

Hearing Date:
June 3, 2004 at 10:00 a.m.
PORTLAND

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MAINE

_____)	
In re:)	Chapter 11
)	
PEGASUS SATELLITE TELEVISION, INC., et al.,)	Case Nos. 04-20878
)	
Debtors.)	(Jointly Administration Requested)
_____)	

**APPLICATION FOR AN ORDER AUTHORIZING THE RETENTION
AND EMPLOYMENT OF BERNSTEIN, SHUR, SAWYER & NELSON AS
ATTORNEYS FOR THE DEBTORS AND DEBTORS IN POSSESSION**

Pegasus Satellite Television, Inc. and certain of its subsidiaries and affiliates, each a debtor and debtor-in-possession herein (collectively, the “Debtors”),¹ by and through their undersigned attorneys, hereby files this Application (the “Application”) requesting entry of an order authorizing the retention and employment of the law firm of Bernstein, Shur, Sawyer & Nelson, P.A. (“BSSN”) as reorganization and bankruptcy counsel for the Debtors pursuant to §§ 327(a) and 1107 of chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”). The facts and circumstances supporting this application are set forth in the concurrently filed Affidavit of Ted S. Lodge, President, Chief Operating Officer and Counsel of Pegasus Satellite

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.

Communications, Inc., in support of First Day Motions (the "Lodge Affidavit") and the Affidavit of Robert J. Keach, Esq. in Support of Application for an Order Authorizing the Retention and Employment of Bernstein, Shur, Sawyer & Nelson, P.A. as Attorneys for the Debtors and Debtors in Possession and Disclosure of Compensation Pursuant to Bankruptcy Code Section 329 (the "Keach Affidavit"), a copy of which is attached hereto as Exhibit A and incorporated herein by reference. In further support of this Application, the Debtors respectfully state as follows:

STATUS OF THE CASE AND JURISDICTION

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

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

4. The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). Venue is proper in this Court pursuant to 28 U.S.C. §§ 1408 and 1409. The statutory predicate for the relief sought herein is 11 U.S.C. § 327(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 distribution channels available to digital satellite service providers seeking broad and effective distribution in rural areas throughout the continental United States.

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

RELIEF REQUESTED

10. By this Application, the Debtors seek entry of an order pursuant to sections 327(a) and 328(a) of the Bankruptcy Code and Bankruptcy Rule 2014 authorizing the employment and retention of BSSN as their reorganization and bankruptcy co-counsel with regard to the filing and prosecution of their chapter 11 cases.

BASIS FOR RELIEF

11. The Debtors have selected BSSN, subject to the Court's approval, because of BSSN's extensive experience and knowledge in the field of debtors' and creditors' rights and business reorganizations under chapter 11 of the Bankruptcy Code. Additionally, the Debtors submit that BSSN's expertise, experience and knowledge practicing before this Court will be efficient and cost effective for the Debtors' estates. In preparing these cases, BSSN has become familiar with the Debtors' businesses and affairs and many of the potential legal issues which may arise in the context of these chapter 11 cases in a most efficient and timely manner.

12. The Debtors have also chosen Sidley Austin Brown & Wood LLP ("Sidley") as their reorganization and bankruptcy co-counsel. The Debtors are submitting, concurrently with this Application, a separate retention of Sidley pursuant to section 327(a) of the Bankruptcy Code. BSSN and Sidley have discussed an appropriate division of

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.

responsibilities so as to avoid unnecessary duplication of the services provided by each to the Debtors.

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

SERVICES TO BE RENDERED

14. The Debtors anticipate that BSSN will render services, including but not be limited to, the following:

- a. to provide the Debtors with legal advice with respect to their powers and duties as debtors-in-possession in the continued operation of their businesses and management of their properties;
- b. to prepare and pursue confirmation of a plan of reorganization and approval of a disclosure statement;
- c. to prepare on behalf of the Debtors necessary applications, motions, answers, orders, reports and other legal papers;
- d. to appear in court and to protect the interests of the Debtors before the court; and
- e. to perform all other legal services for the Debtors which may be necessary and proper in these proceedings.

DISINTERESTEDNESS OF PROFESSIONALS

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

16. To the best of BSSN's knowledge, the individual attorneys of BSSN do not have any adverse connection with the Debtors, their creditors, or any other party-in-interest or their respective attorneys and accountants or the United States Trustee; do not hold or

represent an interest adverse to the Debtors' estates; and are "disinterested persons" as that term is defined in section 101(14) of the Bankruptcy Code, as modified by section 1107(b) of the Bankruptcy Code. Except as otherwise disclosed in the Keach Affidavit, BSSN is not currently retained by any creditor or party-in-interest in connection with these cases.

17. BSSN will conduct an ongoing review of its files to ensure that no conflicts or other disqualifying circumstances exist or arise. If any new relevant facts or relationships are discovered, BSSN will supplement this Application in a disclosure to the Court.

PROFESSIONAL COMPENSATION

18. 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). Subject to this Court's approval, BSSN 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 Keach Affidavit filed concurrently herewith. BSSN's billing rates currently range from \$155.00/hr to \$400.00/hr for partners, \$100.00/hr to \$205.00/hr for associates, \$60.00/hr to \$115.00/hr for para-professionals, and \$215.00/hr to \$300.00/hr for attorneys of counsel. These hourly rates are subject to periodic adjustment increases in the normal course of BSSN's business.

19. In addition to the hourly rates set forth above, BSSN customarily charges its clients for all costs and expenses incurred, including telephone and telecopier toll and other charges, mail and express mail charges, special or hand delivery charges, document processing, photocopying charges, travel expenses, expenses for "working meals," computerized research, transcription costs, charges and fees of outside vendors, consultants, and service providers, and witness fees and other fees related to trials and hearings, as well as non-ordinary course overhead

expenses such as secretarial overtime. All such expenses will be charged in compliance with the Local Rules of this Court and in accordance with the Standard Maine Expense Level List incorporated within such Local Rules.

20. As to the time spent in assisting and advising the Debtors regarding the Services described above, BSSN 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.

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

22. The Debtors believe that the fees of BSSN 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 BSSN's retention and BSSN's importance to the Debtors.

23. The Debtors desire to retain BSSN under a general retainer because of the extensive legal services that may be required and the fact that the nature and extent of such services are not known at this time. BSSN has received a retainer in the amount of \$50,000.00 in connection with planning and preparation of initial documents for filing these chapter 11 cases. A portion of this amount has been applied to prepetition fees and expenses, including the chapter 11 filing fees; the balance will be held by BSSN as security for post-petition fees and expenses.

NOTICE

24. Notice of this Motion has been given to (i) the United States Trustee for the District of Maine; (ii) the Debtors' fifty (50) largest unsecured creditors on a consolidated

basis, as identified in their chapter 11 petitions; (iii) the administrative agents for the credit facilities of Pegasus Media & Communications, Inc. and Pegasus Satellite Communications, Inc. (“PSC”) and (iv) each of the indenture trustees for each series of notes of PSC. The Debtors submit that in light of the nature of the relief requested, no further notice is required.

NO PREVIOUS RELIEF REQUESTED

25. 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 BSSN as their reorganization and bankruptcy co-counsel in these chapter 11 cases pursuant to section 327(a) of the Bankruptcy Code and grant such other relief as may be just and proper.

Dated: Bala Cynwyd, Pennsylvania
June 2, 2004

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



Ted S. Lodge
President, Chief Operating Officer and Counsel