. Section 365(a). A copy of that motion will be duly served upon you.

Please be aware that all claims arising from Pegasus' rejection of the Agreement are statutorily deemed to be pre-petition claims pursuant to 11 U.S.C. Section 365(g). You should immediately terminate your performance under the Agreement in order to mitigate any damage claims that might arise from the rejection of the Agreement.

If you have any questions please feel free to contact me at (610) 934-7000.

Very truly yours,

Mark E. Eyer  
Assistant General Counsel

**EXHIBIT D**

Rejection Notice

(attached hereto)

October [ ], 2004

Re: [Lease or Contract Name]

Dear Sirs:

Pegasus Satellite Television, Inc. and certain of its subsidiaries and affiliates, (“Pegasus”) commenced voluntary chapter 11 cases in the United States Bankruptcy Court for the District of Maine on June 2, 2004. These cases are being jointly administered as Case No. 04-20878.

Pegasus and [**Counter-Party**] entered into a [**describe lease or contract**] (collectively, the “Lease” [or the “Contract”]).

This letter is to inform you that Pegasus has elected to reject and terminate the [Lease upon ten days notice from the date of this letter and will surrender possession of the leased premises at that time/Contract upon ten days notice from the date of this letter and will discontinue performance thereunder at that time]. On October 25, 2004, Pegasus filed a motion (the “Motion”) with the Bankruptcy Court of Maine to obtain the Court’s approval of, inter alia, its rejection of the [Lease/Contract] on the proposed Rejection Effective Date of the [Lease/Contract] pursuant to 11 U.S.C. § 365(a). A copy of the Motion was previously served upon you. On November [ ], 2004, the Bankruptcy Court entered an order (the “Order”) approving the Motion. Pursuant to the Bankruptcy Court’s Order, Pegasus hereby provides notice that the [Lease/Contract] shall be deemed rejected 10 days after the date of this letter.

Please be aware that all claims arising from Pegasus’s rejection of the [Lease/Contract] are statutorily deemed to be pre-petition claims pursuant to 11 U.S.C. § 365(g). You should immediately terminate your performance under the [Lease/Contract] in order to mitigate any damage claims that might have arisen from the rejection of the [Lease/Contract].

If you have any question, please feel free to contact [**Name and telephone number**].

Very truly yours,

UNITED STATES BANKRUPTCY COURT  
DISTRICT OF MAINE

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

**Objections due by: November 3, 2004 at 4:00 p.m (EST)**  
**Hearing Date: November 8, 2004 at 10:30 a.m (EST)**  
(only if objections are received)

**NOTICE OF MOTION OF THE DEBTORS AND DEBTORS IN POSSESSION  
PURSUANT TO 11 U.S.C. SECTION 365(a) OF THE BANKRUPTCY  
CODE FOR AN ORDER APPROVING THE DEBTORS' REJECTION OF  
CERTAIN UNEXPIRED LEASES AND EXECUTORY CONTRACTS AND  
NOTICE PROCEDURES FOR FIXING THE REJECTION EFFECTIVE  
DATE OF CERTAIN UNEXPIRED LEASES AND EXECUTORY CONTRACTS**

TO: Each of the non-debtor parties to the Leases; each of the non-debtor parties to the Contracts; the Office of the United States Trustee; and all parties on the All Notices List as required by (and as defined in) this Court's Order Establishing Case Management Procedures and Hearing Schedule, dated July 9, 2004

PLEASE TAKE NOTICE THAT 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> have filed the Motion of Debtors and Debtors In Possession Pursuant to 11 U.S.C. Section 365(a) of the Bankruptcy Code for an Order Approving (i) the Debtors' Rejection of Certain Unexpired Leases and Executory Contracts and (ii) approving the notice procedures for

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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., and WTLH

fixing the Rejection Effective Date (as defined in the Motion) for certain of those Leases and Contracts (the "Motion")<sup>2</sup> which seeks the entry of an order authorizing and approving the rejection of certain unexpired leases and executory contracts and notice procedures for fixing the rejection effective date for certain Leases and Contracts, as identified in the Motion.

PLEASE TAKE FURTHER NOTICE THAT **any response or objection to the attached Motion must be filed on or before 4:00 p.m. Eastern time on November 3, 2004.**

At the same time, you must serve a copy of the response or objection upon: (i) counsel for the Debtors (a) Robert J. Keach, Esquire, Bernstein, Shur, Sawyer & Nelson, 100 Middle Street, P.O. Box 9729, Portland, Maine 04104, (b) Larry J. Nyhan, esquire, Sidley Austin Brown & Wood LLP, Bank One Plaza, 10 South Dearborn Street, Chicago, Illinois 60603, (c) Guy S. Neal, Esquire, Sidley Austin Brown & Wood LLP, 787 Seventh Avenue, New York, New York 10019; (ii) the Office of the United States Trustee for the District of Maine; and (iii) all parties on the Core Group Service List as required by (and as defined in) this Court's Order Establishing Case Management Procedures and Hearing Schedule, dated July 9, 2004.

PLEASE TAKE FURTHER NOTICE THAT IF NO OBJECTIONS OR OTHER RESPONSES ARE TIMELY FILED AND SERVED IN ACCORDANCE WITH THIS NOTICE, THE COURT MAY ENTER THE REQUESTED ORDER WITHOUT FURTHER NOTICE OR HEARING.

PLEASE TAKE FURTHER NOTICE THAT IF OBJECTIONS OR RESPONSES ARE TIMELY FILED AND SERVED IN ACCORDANCE WITH THIS NOTICE, A HEARING ON THE MOTION WILL BE HELD ON **NOVEMBER 8, 2004 AT 10:30 A.M. EASTERN TIME** BEFORE THE HONORABLE JAMES B. HAINES,

---

License Corp.

BANKRUPTCY JUDGE, IN THE UNITED STATES BANKRUPTCY COURT FOR THE  
DISTRICT OF MAINE, 537 CONGRESS STREET, 2ND FLOOR, PORTLAND, MAINE  
04101.

Dated: Portland, Maine  
October 25, 2004

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-and-

BERNSTEIN, SHUR, SAWYER &  
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By:     /s/ Robert J. Keach      
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P.O. Box 9729  
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Attorneys for Debtors and Debtors  
in Possession

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<sup>2</sup> Capitalized terms used but not defined herein shall have the meaning ascribed to such terms in the Motion.



UNITED STATES BANKRUPTCY COURT  
DISTRICT OF MAINE

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

**CERTIFICATE OF SERVICE**

I, Sheila R. Dilios, being over the age of eighteen and an employee of Bernstein, Shur, Sawyer & Nelson, hereby certify that on October 25, 2004 I caused the documents listed below to be served on the parties indicated by verifying that such persons(s) are listed on the Electronic Mail Notice List kept by the Clerk's office and therefore will be served as part of the Electronic Case Filing ("ECF") system pursuant to the Standing Order Regarding Administrative Procedures for Electronically Filed Cases dated August 12, 2002, and entered in the U.S. Bankruptcy Court for the District of Maine.

- Motion of the Debtors and Debtors in Possession Pursuant to 11 U.S.C. Section 365(a) of the Bankruptcy Code for an Order Approving the Debtors' Rejection of Certain Unexpired Leases and Executory Contracts and Notice Procedures for Fixing the Rejection Effective Date of Certain Unexpired Leases and Executory Contracts (w/proposed order);
- Motion for Expedited Hearing (w/proposed Order); and
- Notice of Hearing

Dated: October 25, 2004

/s/ Sheila R. Dilios  
SHEILA R. DILIOS

## SERVICE VIA “ECF FILING”

- **Gayle H. Allen**  
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