

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MAINE

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

**DEBTORS' MOTION FOR AN ORDER PURSUANT TO 11 U.S.C. § 1121(d)
EXTENDING DEBTORS' EXCLUSIVE PERIOD IN WHICH TO
SOLICIT ACCEPTANCES TO THE DEBTORS' CHAPTER 11 PLAN
WITH INCORPORATED NARRATIVE REPORT UNDER D. ME. LBR 3016-2**

Pegasus Satellite Television, Inc., and certain of its subsidiaries and affiliates, each a debtor or debtor in possession in the above-captioned cases (collectively, the "Debtors"),¹ hereby file this motion (the "Motion") requesting entry of an order, pursuant to section 1121(d) of title 11 of the United States Code (the "Bankruptcy Code") and D. Me. LBR 3016-2, extending their exclusive period in which to solicit acceptances of their joint chapter 11 plan. In support of this Motion, 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 title 11 of the United States Code (the "Bankruptcy Code"). On the Petition Date, the Debtors also jointly filed motions or applications

¹ The Debtors are: Argos Support Services Company, Bride Communications, Inc., B.T. Broadcast, 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 License Corp.

seeking certain typical “first day” orders, including an order to have these cases jointly administered.

2. The Debtors are continuing 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. 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”).

4. No request has been made for the appointment of a trustee or examiner in these cases.

5. 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)(A). Venue is proper in this Court pursuant to 28 U.S.C. §§ 1408 and 1409. The statutory predicates for the relief sought herein are sections 105(a) and 1121(d) of the Bankruptcy Code and D. Me. LBR 3016-2.

BACKGROUND TO THE DEBTORS

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

7. 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). The closing of the Asset Purchase Agreement occurred on August 27, 2004. Details regarding all such transactions are provided in the Global Settlement Order, the exhibits thereto and the Debtors’ motion seeking entry of the Global Settlement Order.

8. On January 7, 2005, the Debtors filed the Debtors’ Joint Chapter 11 Plan (the “Plan”) and accompanying Disclosure Statement for Debtors’ Joint Chapter 11 Plan (the “Disclosure Statement”), each dated January 7, 2005. A hearing to consider approval of the Disclosure Statement is scheduled for February 9, 2005 at 11:00 a.m.

THE EXCLUSIVE PERIODS

9. Section 1121(b) of the Bankruptcy Code provides for an initial period of 120 days after the commencement of a chapter 11 case during which a debtor has the exclusive right to file a plan of reorganization. Section 1121(c)(3) of the Bankruptcy Code provides that if the debtor files a plan within the 120-day exclusive period, it has an initial period of 180 days after the commencement of the chapter 11 case to obtain acceptance of such plan.

10. The Debtors’ initial Exclusive Periods to propose a plan or plans of reorganization (the “Filing Exclusivity”) and solicit acceptances of such plan or plans (the “Solicitation Exclusivity”) would have expired September 30, 2004 and November 29, 2004, respectively. On September 8, 2004, the Debtors filed their first motion to extend the Exclusive

Periods (the “First Exclusivity Motion”). By Order dated September 23, 2004, this Court granted the Debtors’ First Exclusivity Motion, extending the Debtors’ Exclusive Periods to file a plan and solicit acceptances to November 30, 2004 and January 31, 2005, respectively.

11. Thereafter, the Debtors filed their second motion to extend the Exclusive Periods dated November 4, 2004 (the “Second Exclusivity Motion”). On November 18, 2004, Davidson Kempner Partners (“DK Partners”) filed an objection to the Second Exclusivity Motion. On November 24, 2004, the Court held a preliminary hearing on the Second Exclusivity Motion, at which time the Court signed a certain Bridge Order scheduling a further hearing on the Second Exclusivity Motion for December 1, 2004 if the Debtors had not resolved the objection by DK Partners and extending the Filing Exclusivity to and including December 1, 2004. The Debtors, Committee and DK Partners negotiated the terms of a further order extending the Exclusive Periods which this Court signed on December 1, 2004 (the “Current Exclusivity Order”).

12. As provided in the Current Exclusivity Order, by virtue of the timely service by the Committee and DK Partners of a Notice of Non-Extension (as defined therein), the Filing Exclusivity was automatically extended until the Court was to hold a hearing on the Second Exclusivity Motion on January 10, 2005. On January 7, 2005, and prior to the proposed continued hearing on the Second Exclusivity Motion, the Debtors filed the Plan and Disclosure Statement, thus obviating the need for a further hearing on the Second Exclusivity Motion and the objection by DK Partners thereto.

13. Thus, as the Chapter 11 Cases² currently stand, the Debtors have timely filed the Plan and Disclosure Statement prior to the expiration of the Filing Exclusivity, and now

² Capitalized terms used herein, but not otherwise defined herein, shall have the meanings ascribed to such terms in the Plan.

seek a brief extension of the Solicitation Exclusivity, currently scheduled to expire on February 28, 2005, to and including the earlier of April 15, 2005 or the Plan Confirmation Hearing (as defined below), which the Debtors anticipate may occur in late March, 2005.

RELIEF REQUESTED

14. As noted above, the Debtors filed the Plan and Disclosure Statement on January 7, 2005, prior to the expiration of their exclusive right to file a plan. By this Motion, the Debtors request, pursuant to Section 1121(d) of the Bankruptcy Code, the exclusive period during which they have the exclusive right to solicit acceptances of the Plan, as the Plan may be amended, modified, or supplemented, be extended to and including the earlier of the hearing to confirm the Plan, as such hearing may be adjourned from time to time (the “Plan Confirmation Hearing”) or April 15, 2005.

**SUFFICIENT CAUSE EXISTS TO
EXTEND THE DEBTORS’ EXCLUSIVE PERIOD**

15. In circumstances where the initial 120- and 180-day Exclusive Periods provided for in the Bankruptcy Code prove to be an unrealistic time frame within which the debtor may otherwise file a plan of reorganization, section 1121(d) of the Bankruptcy Code allows the Bankruptcy Court to extend the Debtors’ Exclusive Periods:

On request of a party in interest made within the respective periods specified in subsections (b) and (c) of this section and after notice and a hearing, the court may for cause reduce or increase the 120-days period or the 180-day period referred to in this section.

11 U.S.C. § 1121(d).

16. The Exclusive Periods under section 1121(d) afford a debtor a full and fair opportunity to propose a consensual plan of reorganization and solicit acceptances of such plan without the deterioration and disruption of a Debtors’ business that might be caused by the filing of competing plans of reorganization by non-debtor parties. The objective of a chapter 11

reorganization case is the negotiation, formulation, development, confirmation, and consummation of a consensual plan of reorganization, and it is the intention of the Debtors to achieve that objective. Additionally, allowing the Debtors to see the plan process through to its completion will avoid the cost and confusion that would be caused by the simultaneous negotiation and solicitation of acceptances for competing plans.

17. By filing the Plan and Disclosure Statement, the Debtors have taken the most significant step towards a successful and consensual resolution of their Chapter 11 Cases. The Plan and Disclosure Statement are the result of extensive and lengthy negotiations by and among the Debtors, the Committee and Pegasus Communications Corporation (“PCC”), the Debtors’ non debtor parent corporation.

18. When a debtor has timely filed a plan prior to the expiration of the exclusive right to file a plan, courts have granted extensions of a Debtors’ exclusive right to solicit acceptances thereto. In In re Judd, 173 B.R. 941, 943 (Bankr. D. Kan. 1994), the court noted that the debtors had timely filed both their plan and their motion to extend the time to solicit acceptances, and ordered an extension of the exclusive period for solicitation until the date of the confirmation hearing. See also Bank of America National Trust & Savings Co. v. 203 North LaSalle Partnership, 526 U.S. 434, 438 (1999) (where debtors had filed plan within exclusive period to file a plan, court granted extension of exclusive period for solicitation). Where a debtor properly files a plan and seeks a timely extension of the exclusive period to solicit plan acceptances, the Bankruptcy Code contemplates that the debtor will have a period in which no other plan may compete with the Debtors’ plan. In re Corvus Corporation, 122 B.R. 685, 687 (Bankr. E.D. Va. 1991).

AUTHORITY AND NARRATIVE REQUIRED BY LOCAL RULE 3016-2

19. Governing law strongly supports the relief sought by the Debtors in this Motion. The legislative history of section 1121(d) reflects that Congress intended to provide for flexibility in the fixing of the exclusive period:

In most cases, 120 days will give the debtor adequate time to negotiate a settlement, without unduly delaying creditors. The court is given the power, though, to increase . . . the 120 day period depending on the circumstances of the case. [T]he bill allows the flexibility for individual cases that is not available today.

H.R. Rep. No. 595, 95th Cong., 1st Sess. 232 (1977); see also In re Perkins, 71 B.R. 294, 297 (W.D. Tenn. 1987) (“the hallmark of [section 1121(d)] is flexibility”).

20. In this Circuit, the circumstances to be considered include: (i) the size and complexity of the case, (ii) the likelihood of an imminent consensual plan if the debtor retains exclusivity, (iii) the existence of alternative plans which would not be considered due to the existence of the debtor’s exclusivity, and (iv) a balancing of the rights of a debtor and its creditors. In re Public Service Co. of New Hampshire, 88 B.R. 521, 537 (Bankr. D.N.H. 1988). The large size of a debtor and the consequential difficulty in formulating a plan of reorganization for a sizeable debtor with a complex financial structure are important factors that play a significant role in establishing cause for extending the exclusivity period. In re Texaco Inc., 76 B.R. 322, 326 (Bankr. S.D.N.Y. 1987).

21. Sufficient cause exists to grant the Debtors’ Motion to extend their Solicitation Exclusivity. As described in greater detail in the First Exclusivity Motion and the Second Exclusivity Motion and incorporated herein by reference, and in the period following the Second Exclusivity Motion, the Debtors have made a great deal of progress towards a consensual resolution of their Chapter 11 Cases:

- The Debtors have negotiated, executed, and had approved by this court the Global Settlement, settling all litigation among the Debtors, DIRECTV, and the National Rural Telecommunications Cooperative (the “NRTC”) and certain claims by and among the Debtors, the Committee, DIRECTV, the NRTC, and PCC. This court entered an order granting the Debtors’ motion for approval of the Global Settlement on August 26, 2004.
- The Debtors have negotiated and executed an asset purchase agreement (the “Satellite Asset Purchase Agreement”), providing for sale of substantially all of the DBS business to DIRECTV, and the Debtors and the Committee are in the process of negotiating sale of substantially all of the assets of the Broadcast Debtors to PCC, subject to higher and better offers (the “Broadcast Asset Purchase Agreement”).
- The Satellite Purchase Agreement was approved by the Court July 30, 2004, with a closing date of August 27, 2004. Under the Satellite Purchase Agreement, substantially all of the assets, properties, and rights related to the Debtors’ DBS business (collectively, the “Satellite Assets”) were purchased by DIRECTV. Under the Global Settlement, the Debtors secured a purchase price of \$938 million for the transfer and conveyance of the Satellite Assets to DIRECTV.
- Under the terms of the Global Settlement and the Satellite Asset Purchase Agreement, the Debtors and DIRECTV also entered into an agreement dated July 30, 2004 regarding the Debtors’ cooperation and assistance in the transition of subscribers to DIRECTV, the reimbursement of certain costs to the Debtors by DIRECTV, and the terms under which DIRECTV will provide DBS services to the Debtors (the “Cooperation Agreement”).
- Although no formal agreement has been reached, the Debtors have reached an agreement in principle with PCC with respect to the terms of the Broadcast Asset Purchase Agreement. The terms include a cash purchase price of \$75 million, subject to higher and better offers, with no break up fee. The Debtors anticipate in the very near future that the terms will be finalized and that they be filing a motion to (A) approve the form of Broadcast Asset Purchase Agreement with PCC, subject to higher and better offers; (B) approve certain bidding procedures; (C) schedule a hearing to consider approval of the sale of substantially all Broadcast Television Assets; (D) approve the form and manner of notice of such auction and sale; (E) authorize the sale of substantially all of the Debtors’ Broadcast Television Assets free and clear of all liens, claims, interests, and encumbrances; and (F) related relief (the “Broadcast Sale Motion”).
- If an agreement cannot be reached with PCC, the Debtors and the Committee may elect to negotiate with an alternative “stalking horse” bidder, consummating such sale pursuant to the transaction documents approved by the Bankruptcy Court and the terms of the order of the Broadcast Sale. If the Committee, in consultation with the Debtors,

determines not to pursue a Broadcast Sale at this time, they may elect to hold an open auction to sell the Broadcast Assets, or otherwise provide for the transfer of Broadcast Assets to the Liquidating Trust. This may be accomplished by, among other alternatives, transferring the New PSC Common Stock to the Liquidating Trust.

- One of the significant challenges the Debtors have faced throughout the pendency of their Chapter 11 Cases has been dealing with employee unrest and declining employee morale in light of the tenuous circumstances the Debtors found themselves in. To this end, the Debtors have implemented a variety of employee retention plans to provide incentives and benefits to certain of the Debtors' management employees. These measures are reflected in the Orders dated June 4, 2004, July 9, 2004, August 3, 2004, September 23, 2004, and November 24, 2004.
 - In an effort to quantify all potential liabilities, the Debtors have worked diligently to analyze their books and records and address issues related to the Debtors' Schedules of Assets and Liabilities and Statement of Financial Affairs (collectively, the "Schedules"). The Schedules were timely filed on August 16, 2004. The Debtors also filed a motion to set general and governmental bar dates and establish procedures for filing proofs of claims and approving the form and manner of notice. On September 1, 2004, the court issued an order approving this motion, setting the general bar date for October 12, 2004 and the governmental bar date for November 30, 2004.
 - On December 27, 2004, the Debtors filed the First Omnibus Objection to and Motion to Reclassify, Reduce, or Disallow Certain Claims Pursuant to 11 U.S.C. § 502(b), Bankruptcy Rules 3001 and 3007, and D. Me. LBR 3007-1 (the "First Omnibus Objection"). The First Omnibus Objection seeks to disallow and expunge certain claims on various grounds, including that the claims in question were not timely filed, are duplicative of other claims, have been superceded by other claims, lack sufficient documentation to substantiate the claim, or do not represent liabilities owed by the Debtors. The First Omnibus Objection is part of the ongoing process to ensure that the claims filed against the Debtors' estates are an accurate representation of the Debtors' liabilities.
 - Filed contemporaneously with this Motion is the Debtors' Motion to set an administrative claims bar date for twenty (20) days after the Effective Date of the Plan.
22. All such factors relevant to this case support the relief requested.

Moreover, as required by Local Rule 3016-2, the Debtors' reasons for the requested extension of the Exclusive Period are highlighted above and summarized below.

23. The Debtors' cases are large and complex. There are twenty-eight (28) debtors in these procedurally consolidated chapter 11 cases. As noted above, as of March 31, 2004, the Debtors had assets in excess of \$1.6 billion and generated net revenues of approximately \$831.2 million during calendar year 2003.

24. The Debtors have not been dilatory in these cases. Rather, the Debtors have worked expeditiously to address critical issues in these cases. Indeed, as this Court is aware, since the Petition Date, the Debtors have managed to successfully resolve massive and complex litigation in a manner that preserved the value of the Debtors' DBS business for creditors. The Debtors have also arranged for the maintenance and retention of the stable workforce necessary for the Debtors to meet their obligations under the Global Settlement Agreement and to successfully complete their reorganization.

25. The Debtors' reorganization requires the disposition of their business owning and managing various television stations and acting as a cable channel sales agent (the "Broadcast Business").³ That disposition has been complicated by the necessity of preserving certain net operating loss tax carry-forwards ("NOL's") in order to maximize the value of the Broadcast Business. As memorialized as part of the Global Settlement, it was recognized that PCC, as the entity most likely able to take full advantage of the NOL's, would likely be able to offer the highest purchase price for the Broadcast Business. Since the entry of the Global Settlement Agreement, PCC, the Debtors, and the Committee have been engaged in extensive

³ The Broadcast Business consists of such business (a) owning or managing the television stations WOLF, Hazelton, Pennsylvania; WILF, Williamsport, Pennsylvania; WPXT, Portland, Maine; WDSI, Chattanooga, Tennessee; WTLH, Bainbridge, Georgia; WGFL, High Springs, Florida; WPME, Lewiston, Maine; WSWB, Scranton, Pennsylvania; WTLF-DT, Tallahassee, Florida and WFXU, Tallahassee, Florida, (b) acting as a cable channel sales agent for The WB Network in Gainesville, Florida and Tallahassee, Florida and (c) exercising rights from time to time under the Option Agreement, dated April 14, 1998, as amended, between PSC, W.W. Keen Butcher and certain other parties named therein, and under certain asset purchase agreements executed pursuant to such Option Agreement.

and complex negotiations regarding the possible structure and consideration for the sale of the Broadcast Business. These negotiations continue as of the date hereof.

26. Nevertheless, the Debtors have sought to hasten the recovery of creditors from the consideration received from the sale of their DBS business. In consultation with the Committee and PCC, the Debtors drafted and filed the Plan, with the intent to allow distributions to creditors to begin prior to the ultimate disposition of the Broadcast Business. The Debtors believe that the Plan is sufficiently flexible to accommodate whatever manner of disposing of the Broadcast Business is in the best interests of creditors, without requiring further delay in the commencement of distributions.

27. Indeed, all of the Debtors' activities to date have been aimed at their ultimate goal, i.e., to propose a consensual plan of reorganization in these cases. Now that the Plan is on file, the Debtors believe that they will be able to solicit acceptances thereto within the additional time frame requested by this Motion.

28. The chances of obtaining a consensual plan of reorganization will be decidedly increased if the Debtors are allowed the time to carry out their solicitation free from the distractions of a competing plan of reorganization. The Plan and Disclosure Statement have already been filed, and the hearing on the Disclosure Statement is scheduled for February 9, 2005. The requested extension of the Solicitation Exclusivity from February 28, 2005 through and including the earlier of the Plan Confirmation Hearing or April 15, 2005 is not excessive. The Debtors anticipate that the Confirmation Hearing may be scheduled for late March, 2005. Given these developments, denying the Debtors an extension of the Solicitation Exclusivity before the Debtors have had a chance to carry out their solicitation would jeopardize the significant progress the Debtors have made to date, thereby defeating the very purpose of section

1121 of the Bankruptcy Code – to afford a debtor a meaningful and reasonable opportunity to negotiate with creditors and confirm a consensual plan of reorganization,

29. The requested extension of the exclusive period for solicitation of acceptances will not prejudice the legitimate interests of any creditor or equity security holder, and will afford the parties the opportunity to pursue to fruition the beneficial objectives of a consensual plan of reorganization. Accordingly, the requested extension of the exclusive period to solicit acceptances of a plan is appropriate under the circumstances and the Debtors respectfully request that such relief be granted.

NOTICE

30. Notice of this Motion has been provided to each of the parties on the All Notices List (as defined therein) in accordance with the Order Establishing Case Management Procedures and Hearing Schedule dated July 9, 2004.

NO PRIOR REQUEST

31. Except as the prior requests for extensions of the Exclusive Periods have been described herein, no previous request for the relief sought herein has been made by the Debtors to this or any other court.

WHEREFORE, the Debtors respectfully request that the Court enter an order:
granting an extension of the Solicitation Period to and including the earlier of the Plan
Confirmation Hearing or April 15, 2005, during which time they will have the exclusive right to
solicit acceptances of a plan or plans, and for such other relief as may be just and proper.

Dated: Portland, Maine
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