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UNITED STATES BANKRUPTCY COURT
DISTRICT ARIZONA

In re ACCIPITER COMMUNICATIONS, INC., d/b/a ZONA COMMUNICATIONS, Debtor.	Chapter 11 Case No. 2:14-bk-04372-GBN **DISCLOSURE STATEMENT IN SUPPORT OF SECOND AMENDED PLAN OF REORGANIZATION**

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APPENDICES TO DISCLOSURE STATEMENT

1. INTRODUCTION AND SUMMARY

1(a) Overview

Accipiter Communications, Inc., doing business as Zona Communications (the "*Debtor*") filed its voluntary Chapter 11 bankruptcy petition under Title 11 of the United States Code (the "*Bankruptcy Code*") in the United States Bankruptcy Court for the District of Arizona (the "*Bankruptcy Court*") on March 28, 2014 (the "*Petition Date*").

The Bankruptcy Court has approved this disclosure statement (the "*Disclosure Statement*") under Bankruptcy Code §1125 in connection with confirmation of the plan of reorganization (the "*Plan*") proposed by the Debtor and the Official Committee of Unsecured Creditors (the "*Committee*") in this case (the "*Chapter 11 Case*"). The Plan was filed with the Bankruptcy Court on May 15, 2015, superseding previous plans of reorganization filed on August 27, 2014, and December 16, 2014. The Plan addresses all the Debtor's assets and liabilities.

The following introduction and summary is a general overview only and is qualified by, and should be read in conjunction with, the more detailed discussions, information, and financial statements appearing elsewhere in this Disclosure Statement and the Plan. All capitalized terms not defined in this Disclosure Statement have the meanings given to them in the Plan. A copy of the Plan, separately filed in the Chapter 11 Case, is **Appendix 1** to this Disclosure Statement.

This Disclosure Statement sets forth certain information regarding the Debtor's prepetition operating and financial history, the circumstances giving rise to this Chapter 11 Case, and the proposed reorganization of the Debtor's debt obligations under the Plan. This Disclosure Statement also describes terms and provisions of the Plan, including certain alternatives to the Plan, certain effects of confirmation of the Plan, certain risk factors associated with the Plan, and the manner in which distributions will be made under the Plan. In addition, this Disclosure Statement discusses the confirmation process and how voting on the Plan will occur. Certain provisions of the Plan, and the descriptions and summaries contained in this Disclosure Statement, may be the subject of continuing negotiations among the Debtor and various parties, may not have been finally agreed on, and may be modified. Those modifications, however, will not materially affect the distributions contemplated by the Plan.

The Debtor and the Committee are the proponents of the Plan within the meaning of Bankruptcy Code §1129. The Plan contains separate Classes and proposes recoveries for holders of Claims against and Equity Interests in the Debtor. After careful review of the Debtor's current financial condition and the needs associated with the continued operation of the Debtor's business, the Debtor and the Committee have concluded that the recovery to Creditors will be maximized by the reorganization proposed in the Plan.

1(b) Notice to Holders of Claims and Equity Interests

This Disclosure Statement is being used to solicit votes on the Plan only from holders of impaired Claims and Equity Holders. It is being transmitted to Creditors with unimpaired Claims and other parties in interest for informational purposes. The principal purpose of this Disclosure

Statement is to provide adequate information to enable holders of impaired Claims to make a reasonably informed decision with respect to the Plan before voting to accept or reject the Plan.

On _____, 2015, the Bankruptcy Court entered an order, attached as **Appendix 2** to this Disclosure Statement, approving this Disclosure Statement as containing information of a kind and in sufficient and adequate detail to enable Creditors and Equity Holders to vote on the Plan as required by Bankruptcy Code §1125. **The Bankruptcy Court's approval of this Disclosure Statement does not constitute either a guaranty of the accuracy or completeness of the information contained in this Disclosure Statement or the Bankruptcy Court's endorsement of the Plan.**

Holders of Claims or Equity Interests are encouraged to read this Disclosure Statement and its appendices carefully and completely before deciding to accept or reject the Plan. If a description in this Disclosure Statement and a term of the Plan conflict, the Plan governs.

This Disclosure Statement and the other materials included in the solicitation package are the only documents authorized by the Bankruptcy Court to be used in connection with the solicitation of votes on the Plan. No solicitation of votes may be made except after distribution of this Disclosure Statement, and no person has been authorized to distribute any information concerning the Debtor or the Plan other than the information contained in this Disclosure Statement.

Certain of the information contained in this Disclosure Statement is by its nature forward-looking and contains estimates, assumptions, and projections that may prove materially different from actual future results. Except as otherwise specifically stated, this Disclosure Statement does not reflect any events that may occur after the date of this Disclosure Statement and that may materially affect the information contained in this Disclosure Statement. The Debtor does not intend to update the information contained in this Disclosure Statement.

The financial information contained in this Disclosure Statement has not been audited by a certified public accountant and may not have been prepared in accordance with generally accepted accounting principles.

This Disclosure Statement has been prepared in accordance with Bankruptcy Code §1125 and Bankruptcy Rule 3016(b) and not necessarily in accordance with federal or state securities laws or other non-bankruptcy law. This Disclosure Statement has been neither approved nor disapproved by the Securities and Exchange Commission (the "*SEC*"), nor has the SEC passed on the accuracy or adequacy of the statements contained in this Disclosure Statement.

This Disclosure Statement may not be construed to be conclusive advice on the tax, securities, or other legal effects of the Plan on holders of Claims against, or Equity Interests in, the Debtor.

1(c) Summary Of Treatment Of Claims And Equity Interests Under The Plan

The Plan contains definitions and rules of interpretation and provides the treatment of separate classes for holders of Claims against, and Equity Interests in, the Debtor. Under Bankruptcy Code §1123(a)(1), Administrative Claims and Priority Tax Claims are not classified.

The table below summarizes the classification and treatment of the prepetition Claims and Equity Interests under the Plan. The classification and treatment for all Classes are described in more detail in Section 4 of this Disclosure Statement and Article 3 of the Plan.

Class	Description	Treatment
1	Priority Claims **(Unimpaired; deemed to accept)**	Each holder of an Allowed Priority Claim other than a Priority Tax Claim receives Cash in an amount equal to its Allowed Priority Claim on the later of: (i) the Effective Date, or as soon after that date as feasible; and (ii) 30 days after the Priority Claim is Allowed; unless, before the later of those two dates, the holder of the Claim and Reorganized Accipiter agree in writing to a different date.
2	Miscellaneous Secured Claims **(Unimpaired; deemed to accept)**	Each holder of an Allowed Miscellaneous Secured Claim in Class 2 receives Cash in an amount equal to its Allowed Miscellaneous Secured Claim from the proceeds of the collateral to which the claim pertains on the later of: (i) the Effective Date, or as soon after that date as feasible; and (ii) the closing date of the sale of the collateral to which the claim pertains; unless, before the later of those two dates, the holder of the Claim and Reorganized Accipiter agree in writing to a different date. Each holder of an Allowed Miscellaneous Secured Claim retains all Liens on applicable property of the Estate arising under applicable law until that holder's Allowed Miscellaneous Secured Claim is paid in full under the Plan.
3A	RUS A Loan Claim **(Impaired; entitled to vote)**	In full and final satisfaction of the RUS A Loan Claim, Reorganized Accipiter makes the New RUS Note A payable to RUS as of the Effective Date. As security for the repayment of the New RUS Note A, RUS retains all Liens RUS held in the Debtor's property on the Petition Date and limited by Bankruptcy Code §552(a) and (b). In accordance with Bankruptcy Code §552(a) and (b), RUS is granted no Liens in any other property of the Debtor or Reorganized Accipiter not existing on the Petition Date.
3B	RUS B Loan Claim **(Impaired; entitled to vote)**	In full and final satisfaction of the RUS B Loan Claim, Reorganized Accipiter makes the New RUS Note B payable to RUS as of the Effective Date. As security for the repayment of the New RUS Note B, RUS retains all Liens RUS held in the Debtor's property on the Petition Date and limited by Bankruptcy Code §552(a) and (b). In accordance with Bankruptcy Code §552(a) and (b), RUS is granted no Liens in any other property of the Debtor or Reorganized Accipiter not existing on the Petition Date.

Class	Description	Treatment
3C	RUS C Loan Claim **(Impaired; entitled to vote)**	In full and final satisfaction of the RUS C Loan Claim, Reorganized Accipiter makes the New RUS Note C payable to RUS as of the Effective Date in the in the principal amount of $2,824,839 (that is, 20% of the Allowed amount of the RUS C Loan Claim). The New RUS Note C is unsecured and bears no interest.
4	General Unsecured Claims **(Impaired; entitled to vote)**	Each holder of an Allowed General Unsecured Claim receive, in full and final satisfaction of its Allowed General Unsecured Claim, nine equal monthly installment payments of Cash totaling the amount of its Allowed General Unsecured Claim beginning on the first Business Day of each full calendar month after the Effective Date. Reorganized Accipiter may prepay any Allowed General Unsecured Claim, or any remaining balance of such a Claim, in full or in part, at any time on or after the Effective Date without affecting the timing of payments on account of any other Allowed General Unsecured Claim.
5	Equity Interests and Equity Related Claims **(Impaired; deemed to reject)**	Under Bankruptcy Code §510(b), each Equity Related Claim is subordinated to all Claims or Equity Interests senior or equal to the Claim or Equity Interest represented by the Equity Related Claims. As of the Effective Date, all Equity Interests and Equity Related Claims are extinguished. The holders of Equity Interests and Equity Related Claims do not receive or retain any rights, property, or distributions on account of their Equity Interests or Equity Related Claims.

1(d) Voting Procedures, Ballots, and Voting Deadline

Accompanying this Disclosure Statement are, among other things, copies of: (1) the Plan (**Appendix 1** and separately filed in this Chapter 11 Case); (2) the notice of, among other things, the time for submitting Ballots to accept or reject the Plan, the date, time, and place of the hearing to consider confirmation of the Plan, and the time for filing objections to the confirmation of the Plan (the "*Confirmation Hearing Notice*"); and (3) if you are entitled to vote, a Ballot (and return envelope along with detailed instructions accompanying the Ballot) to be used in voting to accept or reject the Plan.

After carefully reviewing the Plan, this Disclosure Statement, and (if you are entitled to vote) the detailed instructions accompanying your Ballot, please indicate your acceptance or rejection of the Plan by completing the Ballot. You must provide all the information requested on the Ballot; failure to do so may result in your vote being disqualified. For your vote to be counted, your Ballot must be properly completed and **ACTUALLY RECEIVED** no later than _____, at 5:00 p.m. Arizona Time (the "*Voting Deadline*") by counsel for the Debtor, whose address and contact information is on the Ballot.

Ballots should NOT be sent to the Debtor, the Bankruptcy Court, the U.S. Trustee, the Committee, or any other party other than the Debtor's counsel. Ballots not received by the Voting Deadline by the Debtor's counsel will not be counted.

If you have any questions about the procedure for voting or the packet of materials that you have received or you wish to obtain an additional copy of the Plan, this Disclosure Statement, or any exhibits to either of those documents, please contact: Kathryn Hardy; Perkins Coie LLP; 2901 N. Central Ave., Suite 2000; Phoenix, AZ 85012; Telephone: (602) 351-8009; email khardy@perkinscoie.com.

1(e) Confirmation Procedures

Under Bankruptcy Code §1126(f), if a class of claims or interests is unimpaired under a plan, that class (and each member of that class) is conclusively presumed to have voted in favor of the plan and is not solicited to vote on the plan. In this Chapter 11 Case, the Plan contains four Classes of Creditors and one Class of Equity Interests. All Unclassified Claims and Claims in Classes 1 and 2 are unimpaired by the Plan and holders of those Claims are presumed to have voted in favor of the Plan and will not be solicited to vote on the Plan. All Claims in Classes 3A, 3B, 3C, and 4 are impaired and holders of those Claims are entitled to vote to accept or reject the Plan. Class 5 under the Plan (Equity Interests and Equity Related Claims) is also impaired but receive no recovery under the Plan and are, therefore, deemed to reject the Plan without voting.

The Bankruptcy Court has scheduled the Confirmation Hearing to begin on _____, 2015 at _____ __.m. (Arizona time) before the Honorable George B. Nielsen, United States Bankruptcy Judge, at the United States Bankruptcy Court, 203 North 1st Avenue, Phoenix, Arizona 85003. The Bankruptcy Court may adjourn the Confirmation Hearing from time to time without further notice except for an announcement of the adjournment date made at the Confirmation Hearing. The Bankruptcy Court has ordered that any objections to confirmation of the Plan be filed with the Clerk of the Bankruptcy Court (via the Bankruptcy Court's ECF system) and served so that they are actually received on or before _____, 2015, at 5:00 p.m. (Arizona time) by Counsel to the Debtor and the Office of the United States Trustee.

THE DEBTOR AND THE COMMITTEE BELIEVE THAT THE PLAN PROVIDES THE BEST RECOVERIES POSSIBLE FOR THE HOLDERS OF CLAIMS. THE DEBTOR AND THE COMMITTEE STRONGLY RECOMMEND THAT YOU VOTE TO ACCEPT THE PLAN.

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2. BACKGROUND REGARDING THE DEBTOR

2(a) Overview and History

The Debtor is a Nevada corporation with its principal place of business in Phoenix, Arizona, where it employs eight full-time employees.

The Debtor was formed in 1995 to provide telecommunications services to unserved or underserved, mostly rurally-situated residences and businesses in central Arizona who previously

had little or no access to any telecommunications services. Investing in the technological and physical infrastructure required to provide telephone and internet service to far-flung rural areas with extremely low population density would normally be financially infeasible. Yet the Debtor is one of many companies throughout the United States providing telecommunications services to rural subscribers under circumstances in which customer-generated revenue alone falls far short of the level necessary to sustain operations. Because the Debtor cannot rely on the urban densities and economies of scale enjoyed by telecommunications providers like CenturyLink and Cox, the Debtor is able to provide critical telecommunications services to rural customers only by participating in two federal programs:

First, the Debtor receives revenue subsidies from the federal Universal Service Fund ("USF"), which is administered under the authority of the Federal Communications Commission (the "FCC") and which was created by Congress to ensure that the telecommunications needs of all Americans, irrespective of where they live, are met. Because providing telecommunications services to small numbers of customers living in sparsely-populated areas is economically infeasible, the USF is designed to provide subsidized revenue streams to providers like the Debtor, ensuring that the provider's steep investments in infrastructure and its operational costs can be sustained while also assuring that rural customers pay rates that are affordable and reasonably comparable to those in urban areas.

Second, because the costs of building infrastructure—digging and cabling trenches, implementing transport and switching equipment—are prohibitive when compared with the customer revenue that can be expected from rural areas, and because those costs must be incurred before customer revenues or USF subsidies are received, the Debtor avails itself of capital debt financing provided under a rural telecommunications loan program administered by the Rural Utilities Service (the "RUS"), an agency of the U.S. Department of Agriculture (the "USDA"). The RUS has a Congressional mandate to make low-interest loans available to telecommunications providers such as the Debtor to fund construction of telecommunications infrastructure in low-density areas.

The Debtor is an Incumbent Local Exchange Carrier, which holds a Certificate of Convenience and Necessity ("*CC&N*") granted by the Arizona Corporation Commission in 1995 to serve portions of Maricopa and Yavapai Counties. The original service territory encompassed approximately 650 square miles and only 115 occupied residences, an area that has since been increased to encompass over 1,000 square miles. The CC&N imposes on the Debtor the obligation to provide regulated telephone services in its service area. The Debtor also provides deregulated services in its market, most notably broadband Internet access and DirecTV® television services.

The Debtor focused its initial years of operation on serving highly remote, mostly residential locations in mountainous and rocky terrain. Because it was attempting to deliver services in expensive-to-construct terrain to an exceedingly small customer base, the Debtor depended heavily on RUS loans and USF subsidies. As a result of the support provided by these two programs, the Debtor was able to deploy telephone service to rural residents at rates comparable to rates paid by residents in Metro Phoenix.

Currently, the Debtor's service area comprises approximately 7,200 inhabited residences. As of December 2014, the Debtor served 1,746 access lines on approximately 325 route-miles of cable, serving an average of approximately 5.37 access lines per route mile. The Debtor's fiber network currently serves customers in seven distinct population centers.

Establishing cable routes in rural portions of the Debtor's geography requires construction methods that are much more costly than those that can be employed in other areas of the country. The Debtor's operative area includes desert mountains, canyons, and rocky terrain, including the entirety of Lake Pleasant, a fifteen square-mile reservoir that draws thousands of recreational visitors per year. The wireless telecommunications coverage serving Lake Pleasant is connected to the Debtor's wireline facilities.

Additionally, as metropolitan Phoenix experienced rapid growth through 2008, the Debtor's service area began to hold potential for new suburban-density housing developments. By serving higher-density areas within its service territory, the Debtor could lower its dependence on USF subsidies while still maintaining its regulatory obligation to serve rural areas. Initially, the Debtor was blocked from serving Vistancia, the first large-scale suburban-density development to emerge in the Debtor's service area. The real estate developer and a competing telecommunications provider created a formidable, easement-based, barrier to entry, effectively monopolizing the telecommunications services in the soon-to-be-constructed housing development. The profits taken by the telecommunications monopoly were to be shared between the developer and the provider. When the Debtor discovered this agreement and its egregious terms, the Debtor filed complaints in Maricopa County Superior Court and with the Arizona Corporation Commission. The Debtor also brought the matter to the attention of the U.S. Department of Justice Antitrust Division, which commenced an investigation.

In November 2005, the developer and the provider agreed to a legal settlement that finally allowed the Debtor access to construct network infrastructure and offer services in that development. The Debtor was able to serve its first customers in that development by early 2007. Since then, the Debtor has experienced significant customer growth while maintaining a minimal increase in its discretionary operating expenses. This trend has caused the Debtor to realize a dramatic increase in efficiencies and has significantly lowered the Debtor's dependence on USF subsidies.

2(b) Events Precipitating the Chapter 11 Filing

In 2011 the FCC released a series of rule changes intended to reform the USF system. One change of significance to the Debtor was the implementation of a cap that limited USF support to an amount no greater than $250 per "regulated loop" per month. The Debtor quickly realized that its current support levels were above the caps and that the Debtor would experience substantial revenue reductions once the cap became effective in July 2012. The Debtor also realized that the FCC's implementation of the cap counted regulated loops as reported by the company two years prior—the revenues received in 2012 would be limited based on 2010's loops. Owing to the Debtor's rapid growth, the 2010 number of loops created a much more severe revenue reduction than if a current loop count were used.

The FCC's use of two-year-old line counts meant that the Debtor's revenues would be severely reduced until 2015, despite the fact that the Debtor has already achieved the growth necessary to alleviate the impact of the caps. More importantly, those revenue reductions would have been dramatic enough that the Debtor would have incurred a net operating loss in 2012 and would have become cash flow insolvent by early 2013, just over six months after the FCC implemented the new rule.

Accordingly, on April 18, 2012 the Debtor sought a waiver of the $250 per line limit for a 30-month period. In January 2013, the FCC finally granted the Debtor a waiver for 24 months, ensuring a somewhat higher level of USF subsidies than the unsustainable levels that would have obtained had the Debtor not been granted a waiver.

Nonetheless, the Debtor has been operating in a precarious cash flow posture since approximately July 2012. Despite the Debtor having obtained a waiver of the new USF caps, the Debtor has had to face a new existential challenge created by its lender, RUS. Since 2009, the Debtor has submitted multiple applications for new financing to RUS, and RUS has used arbitrary criteria to deny the Debtor access to new loan funding. The Debtor then sought RUS approval for restructuring of its debt. RUS refused to accept the Debtor's restructuring proposals.

Without a substantial restructuring of the RUS debt now outstanding, the Debtor will be unable to fulfill its legal obligation to provide telecommunications services to rural subscribers and will eventually be forced to shut its business down entirely. The Debtor has, for more than five years, attempted to find a way to comply with legal obligations placed on the Debtor by the FCC and deal with RUS's pre-bankruptcy refusal to fund the Debtor's growth, which would significantly enhance the Debtor's ability to repay the RUS debt, reduce its dependence on USF subsidies, and ultimately qualify for more conventional third-party working capital financing.

Ultimately, if the Debtor fails to meet certain growth targets necessary to reduce its need for USF subsidies, the Debtor will be forced to close its business. Not restructuring the RUS debt would create an immediate existential threat to the Debtor and to the subscribers who would lose telecommunications services—approximately 1,240 residential subscribers and approximately 506 business subscribers, including an elementary school, an enforcement agency, a fire station, two municipal water supply facilities, and a bank. Worse, approximately 500 of the Debtor's rural subscribers would be left with no other provider available for terrestrial voice and broadband services.

The Debtor was forced to file this Chapter 11 Case following the Debtor's inability to negotiate a consensual restructuring of the RUS debt with RUS. By March 2014, the Debtor could not deplete its operating cash any further and had to act to protect not only its ability to provide federally-mandated services to vulnerable customers but also the interests of its creditors and stakeholders. Reorganizing the Debtor's secured debt with RUS will restore the Debtor's cash flow and allow it to continue its customer growth, reducing the Debtor's dependence on USF subsidies while assuring that telecommunications services remain available to residents and businesses that have no other realistic option for those services.

2(c) Prepetition Capital Structure

In 1996, the Debtor applied for various RUS loans. RUS uses a letter system to designate and identify various loan applications. As a result, the Debtor's applications in 1996 were given the designation of "A." The Debtor was initially approved for three loans at that time: (i) an RUS loan in the maximum amount of $88,000 (the "*RUS A Loan*"); (ii) a loan from the Rural Telephone Bank ("RTB") in the maximum amount of $51,500 (the "*RTB A Loan*"); and (iii) an RUS "hardship" loan in the maximum amount of $7,000,000 (the "*Hardship Loan*" and, together with the RUS A Loan and the RTB A Loan, the "*A Loans*"). The interest rate for the "hardship" loan was fixed at 5%, while the RUS A Loan and the RTB A Loan were to bear interest at a "cost-of-money" rate calculated in accordance with a formula set forth in federal regulations governing RUS loan programs.

The A Loans are governed by the terms of the Telephone Loan Contract dated as of July 3, 1996 between the Debtor, the United States of America (the "*Government*"), and the RTB (the "*A Loan Agreement*"), as well as the Mortgage Note of the same date reflecting the RUS A Loan (the "*RUS A Loan Note*") and the Mortgage Note of the same date reflecting the Hardship Loan (the "*Hardship Loan Note*" and, together with the RUS A Loan Note, the "*A Loan Notes*"). The A Loan Notes and the A Loan Agreement are collectively referred to as the "*A Loan Documents*." Originally, the A Loan Notes were secured in part by the Mortgage, Security Agreement, and Financing Statement dated as of October 1, 1997. But in 2005, as part of the documentation surrounding the C Loan Notes described below, the Debtor, the Government, and the RTB entered into the Restated Mortgage, Security Agreement and Financing Statement dated as of October 13, 2005 (the "*Security Agreement*"), which replaced and restated the original mortgage in its entirety. The Security Agreement purports to grant the RUS a blanket security interest in substantially all the Debtor's real and personal property but, as described in greater detail below, the RUS does not have a lien on the Debtor's cash or accounts receivable.

The Debtor never drew down any funds under the RTB A Loan, so the note related to the RTB A Loan was ultimately rescinded in full and marked as cancelled in May 2008. Through a series of draws ("*Advances*") between August 1998 and February 2004, the Debtor drew down fully on the Hardship Loan and in August 2006 drew down fully on the RUS A Loan. As of the Petition Date, the Debtor believes that it owes combined principal on the RUS A Loan and the Hardship Loan in the approximate amount of $2,174,311.06. The aggregate of RUS A Loan draws bear interest at an approximate rate of 5.006%. Under the terms of the A Loan Documents, the A Loans mature on October 1, 2017. Because the Advances occur over a period of time but the maturity date is fixed, each Advance has a different amortization schedule. Further, with respect to all loans other than the Hardship Loan (that is, the A Loans described above and the B Loans and C Loans described below), each Advance bears interest at a unique, formula-derived rate.

In 2001, the Debtor applied for additional loans through RUS, which were given the designation of "B." The Debtor was approved for two loans at that time: (i) an RUS loan in the maximum amount of $5,792,000 (the "*RUS B Loan*"); and (ii) an RTB loan in the maximum amount of $3,377,850 (the "*RTB B Loan*" and, together with the RUS B Loan, the "*B Loans*"). The B Loans were to bear interest at a "cost-of-money" rate calculated in accordance with a formula set forth in federal regulations governing the RUS loan programs.

The B Loans are governed by the terms of the Telephone Loan Contract Amendment dated as of August 1, 2001 between the Debtor, the Government and the RTB (the "*B Loan Agreement*"), as well as the Mortgage Note of the same date reflecting the RUS B Loan (the "*RUS B Loan Note*") and the Mortgage Note of the same date reflecting the RTB B Loan (the "*RTB B Loan Note*" and, together with the RUS B Loan Note, the "*B Loan Notes*"). The B Loan Notes and the B Loan Agreement are collectively referred to as the "B Loan Documents." Originally, these B Loan Notes were secured in part by the Mortgage, Security Agreement, and Financing Statement dated as of October 1, 1997, and the Supplemental Mortgage dated as of August 1, 2001, but the Security Agreement is now the only security agreement pertaining to the B Loan, as with the A Loans and the C Loans.

Through Advances between February 2004 and March 2013, the Debtor drew down approximately $5,686,278 of its maximum availability under the RUS B Note. Through one Advance in February 2013, the Debtor drew down $478,663 of its maximum availability under the RTB B Note. As of the Petition Date, the Debtor believes that it owes principal in the approximate amounts of $3,990,904.02 on the RUS B Loan and $465,803.43 on the RTB B Loan. Under the terms of the B Loan Documents, the B Loans mature on August 1, 2022. Again, because the Advances occur over a period of time but the maturity date is fixed, each Advance has a different amortization schedule. Further, with respect to each of the B Loans, each Advance bears interest at a unique, formula-derived rate. In particular, the interest rates for the Advances under the RUS B Loan vary between 1.4% and 5%, and the interest rates for the one Advance under the RTB B Loan is 5%.

In 2005, the Debtor applied for additional loans through the RUS, which were given the designation of "C." the Debtor was approved for two loans at that time: (i) an RUS loan in the maximum amount of $12,739,000 (the "*RUS C Loan*"); and (ii) an RTB loan in the maximum amount of $8,916,600 (the "*RTB C Loan*" and, together with the RUS C Loan, the "*C Loans*"). The C Loans were to bear interest at a "cost-of-money" rate calculated in accordance with a formula set forth in federal regulations governing the RUS loan programs.

The C Loans are governed by the terms of the Loan Agreement dated as of October 13, 2005 between the Debtor, the Government, and the RTB (the "*C Loan Agreement*"), as well as the Promissory Note of the same date reflecting the RUS C Loan (the "*RUS C Loan Note*") and the Promissory Note of same date reflecting the RTB C Loan (the "*RTB C Loan Note*" and, together with the RUS C Loan Note, the "*C Loan Notes*"). The C Loan Notes and the C Loan Agreement are collectively referred to as the "*C Loan Documents*." The Debtor's obligations under the C Loan Documents are secured under the Security Agreement.

Between the time of the approval of the B Loans and the approval of the C Loans, RUS's rules changed such that the C Loan Documents reflected a five-year automatic expiration of the ability to draw down on the line. Neither the A Loans nor the B Loans had such a restriction on the time limit for the Debtor to draw down on its availability. The Debtor sought and received a two-year extension of this automatic expiration, extending the Debtor's ability to seek Advances under the C Loan Documents through October 2012.

Through Advances between November 2006 and September 2010, the Debtor drew down fully on the RUS C Loan, and drew down approximately $4,071,786 on the RTB C Loan. As of

the Petition Date, the Debtor believes that it owes principal in the approximate amounts of $ 10,305,276.67 on the RUS C Loan and approximately $3,818,918.99 on the RTB C Loan. Under the terms of the C Loan Documents, the C Loans mature on October 13, 2026. Again, because the Advances occur over a period of time but the maturity date is fixed, each Advance has a different amortization schedule. Further, with respect to each of the C Loans, each Advance bears interest at a unique, formula-driven rate. In particular, the interest rates for the Advances under the RUS C Loan vary between 3.12% and 5.03%, and the interest rate for all of the Advances under the RTB C Loan is 5%.

As a result, the Debtor believes that, as of the Petition Date, it owed approximately $20,755,214 in aggregate principal to RUS on account of the A Loans, the B Loans, and the C Loans (collectively, the "*Loans*").

The Debtor is a privately-held company, with its stock held by six individuals: Lewis van Amerongen (55.4%), David Sharbutt (18.49%), the Estate of Phillip Sotel (11.09%), Patrick Sherrill (11.04%), Little S Trust (2.84%), and Jenifer Vellucci (1.14%).

3. SIGNIFICANT EVENTS IN CHAPTER 11 CASE

3(a) Automatic Stay; Administrative Status

The Chapter 11 Case is assigned to the Honorable George B. Nielsen, United States Bankruptcy Judge for the District of Arizona. Since the Petition Date, the Debtor has operated as debtor-in-possession under Bankruptcy Code §§1107 and 1108. The Debtor hired Perkins Coie LLP as its general bankruptcy counsel.

An immediate effect of the commencement of the Chapter 11 Case was the imposition of the automatic stay under Bankruptcy Code §362 that, with limited exceptions, enjoined the commencement or continuation of all collection efforts by creditors, the enforcement of liens against the Debtor's property, and the commencement or continuation of litigation against the Debtor. This relief provided the Debtor with the "breathing room" necessary to pursue its business objectives in the Chapter 11 Case without undue pressure or litigation by Creditors. The automatic stay remains in effect, unless modified by the Bankruptcy Court, until consummation of the Plan.

3(b) Significant Events Leading to Filing of Plan

Since shortly after the inception of the Chapter 11 Case, the Debtor has used its operating cash—cash RUS claims as its cash collateral—in accordance with a series of stipulated orders containing agreements between the Debtor and RUS and requiring, among other things, for the Debtor to make monthly Adequate Protection Payments of approximately $79,000 per month. Although the Adequate Protection Payments were calculated as interest on the full balance of the Debtor's debt to RUS, the stipulated cash collateral orders reserved the Debtor's estate's rights to seek a determination from the Bankruptcy Court that RUS was not entitled under Bankruptcy Code §506(b) to receive post-Petition Date interest and that, therefore, some or all the Adequate Protection Payments should be attributed to pre-Petition Date principal owing to RUS.

In January 2015, the Committee filed the Adversary Proceeding under which the Committee, on the Estate's behalf, seeks, among other things, to equitably subordinate the RUS Claims to the claims of all creditors and, alternatively, to re-characterize the RUS Claims as Equity Interests. The Plan's treatment of the RUS Claims reflects Committee's position in the Adversary Proceeding and the Debtor's belief that the RUS C Loan Claim is entirely unsecured under Bankruptcy Code §506(a). The Debtor and the Committee will present valuation evidence before or during the Confirmation Hearing that supports the treatment of the RUS C Loan Claim as unsecured under Bankruptcy Code §506(a).

The Debtor has spent its time in this Chapter 11 Case operating its business and growing its subscriber base as part of a long-term effort to steadily reduce its dependence on USF support and increase non-subsidy revenue, a strategy designed to ensure the long-term viability of the Debtor's operations and its continued ability to service its rural customers.

At the same time, the Debtor has engaged in many months of often intense negotiations with RUS regarding the terms of a mutually-agreeable restructuring of the RUS debt. Those negotiations did not result in an agreement and the Debtor expects RUS to oppose confirmation of the Plan. The Debtor was successful in negotiating with the Committee an acceptable treatment of General Unsecured Claims. The Debtor's ability to implement that treatment and the Plan depends entirely on the cash flow improvements enabled by confirmation of the Plan.

At the end of 2014, the Debtor obtained highly important information regarding rule changes by the FCC that significantly and negatively affect the Debtor's USF support beginning on January 1, 2015. On December 11, 2014, the FCC formally adopted an order implementing long-anticipated rule changes to USF "high-cost loop" support—changes that the Debtor has taken into account in preparing the financial projections underlying the Plan and included with this Disclosure Statement. The FCC's formal adoption of these rule changes clarifies the new calculation for certain elements of the Debtor's future USF support. The Debtor's revenue forecast, however, is still subject to variability related to the manner in which the new rules will be implemented, the impact on the Debtor's other revenue streams, as well as FCC action on proposed future USF rulemaking.

The Debtor believes that the restructured debt obligations proposed in the Plan constitute the highest and fairest levels of debt service the Debtor's likely future revenues will support.

4. DESCRIPTION OF THE PLAN

4(a) Introduction

This section provides a summary of the Plan's structure, classification, treatment, and implementation. Although the statements contained in this Disclosure Statement include summaries of the provisions contained in the Plan and in documents referred to in the Plan, this Disclosure Statement is not a precise or complete statement of all the terms and provisions of the Plan or documents referred to in the Plan. Refer to the Plan and its exhibits for a complete statement of all the Plan's terms.

The Plan itself and the documents it refers to will control the treatment of holders of Claims against, and Equity Interests in, the Debtor under the Plan and will, on the Effective Date,

be binding on all parties-in-interest, including holders of Claims against, and Equity Interests in, the Debtor. The Plan is designed to effect a reorganization of the Debtor's business operations and a restructuring of the Debtor's obligations to its Creditors.

4(b) Summary of Claims Process, Bar Date, and Professional Fees

The Bankruptcy Court entered an order (the "*Bar Date Order*") setting June 27, 2014 as the deadline for filing proofs of claim against the Debtor (the "*Bar Date*"). The Bar Date does not apply to certain types of Claims, including Administrative Claims, Professional Fee Claims, and Rejection Claims arising after the Bar Date, as to which the bar date is controlled by provisions of the Plan and orders of the Bankruptcy Court authorizing the rejection of contracts or leases. Notice of the Bar Date was mailed to each person listed in the Schedules along with a copy of the Bar Date Order and a proof of claim form.

All Administrative Claims, Professional Fee Claims and Rejection Claims must be filed on or before the date that is the first Business Day that is 30 days after the Confirmation Date.

4(c) Classification and Treatment of Claims and Equity Interests, Generally

Bankruptcy Code §1122 requires that a plan classify the claims of a debtor's creditors and the interests of its equity holders. The Bankruptcy Code also provides that, except for certain claims classified for administrative convenience, a plan may place a claim of a creditor or an interest of an equity holder in a particular class only if the claim or interest is substantially similar to the other claims or interests of that class. The Bankruptcy Code also requires that a plan provide the same treatment for each claim or interest of a particular class unless the holder of a particular claim or interest agrees to a less favorable treatment of its claim or interest.

The Debtor believes that it has classified all Claims and Equity Interests in compliance with the requirements of the Bankruptcy Code. If a holder of a Claim or Equity Interest challenges the Plan's classification of Claims or Equity Interests and the Bankruptcy Court finds that a different classification is required for the Plan to be confirmed, the Debtor, to the extent permitted by the Bankruptcy Court, intends to modify the classifications of Claims or Equity Interests under the Plan to provide for whatever classification might be required by the Bankruptcy Court for confirmation. Except if a modification of classification adversely affects the treatment of a holder of a Claim or Equity Interest, acceptance of the Plan by any holder of a Claim or Equity Interest will be deemed to be a consent to the Plan's treatment of the holder of a Claim or Equity Interest regardless of the class as to which that holder ultimately is deemed to be a member.

4(d) Treatment of Unclassified Claims

As provided in Bankruptcy Code §1123(a)(1), Administrative Claims and Priority Tax Claims are not classified for purposes of voting on, or receiving distributions under, the Plan. Holders of Administrative Claims and Priority Tax Claims are not entitled to vote on the Plan but, rather, are treated separately in accordance with Sections he Plan andof t through 2.05 2.02 under Bankruptcy Code §1129(a)(9)(A).

4(d)(1) *Allowed Administrative Claims*

An Administrative Claim is a Claim for any cost or expense of administration of the Chapter 11 Case Allowed under Bankruptcy Code §§503(b), 507(b) or 546(c)(2) and entitled to priority under Bankruptcy Code §507(a)(2), including: (a) fees payable under 28 U.S.C. §1930; (b) actual and necessary costs and expenses incurred in the ordinary course of the Debtors' businesses; (c) actual and necessary costs and expenses of preserving the Estates or administering the Chapter 11 Case; and (d) all Professional Fee Claims to the extent Allowed by Final Order under Bankruptcy Code §§330, 331, or 503.

The Debtor estimates that, assuming an Effective Date of September 1, 2015, unpaid Administrative Claims other than Professional Fee Claims and Preserved Ordinary Course Administrative Claims will be minimal or zero.

4(d)(2) *Priority Tax Claims*

These are Claims of a Governmental Unit for taxes entitled to priority under Bankruptcy Code §507(a)(8). The Debtor estimates that, assuming an Effective Date of September 1, 2015, unpaid Priority Tax Claims will total approximately $800,000.

4(d)(3) *Professional Fees*

Claims for Professional Fees are Claims of Professionals, including an entity (a) employed in the Chapter 11 Case in accordance with an order of the Bankruptcy Court under Bankruptcy Code §§327, 328, 363, or 1103 and to be compensated for services under Bankruptcy Code §§327, 328, 329, 330, and 331 or order of the Bankruptcy Court; or (b) for whom compensation and reimbursement has been Allowed by a Final Order under Bankruptcy Code §503(b).

The Debtor has paid significant portions of the Professional Fee Claims on an interim basis during the Chapter 11 Case in accordance with Bankruptcy Court orders. Not counting the amounts already paid on an interim basis, the Debtor estimates that, assuming an Effective Date of September 1, 2015, unpaid Professional Fee Claims will total approximately $200,000.

4(d)(4) *Treatment.*

(A) *Allowed Administrative Claims*. Each Allowed Administrative Claim (other than a Professional Fee Claim) is paid in full in Cash (or otherwise satisfied in accordance with its terms) on the latest of: (a) the Effective Date, or as soon after that date as feasible; (b) any date the Bankruptcy Court may fix, or as soon after that date as feasible; (c) 30 days after the Claim is Allowed; and (d) any date on which the holder of the Claim and the Debtor or Reorganized Accipiter agree.

(B) *Preserved Ordinary Course Administrative Claims.* Each Allowed Preserved Ordinary Course Administrative Claim will be paid in full in Cash at Reorganized Accipiter's election either: (a) in accordance with the terms and conditions under which the Claim arose; or (b) in the ordinary course of Reorganized Accipiter's business. Payments will

made without further action by the holder of the Preserved Ordinary Course Administrative Claim.

(C) *Allowed Priority Tax Claims.* Except as provided immediately below, all Allowed Priority Tax Claims are paid in full in Cash on the latest of: (a) the Effective Date (or as soon after that date as feasible); and (b) 30 days after the Claim is Allowed. Reorganized Accipiter may elect to pay any Allowed Priority Tax Claim through regular installment payments in Cash of a total value, as of the Effective Date, equal to the Allowed amount of the Claim, over a period ending not later than five years after the Petition Date, and in a manner not less favorable than the most favored General Unsecured Claim provided for by the Plan. Accordingly, if Reorganized Accipiter so elects, the installment payments will be made in the same manner as the installment payments made on account of the Allowed General Unsecured Claims in Class 4, beginning on the latest of: (a) the Effective Date, or as soon after that date as feasible; (b) 30 days after the Claim is Allowed, or as soon after that date as feasible; and (c) another date on which the holder of the Claim and the Debtor or Reorganized Accipiter agree. Reorganized Accipiter retains the right to prepay any Allowed Priority Tax Claim, or any remaining balance of such a Claim, in full or in part, at any time on or after the Effective Date without premium or penalty. If any Allowed Priority Tax Claim is secured by a Lien on any property of the Estate under applicable non-bankruptcy law—that is, if the Claim is a Secured Tax Claim—the holder of that Claim retains the Lien it held as of the Petition Date securing the Claim until the Claim is paid in full. After satisfaction of the Secured Tax Claim, the claimholder's Lien is released in accordance with applicable non-bankruptcy law.

(D) *Professional Fee Claims.* Each Allowed Professional Fee Claim is paid in Cash, beginning three Business Days after the Professional Fee Claim is Allowed, in nine equal monthly installment payments of Cash totaling the amount of the Allowed Professional Fee Claim beginning on the first Business Day of each full calendar month after the Effective Date. Reorganized Accipiter may prepay any portion of any Allowed Professional Fee Claim at any time on or after the Effective Date as long as prepayments are made ratably on account of all Allowed Professional Fee Claims. For purposes of Plan confirmation, all holders of Professional Fee Claims must agree to the treatment of those Claims set forth in this section. Each Person seeking an award by the Bankruptcy Court of Professional Fees must file with the Bankruptcy Court and serve on Reorganized Accipiter and the Committee its final application for allowance of compensation for services rendered and reimbursement of expenses incurred through the Effective Date by the Professional Fee Bar Date.

All claims of Professionals for services rendered or expenses incurred after the Effective Date in connection with the Chapter 11 Case and the Plan including those relating to consummation of the Plan, any appeal of the Confirmation Order, the preparation, filing, and review of Professional Fee Claims, the prosecution of Avoidance Actions and Litigation Claims, and the resolution of Disputed Claims, are paid by Reorganized Accipiter on receipt of an invoice, or on other terms on which Reorganized Accipiter and the Professional agree, without the need for further Bankruptcy Court authorization or entry of a Final Order. Reorganized Accipiter may dispute and not pay any Professional fees incurred after the Effective Date. The Bankruptcy Court retains jurisdiction to resolve any such disputes.

4(e) Treatment of Classified Claims and Interests

In accordance with Bankruptcy Code §1123(a)(1), set forth below is a designation of classes of Claims against, and Equity Interests in, the Debtor (except the unclassified Claims receiving the treatment described in Section 4(d) above). A Claim or Equity Interest is placed in a particular Class for the purpose of receiving distributions in accordance with the Plan only if that Claim or Equity Interest has not been paid, released, or otherwise settled before the Effective Date. The treatment of classified Claims and Equity Interests and the provisions governing distributions on account of Allowed Claims and Allowed Equity Interests is set forth in Articles 3 and 4 of the Plan. You should refer to the Plan itself for the complete provisions governing the treatment of your particular Claim or Equity Interest.

4(e)(1) *Class 1 (Priority Claims)*

Class 1 consists of all Allowed Priority Claims other than Priority Tax Claims. Class 1 is unimpaired by the Plan. All holders of Allowed Priority Claims are deemed to have accepted the Plan and will not be solicited to vote on the Plan. Each holder of an Allowed Priority Claim other than a Priority Tax Claim receives Cash in an amount equal to its Allowed Priority Claim on the later of: (i) the Effective Date, or as soon after that date as feasible; and (ii) 30 days after the Priority Claim is Allowed; unless, before the later of those two dates, the holder of the Claim and Reorganized Accipiter agree in writing to a different date.

The Debtor believes there are two small Priority Claims totaling approximately $400.

4(e)(2) *Class 2 (Miscellaneous Secured Claims)*

Class 2 consists of all Allowed Secured Claims that are not Secured Tax Claims or the RUS Claim. Class 3 is unimpaired by the Plan. All holders of Allowed Miscellaneous Secured Claims are deemed to have accepted the Plan and will not be solicited to vote on the Plan. Each holder of an Allowed Miscellaneous Secured Claim in Class 2 receives Cash in an amount equal to its Allowed Miscellaneous Secured Claim from the proceeds of the collateral to which the claim pertains on the later of: (i) the Effective Date, or as soon after that date as feasible; and (ii) the closing date of the sale of the collateral to which the claim pertains; unless, before the later of those two dates, the holder of the Claim and Reorganized Accipiter agree in writing to a different date. Each holder of an Allowed Miscellaneous Secured Claim retains all Liens on applicable property of the Estate arising under applicable law until that holder's Allowed Miscellaneous Secured Claim is paid in full under the Plan.

The Debtor does not believe there are any Miscellaneous Secured Claims.

4(e)(3) *Class 3A (RUS A Loan Claim)*

Class 3A consists of the RUS A Loan Claim. Unless and until re-characterized as an Equity Interest by a Final Order issued in the Adversary Proceeding, the RUS A Loan Claim is an Allowed Secured Claim in the amount of $2,174,311, less the amount of Adequate Protection Payments determined by the Bankruptcy Court at the Confirmation Hearing to be principal under the RUS A Loan. Class 3A is impaired by the Plan. RUS is entitled to vote on the Plan.

In full and final satisfaction of the RUS A Loan Claim, Reorganized Accipiter makes the New RUS Note A payable to RUS as of the Effective Date.

(A) *New RUS Note A.* The New RUS Note A, in the principal amount of the Allowed RUS A Loan Claim, bears simple interest at 5.00% per year, for a term of 240 months. Reorganized Accipiter pays regularly-amortized principal and interest monthly, due on the last Business Day of each month, beginning with the first complete month following the Effective Date.

(B) *Permitted Principal Pre-Payment.* Reorganized Accipiter may pay any amount toward the principal balance of the New RUS Note A in addition to the principal owed in any month during the note's term without any penalty and without creating any obligation to pay principal at any other time in a manner inconsistent with the note's terms.

(C) *Retention of Lien.* As security for the repayment of the New RUS Note A, RUS retains all Liens RUS held in the Debtor's property on the Petition Date and limited by Bankruptcy Code §552(a) and (b). In accordance with Bankruptcy Code §552(a) and (b), RUS is granted no Liens in any other property of the Debtor or Reorganized Accipiter not existing on the Petition Date.

(D) *Sale of Collateral.* In the exercise of its sole business judgment and without needing to obtain any consent of any other party, Reorganized Accipiter may sell any of its assets, including any asset subject to a Lien in RUS's favor, and RUS must release its Lien on that asset contemporaneously with the closing of that sale, if:

i. all sale proceeds reasonably attributed to an asset subject to RUS's Lien, net of fees and costs of the sale and up to the amount then owed under the New RUS Note B, must be remitted to RUS at the closing of that sale and applied to the outstanding balance of the New RUS Note B, first to accrued interest, then to principal; and

ii. RUS's right to credit bid any amount owed under the New RUS Note B at such a sale is preserved.

4(e)(4) *Class 3B (RUS B Loan Claim)*

Class 3B consists of the RUS B Loan Claim. Unless and until re-characterized as an Equity Interest by a Final Order issued in the Adversary Proceeding, the RUS B Loan Claim is an Allowed Secured Claim in the amount of $4,456,707. Class 3B is impaired by the Plan. RUS is entitled to vote on the Plan.

In full and final satisfaction of the RUS B Loan Claim, Reorganized Accipiter makes the New RUS Note B payable to RUS as of the Effective Date.

(A) *New RUS Note B.* The New RUS Note B, in the principal amount of the Allowed RUS B Loan Claim, bears simple interest at 5.00% per year, for a term of 240 months. Reorganized Accipiter is not required to pay any principal during the New RUS Note B's term. All interest on the New RUS Note B's principal accrues and is added to the amount due under the New RUS Note B. All unpaid principal and accrued interest is due on the first day of the

241st full month following the Effective Date. Accruing interest under the New RUS Note B is not added to principal during the note's term—*i.e.*, no interest accrues on accrued and unpaid interest.

(B) *Mandatory Quarterly Payments.* Reorganized Accipiter must remit to RUS any Above-Ratio Cash existing at the end of each three-month period during the New RUS Note B's term, due on the last Business Day of the month following the end of that three-month period, which RUS must apply first to accrued interest, then to principal, owed under the New RUS Note B.

(C) *Permitted Principal Pre-Payment.* Reorganized Accipiter may pay any amount toward the principal balance of the New RUS Note B in addition to the principal owed in any month during the note's term without any penalty and without creating any obligation to pay principal at any other time in a manner inconsistent with the note's terms.

(D) *Retention of Lien.* As security for the repayment of the New RUS Note B, RUS retains all Liens RUS held in the Debtor's property on the Petition Date and limited by Bankruptcy Code §552(a) and (b). In accordance with Bankruptcy Code §552(a) and (b), RUS is granted no Liens in any other property of the Debtor or Reorganized Accipiter not existing on the Petition Date.

(E) *Sale of Collateral.* In the exercise of its sole business judgment and without needing to obtain any consent of any other party, Reorganized Accipiter may sell any of its assets, including any asset subject to a Lien in RUS's favor, and RUS must release its Lien on that asset contemporaneously with the closing of that sale, if:

i. all sale proceeds reasonably attributed to an asset subject to RUS's Lien, net of fees and costs of the sale and up to the amount then owed under the New RUS Note B, must be remitted to RUS at the closing of that sale and applied to the outstanding balance of the New RUS Note B, first to accrued interest, then to principal; and

ii. RUS's right to credit bid any amount owed under the New RUS Note B at such a sale is preserved.

4(e)(5) *Class 3C (RUS C Loan Claim)*

Class 3C consists of the RUS C Loan Claim. Unless and until re-characterized as an Equity Interest by a Final Order issued in the Adversary Proceeding, and in accordance with Bankruptcy Code §506(a)(1), the RUS C Loan Claim is an Allowed Unsecured Claim in the amount of $14,124,196. Class 3C is impaired by the Plan. RUS is entitled to vote on the Plan.

In full and final satisfaction of the RUS C Loan Claim, Reorganized Accipiter makes the New RUS Note C payable to RUS as of the Effective Date. The New RUS Note C, in the principal amount of $2,824,839 (that is, 20% of the Allowed amount of the RUS C Loan Claim), bears no interest and is paid in equal monthly installments of $11,770.16, due on the last Business Day of each month for 240 months, beginning with the first complete month following the Effective Date.

4(e)(6) *Class 4 (General Unsecured Claims)*

Class 4 consists of all Allowed General Unsecured Claims, including Rejection Claims. Class 4 is impaired. All holders of Allowed Class 4 Claims are entitled to vote on the Plan.

Each holder of an Allowed General Unsecured Claim receive, in full and final satisfaction of its Allowed General Unsecured Claim, nine equal monthly installment payments of Cash totaling the amount of its Allowed General Unsecured Claim beginning on the first Business Day of each full calendar month after the Effective Date. Reorganized Accipiter may prepay any Allowed General Unsecured Claim, or any remaining balance of such a Claim, in full or in part, at any time on or after the Effective Date without affecting the timing of payments on account of any other Allowed General Unsecured Claim.

The Debtor believes that, as of the assumed Effective Date of September 1, 2015, and assuming that the Estate prevails on the limited number of expected objections to filed proofs of claim, Allowed General Unsecured Claims will total approximately $600,000.

4(e)(7) *Class 5 (Equity Interests and Equity Related Claims)*

Class 5 consists of all Equity Interests and Equity Related Claims. Under Bankruptcy Code §510(b), each Equity Related Claim is subordinated to all Claims or Equity Interests senior or equal to the Claim or Equity Interest represented by the Equity Related Claims. As of the Effective Date, all Equity Interests and Equity Related Claims are extinguished. The holders of Equity Interests and Equity Related Claims do not receive or retain any rights, property, or distributions on account of their Equity Interests or Equity Related Claims. In light of this treatment, Class 5 is impaired by the Plan but all holders of Equity Interests and Equity Related Claims are deemed to reject the Plan without voting.

5. PLAN IMPLEMENTATION

5(a) Effective Date Funding

Cash payments on and after the Effective Date on account of Allowed Administrative Claims, Allowed Priority Tax Claims, and Allowed Priority Claims under the Plan, and any Cure required under Section 5.03 of the Plan, are made from the Debtor's Cash, which includes the New Capital Contribution paid to Reorganized Accipiter no later than the Effective Date. The Debtor must reserve sufficient Cash on the Effective Date to pay all Administrative Claims, Priority Claims, and Cure amounts in the Maximum Amount. All Cash not so reserved vests in Reorganized Accipiter on the Effective Date. Any Cash remaining on reserve after all Administrative Claims, Priority Tax Claims, Priority Claims and Cure amounts have been either Disallowed or Allowed and paid in accordance with the Plan vests in Reorganized Accipiter.

5(b) Possible Subordination of RUS Claims

In the Adversary Proceeding, the Committee, on the Estate's behalf, seeks, among other things, to equitably subordinate the RUS Claims to the claims of all creditors. If the Bankruptcy Court enters a Final Order in the adversary proceeding equitably subordinating the RUS Claims, all distributions on account of the RUS Claims in Classes 3A, 3B, and 3C and all associated

terms of months will commence on (or, if distributions on account of the RUS Claims have commenced, will cease until) the first Business Day of the first whole calendar month following the date on which all distributions under the Plan on account of all Allowed Class 4 Claims are paid in full, with the payment period specified in the Plan for each subordinated RUS Claim tolled until that first Business Day.

5(c) Disputed Claims

Reorganized Accipiter must manage Cash distributions to holders of Allowed General Unsecured Claims so as to reserve sufficient Cash to make appropriate distribution on account of any Disputed General Unsecured Claim as if that Disputed General Unsecured Claim were an Allowed General Unsecured Claim on the Effective Date in the Maximum Amount. If and when any Disputed General Unsecured Claim becomes an Allowed General Unsecured Claim, Cash sufficient to make appropriate distribution to the holder that Claim must be made from such reserves. If a Disputed General Unsecured Claim becomes a Disallowed General Unsecured Claim, all reserved distributions attributable to the holder of that Disputed General Unsecured Claim become available for Pro Rata distribution to all holders of Allowed General Unsecured Claims.

5(d) Restated Governance Documents

As of the Effective Date and without any further action by the directors of the Debtor or Reorganized Accipiter, the Debtor's corporate governance documents are amended and restated substantially in the forms of the Restated Governance Documents. The Restated Governance Documents prohibit (to the extent required by Bankruptcy Code §1123(a) and (b)) the issuance of non-voting equity securities. After the Effective Date, Reorganized Accipiter may amend its corporate governance documents as permitted by applicable law.

5(e) Section 1145 Exemption.

In accordance with Bankruptcy Code §1145, the issuance of the New Common Stock under the Plan is exempt from all federal, state, or local law requiring registration for offer or sale of a security or registration or licensing of an issuer of, underwriter of, or broker or dealer in a security.

5(f) Post-Confirmation Management.

The initial board of directors of Reorganized Accipiter as of the Effective Date comprise three directors: (1) Lewis van Amerongen; (2) David Sharbutt; and (3) Patrick Sherrill. The initial officers of Reorganized Accipiter as of the Effective Date are: (1) Patrick Sherrill, President and Chief Executive Officer; (2) Jenifer Vellucci, Vice President and Chief Financial Officer.

6. EXECUTORY CONTRACTS AND UNEXPIRED LEASES

6(a) Assumption and Rejection of Contracts and Leases

All executory contracts and unexpired leases designated on Exhibit B to the Plan as assumed are assumed as of the Effective Date, except for any executory contract or unexpired

lease: (i) that has been rejected in accordance with a Final Order entered before the Confirmation Date; or (ii) as to which a motion to reject has been filed with the Bankruptcy Court before the Confirmation Date.

All executory contracts and unexpired leases either (i) designated on Exhibit B to the Plan as rejected or (ii) existing but not listed on Exhibit B to the Plan are rejected as of the Effective Date, except for any executory contract or unexpired lease that has been assumed or rejected in accordance with a Final Order entered on or before the Confirmation Date.

Entry of the Confirmation Order constitutes: (a) the approval under Bankruptcy Code §365 of the assumption of the executory contracts and unexpired leases assumed under the Plan; and (b) the approval under Bankruptcy Code § 365 of the rejection of the executory contracts and unexpired leases rejected under the Plan. Notwithstanding anything contained in this Section 5.03 to the contrary, the Debtor may add or change the treatment (assumed or rejected) of any executory contract or unexpired lease on Exhibit B to the Plan, thus changing the treatment of the contract or lease under the Plan, at any time before the Effective Date.

6(b) Cure of Defaults

On the Effective Date or as soon after as is feasible, the Debtor must Cure any defaults under any executory contract or unexpired lease assumed under the Plan. Any monetary Cure required for the assumption of a particular contract or lease is indicated on Exhibit B to the Plan. Any non-Debtor party to any such contract or lease that disputes the amount of Cure indicated on Exhibit B to the Plan must file a written objection with the Bankruptcy Court no later than the deadline for objecting to confirmation of the Plan. Any such objections not raised in that manner are waived. The Debtor will not, and need not as a condition to assuming any executory contract or unexpired lease under the Plan, Cure any default that need not be cured under Bankruptcy Code §365(b).

6(c) Rejection Claims Bar Date

All Rejection Claims must be filed by the Rejection Claims Bar Date. Any Rejection Claim not filed by the Rejection Claims Bar Date is forever barred. All Rejection Claims are General Unsecured Claims under the Plan. With respect to any executory contract or unexpired lease rejected by the Debtor before the Confirmation Date, the deadline for filing a Rejection Claim remains the deadline set forth in the order of the Bankruptcy Court authorizing that rejection. If the order did not contain such a deadline, the deadline for filing a Rejection Claim is 30 days after the Confirmation Date.

6(d) Indemnification Obligations

Any obligation of the Debtor to indemnify any Person serving as a fiduciary of any employee benefit plan of the Debtor under charter, by-laws, contract, or applicable state law is an executory contract and is assumed as of the Effective Date. Any obligation of the Debtor to indemnify, reimburse, or limit the liability of any Person, including any officer or director of the Debtor, or any agent, professional, financial advisor, or underwriter of any securities issued by the Debtor related to any acts or omissions occurring before the Petition Date is rejected under the Plan as of the Confirmation Date if the Effective Date occurs. Any Claim resulting from

these rejections in favor of any Person must be filed by the Rejection Claims Bar Date and constitutes a General Unsecured Claim. Notwithstanding any of the foregoing, nothing contained in the Plan affects the rights of any Person covered by any applicable D&O Policy with respect to any such policy.

6(e) Benefit Plans

All Benefit Plans not already assumed before the Confirmation Date are assumed as of the Confirmation Date if the Effective Date occurs. No Cure is required and no Cure will be made with respect to the assumption under the Plan of any Benefit Plan. Any non-Debtor beneficiary or participant in a Benefit Plan that disputes that no Cure is required for the assumption of the Benefit Plan must file an objection with the Bankruptcy Court no later than the deadline for objecting to confirmation of the Plan. Any such objections not raised in that manner are waived.

7. DESCRIPTION OF OTHER PROVISIONS OF THE PLAN

7(a) Vesting of Assets

Except as provided in the Plan or the Confirmation Order, all property of the Estate vests in Reorganized Accipiter on the Effective Date free and clear of all Liens and Claims existing before the Effective Date. From and after the Effective Date, Reorganized Accipiter may use and dispose of its property free of any restrictions of the Bankruptcy Code, including the employment of, and payment to, Professionals except as otherwise provided in the Plan or the Confirmation Order.

7(b) Discharge

Except as provided in the Plan or the Confirmation Order: (a) the rights granted under this Plan and the treatment of Claims and Equity Interests under this Plan are in exchange for and in complete satisfaction, discharge, and release of, all Claims including any interest accrued on any Claim from the Petition Date; and (b) confirmation of this Plan discharges the Debtor and Reorganized Accipiter from all Claims or other debts that arose before the Confirmation Date to the fullest extent allowed under Bankruptcy Code §1141(a), (b), (c), and (d)(1).

7(c) Injunction

Except as provided in the Plan or the Confirmation Order, as of the Confirmation Date, all entities that have held, currently hold, or may hold a Claim that is unclassified by the Plan or that is classified by Article 3 of the Plan or that is subject to a distribution under the Plan, or an Equity Interest or other right of an equity holder, are permanently enjoined from taking any of the following actions on account of any such Claims, debts, liabilities, Equity Related Claims, or Equity Interests or rights: (i) commencing or continuing in any manner any action or other proceeding against any property to be distributed under the Plan; (ii) enforcing, attaching, collecting, or recovering in any manner any judgment, award, decree, or order against any property to be distributed under the Plan; (iii) creating, perfecting, or enforcing any Lien or encumbrance against any property to be distributed under the Plan; and (iv) commencing or continuing any action, in any manner, in any place, that does not comply with or is inconsistent

with the provisions of the Plan or the Bankruptcy Code. Nothing in this Plan: (i) extinguishes, prohibits, or otherwise limits the right of any holder of a Claim to assert a right to setoff or recoupment arising in connection with that Claim as part of the resolution and treatment of that Claim under the Plan; (ii) extinguishes, prohibits, or otherwise limits the right of the Estate or Reorganized Accipiter to assert and prevail on any Avoidance Action or Litigation Claim; (iii) enjoins or otherwise precludes any party-in-interest from enforcing the terms of the Plan and the Confirmation Order.

7(d) Exculpation

None of the Debtor, the Committee, Reorganized Accipiter, or any of their respective members, officers, directors, employees, advisors, professionals, or agents has any liability to any holder of a Claim or Equity Interest for any act or omission in connection with, related to, or arising out of, the Chapter 11 Case, the pursuit of confirmation of the Plan, the consummation of the Plan, or the administration of the Plan or the property to be distributed under the Plan, except for willful misconduct or gross negligence. In all respects, the Debtor, the Committee, Reorganized Accipiter, and each of their respective members, officers, directors, employees, advisors, professionals, and agents are entitled to rely on the advice of counsel with respect to their duties and responsibilities under the Plan.

7(e) Avoidance Actions and Litigation Claims

All Avoidance Actions and Litigation Claims are retained and reserved for Reorganized Accipiter, which is designated as the Estate's representative under Bankruptcy Code §1123(b)(3)(B) for purposes of the Avoidance Actions and Litigation Claims. Reorganized Accipiter has the sole authority to prosecute, defend, compromise, settle, and otherwise deal with any Avoidance Actions and Litigation Claims, and does so in its capacity as a representative of the Estate in accordance with Bankruptcy Code §1123(b)(3)(B). Reorganized Accipiter pays the fees and costs associated with litigating the Avoidance Actions and the Litigation Claims. Reorganized Accipiter has sole discretion to determine in its business judgment which Avoidance Actions and Litigation Claims to pursue, which to settle, and the terms and conditions of those settlements.

7(f) Retention of Jurisdiction After the Effective Date

Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, the Bankruptcy Court will retain as much jurisdiction over the Chapter 11 Case after the Effective Date as legally permissible including jurisdiction to:

- Allow, disallow, determine, liquidate, classify, estimate, or establish the amount, priority, or secured or unsecured status of any Claim, and resolve any request for payment of any Administrative Claim and any objection to the Allowance or priority of any Claim;

- Grant or deny any applications for allowance of compensation or reimbursement of expenses authorized under the Bankruptcy Code or the Plan;

- Resolve any matters related to the assumption or rejection of any executory contract or unexpired lease to which the Debtor is a party and to hear, determine and, if necessary, liquidate any Claims arising from such rejection;

- Ensure that distributions required under the Plan are accomplished in accordance with the Plan;

- Decide or resolve any motions, adversary proceedings (including the Adversary Proceeding), contested matters, and any other matters and grant or deny any applications or motions involving the Debtor that may be pending on the Effective Date;

- Enter any necessary or appropriate orders to implement or consummate the Plan's provisions and all contracts, instruments, releases, and other agreements or documents created in connection with the Plan or the Disclosure Statement;

- Resolve any cases, controversies, suits, or disputes that may arise in connection with the consummation, interpretation, or enforcement of the Plan, or any Person's obligations incurred in connection with the Plan;

- Hear and determine any motion or application to modify the Plan before or after the Effective Date under Bankruptcy Code §1127 or modify the Disclosure Statement or any contract, instrument, release, or other agreement or document issued, entered into, filed, or delivered in connection with the Plan or the Disclosure Statement; or hear or determine any motion or application to remedy any defect or omission or reconcile any inconsistency in any Bankruptcy Court order, the Plan, the Disclosure Statement, or any contract, instrument, release, or other agreement or document issued, entered into, filed or delivered in connection with the Plan or the Disclosure Statement, in such manner as may be necessary or appropriate to consummate the Plan, to the extent authorized by the Bankruptcy Code;

- Issue injunctions, enter and implement other orders, or take any other necessary or appropriate actions to restrain any entity's interference with consummation or enforcement of the Plan;

- Enter and implement any necessary or appropriate orders if the Confirmation Order is for any reason modified, stayed, reversed, revoked, or vacated;

- Determine any other matters that may arise in connection with or related to the Plan, the Disclosure Statement, the Confirmation Order, or any contract, instrument, release, or other agreement or document issued, entered into, filed, or delivered in connection with the Plan, the Disclosure Statement or the Confirmation Order;

- Issue a final decree and enter an order closing the Chapter 11 Case; and

- Adjudicate the Disputed Claims, the Avoidance Actions, and the Litigation Claims and any other cause of action or claims of the Estate.

8. ACCEPTANCE AND CONFIRMATION OF THE PLAN

8(a) Acceptance of the Plan

As a condition to confirmation, the Bankruptcy Code requires that each class of impaired Claims and Equity Interests accept the Plan, except under certain circumstances. Bankruptcy Code §1126(c) defines acceptance of a plan by a class of impaired Claims as acceptance by holders of at least two-thirds in dollar amount and more than one-half in number of Claims in that Class, but for that purpose counts only those who actually vote to accept or to reject the Plan. Under Bankruptcy Code §1126(d), a Class of Equity Interests has accepted the Plan if holders of such Equity Interests holding at least two-thirds in amount actually voting have voted to accept the Plan. Bankruptcy Code §1126(f) deems a Class of Claims or Equity Interests to have accepted the Plan without voting if that Class is unimpaired under the definition in Bankruptcy Code §1124. Classes 1 and 2 under the Plan are unimpaired and, therefore, are deemed to accept the Plan. Classes 3A, 3B, 3C, and 4 are impaired under the Plan and will be solicited to vote on the Plan. Class 5 receives no distribution under the Plan and is deemed to reject the Plan without voting and, therefore, will not be solicited to vote on the Plan.

8(b) Feasibility of the Plan

To confirm the Plan, the Bankruptcy Court must find that confirmation of the Plan is not likely to be followed by the need for further financial reorganization of the Debtor. This requirement is imposed by Bankruptcy Code §1129(a)(11) and is popularly referred to as the "feasibility" requirement. The Debtor and the Committee believe that the Debtor and Reorganized Accipiter will be able to perform timely all obligations described in the Plan and, therefore, that the Plan is feasible.

To demonstrate the feasibility of the Plan, the Debtor refers to the Effective Date Balance Sheet and the Operating Projections included in **Appendix 3**. These documents demonstrate that the Debtor anticipates that it will have sufficient Cash on hand as of the Effective Date to make, on the Effective Date, all payments on account of all Administrative Claims and Priority Claims and that, after the Effective Date, Reorganized Accipiter will have sufficient Cash to make all payments to all other holders of Claims required under the Plan when due.

Accordingly, the Debtor and the Committee believe that the Plan satisfies the feasibility requirement of Bankruptcy Code §1129(a)(11). The Debtor cautions that no representations can be made as to the accuracy of the Effective Date Balance Sheet or the Operating Projections or as to Reorganized Accipiter's ability to achieve the projected results. Certain of the assumptions on which the Effective Date Balance Sheet and the Operating Projections are based are subject to uncertainties outside the Debtor's or Reorganized Accipiter's control. Some assumptions inevitably will not materialize. Events and circumstances occurring after the date on which the Effective Date Balance Sheet and Operating Projections were prepared may be different from those assumed or may be unanticipated and may adversely affect the Debtor's or Reorganized

Accipiter's financial results. Therefore, actual results can be expected to vary from projected results. Those variations may prove material and adverse. *See* "Risk Factors" below.

Neither the Effective Date Balance Sheet nor the Operating Projections was prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants, the practices recognized to be in accordance with generally accepted accounting principles, or the rules and regulations of the Securities and Exchange Commission regarding projections. Neither the Effective Date Balance Sheet nor the Operating Projections has been audited by independent accountants. Although presented with numerical specificity, the Effective Date Balance Sheet and the Operating Projections are based on a variety of assumptions, some of which in the past have not been achieved and which may not be realized in the future, and remain subject to significant business, economic, regulatory, and competitive uncertainties and contingencies, and many of which are beyond any party's control. Consequently, neither the Effective Date Balance Sheet nor the Operating Projections should be regarded as a representation or warranty by any Person that projections will be realized. Actual results may vary materially and adversely from those presented.

8(c) Best Interests Test

8(c)(1) *Explanation*

Even if a plan is accepted by each class of claim holders, the Bankruptcy Code requires a bankruptcy court to determine that the plan is in the "best interests" of all holders of claims and interests that are impaired by the plan and that have not accepted the plan. The "best interests" test, as set forth in Bankruptcy Code §1129(a)(7), requires a bankruptcy court to find either that: (i) all members of an impaired class of claims or interests have accepted the plan; or (ii) the plan will provide a member who has not accepted the plan with a recovery of property of a value, as of the effective date of the plan, that is not less than the amount that such holder would recover if the debtor was liquidated under Chapter 7 of the Bankruptcy Code.

To calculate the probable distribution to members of each impaired class of holders of claims and interests if the debtor were liquidated under Chapter 7, a bankruptcy court must first determine the aggregate dollar amount that would be generated from the debtor's assets if its Chapter 11 case were converted to a Chapter 7 case under the Bankruptcy Code. This "liquidation value" would consist primarily of the proceeds from a forced sale of the debtor's assets by a Chapter 7 trustee.

The amount of liquidation value available to unsecured creditors would be reduced by: (1) the claims of any secured creditors to the extent of the value of their collateral; and (2) the costs and expenses of liquidation, as well as by other administrative expenses and costs of both the Chapter 7 case and the Chapter 11 case. Costs of liquidation under Chapter 7 of the Bankruptcy Code would include the compensation of a Chapter 7 trustee, as well as of counsel and other professionals retained by the Chapter 7 trustee, asset disposition expenses, all unpaid expenses incurred by the Debtor or the Chapter 11 Trustee in the bankruptcy case (such as compensation of attorneys, financial advisors, and restructuring consultants) that are allowed in the Chapter 7 case, litigation costs, and claims arising from the operations of the Debtor during the pendency of the bankruptcy case.

Once the court ascertains the recoveries in liquidation of secured creditors and priority claimants, it must determine the probable distribution to general unsecured creditors from the remaining available proceeds in liquidation. If the probable distribution has a value greater than the distributions to be received by such creditors under the plan, then the plan is not in the best interests of creditors and equity security holders.

8(c)(2) *Application of the Liquidation Analysis*

A liquidation analysis prepared with respect to the Debtor is attached as **Appendix 4** to this Disclosure Statement. The Debtor believes that any liquidation analysis is speculative. For example, the liquidation analysis necessarily contains an estimate of the amount of Claims that will ultimately become Allowed Claims. In preparing the liquidation analysis, the Debtor has projected the amount of Allowed Claims based on a review of the Schedules, the Debtor's books and records, and filed proofs of claim. No order or finding has been entered by the Bankruptcy Court estimating or otherwise fixing the amount of Claims at the projected amounts of Allowed Claims set forth in the liquidation analysis. The estimate of the amount of Allowed Claims set forth in the liquidation analysis should not be relied on for any other purpose, including, without limitation, any determination of the value of any distribution to be made on account of Allowed Claims and Allowed Interests under the Plan.

Notwithstanding the difficulties in quantifying recoveries to creditors with precision, the Debtor and the Committee believe that, taking into account the liquidation analysis, the Plan meets the "best interests" test of Bankruptcy Code §1129(a)(7). The Debtor and the Committee believe that each member of each Class will receive at least as much under the Plan as it would in a hypothetical Chapter 7 liquidation. Creditors will receive a better recovery through the distributions contemplated by the Plan because ceasing the Debtor's operations and liquidating the Debtor's limited tangible assets will yield proceeds far from sufficient to satisfy RUS's lien, eliminating any possibility for recovery for any other Claims and any holder of Claims other than RUS.

9. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

9(a) Introduction

A summary description of certain United States federal income tax consequences ("*Tax Consequences*") of the Plan follows. This description is for informational purposes only and, owing to a lack of definitive judicial or administrative authority or interpretation, substantial uncertainties exist with respect to various Tax Consequences of the Plan discussed below. This disclosure describes only the principal Tax Consequences of the Plan to the Debtor and to holders of Claims and Equity Interests. No opinion of counsel has been sought or obtained with respect to any Tax Consequences of the Plan. No rulings or determinations of the IRS or any other tax authorities have been sought or obtained with respect to any Tax Consequences of the Plan, and the discussion below is not binding on the IRS or other authorities. No representations are being made to the Debtor or any holder of a Claim or Equity Interest regarding the particular Tax Consequences of the confirmation and consummation of the Plan. No assurance can be given that the IRS would not assert, or that a court would not sustain, a different position from any discussed here.

The following discussion of the Tax Consequences is based on the Internal Revenue Code of 1986, as amended, (the "*Code*") Treasury Regulations, judicial authorities, published positions of the IRS and other applicable authorities, all as in effect on the date of this document and all of which are subject to change or differing interpretations (possibly with retroactive effect).

The following discussion does not address foreign, state, or local tax consequences of the Plan, nor does it purport to address the Tax Consequences of the Plan to special classes of taxpayers (*e.g.,* banks and certain other financial institutions, insurance companies, tax-exempt organizations, governmental entities, persons that are, or hold their Claims through, pass-through entities, persons whose functional currency is not the United States dollar, foreign persons, dealers in securities or foreign currency, employees of the Debtor, persons who received their Claims by exercising an employee stock option or otherwise as compensation, and persons holding Claims that are a hedge against, or that are hedged against, currency risk or that are part of a straddle, constructive sale, or conversion transaction). Furthermore, the following discussion does not address United States federal taxes other than income taxes.

Holders of Claims and Equity Interests are strongly urged to consult their own tax advisor regarding the United States federal, state, local, and foreign tax consequences of the transactions described in this Disclosure Statement and in the Plan.

9(b) United States Federal Income Tax Consequences to the Debtor

The Debtor is a corporation subject to its controlling taxing authorities. The fact that the Debtor is subject to a Chapter 11 proceeding will not change this result. Thus, the Chapter 11 bankruptcy proceeding has no impact on the Tax Consequences of the transactions contemplated by the Plan. The Debtor does not believe that it will incur the attribution to it of any cancellation of indebtedness income in connection with the transactions contemplated by the Plan.

9(c) Federal Income Tax Consequences to Creditors

9(c)(1) *Generally*

The following discusses certain Tax Consequences of the transactions contemplated by the Plan to Creditors that are "United States holders," as defined below. The Tax Consequences of the transactions contemplated by the Plan to Creditors (including the character, timing and amount of income, gain or loss recognized) will depend on, among other things: (1) whether the Claim and the consideration received in respect of it are "securities" for Tax Purposes; (2) the manner in which a Creditor acquired a Claim; (3) the length of time the Claim has been held; (4) whether the Claim was acquired at a discount; (5) whether the Creditor has taken a bad debt deduction with respect to the Claim (or any portion of it) in the current tax year or any prior tax year; (6) whether the Creditor has previously included in its taxable income accrued but unpaid interest with respect to the Claim; (7) the holder's method of tax accounting; and (8) whether the Claim is an installment obligation for Tax Purposes. Creditors, therefore, should consult their own tax advisors regarding the particular Tax Consequences to them of the transactions contemplated by the Plan.

For purposes of the following discussion, a "United States holder" is a Creditor that is: (1) a citizen or individual resident of the United States; (2) a partnership, limited liability company, or corporation created or organized in the United States or under the laws of the United States, a political subdivision of the United States, or a State of the United States; (3) an estate whose income is subject to United States federal income taxation regardless of its source; or (4) a trust if (i) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States fiduciaries have the authority to control all substantial decisions of the trust, or (ii) the trust was in existence on August 20, 1996, and properly elected to be treated as a United States person.

Each holder of a Class 3A-C, 4, or 5 Allowed Claim or Equity Interest may be permitted to recognize a loss or may be required to recognize gain on its distributions under the Plan. The loss or gain to be recognized by the holder of a Class 3A-C, 4, or 5 Allowed Claim or Equity Interest will equal the positive difference in the case of a loss (and negative difference in the case of a gain) between (1) the adjusted tax basis such holder has in its Claim or Equity Interest (excluding any adjusted tax basis attributable to accrued but unpaid interest), and (2) the fair market value of the beneficial interest distributed (or deemed distributed) to the holder of the Claim or Equity Interest (excluding any cash or property received or deemed received attributable to accrued interest). Depending on the manner in which the Claim or Equity Interest arose, applicability of the market discount rules and other factors, such loss or gain may be capital or ordinary in nature. Due to limitations in the Code, a holder of a Class 3A-C, 4, or 5 Allowed Claim or Equity Interest that recognizes a capital loss relating to its Claim or Equity Interest may not be able to utilize such capital loss in the taxable year it arises or possibly ever.

Although many holders of Claims or Equity Interests will not be required to recognize gain or income as a result of the property distributions (including cash distributions) made or deemed to be made to them under the terms of the Plan, certain situations may exist that will require a holder of a Claim or Equity Interest to do so. For example, if a Claim or Equity Interest relates to a transaction under which the holder is required to recognize gain on payment (for example, an installment sale), the holder may be required to recognize gain as a result of the actual or deemed distributions made to it under the Plan. Moreover, if (1) a holder of a Claim or Equity Interest previously took a deduction or loss relating to the partial or entire worthlessness of its Claim or Equity Interest, and (2) the fair market value of the property (including cash) it receives or is deemed to receive for its Claim or Equity Interest under the Plan exceeds the remaining adjusted tax basis, if any, it has in its Claim or Equity Interest, such holder will be required to recognize gain or income. Similarly, a holder of a Claim or Equity Interest that purchased its Claim or Equity Interest at a discount may be required to recognize gain if the amount received in satisfaction of the Claim or Equity Interest exceeds such holder's adjusted tax basis in the Claim or Equity Interest. There are several other reasons why a holder of a Claim or Equity Interest may be required to recognize gain or income as a result of the actual or deemed distributions made to it under the Plan. Therefore, each holder of a Claim or Equity Interest should consult its own tax advisor to determine the tax consequences to it of the receipt of or deemed receipt of property (including cash) under the Plan.

To the extent that the property (including cash) received or deemed to be received by a holder of a Claim or Equity Interest is attributable to accrued interest on the Claim or Equity Interest, the cash or property will be deemed made in payment of such interest. While the federal

income tax laws are unclear regarding how much consideration may be deemed attributable to accrued interest when partial payments are made on a debt on which both principal and interest are owed, the Debtor intends to treat amounts distributed or deemed distributed under the Plan as attributable first to principal and then to any accrued but unpaid interest. To the extent that the holder of the Claim or Equity Interest has not yet included the accrued interest in gross income, the fair market value of the cash or property deemed received in payment of such interest will generally be included in the holder's gross income for federal income tax purposes. To the extent the holder has previously included accrued interest on the Claim or Equity Interest in gross income, the fair market value of the cash or property deemed received in payment of such interest generally will not be included in gross income. The holder of the Claim or Equity Interest may be able to claim a deductible loss if the fair market value of the cash or property deemed received for the accrued interest is less than the amount the holder had previously included in gross income. Holders of Claims or Equity Interests should consult with their tax advisors regarding the allocation of distributions between principal and interest.

Distributions deemed issued to a holder of a Claim or Equity Interest on consummation of the Plan will not include any distribution held in reserve for holders of Disputed Claims. As a result, in determining the amount of loss or gain recognized by a holder of a Claim or Equity Interest on consummation of the Plan, the holder will not be treated as receiving any property attributable to the assets that are held by or for the benefit of holders of Disputed Claims. As discussed below, when a Disputed Claim becomes Disallowed in whole or in part, the holders of a Claim or Equity Interest will be treated as receiving additional consideration in respect of their Claim or Equity Interest at that time. It is possible, however, that the IRS or a court may conclude that the amount of consideration deemed received for tax purposes by a holder of an Claim or Equity Interest on consummation of the Plan should be determined by disregarding the Disputed Claims and treating any distribution held in reserve for holders of Disputed Claims as proportionately distributed to the holders of Claims or Equity Interests. In such case, appropriate downward adjustments would be made on the allowance of a Disputed Claim in whole or in part. Holders of Claims or Equity Interests should consult with their tax advisors as to the proper amount of consideration deemed received on consummation of the Plan.

Holders of Disputed Claims will not be treated as receiving any consideration in respect of their Claims on consummation of the Plan. On the allowance of a Disputed Claim, the holder of the Disputed Claim will be treated as realizing in satisfaction of its Claim the amount of cash distributed to the holder at such time plus the fair market value of the distribution distributed to such holder. On the disallowance of a Disputed Claim, the distribution attributable to such Disputed Claim will be cancelled and the cash attributable to the Disallowed Disputed Claim and held in reserve will be released from the reserve. While not entirely clear, at such time, such holders will likely be treated as having received additional consideration in satisfaction of their Claims or Equity Interests equal to their proportional shares of (i) the fair market value of the cancelled distributions and (ii) the cash released from the reserve. If the Disputed Claim becomes Disallowed in the year in which the Plan is consummated, then such additional consideration would either reduce the loss or increase the gain that was recognized with respect to their Claim or Equity Interest on consummation of the Plan and would possess the same character (*i.e.*, capital or ordinary) as the gain or loss recognized on consummation of the Plan. If the Disputed Claim becomes disallowed after the year in which the Plan is consummated, then the additional amount deemed received on disallowance of the Disputed Claim will be treated as gain with the

same character (*i.e.*, capital or ordinary) as the gain or loss recognized on consummation of the Plan. Holders of a Class 3A-C, 4, or 5 Allowed Claim or Equity Interest would increase the tax bases in their distribution by the additional amounts deemed received on the disallowance of a Disputed Claim.

9(c)(2) *Accrued Interest*

Holders of Claims for accrued interest that previously have not included such accrued interest in taxable income will be required to recognize ordinary income equal to the amount of Cash received under the Plan with respect to such Claims for accrued interest. Holders of Claims for accrued interest that have included such accrued interest in taxable income generally may take an ordinary deduction to the extent that such Claim is not fully satisfied under the Plan (after allocating the distribution between principal and accrued interest), even if the underlying Claim is held as a capital asset. The adjusted tax basis of any Cash received in exchange for a Claim for accrued interest will equal the amount of Cash on the Effective Date, and the holding period for the property will begin on the day after the Effective Date. It is not clear the extent to which consideration that may be distributed under the Plan will be allocable to interest. Creditors are advised to consult their own tax advisors to determine the amount, if any, of consideration received under the Plan that is allocable to interest.

9(c)(3) *Market Discount*

In general, a debt obligation, other than one with a fixed maturity of one year or less, that is acquired by a holder in the secondary market (or, in certain circumstances, on original issuance) is a "market discount bond" as to that holder if the obligation's stated redemption price at maturity (or, in the case of a debt obligation having original issue discount, the revised issue price) exceeds the holder's adjusted tax basis in the debt obligation immediately after its acquisition. A debt obligation will not, however, be a "market discount bond" if such excess is less than a statutory *de minimis* amount. To the extent that a Creditor has not previously included market discount in its taxable income, gain recognized by a Creditor on the disposition of a "market discount bond" will generally be treated as ordinary interest income to the extent of the market discount accrued on such bond during the Creditor's period of ownership. A holder of a market discount bond that is required to defer deduction of all or a portion of the interest on indebtedness incurred or maintained to acquire or carry the bond may be allowed to deduct such interest, in whole or in part, on the disposition of such bond. In addition, any partial principal payment received by a Creditor that is attributable to a market discount bond will generally be treated as ordinary interest income to the extent such payment does not exceed the market discount accrued on such bond during the Creditor's period of ownership.

9(c)(4) *Original Issue Discount*

The original issue discount ("*OID*") rules provide an extremely detailed and complex method for determining and taxing the interest components of debt instruments. A holder of a debt instrument containing OID must include a portion of the OID in gross income in each taxable year in which the holder holds the debt instrument, regardless of whether any cash payments are received. OID is defined as the difference between the issue price and the stated redemption price at maturity of a debt instrument. As the OID rules are extremely complex, it is

not certain how they will apply to the transactions contemplated by the Plan. Accordingly, each Creditor must consult its own tax advisor.

9(c)(5) *Other Claimholders*

If a Creditor or Equity Interest holder reaches an agreement with the Debtor or Reorganized Accipiter to have its Claim or Equity Interest satisfied, settled, released, exchanged, or otherwise discharged in a manner other than as described in the Plan, that Creditor or Equity Interest holder should consult with its own tax advisors regarding the Tax Consequences of that satisfaction, settlement, release, exchange, or discharge.

9(c)(6) *Information Reporting and Backup Withholding*

Certain payments, including payments in respect of accrued interest or market discount, are generally subject to information reporting by the payor to the IRS. These reportable payments do not include those that give rise to gain or loss on the exchange of a Claim. Moreover, such reportable payments are subject to backup withholding under certain circumstances. A United States holder may be subject to backup withholding at rate of 28 percent with respect to certain distributions or payments of accrued interest, market discount, or similar items under the Plan, unless the holder (a) comes within certain exempt categories (which generally include corporations) and, when required, demonstrates this fact or (b) provides a correct United States taxpayer identification number and certifies under penalty of perjury that the holder is a United States person, the taxpayer identification number is correct, and that the holder is not subject to backup withholding because of a failure to report all dividend and interest income. Payments that give rise to gain or loss on the exchange of a Claim are not subject to backup withholding. Backup withholding is not an additional tax. Amounts subject to backup withholding are credited against a holder's United States federal income tax liability, and a holder may obtain a refund of any excess backup withholding by filing an appropriate claim for refund with the IRS.

9(d) Importance of Obtaining Professional Tax Assistance

The foregoing discussion is intended only as a summary of certain United States federal income tax consequences of the Plan and is not a substitute for careful tax planning with a tax professional. The above discussion is for informational purposes only and is not tax advice. The tax consequences are in many cases uncertain and may vary depending on a Creditor's particular circumstances. Accordingly, Creditors are strongly urged to consult their tax advisors about the United States federal, state and local and applicable foreign income and other tax consequences of the Plan, including with respect to tax reporting and record keeping requirements.

IRS Circular 230 Notice: To comply with U.S. treasury regulations, be advised that any U.S. federal tax advice included in this communication (and it is not intended that any such advice be given in this Disclosure Statement) is not intended or written to be used, and cannot be used, to avoid any U.S. federal tax penalties or to promote, market, or recommend to another party any transaction or matter.

10. RISK FACTORS

10(a) Generally

The Debtor's reorganization and restructuring of its long-term debt obligations to RUS involves risk. This Disclosure Statement and certain of its Appendices contain forward-looking statements that involve risks and uncertainty. Reorganized Accipiter's actual results could differ materially from those anticipated in these forward-looking statements as a result of a variety of factors, including those set forth in the following risk factors and elsewhere in this Disclosure Statement. **Holders of Claims or Equity Interests should consider carefully the following factors in addition to the other information contained in this Disclosure Statement.**

Management. Reorganized Accipiter's post-Effective Date performance depends to a great extent on the efforts of its management-level employees, Patrick Sherrill and Jenifer Vellucci. Although both are widely recognized as leaders and exemplars in the rural telecom industry, there can be no assurance that Reorganized Accipiter will be successful in retaining its talented management personnel or will be able to replace that personnel with commensurately-qualified management personnel in the future. Owing to management's performance, Reorganized Accipiter may not perform as well as hoped or expected. Underperformance could materially and negatively affect the recoveries of Creditors, particularly RUS.

Regulatory Environment. Reorganized Accipiter operates in a highly-regulated industry. Various federal and state agencies, some of which are run by elected officials, can materially affect Reorganized Accipiter's operating environment as well as several sources of Reorganized Accipiter's revenue. For example, federal revenue support from USF constituted approximately 70% of the Debtor's gross annual revenue as of the Petition Date. This federal revenue support is the result of the Debtor's participation in federal subsidy programs that are subject to periodic and often unpredictable regulatory changes and rulemaking by the FCC and other governmental agencies. Because Reorganized Accipiter will be relying heavily on federal subsidy revenues post-Effective Date and because those revenues will always be subject to adjustment by ongoing FCC rulemaking, it is possible that governmental regulatory action could materially and adversely affect Reorganized Accipiter's revenue and cash flows, which, in turn, could materially and adversely affect Reorganized Accipiter's ability to service its restructured debt obligations to RUS. Historically—and even within the last few months—FCC rule changes have, without exception, resulted in significant reductions in the Debtor's USF support and, therefore, a significant and abrupt reduction in the Debtor's overall gross revenue. The Debtor believes that further reductions in USF support resulting from future FCC rule changes are highly probable but that there is no way to predict when those changes will come and how they will affect Reorganized Accipiter's revenues. The projections contained in Appendix 3 are based on a snapshot of the Debtor's regulatory posture as it exists as of the writing of this Disclosure Statement. Future, unforeseeable rule changes from the FCC could materially and adversely affect Reorganized Accipiter's ability to realize those projections.

As noted above, the Debtor obtained a waiver of one FCC rule change shortly before the Petition Date, but that waiver came with a strong indication from the FCC that the Debtor should expect further significant reductions in USF support over time and should endeavor to reduce its dependence on federal subsidies. If the Debtor is unable to achieve increased customer revenue

to offset present and future reductions in USF revenue, the Debtor will be unable to meet its obligations to RUS and will be unable to sustain operations.

Competitive Environment. The Debtor operates in a large geographic service area in Maricopa and Yavapai Counties in Arizona. The Debtor is the only terrestrial telecommunications provider serving a significant portion of that service area. In other areas, the Debtor competes for customers with other providers such as Cox Communications and wireless providers. These areas are knows as areas of "competitive overlap." As Reorganized Accipiter's competitive overlap increases as a percentage of its service area, its USF revenue will most likely decrease, forcing Reorganized Accipiter to compete with far larger and more highly capitalized companies for customer accounts and the revenue associated with those accounts. Although the Debtor is currently recognized as the fastest internet service provider in Arizona and currently employs gigabit fiber-to-the-home network technology in Maricopa County, Reorganized Accipiter's competitors may succeed in reducing or eliminating Reorganized Accipiter's competitive advantages associated with this speed and infrastructure and better compete for customers in areas of competitive overlap. Unless Reorganized Accipiter is able to maintain and grow its market share within its service area, its cash flow may prove insufficient to permit Reorganized Accipiter to meet its restructured debt obligations to RUS.

Effective Date Cash. The Debtor believes it will have sufficient cash on hand on the assumed Effective Date of September 1, 2015 to meet all its Effective Date payment obligations under the Plan. There is a small risk, however, that unforeseen circumstances and unanticipated operating expenses could deplete the Debtor's cash in a way that makes the Debtor unable to meet all Effective Date payments obligations by what the Debtor expects to be its Effective Date. Although the Debtor could delay the Effective Date until sufficient cash exists, it is possible, however unlikely, that the Debtor may fail to accumulate sufficient cash to bring about the Effective Date.

10(b) Risk of Non-Confirmation of the Plan

Although the Debtor and the Committee believe that the Plan satisfies all legal and factual requirements necessary for Confirmation by the Bankruptcy Court, there can be no assurance that the Bankruptcy Court will agree. There can also be no assurance that modifications of the Plan will not be required for Confirmation, that modifications would not adversely affect holders of Allowed Claims and Equity Interests, or that modifications would not necessitate re-solicitation of votes.

11. ALTERNATIVES TO THE PLAN

The Debtor and the Committee believe that the Plan affords holders of Claims and Equity Interests the greatest possible recovery under the circumstances and, therefore, is in their best interests. But if the Plan is not confirmed, the theoretical alternatives include: (a) continuation of the pending Chapter 11 Case without any immediately-available financing; (b) an alternative plan; (c) a sale of substantially all the Debtor's assets; or (c) liquidation of the Debtor under Chapter 7 of the Bankruptcy Code.

11(a) Continuation of the Chapter 11 Case

The Plan is designed to maximize distributions to Creditors while allowing the Debtor to continue its business operations into the future. That business objective is unlikely to change in any material way, so continuing the Chapter 11 Case would serve only to increase the Administrative Expense Claims (especially those associated with legal fees) and delay and reducing recoveries to holders of Claims or Equity Interests. Remaining under Chapter 11 protection may also continue to reduce the Debtor's ability to compete in its market and maintain healthy relationships with critical vendors and suppliers.

11(b) Alternative Plans of Reorganization

If the Plan is not confirmed, the Debtor or any other party-in-interest could propose a different plan or plans. Those plans might involve either a reorganization and continuation of the Debtor's business or the orderly liquidation of the Debtor's assets. It is possible, for example, that RUS could propose a different structure for the repayment of its Claim such that little to no future cash flow would be available to Reorganized Accipiter to fund its critical growth and competitive flexibility, dooming Reorganized Accipiter to an ever-declining market share and customer revenue in a regulatory environment of declining USF revenue, ultimately leading to Reorganized Accipiter's demise. The Debtor and the Committee have proposed what they believe to be the optimal reorganization plan that maximizes recoveries to all Creditors without jeopardizing Reorganized Accipiter's ability to meet the very obligations it proposes in the Plan to assume. For this reason, the Debtor and the Committee do not believe that any alternative plan would serve Creditors' needs as well as the currently-proposed Plan.

11(c) Section 363 Sale

It remains theoretically possible for the Debtor to market substantially all its tangible assets for sale to the highest bidder under Bankruptcy Code §363. Because most of those assets are subject to RUS's lien, nearly all the proceeds of such a sale would be used to satisfy as much of the RUS Claims as possible without leaving much or any proceeds available for the payment of any other Claims. The Debtor and the Committee do not believe that an arm's-length sale of assets would bring anywhere near the more than $20 million required to satisfy the RUS Claims, in large measure because of certain peculiarities that would affect a third-party's acquisition of the Debtor's operating assets:

- USF revenue—currently constituting approximately 70% of the Debtor's total revenue—is calculated using formulas derived from administrative rules promulgated by the FCC. One factor in those formulas is the provider's cost of constructing its telecom network. The Debtor's net plant cost in that regard is approximately $22 million. If a third-party buyer of the Debtor's assets were to pay substantially less than $22 million—and the Debtor believes that no buyer would likely pay even $6 million for these assets—the Debtor believes that it is highly likely that the FCC would reduce the cost factor to the purchase price paid, drastically reducing USF revenue (which, in turn, would reduce a potential purchaser's price even further, since it would invariably be based on likely revenues). Although FCC rules do not explicitly require this approach, any sale of

the Debtor's assets would have to be approved by the FCC and the Debtor does not believe that the FCC would consent to a purchase in circumstances in which the purchaser would be receiving USF support based on a multiple of what that purchaser paid for the assets.

- The Debtor's state authorization to operate as an incumbent local exchange carrier (ILEC) / eligible telecommunications carrier (ETC) and the rates that the Debtor charges its customers for regulated services are both strictly regulated and controlled by Arizona state agency officials within the Arizona Corporation Commission. Any potential purchaser of the Debtor's assets would have to prosecute a rate case with the Arizona Corporation Commission and would have to qualify, in an increasingly competitive environment, for the necessary licensure. This process could take a year or more to complete, with highly uncertain results. The risks inherent in that process could prove a strong disincentive for any potential asset purchaser, either eliminating a purchaser's interest entirely or substantially depressing the assets' value to account for those risks.

- Despite the substantial impediments to any sale of assets noted immediately above, the Estate would still have to incur significant expense associated with marketing the assets for sale, including the hiring of an investment banker or business broker and the various expenses (bankruptcy and non-bankruptcy) associated with the significant delay in completing this Chapter 11 Case.

11(d) Liquidation Under Chapter 7

If no plan is confirmed, the Debtor's Chapter 11 Case may be converted to a case under Chapter 7 of the Bankruptcy Code. In a Chapter 7 case, a trustee would be appointed to liquidate the Debtor's assets. Although it is theoretically possible for a Chapter 7 trustee to maintain the Debtor's operations and sell assets as a going concern (that is, at a higher value than if the Debtor's operations were shut down), the Debtor believes that no Chapter 7 trustee would endeavor to maintain operations. The Estate would lose all its goodwill and all its customer accounts, and hundreds of rural customers would be left without telecommunications service at all. Worse, the vast bulk of the Debtor's tangible assets is buried cable—of highly questionable value where the network it comprises is no longer functioning. Thus, the Debtor and the Committee believe that holders of Claims, beginning with RUS, would lose most of the intrinsic value of the Debtor's currently operational assets with the effect that RUS would receive mere cents on the dollar for its senior secured Claims and the rest of the Estate's Creditors would receive nothing.

12. CONCLUSION

12(a) Hearing on and Objections to Confirmation

12(a)(1) *Confirmation Hearing*

The hearing on confirmation of the Plan has been scheduled for _____, 2015 at _____ __.m. (Arizona time). The hearing may be adjourned from time to time by announcing

the adjournment in open court, all without further notice to parties-in-interest, and the Plan may be modified under Bankruptcy Code §1127 before, during, or as a result of that hearing, without further notice to parties in interest.

12(a)(2) *Deadline for Objections to Confirmation*

The time by which any objections to confirmation of the Plan must be filed with the Bankruptcy Court and received by the parties listed in the Confirmation Hearing Notice has been set for _____, 2015 at 5:00 p.m. (Arizona time).

12(b) Recommendation

The Plan provides for the best possible and most equitable distribution to Creditors. The Debtor and the Committee believe that any alternative to confirmation of the Plan, such as Chapter 7 liquidation or attempts by another party-in-interest to file a plan, would result in significant delays, litigation, and additional costs with no benefit. For these reasons, the Debtor and the Committee urge you to vote to accept the Plan and to support Confirmation of the Plan.

Dated: May 15, 2015

Respectfully submitted,

PERKINS COIE LLP

By: */s/ Jordan A. Kroop*
Jordan A. Kroop
Bradley A. Cosman

ACCIPITER COMMUNICATIONS, INC. (ZONA COMMUNICATIONS)

By: */s/ Patrick Sherrill*
Patrick Sherrill
President and CEO

Appendix 1

Plan

Appendix 2

Order Approving Disclosure Statement

Appendix 3

Selected Financial Information

Accipiter Communications, Inc.
Effective Date Balance Sheet as of September 1, 2015

ASSETS		
CURRENT ASSETS		
Cash and Working Funds	$	823,560
AR-Telecom		79,083
AR-Other		294,463
Prepayments		379,824
Materials		139,286
	$	**1,716,216**
NONCURRENT ASSETS		
Unamortized Intangible Assets	$	-
Other Noncurrent Assets		54,750
Investment in Non-Affiliated Organization		23,308
	$	**78,058**
PLANT, PROPERTY, AND EQUIPMENT		
Telecommunications Plant in Service	$	33,061,295
Plant Under Construction		216,850
	$	33,278,146
Accumulated Provision for Depreciation and Amortization		12,029,111
	$	**21,249,035**
TOTAL ASSETS	**$**	**23,043,309**
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	$	20,761,194
Accounts Payable -Trade		1,696,073
Accounts Payable - Construction		62,841
Advanced Billing and Payments		37,014
Other Current and Accrued Liabilities		328,587
	$	**22,885,709**
LONG-TERM DEBT		
RUS Notes (Less current maturities)	$	-
Other Long-Term Debt (Less current maturities)		-
	$	**-**
OTHER LONG-TERM LIABILITES		
Noncurrent Deferred Income Taxes	**$**	**1,315,108**
STOCKHOLDERS' EQUITY		
Common Stock ($.001 par; 10,000,000 shares authorized; 1758 shares issues and outstanding)	$	3
Additional Paid-in Capital		1,740,207
Retained Earnings (Deficit)		(2,897,717)
	$	**(1,157,508)**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$**	**23,043,309**

Note: All amounts are estimates based on the Debtor's books and records and internal opinions of asset value, made solely for purposes of this analysis. No amount on this analysis should be used or relied on for any purpose other than this analysis. Asset values used are book values and do not reflect fair market values.

Appendix 4

Liquidation Analysis

Accipiter Communications
Liquidation Analysis

			Plan		Chapter 7	
			Distribution	% Recovery	Distribution	% Recovery
Assets		*Est.Value*				
Network Cable and Related	$	500,000	$ -		$ 500,000	
Network / Circuit Equipment	$	200,000	$ -		$ 200,000	
Accounts Receivable	$	50,000	$ -		$ 50,000	
Inventory	$	70,000	$ -		$ 70,000	
Avoidance Actions	$	5,000	$ -		$ 5,000	
Cash on Hand (not subject to RUS Lien)	$	823,560	$ 823,560		$ 823,560	
Aggregate Cash Flow over 240 Months	$	13,670,486	$ 13,670,486		$ -	
Gross Assets			**$ 14,494,046**		**$ 1,648,560**	
RUS A & B Loan Claims		*Est.Amount*				
RUS A & B Loan Claims*	$	5,000,000	$ 5,000,000	100%	$ 5,000,000	16.50%
Net Proceeds After RUS Secured Claims			**$ 9,494,046**		**$ 823,560**	
Administrative Expense Claims		*Est.Amount*				
Chapter 7 Trustee Fees	$	25,000	$ -		$ 25,000	100%
Chapter 7 Trustee Counsel Fees	$	100,000	$ -		$ 100,000	100%
Perkins Coie	$	250,000	$ 250,000		$ 250,000.00	100.00%
Stinson Leonard Street	$	150,000	$ 150,000		$ 150,000.00	100.00%
Total Administrative Expense Claims			*$ 400,000*		*$ 525,000*	
Net Proceeds After Administrative Expense Claims			**$ 9,094,046**		**$ 298,560**	
Unsecured Claims		*Est.Amount*				
RUS C Loan Claim	$	14,124,196	$ 2,824,839	20%	$ 286,394	2.03%
General Unsecured Claims	$	600,000	$ 600,000	100%	$ 12,166	2.03%

Note: All amounts are estimates made solely for purposes of this analysis. No amount on this analysis should be used or relied on for any purpose other than this analysis.

* Amount net of Adequate Protection Payments