

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

In re:

Pegasus Rural Broadband, LLC, *et al.*,<sup>1</sup>

Debtors.

Chapter 11

Case No. 11-11772 (PJW)

Jointly Administered

**GLOBAL NOTES TO DEBTORS' MONTHLY OPERATING REPORT  
FOR THE PERIOD NOVEMBER 1, 2011 TO NOVEMBER 30, 2011**

The above-captioned debtors (collectively, the “Debtors”) hereby file their Monthly Operating Report (“MOR”) in accordance with the Guidelines established by the United States Trustee and Federal Rule of Bankruptcy Procedure 2015.

This MOR has been prepared solely for purposes of complying with the operating guidelines as described in the Chapter 11 Trustee Handbook, United States Department of Justice in accordance with 28 U.S.C. § 586(a)(3). The MOR presents condensed financial information of the Debtors. The MOR may be subject to future adjustment and reconciliation. The Debtors reserve all rights to amend the results presented in the MOR. These notes (the “Notes”) are incorporated by reference in, and comprise an integral part of, MOR, and should be referred to and considered in connection with any review of the MOR.

1. **Description of the Cases.** On June 10, 2011 (the “Petition Date”), each of the Debtors filed a voluntary petition with the Bankruptcy Court for relief under Chapter 11 of the Bankruptcy Code. The cases are being jointly administered under case number 11-1172 (PJW). The Debtors are currently operating their business as debtors-in-possession pursuant to Sections 1107(a) and 1108 of the United States Code, 11 U.S.C. §§ 101, *et seq.* (the “Bankruptcy Code”).

2. **Basis of Presentation.** The MOR is limited in scope, covers a limited time period, and has been prepared solely for the purpose of complying with the monthly operating reports of the Bankruptcy Court and the Office of the United States Trustee for the District of Delaware. The information in the MOR has been derived from the Debtors’ books and records. The financial information in the MOR is preliminary and unaudited and does not purport to follow the financial statements of each of the Debtors

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<sup>1</sup> The Debtors are Xanadoo Spectrum, LLC, a Delaware limited liability company; Xanadoo Holdings, Inc., a Delaware corporation; Xanadoo, LLC, a Delaware limited liability company; Pegasus Guard Band, LLC, a Delaware limited liability company; and Pegasus Rural Broadband, LLC, a Delaware limited liability company. Xanadoo Holdings, Inc. is the sole member of Xanadoo, LLC, Pegasus Guard Band, LLC, and Pegasus Rural Broadband, LLC. Xanadoo Holdings, Inc. is a wholly owned subsidiary of Xanadoo Spectrum, LLC.

in accordance with Generally Accepted Accounting Principles (“GAAP”) and, therefore, may exclude certain items required by GAAP, such as certain reclassifications, eliminations, accruals, valuations, and disclosure items. In certain instances, information presented in the MOR is presented for all Debtors on a consolidated basis. In instances where information is provided on an individual Debtor basis, the individual Debtors are separately identified. Some liabilities listed on the MOR are contingent, disputed or unliquidated. The Debtors reserve the right to dispute, or to assert offsets or defenses to, any liability reflected on the MOR as to amount, liability, or classification.

3. **Foreign Currency.** The Debtors have no foreign currency transactions. All amounts referenced in the Schedules and Statements are reflected in U.S. dollars.

4. **Book Value.** The Debtors do not have appraisals or valuations dated within one year of the date of the MOR for the properties, interests, or entities detailed therein. Accordingly, unless otherwise noted, assets and liabilities of each of the Debtors are reported at the value as set forth on the Debtors’ books and records, as of the Debtors’ latest assessment (“Book Value”). Thus, unless otherwise noted, the MOR reflects Book Value, and may not be based upon any estimate of their current market value. By reporting the Book Value of assets, the Debtors make no representation of the value ultimately realizable on any of their assets.

5. **Estimates.** To complete the MOR, the Debtors’ management was required to make estimates, allocations, or assumptions that affect the amounts of assets and liabilities as of November 1, 2011 and November 30, 2011 and reported revenue and expenses for the period from November 1, 2011 through November 30, 2011.

6. **Recoveries and Causes of Action.** The MOR may not include a complete list of causes of action the Debtors possess as of the Petition Date, or at any point thereafter. Regardless of the recoveries and causes of action listed, nothing contained in these Notes or in the MOR shall constitute a waiver of rights with respect to these Chapter 11 cases and specifically with respect to any issues involving substantive consolidation, equitable subordination, or causes of action arising under the provisions of Chapter 5 of the Bankruptcy Code and other relevant non-bankruptcy laws to recover assets or to avoid transfers.

7. **Preparation of the MOR.** The MOR has been signed by the Executive Vice President of Xanadoo, LLC, Howard E. Verlin and primarily prepared by the Chief Financial Officer of Xanadoo, LLC, Andrew F. Smith. Mr. Smith prepared the MOR with the assistance other employees of the Debtors working at the direction of Mr. Smith. Mr. Verlin and Mr. Smith do not have personal knowledge of every item identified in the MOR and have relied upon the work of such other employees in reviewing and signing the MOR. Mr. Smith and those employees have relied upon the accuracy and integrity of the Debtors’ books and records, and, as stated above, it is possible that further review thereof may require the amendment of the MOR.

**UNITED STATES BANKRUPTCY COURT  
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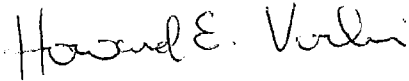
**MONTHLY OPERATING REPORT**

File with Court and submit copy to United States Trustee within 20 days after end of month.

Submit copy of report to any official committee appointed in the case.

<b>REQUIRED DOCUMENTS</b>	<b>Form No.</b>	<b>Document Attached</b>	<b>Explanation Attached</b>	<b>Affidavit/Supplement Attached</b>
Schedule of Cash Receipts and Disbursements	MOR-1	Yes		
Bank Reconciliation (or copies of debtor's bank reconciliations)	MOR-1a	Yes		
Schedule of Professional Fees Paid	MOR-1b	Yes		
Copies of bank statements				
Cash disbursements journals				
Statement of Operations	MOR-2	Yes		
Balance Sheet	MOR-3	Yes		
Status of Postpetition Taxes	MOR-4	Yes		
Copies of IRS Form 6123 or payment receipt				
Copies of tax returns filed during reporting period				
Summary of Unpaid Postpetition Debts	MOR-4	Yes		
Listing of aged accounts payable	MOR-4			
Accounts Receivable Reconciliation and Aging	MOR-5	Yes		
Debtor Questionnaire	MOR-5	Yes		

I declare under penalty of perjury (28 U.S.C. Section 1746) that this report and the attached documents are true and correct to the best of my knowledge and belief.



12/30/2011

Signature of Authorized Individual\*

Date

Howard E. Verlin

EVP

Printed Name of Authorized Individual

Title of Authorized Individual

\*Authorized individual must be an officer, director or shareholder if debtor is a corporation; a partner if debtor is a partnership; a manager or member if debtor is a limited liability company.

### SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

Amounts reported should be per the debtor's books, not the bank statement. The beginning cash should be the ending cash from the prior month or, if this is the first report, the amount should be the balance on the date the petition was filed. The amounts reported in the "CURRENT MONTH - ACTUAL" column must equal the sum of the four bank account columns. The amounts reported in the "PROJECTED" columns should be taken from the SMALL BUSINESS INITIAL REPORT (FORM IR-1) (4). Attach copies of the bank statements and the cash disbursements journal. The total disbursements listed in the disbursements journal must equal the total disbursements reported on this page. A bank reconciliation must be attached for each account. [See MOR-1 (CONT)]

	BANK ACCOUNTS(1)		CURRENT MONTH		CUMULATIVE FILING TO DATE	
	Xanadoo, LLC	Pegasus Rural Broadband, LLC	ACTUAL	PROJECTED	ACTUAL	PROJECTED
CASH BEGINNING OF MONTH	N/A	N/A	259,994	75,000	140,384	29,250
<b>RECEIPTS(2)</b>						
CUSTOMER RECEIPTS	289,558	37,816	327,374	366,124	1,829,104	2,064,340
TRANSFERS (FROM DIP ACCTS)	300,000	-	300,000	316,403	1,300,000	2,271,919
<b>TOTAL RECEIPTS</b>	<b>589,558</b>	<b>37,816</b>	<b>627,374</b>	<b>682,526</b>	<b>3,129,104</b>	<b>4,336,260</b>
<b>DISBURSEMENTS(3)</b>						
Compensation, Taxes and Benefits	159,095	-	159,095	176,591	999,921	1,005,892
Bandwidth	59,418	3,451	62,869	42,240	269,628	283,440
Tower Rental & Related Costs	71,067	5,083	76,151	77,008	419,713	477,548
Property & Office Costs	31,795	-	31,795	31,360	165,568	188,095
Equipment Maintenance & Replacement	3,867	185	4,052	21,313	47,572	136,002
Vehicle Maintenance & Gas	5,559	-	5,559	6,100	32,709	35,200
2.5 GHz License Lease Cost	12,567	-	12,567	20,111	73,233	120,666
Non Bankruptcy Professional Service Fees	30,553	-	30,553	25,043	182,053	262,489
Billing Fees	9,052	842	9,893	12,624	42,223	71,776
Sales Support & Commissions	5,625	-	5,625	6,300	25,314	36,470
Personal Property Tax and Other	9,039	1,425	10,465	10,700	109,730	62,700
Modem Buy backs and purchases	3,570	-	3,570	3,137	36,238	86,194
Forecast Adjustment (4)	-	-	-	-	-	49,620
TRANSFERS (TO DIP ACCTS)	-	-	-	-	-	-
PROFESSIONAL FEES (5)	357,121	-	357,121	250,000	745,908	1,474,417
U.S. TRUSTEE QUARTERLY FEES	-	-	-	-	1,625	-
COURT COSTS	-	-	-	-	-	-
<b>TOTAL DISBURSEMENTS</b>	<b>758,328</b>	<b>10,987</b>	<b>769,315</b>	<b>682,526</b>	<b>3,151,436</b>	<b>4,290,510</b>
NET CASH FLOW	N/A	N/A	(141,941)	-	(22,331)	45,750
(RECEIPTS) LESS DISBURSEMENTS						
CASH - END OF MONTH	N/A	N/A	118,053	75,000	118,053	75,000

(1) As described in the Debtors' Bank Motion Order, the Debtors' maintain a single concentration account from which all other bank accounts draw.

All cash disbursements were made for the benefit of either Xanadoo, LLC or Pegasus Rural Broadband, LLC.

(2) Excludes deposits in transit that have not cleared by month-end.

(3) Includes checks issued after 6/10/11 that have not cleared by month-end.

(4) The Debtors' Form IR-1 was presented for 12 months beginning 7/1/2011. The above figures represent forecasted amounts for the period 6/10/2011 through 7/1/2011 as presented in the 13 week budget submitted with the Debtors' DIP motion. Adjustments were made to the DIP budget to accommodate the day of July 1st which falls outside the presented forecast period.

(5) Professional fees are disbursed from Xanadoo Holdings Inc.

### THE FOLLOWING SECTION MUST BE COMPLETED

<b>DISBURSEMENTS FOR CALCULATING U.S. TRUSTEE QUARTERLY FEES: (FROM CURRENT MONTH ACTUAL COLUMN)</b>	
TOTAL DISBURSEMENTS	769,315
LESS: TRANSFERS TO DEBTOR IN POSSESSION ACCOUNTS	-
PLUS: ESTATE DISBURSEMENTS MADE BY OUTSIDE SOURCES (i.e. from escrow accounts)	-
<b>TOTAL DISBURSEMENTS FOR CALCULATING U.S. TRUSTEE QUARTERLY FEES</b>	<b>769,315</b>

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**BANK RECONCILIATIONS**  
Continuation Sheet for MOR-1

Bank account reconciliations were performed for each of the following accounts. Listed are the General Ledger Balances as of 11/30/2011.

Company	Bank	Type	Account Number	General Ledger Balance
RURAL BROADBAND	PNC	Disbursement	#XX-XXXX-2959	(1,060)
RURAL BROADBAND	PNC	Lockbox & CC	#XX-XXXX-9595	695
XANADOO LLC	PNC	Lockbox & CC	#XX-XXXX-5901	500,043
XANADOO LLC	PNC	Disbursement	#XX-XXXX-5899	(116,264)
XANADOO LLC	PNC	Payroll	#XXXXXX-2493	-
XANADOO LLC	PNC	Credit Card	#XX-XXXX-5872	-
XANADOO LLC	TD	Investment	#XXX-XXX6542	-
XANADOO HOLDINGS	PNC	Concentration	#XX-XXXX-7172	-
XANADOO HOLDINGS	PNC	Disbursement	#XX-XXXX-7092	-
XANADOO HOLDINGS	LPL	Investment	#XXXX-6767	- (1)

(1) Account closed in July 2011 as directed by US Trustee.

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**SCHEDULE OF PROFESSIONAL FEES AND EXPENSES PAID**

This schedule is to include all retained professional payments from case inception to current month.

Payee	Period Covered	Amount Approved	Payor	Check		Amount Paid		Year-To-Date	
				Number	Date	Fees	Expenses	Fees	Expenses
EPIQ BANKRUPTCY SOLUTIONS	Jun-11	\$13,466.47	Xanadoo Holdings, Inc	1002	8/4/2011	\$13,466.47	\$0.00	\$13,466.47	\$0.00
ELLIOTT GREENLEAF	Jun-11	\$145,646.57	Xanadoo Holdings, Inc	1004	8/31/2011	\$142,721.60	\$2,924.97	\$156,188.07	\$2,924.97
EPIQ BANKRUPTCY SOLUTIONS	Jul-11	\$14,713.56	Xanadoo Holdings, Inc	1005	9/14/2011	\$14,713.56	\$0.00	\$170,901.63	\$2,924.97
CANTOR FITZGERALD	Sep-11	\$40,000.00	Xanadoo Holdings, Inc	1006	9/22/2011	\$40,000.00	\$0.00	\$210,901.63	\$2,924.97
NHB ADVISORS, INC.	Jun-11	\$34,395.41	Xanadoo Holdings, Inc	1008	10/4/2011	\$34,334.00	\$61.41	\$245,235.63	\$2,986.38
NHB ADVISORS, INC.	Jun-11	\$40,737.88	Xanadoo Holdings, Inc	1011	10/20/2011	\$40,686.00	\$51.88	\$285,921.63	\$3,038.26
EPIQ BANKRUPTCY SOLUTIONS	Sep-11	\$11,914.41	Xanadoo Holdings, Inc	1010	10/20/2011	\$11,914.41	\$0.00	\$297,836.04	\$3,038.26
ELLIOTT GREENLEAF	Jul-11	\$87,912.40	Xanadoo Holdings, Inc	1007	10/4/2011	\$81,214.40	\$6,698.00	\$379,050.44	\$9,736.26
ELLIOTT GREENLEAF	Aug-11	\$0.00	Xanadoo Holdings, Inc	1013	11/3/2011	\$79,068.40	\$961.53	\$458,118.84	\$10,697.79
EPIQ BANKRUPTCY SOLUTIONS	Sep-11	\$20,632.03	Xanadoo Holdings, Inc	1014	11/3/2011	\$20,632.03	\$0.00	\$478,750.87	\$10,697.79
CANTOR FITZGERALD & CO.	Oct-11	\$20,000.00	Xanadoo Holdings, Inc	1015	11/3/2011	\$20,000.00	\$0.00	\$498,750.87	\$10,697.79
NHB ADVISORS, INC.	Aug-11	\$14,072.31	Xanadoo Holdings, Inc	1016	11/22/2011	\$14,034.00	\$38.31	\$512,784.87	\$10,736.10
ELLIOTT GREENLEAF	Sep-11	\$197,165.39	Xanadoo Holdings, Inc	1017	11/29/2011	\$195,013.60	\$2,151.79	\$707,798.47	\$12,887.89
EPIQ BANKRUPTCY SOLUTIONS	Oct-11	\$17,721.60	Xanadoo Holdings, Inc	1018	11/29/2011	\$17,721.60	\$0.00	\$725,520.07	\$12,887.89

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**STATEMENT OF OPERATIONS**  
(Income Statement)

The Statement of Operations is to be prepared on an accrual basis. The accrual basis of accounting recognizes revenue when it is realized and expenses when they are incurred, regardless of when cash is actually received or paid.

	Month Ended 11/30/2011	Cumulative Filing to Date
<b>CUSTOMER REVENUE</b>	<b>313,766</b>	<b>1,891,827</b>
Compensation, Taxes and Benefits	151,119	920,393
Bandwidth	41,521	235,335
Tower Rental & Related Costs	74,219	430,417
Property & Office Costs	33,408	200,886
Equipment Maintenance & Replacement	8,560	68,583
Vehicle Maintenance & Gas	4,547	18,727
2.5 GHz License Lease Cost	49,214	281,643
Non Bankruptcy Professional Service Fees	22,587	225,450
Billing Fees	9,325	69,257
Sales Support & Commissions	14,260	86,700
Personal Property Tax and Other	5,758	30,112
<b>TOTAL OPERATING EXPENSES</b>	<b>414,518</b>	<b>2,567,504</b>
Management Fee	104,167	590,277
Non-Cash Compensation Amortization	0	132,724
Depreciation & Amortization	534,848	3,048,920
Interest	676,379	3,796,816
Bankruptcy Reorganization & US Trustee Fees	119,867	1,150,474
<b>TOTAL OTHER EXPENSES</b>	<b>1,435,260</b>	<b>8,719,211</b>
<b>NET INCOME</b>	<b>(1,536,013)</b>	<b>(9,394,888)</b>

In re: Pegasus Rural Broadband, LLC, et al.  
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Reporting Period: June 10, 2011 & November 30, 2011

The Balance Sheet is to be completed on an accrual basis only. Pre-petition liabilities must be classified separately from postpetition obligations.

ASSETS	BOOK VALUE AT END OF	BOOK VALUE ON
	CURRENT REPORTING MONTH 11/30/2011	PETITION DATE 6/10/2011
Cash and cash equivalents	154,455	140,384
Accounts Receivable, Net	30,918	15,145
Inventory	64,185	28,064
Prepaid Expenses and other current assets	29,038	47,113
<b>Total Current Assets</b>	<b>278,596</b>	<b>230,706</b>
Property and equipment, net	8,084,148	8,836,852
Intangible Assets, net	34,391,055	36,687,271
Deposits and other	5,056	4,417
<b>Total Non-Current Assets</b>	<b>42,480,260</b>	<b>45,528,540</b>
<b>Total Assets</b>	<b>42,758,856</b>	<b>45,759,246</b>

#### LIABILITIES AND OWNER EQUITY

##### LIABILITIES NOT SUBJECT TO COMPROMISE (Postpetition)

Accounts Payable	120,809	0
Accrued Expenses	911,649	255,748
Unearned Revenue	302,104	348,229
Due to Non Debtor Affiliate	774,513	0
DIP Payable	1,426,979	0
<b>Total Current Liabilities</b>	<b>3,536,055</b>	<b>603,977</b>

##### LIABILITIES SUBJECT TO COMPROMISE (Pre-Petition)

Secured	55,794,702	52,136,995
Priority	133,231	178,691
Unsecured	7,853,852	8,003,679
Contingent Warrant Liability (1)	7,000,000	7,000,000
<b>Total Pre-Petition Liabilities</b>	<b>70,781,785</b>	<b>67,319,365</b>
Additional paid in capital / Retained Earnings - Pre Petition	(22,164,096)	(22,164,096)
Retained earnings - Post Petition	(9,394,889)	0
<b>Total Stockholder's Equity</b>	<b>(31,558,984)</b>	<b>(22,164,096)</b>
<b>Total liabilities and Equity</b>	<b>42,758,856</b>	<b>45,759,246</b>

(1) The amount represents a contingent liability related to warrants issued to the Debtors' prepetition lenders.



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### STATUS OF POSTPETITION TAXES

The beginning tax liability should be the ending liability from the prior month or, if this is the first report, the amount should be zero.  
Attach photocopies of IRS Form 6123 or payment receipt to verify payment or deposit of federal payroll taxes.  
Attach photocopies of any tax returns filed during the reporting period.

	Beginning Tax Liability	Amount Withheld or Accrued	Amount Paid	Date Paid	Check No. or EFT	Ending Tax Liability
<b>Federal</b>						
Withholding	(1)	(1)	(1)	(1)	(1)	(1)
FICA-Employee	(1)	(1)	(1)	(1)	(1)	(1)
FICA-Employer	(1)	(1)	(1)	(1)	(1)	(1)
Unemployment	(1)	(1)	(1)	(1)	(1)	(1)
Income	(1)	(1)	(1)	(1)	(1)	(1)
Total Federal Taxes	(1)	(1)	(1)	(1)	(1)	(1)
<b>State and Local</b>						
Withholding	(1)	(1)	(1)	(1)	(1)	(1)
Sales	5,063	4,646	5,063	Various	Various	4,646
Unemployment	(1)	(1)	(1)	(1)	(1)	(1)
Personal Property (estimate) (2)	58,167	5,000	3,500	11/16/2011	#19078	59,667
Total State and Local	63,229	9,646	8,563	N/A	N/A	64,313
<b>Total Taxes</b>	<b>63,229</b>	<b>9,646</b>	<b>8,563</b>	<b>N/A</b>	<b>N/A</b>	<b>64,313</b>

- (1) All payroll related taxes are paid and withheld through ADP when payroll is processed.  
(2) Xanadoo, LLC is currently on a payment plan with one municipality relating to prior years property tax

### SUMMARY OF UNPAID POSTPETITION DEBTS

	Number of Days Past Due					Total
	Current	0-30	31-60	61-90	Over 90	
Accounts Payable	76,805	7,520	15,441	21,043	0	120,809
<b>Total Postpetition Debts</b>	<b>76,805</b>	<b>7,520</b>	<b>15,441</b>	<b>21,043</b>	<b>0</b>	<b>120,809</b>

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### ACCOUNTS RECEIVABLE RECONCILIATION AND AGING

<b>Accounts Receivable Reconciliation</b>	<b>Xanadoo, LLC</b>	<b>Broadband, LLC</b>
Total Accounts Receivable at the beginning of the reporting period	139,852	12,535
+ Amounts billed during the period	289,739	38,669
- Amounts collected during the period	289,558	37,816
Total Accounts Receivable at the end of the reporting period	140,032	13,388
<b>Accounts Receivable Aging</b>	<b>Xanadoo, LLC</b>	<b>Broadband, LLC</b>
0 - 30 days old	24,773	2,696
31 - 60 days old	5,205	215
61 - 90 days old	5,199	309
91+ days old	104,804	10,168
Total Accounts Receivable	139,980	13,388
Amount considered uncollectible (Bad Debt)	111,789	10,661
Accounts Receivable (Net)	28,191	2,727

### DEBTOR QUESTIONNAIRE

<b>Must be completed each month</b>	<b>Yes</b>	<b>No</b>
1. Have any assets been sold or transferred outside the normal course of business this reporting period? If yes, provide an explanation below.		X
2. Have any funds been disbursed from any account other than a debtor in possession account this reporting period? If yes, provide an explanation below.		X
3. Have all postpetition tax returns been timely filed? If no, provide an explanation below.	X	
4. Are workers compensation, general liability and other necessary insurance coverages in effect? If no, provide an explanation below.	X	
5. Has any bank account been opened during the reporting period? If yes, provide documentation identifying the opened account(s). If an investment account has been opened provide the required documentation pursuant to the Delaware Local Rule 4001-3		X