The following table summarizes information about the Company's outstanding stock options at December 31, 2003:

	Options outstanding			Options exercisable		
Exercise price per share	Number of shares	Weighted average remaining contractual life (years)	WAEP* per share	Number of shares	Weighted average remaining contractual life (years)	WAEP* per share
$ 8.04-8.68	12,132	5.5	$ 8.53	12,132	5.5	$ 8.53
32.00-44.25	302,242	7.9	44.21	266,455	7.9	44.21
	314,374	7.8	$ 42.83	278,587	7.8	$ 42.65

* WAEP represents weighted average exercise price.

TelCove Long-Term Incentive Compensation Plan

On October 3, 1996, the Board of Directors and stockholders of TelCove approved the 1996 Long-Term Incentive Compensation Plan (the "1996 Plan"). The 1996 Plan provided for the grant of (i) options which qualify as incentive stock options within the meaning of Section 422 of the Internal Revenue Code, (ii) options which do not so qualify, (iii) share awards (with or without restrictions on vesting), (iv) stock appreciation rights and (v) stock equivalent awards or phantom units. The number of shares of TelCove Class A Common Stock available for issuance pursuant to the 1996 Plan initially was 5,687,500. Such number was to increase each year by 1% of outstanding shares of all class of TelCove Common Stock, up to a maximum of 8,125,000 shares. Options, awards and units could be granted under the 1996 Plan to directors, officers, employees and consultants. The 1996 Plan provided that incentive stock options must be granted with an exercise price of not less than the fair market value of the underlying common stock on the date of grant. Options outstanding under the 1996 Plan could be exercised by paying the exercise price per share.

TelCove recorded approximately $1,645,000 of stock based compensation in 2001 related to stock awards granted to certain members of the Rigas Family in August, 1999 (the "Rigas Grants"). In addition to the Rigas Grants, certain employees were granted options to purchase shares of TelCove Class A Common Stock at prices equal to the fair market value of the shares on the date the option was granted. Options were exercisable immediately after grant and had a maximum term of ten years.

The following table summarizes TelCove's stock option activity for 2001. As a result of the TelCove Spin-off, no activity is reflected subsequent to December 31, 2001:

	2001	
	Options	WAEP*
Options outstanding, beginning and end of year	815,558	$ 19.79
Exercisable at end of year	360,758	$ 23.62

*WAEP represents weighted average exercise price.

Phantom Stock Awards

The Company awarded phantom units for 1998 and 1999 to certain management employees which represented compensation bonuses based on Class A Common Stock performance. Such awards vested over three years from the date of grant. Decreases to compensation expense related to these phantom units were $1,607,000 and $1,097,000 during the years ended December 31, 2002 and 2001. No phantom units were awarded during 2003 and 2002.

Employee Stock Purchase Plan

Effective January 1, 2002, the Company adopted and instituted an Employee Stock Purchase Plan ("ESPP"). Under the terms of the ESPP, eligible employees were able to authorize payroll deductions of up to 10% of their base compensation, as defined, to purchase Class A Common Stock at a price equal to the fair market value of Class A Common Stock as of the last trading day of each calendar quarter. Shares of Class A Common Stock to be acquired by Participants under the ESPP were purchased in open market transactions. At the end of the first stock purchase period under the ESPP, the quarter ended March 31, 2002, employees purchased 19,172 shares of Class A Common Stock. The ESPP was terminated effective April 2002.

401(k) Employee Savings Plan

The Company sponsors a tax-qualified retirement plan governed by Section 401(k) of the Internal Revenue Code, which provides that eligible full-time employees may contribute up to 16% of their pre-tax compensation subject to certain limitations. For all years presented, the Company made matching contributions not exceeding the lesser of $750 or 1.5% of each participant's pre-tax compensation. The Company's contributions were $4,294,000, $3,883,000 and $5,247,000 during 2003, 2002 and 2001, respectively. Effective January 1, 2004, the Company's matching contribution was increased to 100% of the first 3% and 50% of the next 2% of each participant's pre-tax compensation.

Short-Term Incentive Plan

The Company initiated a short-term incentive plan (the "STIP") in 2003, which is a calendar-year program, and provides for the payment of annual bonuses to employees of the Company based upon the satisfaction of qualitative and quantitative metrics, as approved by the Compensation Committee of the Board. In general, in addition to certain general/area managers, full-time employees with a title of director and above are eligible to participate in the STIP. For 2003, approximately 300 employees were eligible to participate. Target awards under the STIP are based on a percentage of each participant's base pay. As of December 31, 2003, the Company had accrued $7,353,000 related to the STIP.

Performance Retention Plan

During May 2003, the Company adopted the Performance Retention Plan (the "PRP"), which is designed to encourage key employees, to remain with the Company by providing annual incentive awards based on the Company's performance. Adelphia's Chief Executive Officer ("CEO") and Chief Operating Officer ("COO") do not participate in the PRP. The compensation to be earned under the PRP is comprised of cash awards and, following the first business day on which a plan of reorganization for the Company becomes effective (the "Effective Date"), restricted stock of Adelphia. Target awards range from 25% to 200% of a participant's base salary, and the amount of each award is dependent on the Company's achievement of certain financial targets. Initial awards vest in 36 monthly installments starting at the end of each month one year following the month in which the participant begins participation in the plan. Subsequent awards vest in 36 monthly installments starting as of January 31 of the year immediately following the plan year in which the award was granted. Generally, on the Effective Date, the vested portion of each award will be paid in cash, except that awards that are less than 25% vested will become 25% vested and paid in cash. The unvested portion of the awards will be payable in the form of restricted stock of the Company following its emergence from bankruptcy, and will vest in two equal annual installments on each of the first and second anniversaries of the Effective Date. In addition, the Compensation Committee of the Board is permitted to authorize the payment of the unvested portion of a participant's incentive award if such participant's employment is terminated in connection with a change in control (as defined in the PRP). Any unvested portion of a participant's incentive award that is paid shall be paid based upon either the value established for each annual grant based on actual performance, if so established, or 100% achievement of any unvalued grants. As of December 31, 2003, the Company had accrued $2,323,000 related to the PRP.

ADELPHIA COMMUNICATIONS CORPORATION AND SUBSIDIARIES
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Key Employee Retention Programs ("KERP")

On September 21, 2004, the Bankruptcy Court entered orders authorizing the Debtors to implement and adopt the continuity program that consists of two distinct programs (i) the Adelphia Communications Corporation Key Employee Continuity Program (as amended, the "Stay Plan") and (ii) the Adelphia Communications Corporation Sale Bonus Program (as amended, the "Sale Plan" and, together with the Stay Plan, the "Continuity Program"), which are each designed to motivate certain employees to remain with the Debtors. Certain executive officers of Adelphia are not eligible to participate in the Continuity Program. In addition, the order authorized certain amendments to the Amended and Restated Severance Program and certain formal employment agreements. With respect to the Stay Plan and the Sale Plan, in the event that (i) a Change in Control (as defined in the Stay Plan and the Sale Plan) occurs and (ii) all of the bonuses under both the Stay Plan and the Sale Plan are payable, the total cost of the Continuity Program could reach approximately $30,800,000 (including approximately $9,800,000 payable under the Stay Plan, $18,000,000 payable under the Sale Plan, and a $3,000,000 pool from which the CEO of Adelphia may grant additional bonuses).

Stay Plan. Subject to the terms of the Stay Plan, certain employees of the Debtors (the "Stay Participants") may each be eligible to receive a cash payment in the form of a bonus (the "Stay Bonus") if, subject to certain limited exceptions, the Stay Participants continue their active employment with the Debtors or their successors from the date such Stay Participant is notified in writing that he or she has been selected for coverage under the Stay Plan to the payroll date immediately following the nine month anniversary of such date. The CEO of Adelphia selects the Stay Participants and, subject to the review and approval of the Compensation Committee of the Board, establishes the amount of each Stay Participant's Stay Bonus, subject to any aggregate amounts available under the Stay Plan.

Sale Plan. Under the terms of the Sale Plan, certain employees of the Debtors (the "Sale Participants") may each be eligible to receive cash payments in the form of a bonus (the "Sale Bonus") if, subject to certain limited exceptions, the Sale Participants continue their active employment with the Debtors or their successors until, and following, a Change in Control (as defined in the Sale Plan). 50% of the Sale Bonus will be paid to eligible Sale Participants within ten business days of the effective date of the Change in Control and the remaining 50% of the Sale Bonus will be paid to eligible Sale Participants within ten business days of the six month anniversary of such effective date; provided that a Sale Participant's employment has continued through such dates, subject to certain limited exceptions. The CEO of Adelphia will select the Sale Participants and, subject to the review and approval of the Compensation Committee of the Board, will establish the amount of each Sale Participant's Sale Bonus, subject to any aggregate amounts available under the Sale Plan.

Amended and Restated Severance Program. Employees of the Debtors are currently afforded severance benefits either pursuant to Adelphia's existing severance plan, the Amended and Restated Adelphia Communications Corporation Severance Plan (the "Severance Plan"), or pursuant to an existing employment agreement with the Debtors (each an "Existing Employment Agreement"). Except for certain limited exceptions, all full-time employees of Adelphia and certain affiliates that do not have Existing Employment Agreements are covered by the Severance Plan, which provides for severance pay in the event of a termination without "Cause" (as defined in the Severance Plan). The modifications to the Severance Plan and the form of employment agreements that were approved by the Bankruptcy Court pursuant to the order entered September 21, 2004 could cost the Debtors a maximum of $9,973,000 (including $5,723,000 in enhanced severance benefits and healthcare continuation, and $4,250,000 in relocation reimbursement expenses) if all Director-level employees, Vice Presidents ("VP") and Senior Vice Presidents ("SVP") are to be involuntarily separated from the Debtors and all eligible VPs and SVPs qualified for the maximum amount of relocation reimbursement. Certain executive officers of Adelphia are not eligible to participate in the Severance Plan.

ADELPHIA COMMUNICATIONS CORPORATION AND SUBSIDIARIES
(Debtors-In-Possession)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Note 18: Income Taxes

The Company files a consolidated federal income tax return with all of its 80%-or-more-owned subsidiaries. Consolidated subsidiaries in which the Company owns less than 80% each file a separate income tax return. The components of income tax (expense) benefit are as follows (amounts in thousands):

	Year ended December 31,		
	2003	2002	2001
Current:			
Federal	$ —	$ 1,957	$ —
State	8,468	1,585	(9,072)
Deferred:			
Federal	(109,858)	(83,848)	171,203
State	(15,396)	3,854	11,397
Total	$(116,786)	$ (76,452)	$ 173,528

Income tax (expense) benefit is included in the financial statements as follows:

	Year ended December 31,		
	2003	2002	2001
Loss before cumulative effects of accounting changes	$ (117,378)	$ (76,620)	$ 171,308
Cumulative effects of accounting changes	—	—	2,739
Other comprehensive income (loss)	592	168	(519)
Total	$ (116,786)	$ (76,452)	$ 173,528

Significant components of the Company's net deferred tax liability are as follows (amounts in thousands):

	December 31,		
	2003	2002	2001
Deferred tax liabilities:			
Property and equipment	$ (333,290)	$ (19,897)	$ —
Intangible assets other than goodwill	(691,831)	(595,008)	(1,232,087)
Interest expense not accrued due to bankruptcy filing	(473,465)	(161,208)	—
Investments	(32,154)	(5,811)	(10,227)
	(1,530,740)	(781,924)	(1,242,314)
Deferred tax assets:			
Net operating loss ("NOL") carryforwards	3,381,295	2,532,283	2,496,338
Provision for uncollectible amounts due from the Rigas Family and Rigas Family Entities	1,146,072	1,104,506	202,879
Property and equipment	—	—	140,438
Reorganization expenses due to bankruptcy	43,691	15,435	—
Deferred programming launch incentives	60,650	69,411	90,784
Goodwill with tax basis	369,484	394,422	138,466
Capital loss carryforward	54,660	27,850	1,216
Other	31,378	26,813	59,697

	5,087,230	4,170,720	3,129,818
Valuation allowance	(4,275,754)	(3,984,586)	(2,402,540)
	811,476	186,134	727,278
Net deferred tax liability	$ (719,264)	$ (595,790)	$ (515,036)
Current portion of net deferred tax liability	3,380	801	10,941
Noncurrent portion of net deferred tax liability	(722,644)	(596,591)	(525,977)
Net deferred tax liability	$ (719,264)	$ (595,790)	$ (515,036)

The net change in the valuation allowance for deferred tax assets is as follows (amounts in thousands):

	December 31,		
	2003	2002	2001
Change in valuation allowance, beginning of year	$ —	$ (729,479)	$ —
Other changes in valuation allowance	(291,168)	(1,691,143)	(1,315,735)
Change in valuation allowance included in income tax (expense) benefit	(291,168)	(2,420,622)	(1,315,735)
Acquisitions and dispositions	—	838,576	(53,252)
Total change in valuation allowance	$ (291,168)	$ (1,582,046)	$ (1,368,987)

As a result of the adoption of SFAS No. 142, effective January 1, 2002, the period of reversal for deferred tax liabilities related to franchise costs and goodwill can no longer be reasonably estimated. Consequently, the Company may not rely on the reversal of deferred tax liabilities associated with franchise costs and goodwill as a means to realize the Company's deferred tax assets. Additionally, due to the lack of earnings history, current bankruptcy situation, and impairment charges recognized on the Company's franchise costs and goodwill, it cannot rely on forecasts of future earnings as a means to realize its deferred tax assets. Accordingly, the Company has determined that it is more likely than not that the Company will not realize certain deferred tax assets. As such, in connection with the adoption of SFAS No. 142, on January 1, 2002, the Company recorded an additional valuation allowance of $729,479,000 related to deferred taxes associated with franchise costs and goodwill.

SFAS No. 109, *Accounting for Income Taxes,* requires that any valuation allowance established for an acquired entity's deductible temporary differences at the date of acquisition that is subsequently recognized, first reduces goodwill and other noncurrent assets related to the acquisition and then reduces income tax expense. The amount of the valuation allowance for which subsequently recognized tax benefits will be allocated to reduce goodwill or other intangible assets of an acquired entity is $638,136,000.

The difference between the expected income tax benefit at the U.S. statutory federal income tax rate of 35% and the actual income tax (expense) benefit is as follows (amounts in thousands):

	Year ended December 31,		
	2003	2002	2001
Expected income tax benefit at the statutory federal income tax rate	$ 246,948	$ 2,492,735	$ 2,204,216
Change in valuation allowance – federal	(287,999)	(2,136,135)	(1,163,113)
Change in valuation allowance – state	(3,170)	(284,487)	(152,622)
State taxes, net of federal benefit	(6,798)	289,350	158,189
Nondeductible goodwill amortization and impairment	—	(328,900)	(854,257)
Minority's interest and share of earnings (losses) of equity affiliates	(8,338)	(22,428)	(8,453)
Expiration of NOL	(61,678)	(24,796)	(8,096)
Other	4,249	(61,791)	(2,336)
Income tax (expense) benefit	$ (116,786)	$ (76,452)	$ 173,528

As of December 31, 2003, the Company had NOL carryforwards of approximately $8,700,000,000 and $6,400,000,000 for federal and state income tax purposes, respectively, expiring from 2004 to 2023. In addition, the Company has a capital loss carryforward of approximately $136,000,000, expiring from 2006 to 2008. Consolidated subsidiaries in which the Company owns less than 80% had NOL carryforwards of $84,000,000 for federal and state income tax purposes expiring from 2004 to 2023. These amounts are based on the income tax returns filed for 2003 and certain adjustments to be reflected in amended returns that are expected to be filed for the 2003 tax year and prior periods. Such returns are subject to examination by federal and state taxing authorities, generally, for a period of three years after the NOL carryforward is utilized. As a result of the restatement of the Company's financial statements, as discussed further in Note 4, the Company expects to file amended federal and state income tax returns for 1999 through 2003. In the event the Debtors emerge from bankruptcy, (i) these NOL carryforwards are expected to be reduced or completely eliminated by debt cancellation income that might result under the bankruptcy proceedings, (ii) other tax attributes, including the Company's tax basis in its property and equipment, could be reduced and (iii) a statutory ownership change, as defined in Section 382 of the Internal Revenue Code, would occur upon issuance of new common stock to claimholders pursuant to any approved plan of reorganization. This ownership change may limit the annual usage of any remaining tax attributes that were generated prior to the change of ownership. The amount of the limitation will be determinable at the time of the ownership change.

The Company believes that adequate provision has been made for tax positions that may be challenged by taxing authorities. While it is often difficult to predict the final outcome or the timing of resolution of any particular tax matter, the Company believes that the reserves reflect the probable outcome of known tax contingencies. Unfavorable settlement of any particular issue would require the use of cash. Favorable resolution could result in reduced income tax expense reported in the consolidated financial statements in the future. The tax reserves are generally presented in the balance sheet within other noncurrent liabilities. Certain tax reserve items may be settled through the bankruptcy process which could result in reduced income tax expense reported in the consolidated financial statements in the future.

Note 19: Other Comprehensive Income (Loss), Net

Accumulated other comprehensive income (loss) included in the Company's consolidated balance sheets and consolidated statements of stockholders' equity reflect the aggregate of foreign currency translation adjustments and unrealized holding gains and losses on securities. The change in the components of accumulated other comprehensive income (loss), net of taxes, is set forth below (amounts in thousands):

	Foreign currency translation adjustments	Unrealized gains (losses) on securities	Total
Balance at January 1, 2001*	$ (2,533)	$ 531	$ (2,002)
Other comprehensive loss	(5,920)	(773)	(6,693)
Balance at December 31, 2001	(8,453)	(242)	(8,695)
Other comprehensive income (loss)	(10,310)	251	(10,059)
Balance at December 31, 2002	(18,763)	9	(18,754)
Other comprehensive income	8,193	881	9,074
Balance at December 31, 2003	$ (10,570)	$ 890	$ (9,680)

* Restated. See Note 4.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Note 20: Segments

For the years ending December 31, 2003 and 2002, the Company's only reportable operating segment is its "cable" segment. For the year ended December 31, 2001, the Company's majority-owned subsidiary, TelCove, provided CLEC telecommunications services ("CLEC operations") primarily to business, governmental and educational end users throughout the United States. On January 11, 2002, the Company completed the TelCove Spin-off which composed the majority of the Company's CLEC operating segment. The Company does not view the CLEC operations as having continuing significance. Accordingly, separate segment data for the CLEC operations for 2001 has not been presented. See Note 9 for more information.

The cable segment includes the Company's cable system operations (including consolidated subsidiaries and equity method investments) that encompass the distribution of video programming, including digital and HSI services to customers for a monthly fee and media services through a network of fiber optic and coaxial cables. The reportable cable segment includes five operating regions in 2003 and seven operating regions prior to 2003 that have been combined as one reportable segment, as all of such regions have similar economic characteristics. The Company identifies reportable segments as those consolidated segments that represent 10% or more of the combined revenue, net earnings or loss, or total assets of all the Company's operating segments as of, and for the period ended on the most recent balance sheet date presented. Operating segments that do not meet this threshold are aggregated together for segment reporting purposes within the "corporate and other" column. The segment presentation for prior periods is conformed to the current period segment presentation. Under the current segment presentation, the TelCove operations for the year ended December 31, 2001 are reported in the column "corporate and other". The accounting policies of the cable segment are the same as those described in the summary of significant accounting policies in Note 3.

Selected financial information concerning the Company's current operating segments is presented below for the periods 2003, 2002 and 2001 (amounts in thousands):

	Cable	Corporate and other	Eliminations	Total
Operating and Capital Expenditure Data:				
Year ended December 31, 2003				
Revenue	$ 3,523,988	$ 82,055	$ —	$ 3,606,043
Operating loss	(120,147)	(135,468)	—	(255,615)
Capital expenditures	(721,588)	(1,933)	—	(723,521)
Year ended December 31, 2002				
Revenue	$ 3,167,643	$ 100,814	$ —	$ 3,268,457
Operating loss	(2,867,368)	(1,881,186)	—	(4,748,554)
Capital expenditures	(1,225,644)	(10,240)	—	(1,235,884)
Year ended December 31, 2001				
Revenue	$ 2,843,822	$ 481,241	$ —	$ 3,325,063
Operating loss	(3,071,191)	(2,236,541)	—	(5,307,732)
Capital expenditures	(1,769,556)	(634,433)	—	(2,403,989)
Balance Sheet Information:				
Total assets				
As of December 31, 2003	$ 12,672,473	$ 4,250,691	$(3,726,423)	$ 13,196,741
As of December 31, 2002	13,024,453	4,306,072	(3,728,119)	13,602,406
As of December 31, 2001	16,161,493	3,688,437	(2,345,951)	17,508,979

The Company did not derive more than 10% of its revenue from any one customer during 2003, 2002 and 2001. The Company's long-lived assets related to its foreign operations were $26,837,000, $20,364,000 and

$33,549,000 as of December 31, 2003, 2002 and 2001, respectively. The Company's revenue related to its foreign operations were $10,159,000, $7,235,000 and $4,853,000 during 2003, 2002 and 2001, respectively. The Company's assets and revenue related to its foreign operations and investments were not significant to the Company's financial position or results of operations, respectively, during any of the periods presented.

Note 21: Commitments and Contingencies

Commitments

Future minimum lease payments under noncancelable capital and operating leases as of December 31, 2003, are set forth below (amounts in thousands):

	Minimum Lease Commitments	
Year ended December 31,	Capital	Operating
2004	$ 29,347	$ 19,779
2005	24,200	15,245
2006	18,399	10,725
2007	2,250	8,706
2008	1,227	6,777
Thereafter	307	47,265
Total minimum lease payments	$ 75,730	$ 108,497
Less:		
Amount representing interest	5,571	
Total	$ 70,159	
Less current portion	$ (70,159)	
Noncurrent portion	$ —	

Subject to the approval of the Bankruptcy Court, the Company may reject pre-petition executory contracts and unexpired leases. As such, the Company expects that its liabilities pertaining to leases, and the related amounts, may change significantly in the future. In addition, it is expected that, in the normal course of business, expiring leases will be renewed or replaced by leases on other properties.

The Company rents office and studio space, tower sites, and space on utility poles under leases with terms which are generally one to five years. Rental expense for the indicated periods is set forth below (amounts in thousands):

Year ended December 31,	
2003	$ 63,679
2002	$ 65,251
2001	$ 81,394

The Company's cable systems are typically constructed and operated under the authority of nonexclusive permits or "franchises" granted by local and/or state governmental authorities. Franchises contain varying provisions relating to the construction and/or operation of cable systems, including, in certain cases, the imposition of requirements to rebuild or upgrade cable systems or to extend the cable network to new residential developments. The Company's franchises also typically provide for periodic payments of fees of not more than 5% of gross revenue in the applicable franchise area to the governmental authority granting the franchise. Additionally, many franchises require payments to the franchising authority to fund the construction or improvement of facilities that are used to provide public, education and governmental ("PEG") access channels. The Company's minimum commitments under franchise agreements, including the estimated cost of fulfilling rebuild, upgrade and network extension commitments, and the fixed minimum amounts payable to franchise authorities for PEG access channels, are set forth in the following table. The amounts set forth in the table below do not include the variable franchise fee and PEG commitments that are described in the paragraph following this table (amounts in thousands):

Year ended December 31,	
2004	$ 141,062
2005	$ 7,533
2006	$ 9,029
2007	$ 33,558
2008	$ 9,034
Thereafter	$ 323

As described above, the Company is also obligated to make variable payments to franchise authorities for franchise fees and PEG access channels that are dependent on the amount of revenue generated or the number of subscribers served within the applicable franchise area. Such variable payments aggregated $114,725,000, $106,767,000 and $102,393,000 during 2003, 2002 and 2001, respectively.

The Company pays programming and license fees under multi-year agreements with expiration dates ranging through 2021. The amounts paid under these agreements are typically based on per customer fees, which may escalate over the term of the agreements. In certain cases, such per customer fees are subject to volume or channel line-up discounts and other adjustments. The Company incurred total programming expenses of $1,056,820,000, $958,485,000 and $832,923,000 during 2003, 2002 and 2001, respectively.

Contingencies

Reorganization Expenses due to Bankruptcy and Professional Fees.

The Company is currently aware of certain success fees that potentially could be paid to various third party financial advisers of the Company and Committees upon the Company's emergence from bankruptcy. Currently, these contingent fees are estimated to be between $21,500,000 and $34,950,000. In addition, the CEO and the COO of the Company are eligible to receive equity awards with a minimum fair value of $17,000,000 upon emergence from bankruptcy. The value of such equity awards will be determined based on the average trading price of the post-emergence common stock of Adelphia during the 15 trading days immediately preceding the 90th day following the date of emergence. These equity awards, which will be subject to vesting and trading restrictions, may be increased up to a maximum value of $25,500,000 at the discretion of the Board. As no plan of reorganization has been confirmed by the Bankruptcy Court, no accrual for such contingent payments or equity awards has been recorded in the accompanying consolidated financial statements.

Letters of Credit.

The Company has issued standby letters of credit for the benefit of franchise authorities and other parties, most of which have been issued to an intermediary surety bonding company. As all such letters of credit will expire when the Extended DIP Facility expires, unless adequately collaterized, the Company expects to collaterize existing letters of credit or issue replacement letters of credit upon the Debtors' emergence from bankruptcy. Unless otherwise amended or extended, the Extended DIP Facility will expire no later than March 31, 2005. At December 31, 2003, the aggregate principal amount of letters of credit issued by the Company was $62,526,000. These letters of credit reduce the amount that may be borrowed under the Extended DIP Facility.

Litigation Matters

General. The Company follows SFAS No. 5, *Accounting for Contingencies*, in determining its accruals and disclosures with respect to loss contingencies. Accordingly, estimated losses from loss contingencies are accrued by a charge to income when information available indicates that it is probable that an asset had been impaired or a liability had been incurred and the amount of the loss can be reasonably estimated. If a loss contingency is not probable or reasonably estimable, disclosure of the loss contingency is made in the financial statements when it is at least reasonably possible that a loss may be incurred.

The Company is party to significant litigation, subject to civil actions filed by the SEC and ongoing investigation by the DoJ. If any of these proceedings is decided against the Company, it could be subject to substantial damages or other penalties. These penalties and other effects of litigation could have a material adverse effect on the Company's financial condition or results of operations.

SEC Civil Action and DoJ Investigation. On July 24, 2002 the SEC filed a civil enforcement action (the "SEC Civil Action") against Adelphia, certain members of the Rigas Family and others, alleging various securities fraud and improper books and records claims arising out of actions allegedly taken or directed by certain members of the Rigas Management (none of whom remain with the Company). This case is pending in the District Court and settlement discussions are in progress among Adelphia and representatives of the SEC and the DoJ. The SEC's proof of claim filed in the Chapter 11 Cases includes claims for penalties, disgorgement and prejudgment interest in an unspecified amount. The staff of the SEC has told our advisors that its asserted claims for disgorgement and civil penalties under various legal theories could amount to billions of dollars. The SEC Civil Action is stayed by order of the District Court until April 29, 2005. The SEC Civil Action is not subject to the automatic stay provisions of the Bankruptcy Code. In addition, the Company remains subject to continuing investigation and further action by the DoJ. The outcome of the SEC Civil Action and the investigation by the DoJ cannot be determined at this time. The outcome of the SEC Civil Action could include civil penalties, disgorgement, and the imposition of mandatory governance guidelines or other restrictions imposed on Adelphia. The outcome of the investigation by the DoJ could include the criminal indictment of Adelphia and/or the Managed Cable Entities, monetary remedies, including fines and restitution, criminal and/or civil forfeiture, and remedies restricting the Company's conduct. Adelphia has offered $300,000,000 in value to settle the SEC Civil Action and to resolve the DoJ's ongoing investigation of the Company, of which $125,000,000 would be funded from potential proceeds from litigation by or on behalf of Adelphia. The Creditors' Committee has filed an adversary proceeding seeking, in effect, to subordinate the SEC's claims based on the SEC Civil Action.

The Company cannot predict the ultimate resolution of the SEC Civil Action or the DoJ investigation or determine the ultimate effect on its financial condition or results of operations. Although the Company cannot estimate its total liabilities in these matters, the Company has recorded a $175,000,000 reserve in the accompanying consolidated financial statements reflecting the aforementioned offer.

Other governmental agencies, such as the FCC or LFAs, might also take action against the Company in response to or based on the outcome of, or developments in, the SEC Civil Action or the investigation by the DoJ. The outcome of, or developments in, the SEC Civil Action and the investigation by the DoJ could have a material adverse effect on the Company, including possible liquidation of the Company.

Securities and Derivative Litigation. Adelphia and certain former officers, directors and advisors have been named as defendants in a number of lawsuits alleging violations of federal and state securities laws and related claims. These actions generally allege that, among other fraudulent statements and omissions, the defendants made materially misleading statements understating the Company's liabilities and exaggerating the Company's financial results in violation of securities laws. In particular, beginning on April 2, 2002, various groups of plaintiffs filed more than 30 class action complaints, purportedly on behalf of certain Company shareholders and bondholders or classes thereof in federal court in Pennsylvania. Several non-class action lawsuits were brought on behalf of individuals or small groups of security holders in federal courts in Pennsylvania, New York, South Carolina and New Jersey, and in state courts in New York, Pennsylvania, California and Texas. Seven derivative suits were also filed in federal and state courts in Pennsylvania, and four derivative suits were filed in state court in Delaware. On May 6, 2002, a notice and proposed order of dismissal without prejudice was filed by the plaintiff in one of these four Delaware derivative actions. The remaining three Delaware derivative actions were consolidated on May 22,

2002. On February 10, 2004, the parties stipulated and agreed to the dismissal of these consolidated actions with prejudice.

The complaints, which named as defendants Adelphia, and certain former Company officers and directors, and, in some cases, the Company's former auditors, lawyers, as well as financial institutions who worked with the Company, generally allege that, among other improper statements and omissions, defendants misled investors regarding the Company's liabilities and earnings in the Company's public filings. The majority of these actions assert claims under Sections 10(b) and 20(a) of the Exchange Act and SEC Rule 10b-5. Certain bondholder actions assert claims for violation of Section 11 and/or Section 12(a)(2) of the Securities Act. Certain of the state court actions allege various state law claims.

On July 23, 2003, the Judicial Panel on Multidistrict Litigation issued an order transferring numerous civil actions to the District Court for consolidated or coordinated pretrial proceedings (the "MDL Proceedings").

On September 15, 2003, proposed lead plaintiffs and proposed co-lead counsel in the consolidated class actions were appointed in the MDL Proceedings. On December 22, 2003 lead plaintiffs filed a consolidated class action complaint. Motions to dismiss have been filed by various defendants. As a result of the filing of the Chapter 11 Cases and the protections of the automatic stay, Adelphia is not named as a defendant in the amended complaint, but is a non-party. The consolidated class action complaint seeks monetary damages of an unspecified amount, rescission, reasonable costs and expenses and such other and further relief as the Court may deem just and proper. The individual actions against Adelphia also seek damages of an unspecified amount.

Pursuant to Section 362 of the Bankruptcy Code, all of the securities and derivative claims that were filed against the Company before the Chapter 11 filings are automatically stayed and not proceeding at this point as to the Company.

The Company cannot predict the outcome of these legal proceedings or estimate the possible effects on the financial condition or results of operations of the Company.

Acquisition Actions. After the Rigas Family's alleged misconduct was publicly disclosed, three actions were filed, in May and June 2002, against the Company by former shareholders of companies that the Company acquired, in whole or in part, through stock transactions. These actions allege that the Company induced these former shareholders to enter into these stock transactions through fraudulent misrepresentations and omissions, and the plaintiffs seek monetary damages and equitable relief through rescission of the underlying acquisition transactions.

Two of these proceedings have been filed with the American Arbitration Association alleging violations of federal and state securities laws, breaches of representations and warranties and fraud in the inducement. One of these proceedings seeks rescission, compensatory damages and pre-judgment relief, and the other seeks specific performance. The third action alleges fraud and seeks rescission, damages and attorney fees. This action was originally filed in a Colorado State Court, and subsequently was removed by the Company to the United States District Court for the District of Colorado. The Colorado State Court action was administratively closed on July 16, 2004, subject to reopening if and when the automatic bankruptcy stay is lifted or for other good cause shown. These actions have been stayed pursuant to the automatic stay provisions of Section 362 of the Bankruptcy Code.

The Company cannot predict the outcome of these legal proceedings or estimate the possible effects on the financial condition or results of operations of the Company.

Equity Committee Shareholder Litigation. Adelphia is a defendant in an adversary proceeding in the Bankruptcy Court consisting of a declaratory judgment action and a motion for a preliminary injunction brought on January 9, 2003 by the Equity Committee, seeking, among other relief, a declaration as to how the shares owned by the Rigas Family would be voted should a consent solicitation to elect members of the Board be undertaken. Adelphia has opposed such requests for relief.

The claims of the Equity Committee are based on shareholder rights the Equity Committee claims should be recognized even in bankruptcy, coupled with continuing claims, as of the filing of the lawsuit, of historical connections between the Board and the Rigas Family. Motions to dismiss filed by Adelphia and others are fully briefed in this action, but no argument date has been set. If this action survives these motions to dismiss, resolution of disputed fact issues will occur in two phases pursuant to a schedule set by the Bankruptcy Court. Determinations regarding fact questions relating to the conduct of the Rigas Family will not occur until, at a minimum, after the resolution of the Rigas Criminal Action (defined below).

No pleadings have been filed in the adversary proceeding since September 2003, rendering the adversary proceeding inactive.

The Company cannot predict the outcome of these legal proceedings or estimate the possible effects on the financial condition or results of operations of the Company.

ML Media Litigation. Adelphia and ML Media, its joint venture partner in Century/ML Cable, a joint venture that owns and operates cable systems in Puerto Rico, have been involved in a longstanding dispute concerning Century/ML Cable's management, the buy/sell rights of ML Media and various other matters.

In March 2000, ML Media brought suit against Century, Adelphia and Arahova Communications Inc. ("Arahova"), a direct subsidiary of Adelphia and Century's immediate parent, in the Supreme Court of the State of New York, seeking, among other things (i) the dissolution of Century/ML Cable and the appointment of a receiver to sell Century/ML Cable's assets, (ii) if no receiver was appointed, an order authorizing ML Media to conduct an auction for the sale of Century/ML Cable's assets to an unrelated third party and enjoining Adelphia from interfering with or participating in that process, (iii) an order directing the defendants to comply with the Century/ML Cable joint venture agreement with respect to provisions relating to governance matters and the budget process and (iv) compensatory and punitive damages. The parties negotiated a consent order that imposed consultative and reporting requirements on Adelphia and Century as well as restrictions on Century's ability to make capital expenditures without ML Media's approval.

Thereafter, the parties negotiated a settlement suspending the litigation and in December 2001 entered into the Recap Agreement. Among other things, the Recap Agreement provided for Century/ML Cable to redeem ML Media's 50% interest in Century/ML Cable on or before September 30, 2002 for a purchase price between $275,000,000 and $279,800,000 depending on the timing of such redemption, plus interest. Among other things, the Recap Agreement provided that (i) Highland would arrange debt financing for the Redemption, (ii) Highland, Adelphia and Century would jointly and severally guarantee debt service on and after the closing, and (iii) Highland and Century would own 60% and 40% interests, respectively, in the recapitalized Century/ML Cable. If the Redemption did not occur, Adelphia agreed to purchase ML Media's 50% interest in Century/ML Cable under similar terms. Under the terms of the Recap Agreement, Century's 50% interest in Century/ML Cable was pledged to ML Media as collateral for Adelphia's obligations.

On September 30, 2002, Century/ML Cable filed a voluntary petition to reorganize under Chapter 11 in the Bankruptcy Court. Century/ML Cable is operating its business as a debtor-in-possession.

By an order of the Bankruptcy Court dated September 17, 2003, Adelphia and Century rejected the Recap Agreement, effective as of such date. If the Recap Agreement is enforceable, the effect of the rejection of the Recap Agreement is the same as a prepetition breach of the Recap Agreement. Therefore, Adelphia and Century are potentially exposed to "rejection damages" which may include the revival of ML Media's claims under the state court actions described above.

Adelphia, Century, Highland Holdings, Century/ML Cable and ML Media are engaged in litigation regarding the enforceability of the Recap Agreement. On April 15, 2004, the Bankruptcy Court indicated that it would dismiss all counts of Adelphia's challenge to the enforceability of the Recap Agreement except for its allegation that ML Media aided and abetted a breach of fiduciary duty in connection with the execution of the Recap

Agreement. The court also indicated that it would allow Century/ML Cable's action to avoid the Recap Agreement as a fraudulent conveyance to proceed.

ML Media has alleged that it is entitled to elect recovery of either (i) $279,800,000 plus interest and other costs in exchange for its interest in Century/ML Cable, or (ii) up to the difference between $279,800,000 and the fair market value of its interest in Century/ML Cable, plus interest, other costs and revival of the state court claims described above. Adelphia, Century and Century/ML Cable have disputed ML Media's claims, and the Stand-Alone Plan contemplates that ML Media will receive no distribution until such dispute is resolved. The parties have from time to time engaged in settlement discussions relating to a potential settlement of their disputes, but no agreement has been reached and the parties may not be able to reach a settlement agreement.

The Company cannot predict the outcome of these legal proceedings or estimate the possible effects on the financial condition or results of operations of the Company.

The X Clause Litigation. On December 29, 2003, the *Ad Hoc* Committee of holders of Adelphia's 6% and 4% subordinated notes (collectively the "Subordinated Notes"), together with the Bank of New York, the indenture trustee for the Subordinated Notes (collectively, the "X Clause Plaintiffs"), commenced an adversary proceeding against Adelphia in the Bankruptcy Court. The X Clause Plaintiffs' complaint sought a judgment declaring that the Subordinated Notes are entitled to share *pari passu* in the distribution of any common stock issued by Adelphia under the Stand-Alone Plan and are not subordinated to Adelphia's senior classes of indebtedness with respect to such common stock distributions.

The basis for the X Clause Plaintiffs' claim is a provision in the applicable indentures, commonly known as the "X Clause," which provides that any distributions under a plan of reorganization comprised solely of "Permitted Junior Securities" are not subject to the subordination provision of the Subordinated Notes indenture. The X Clause Plaintiffs asserted that, under their interpretation of the applicable indentures, a distribution of a single class of new Adelphia common stock would meet the definition of "Permitted Junior Securities" set forth in the indentures, and therefore be exempt from subordination.

On February 6, 2004, Adelphia filed its answer to the complaint, denying all of its substantive allegations. Thereafter, both the X Clause Plaintiffs and Adelphia cross-moved for summary judgment with both parties arguing that their interpretation of the X Clause was correct as a matter of law. The indenture trustee for the Adelphia senior notes also intervened in the action and, like Adelphia, moved for summary judgment arguing that the X Clause Plaintiffs were subordinated to holders of senior notes with respect to any distributions of common stock under a plan. In addition, the Creditors' Committee also moved to intervene and, thereafter, moved to dismiss the X Clause Plaintiffs' complaint on the ground, among others, that it did not present a justiciable case or controversy and therefore was not ripe for adjudication. In a written decision, dated April 12, 2004, the Bankruptcy Court granted the Creditors' Committee's motion to dismiss without ruling on the merits of the various cross-motions for summary judgment. The Bankruptcy's Court's dismissal of the action was without prejudice to the X Clause Plaintiffs' right to bring the action at a later date, if appropriate.

The Company cannot predict the outcome of these legal proceedings or estimate the possible effects on the financial condition or results of operations of the Company.

Rigas Criminal Action. In connection with an investigation conducted by the DoJ, on July 24, 2002, certain members of the Rigas Family and certain co-conspirators were arrested and, on September 23, 2002, were indicted by a grand jury on charges including wire fraud, securities fraud, bank fraud and conspiracy to commit fraud (the "Rigas Criminal Action"). On November 14, 2002, one of the Rigas Family's alleged co-conspirators, James Brown, pleaded guilty to one count each of conspiracy, securities fraud and bank fraud. On January 10, 2003, another of the Rigas Family's alleged co-conspirators , Timothy Werth, who had not been arrested with the others on July 24, 2002, pleaded guilty to one count each of securities fraud, conspiracy to commit securities fraud, wire fraud and bank fraud. The trial in the Rigas Criminal Action began on February 23, 2004 in the District Court. On July 8, 2004, the jury returned a partial verdict in the Rigas Criminal Action. John J. Rigas and Timothy J. Rigas were each found guilty of conspiracy (one count), bank fraud (two counts), and securities fraud (15 counts) and not guilty of wire fraud (five counts). Michael C. Mulcahey was acquitted of all 23 counts against him. The jury found Michael J. Rigas not guilty of conspiracy and wire fraud but remained undecided on the securities fraud and bank fraud charges against him. On July 9, 2004, the court declared a mistrial on the remaining charges against Michael J. Rigas after the jurors were unable to reach a verdict as to those charges. The bank fraud charges against Michael J. Rigas have since been dismissed with prejudice, but the DoJ has requested that a new trial date be set to retry Michael J. Rigas on the securities fraud charges. On November 1, 2004, Michael J. Rigas' post-trial motion for dismissal of all charges was denied. The post-trial motions of John J. Rigas and Timothy J. Rigas in which they sought to overturn the guilty verdicts were denied on November 15, 2004. Both have stated that they intend to appeal the guilty verdicts. A hearing is scheduled for January 5, 2005, at which time the District Court is expected to consider the DoJ's request to set a retrial date for Michael J. Rigas. The sentencing of John J. Rigas and Timothy J. Rigas is currently scheduled for February 23, 2005.

The indictment against the Rigases includes a request for entry of a money judgment in an amount exceeding $2,500,000,000 and for entry of an order of forfeiture. The Company believes that the DoJ may seek through such criminal forfeiture or through civil forfeiture all interests of the Rigas Family in the Rigas Family Entities and/or all of the assets of the Rigas Family Entities. On December 10, 2004, the DoJ filed an application for a preliminary order of forfeiture finding John J. Rigas and Timothy J. Rigas jointly and severally liable for personal money judgments in the amount of $2,533,000,000. The Company has asserted claims against members of the Rigas Family and the Rigas Family Entities for amounts due, including their share of the borrowings under the Co-Borrowing Facilities. If the DoJ achieves the forfeiture of such assets, it will be significantly more difficult for the Company to recover on its claims with respect to the Rigas Family Entities. In addition, such forfeiture would make it significantly more difficult, if not impossible, for the Company to acquire ownership of, and maintain operational control over, the Managed Cable Entities which are highly integrated into the Company's operations.

The Company is not a defendant in the Rigas Criminal Action but remains under investigation by the DoJ regarding matters related to alleged wrongdoing by certain members of the Rigas Family. See above, "*SEC Civil Action and DoJ Investigation.*"

The Company cannot predict the outcome of this investigation or estimate the possible effects on the financial condition or results of operations of the Company.

Verizon. On March 27, 2002, a federal action filed by the Company on March 20, 2002 in the United States District Court for the Central District of California, against the City of Thousand Oaks, was related to an action involving the Company, Verizon Media Ventures, Inc. d/b/a Verizon Americast and City of Thousand Oaks, California and Ventura County that was initially filed in California state court on March 25, 2002. These actions involve claims by the City of Thousand Oaks and Ventura County that Verizon's entry into an asset purchase agreement dated December 17, 2001 between the Company and Verizon, pursuant to which the Company acquired certain Verizon cable equipment and network system assets (the "Verizon Cable Assets") located in the City of Thousand Oaks for use in the operation of the Company's cable business in the city, constituted a breach of the anti-assignment provisions in Verizon's cable franchises. The city and the county further allege that the Company's participation in the transaction amounted to actionable tortious inducement of Verizon's breaches of those franchises. The City of Thousand Oaks and Ventura County sought injunctive relief to halt the sale and transfer of the Verizon Cable Assets pursuant to the December 17, 2001 asset purchase agreement and to compel the Company to treat the Verizon Cable Assets as a separate cable system. The Company sought, among other things, declaratory and injunctive relief precluding the city from denying permits on the grounds that Adelphia failed to seek the city's prior approval of the asset purchase agreement.

On May 14, 2002, the district court entered a final preliminary injunction order and findings of fact and conclusions of law in support thereof (the "May 14, 2002 Order"). The May 14, 2002 Order, among other things: (i) enjoined the Company from integrating the Company's and Verizon's system assets serving subscribers in the City of Thousand Oaks and Ventura County, (ii) required the Company to return "ownership" of the Verizon Cable Assets to Verizon except that the Company was permitted to continue to "manage" the assets as Verizon's agent to the extent necessary to avoid disruption in services until Verizon chose to reenter the market or sell the assets, (iii) prohibited the Company from eliminating any programming options that had previously been selected by Verizon or from raising the rates charged by Verizon and (iv) required the Company and Verizon to grant the city and/or the county access to system records, contracts, personnel and facilities for the purpose of conducting an inspection of the then-current "state of the Verizon and Adelphia systems" in the city and the county. The Company appealed the May 14, 2002 Order and on April 1, 2003 the U.S. Court of Appeals for the Ninth Circuit reversed the May 14, 2002 Order, thus removing any restrictions that had been imposed by the district court against the Company's integration of the Verizon Cable Assets, and remanded the actions back to the district court for further proceedings.

In September 2003, the City began refusing to grant the Company's construction permit requests, claiming that the Company could not integrate the acquired Verizon Cable Assets with the Company's existing cable system assets because the City had not approved the Adelphia-Verizon transaction, as allegedly required under the City's Cable Ordinance.

Accordingly, on October 2, 2003, the Company filed a motion for a preliminary injunction in the district court seeking to enjoin the City from refusing to grant the Company's construction permit requests. On November 3, 2003, the district court granted the Company's motion for a preliminary injunction, finding that the Company had demonstrated "a strong likelihood of success on the merits." Thereafter, the parties agreed to informally stay the litigation pending negotiations between the Company and the City for the Company's renewal of its cable franchise, with the intent that such negotiations would also lead to a settlement of the pending litigation. However, on September 16, 2004, at the City's request, the district court set a trial date of July 12, 2005, which has effectively re-opened the case to active litigation. The court scheduled discovery and motion cut-off dates for March 18, 2005 and May 9, 2005, respectively, an expert witness disclosure date of April 8, 2005 and a pre-trial conference date of June 27, 2005.

The Company cannot predict the outcome of these legal proceedings or estimate the possible effects on the financial condition or results of operations of the Company.

Dibbern Adversary Proceeding. On or about August 30, 2002, Gerald Dibbern, individually and purportedly on behalf of a class of similarly situated subscribers nationwide, commenced an adversary proceeding in the District Court against Adelphia asserting claims for violation of the Pennsylvania Consumer Protection Law, breach of contract, fraud, unjust enrichment, constructive trust, and an accounting. This complaint alleges that Adelphia charged, and continues to charge, subscribers for cable set-top box equipment, including set-top boxes and remote controls, that is unnecessary for subscribers that receive only basic cable service and have cable-ready televisions. The complaint further alleges that Adelphia failed to adequately notify affected subscribers that they no longer needed to rent this equipment. The complaint seeks a number of remedies including treble money damages under the Pennsylvania Consumer Protection Law, declaratory and injunctive relief, imposition of a constructive trust on Adelphia's assets, and punitive damages, together with costs and attorneys' fees.

On or about December 13, 2002, Adelphia moved to dismiss the adversary proceeding on several bases, including that the complaint fails to state a claim for which relief can be granted and that the matters alleged therein should be resolved in the claims process. Adelphia's motion has been fully briefed and argued and is presently under consideration by the court.

The Company cannot predict the outcome of these legal proceedings or estimate the possible effects on the financial condition or results of operations of the Company.

Tele-Media Examiner Motion. By motion filed in the Bankruptcy Court on August 5, 2004, TMCD and certain of its affiliates are seeking the appointment of an examiner for the following Debtors: Tele-Media Company of Tri-States, L.P., CMA Cablevision Associates VII, L.P., CMA Cablevision Associates XI, L.P., TMC Holdings Corporation, Adelphia Company of Western Connecticut, TMC Holdings, LLC, Tele-Media Investment Limited Partnership, L. P., Eastern Virginia Cablevision, L.P., Tele-Media Company of Hopewell Prince George, and Eastern Virginia Cablevision Holdings, LLC. Among other things, TMCD alleges that management and the Board breached their fiduciary obligations to the creditors and equity holders of those entities. Consequently, TMCD seeks the appointment of an examiner to investigate and make recommendations to the Bankruptcy Court regarding various issues related to such entities. The hearing on this motion has been consensually adjourned to January 28, 2005.

The Company cannot predict the outcome of these legal proceedings or estimate the possible effects on the financial condition or results of operations of the Company.

Creditors' Committee Lawsuit Against Pre-Petition Banks. Pursuant to the Bankruptcy Court order approving the DIP Facility (the "Final DIP Order"), the Company made certain acknowledgments (the "Acknowledgments") with respect to the extent of its indebtedness under the credit facilities, as well as the validity and extent of the liens and claims of the lenders under such facilities. However, given the circumstances surrounding the filing of these Chapter 11 cases, the Final DIP Order preserved the Company's right to prosecute, among other things, avoidance actions and claims against the pre-petition lenders and to bring litigation against the pre-petition lenders based on any wrongful conduct. The Final DIP Order also provided that any official committee appointed in the Chapter 11 Cases would have the right to request that it be granted standing by the Bankruptcy Court to challenge the Acknowledgments and to bring claims belonging to the Company and its estates against the pre-petition lenders.

Pursuant to a stipulation among the Company, the Creditors' Committee and the Equity Committee, which is being challenged by certain pre-petition lenders, the Bankruptcy Court granted the Creditors' Committee leave and standing to file and prosecute claims against the pre-petition lenders, on behalf of the Company, and granted the Equity Committee leave to seek to intervene in any such action. This stipulation also preserves the Company's ability to compromise and settle the claims against the pre-petition lenders. By motion dated July 6, 2003, the Creditors' Committee moved for Bankruptcy Court approval of this stipulation and simultaneously filed a complaint (the "Bank Complaint") against the agents and lenders under certain credit facilities, and related entities, asserting, among other things, that these entities knew of, and participated in, the alleged abuse of the Co-Borrowing Facilities by certain members of the Rigas Family and the Rigas Family Entities (the "Pre-petition Lender Litigation"). The Company is a nominal plaintiff in this action.

The Bank Complaint contains 52 claims for relief to redress the claimed wrongs and abuse committed by the agents, lenders and other entities. The Bank Complaint seeks to, among other things, (i) recover as fraudulent transfers the principal and interest paid by the Company to the defendants, (ii) avoid as fraudulent obligations the Company's obligations, if any, to repay the defendants, (iii) recover damages for breaches of fiduciary duties to the Company and for aiding and abetting fraud and breaches of fiduciary duties by the Rigas Family, (iv) equitably disallow, subordinate or recharacterize each of the defendants' claims in the Chapter 11 Cases, (v) avoid and recover certain allegedly preferential transfers made to certain defendants, and (vi) recover damages for violations of the Bank Holding Company Act. Numerous motions seeking to defeat the Pre-petition Lender Litigation have been filed by the defendants, but have not yet been decided by the Bankruptcy Court.

The Equity Committee has filed a motion seeking authority to bring additional claims against the pre-petition lenders pursuant to the Racketeering Influenced and Corrupt Organizations ("RICO") Act. The Bankruptcy Court has not yet ruled on the motion.

The Company cannot predict the outcome of these legal proceedings or estimate the possible effects on the financial condition or results of operations of the Company.

Devon Mobile Claim. Pursuant to the Devon Mobile Limited Partnership Agreement, the Company owned a 49.9% limited partnership interest in Devon Mobile, which, through its subsidiaries, held licenses to operate regional wireless telephone businesses in several states. Devon Mobile had certain business and contractual relationships with the Company and with former subsidiaries or divisions of the Company which were spun-off as TelCove in January 2002. In late May 2002, the Company notified Devon G.P., Inc. ("Devon G.P."), the general partner of Devon Mobile, that it would likely terminate certain discretionary operational funding to Devon Mobile.

In July 2002, the Company learned that its former subsidiary, TelCove, had elected to terminate certain services it provided to Devon Mobile. On August 19, 2002, Devon Mobile and certain of its subsidiaries filed voluntary petitions to reorganize under Chapter 11 of the Bankruptcy Code with the Devon Mobile Bankruptcy Court.

On January 17, 2003, the Company filed proofs of claim and interest against Devon Mobile and its subsidiaries for approximately $129,000,000 in debt and equity claims, as well as an additional claim of approximately $35,000,000 relating to the Company's guarantee of certain Devon Mobile obligations (collectively, the "Company Claims"). By order dated October 1, 2003, the Devon Mobile Bankruptcy Court confirmed Devon Mobile's First Amended Joint Plan of Liquidation (the "Devon Plan"). The Devon Plan became effective on October 17, 2003, at which time the Company's limited partnership interest in Devon Mobile was extinguished. On or about January 8, 2004, Devon Mobile filed proofs of claim in the amount of $267,000,000 in the Chapter 11 Cases in respect of, among other things, certain transfers alleged to be made by Devon Mobile to the Company prior to the commencement of the Chapter 11 Cases (the "Devon Claims"). On May 20, 2004, the Company and Devon Mobile filed a stipulation in the Chapter 11 Cases granting Devon Mobile limited relief from the automatic stay to (i) file a complaint against the Company based on the Devon Claims and (ii) file objections to the Company Claims in the Devon Mobile Bankruptcy Court (the "Devon Stay Stipulation"). The Devon Stay Stipulation was approved by the Bankruptcy Court on June 10, 2004. On June 21, 2004, Devon Mobile filed a complaint (the "Devon Complaint") in the Chapter 11 Cases in respect of the Devon Claims. On August 20, 2004, the Company filed an answer and counterclaim in response to the Devon Complaint denying the allegations made in the Devon Complaint and asserting various counterclaims against Devon Mobile (the "Company Answer"), which encompassed the Company Claims. On September 21, 2004, the Bankruptcy Court entered an order approving an amendment to the Devon Stay Stipulation which provides that the Company Claims will be prosecuted to final order in the Bankruptcy Court and will be given full force and effect by the Devon Mobile Bankruptcy Court taking into account the rights of set-off and/or recoupment of the parties with respect thereto. On September 30, 2004, Devon Mobile filed an answer with respect to the counterclaims asserted by the Company in the Company Answer and denying liability for the Company Claims. On October 13, 2004, the Company filed a motion for judgment on the pleadings dismissing Devon Mobile's demand for punitive damages and, by stipulation, Devon Mobile withdrew its punitive damages claims without prejudice. On November 22, 2004, the Company filed a motion for leave (the "Motion for Leave") to file a third party complaint against Devon G.P. and Lisa-Gaye Shearing Mead, the sole owner and President of Devon G.P. As of the date hereof, the Motion for Leave remains pending before the Bankruptcy Court. Any recovery of the Company Claims is uncertain at this time.

The Company cannot predict the outcome of these legal proceedings or estimate the possible effects on the financial condition or results of operations of the Company.

NFHLP Claim. On January 13, 2003, NFHLP and certain of its subsidiaries (the "NFHLP Debtors") filed voluntary petitions to reorganize under Chapter 11 in the United States Bankruptcy Court of the Western District of New York (the "NFHLP Bankruptcy Court") seeking protection under the U. S. bankruptcy laws. Certain of the NFHLP Debtors entered into an agreement dated March 13, 2003 for the sale of certain assets, including the Buffalo Sabres National Hockey League team, and the assumption of certain liabilities. In August 2003, the NFHLP Bankruptcy Court approved the NFHLP Debtors' draft disclosure statement. On October 3, 2003, the NFHLP Bankruptcy Court approved the NFHLP joint plan of liquidation. The NFHLP Debtors filed a complaint, dated November 4, 2003, against, among others, Adelphia and the Creditors' Committee seeking to enforce certain prior stipulations and orders of the NFHLP Bankruptcy Court against Adelphia and the Creditors' Committee related to the waiver of Adelphia's right to participate in certain sale proceeds resulting from the sale of assets. Certain of the NFHLP Debtors' pre-petition lenders, which are also defendants in the adversary proceeding, have filed cross-complaints against Adelphia and the Creditors' Committee asking the NFHLP Bankruptcy Court to enjoin Adelphia and the Creditors' Committee from prosecuting their claims against those pre-petition lenders. Proceedings as to the complaint itself have been suspended. With respect to the cross-complaints, motion practice and discovery are proceeding concurrently; no hearing on dipositive motions has been scheduled.

The Company cannot predict the outcome of these legal proceedings or estimate the possible effects on the financial condition or results of operations of the Company.

ADELPHIA COMMUNICATIONS CORPORATION AND SUBSIDIARIES
(Debtors-In-Possession)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Adelphia's Lawsuit Against the Rigas Family. On July 24, 2002, Adelphia filed a complaint in the Bankruptcy Court (the "Rigas Civil Action") against John J. Rigas, Michael J. Rigas, Timothy J. Rigas, James P. Rigas, James Brown, Michael C. Mulcahey, Peter L. Venetis, Doris Rigas, Ellen Rigas Venetis and the Rigas Family Entities. This action generally alleges that defendants conspired to misappropriate billions of dollars from the Company in breach of their fiduciary duties to Adelphia. On November 15, 2002, Adelphia filed an amended complaint against the defendants that expanded upon the facts alleged in the original complaint and alleged violations of the RICO Act (Counts I-IV), breach of fiduciary duty (Count V), securities fraud (Count VI), fraudulent concealment (Count VII), fraudulent misrepresentation (Count VIII), conversion (Count IX), waste of corporate assets (Count X), breach of contract (Count XI), unjust enrichment (Count XII), fraudulent conveyance (Count XIII), constructive trust (Count XIV), inducing breach of fiduciary duty (Count XV), and a request for an accounting (Count XVI) (the "Amended Complaint"). The Amended Complaint seeks relief in the form of, among other things, treble and punitive damages, disgorgement of monies and securities obtained as a consequence of the Rigases' improper conduct and attorneys' fees.

On June 7, 2003, U.S. District Court Judge George Daniels denied the defendants' motion to remove the case from the Bankruptcy Court to the District Court.

On January 16, 2003, John J. Rigas, Michael J. Rigas, Timothy J. Rigas, James P. Rigas, Doris Rigas and the Rigas Family Entities (collectively referred to as "Rigas Defendants"), Peter L. Venetis and Ellen Rigas Venetis each filed motions to dismiss the Amended Complaint. These motions were argued in April 2004. On June 28, 2004, the Bankruptcy Court denied the Rigas Defendants' motion to dismiss the Amended Complaint only as to the state law claims (Counts V, VII-XVI) and expressly reserved its ruling on the remaining federal law claims (RICO and securities fraud counts (Counts I-IV, VI)). The Bankruptcy Court further ruled that the Rigas Defendants will have no obligation to answer all or part of the Amended Complaint until either: (i) the Bankruptcy Court rules upon the Rigas Defendants' motion to dismiss the federal law claims asserted in the Amended Complaint; or (ii) by further Order of the Bankruptcy Court.

On August 20, 2004, Adelphia moved for partial summary judgment against John J. Rigas, Timothy J. Rigas, Michael J. Rigas, and James P. Rigas, and the Rigas Family Entities on counts XII (unjust enrichment) and XIV (constructive trust) of the Amended Complaint. Based on Adelphia's books and records as maintained during the tenure of the Rigas Family, Adelphia seeks judgment in the amount of $3,232,000,000 plus pre-judgment interest from April 30, 2002, and asks the court to impose a constructive trust on the Rigases' monies and property acquired, directly or indirectly, through the use of the Company's funds and credit, and to order the re-conveyance of all such monies and property to the Company. On October 20, 2004, the Rigas Defendants filed their response to Adelphia's motion pursuant to Rule 56(f) of the Federal Rules of Civil Procedure, claiming that the court should delay consideration of the motion until the Rigas Defendants have had the opportunity to conduct additional discovery. In a December 2, 2004 decision, the Bankruptcy Court agreed to delay consideration of the motion until the Rigas Defendants could conduct certain, but not all, of the additional discovery they had requested. On October 22, 2004, the Co-Borrowing Facility banks moved to intervene in the Rigas Adversary Proceedings as to Counts XII (unjust enrichment) and XIV (constructive trust) of the Amended Complaint. A hearing was held on December 15, 2004, at which time the Bankruptcy Court granted the banks' motion to intervene but specified that prior to propounding any discovery the banks were to seek agreement from the parties or, in the event the parties cannot reach agreement, leave of court.

The Company cannot predict the outcome of these legal proceedings or estimate the possible effects on the financial condition or results of operations of the Company.

Adelphia's Lawsuit Against Deloitte. Adelphia sued Deloitte, Adelphia's former independent auditors, on November 6, 2002 in the Court of Common Pleas for Philadelphia County seeking damages for Deloitte's role in the Rigas Family's alleged misappropriation of funds from the Company. The complaint brings causes of action for professional negligence, breach of contract, aiding and abetting breach of fiduciary duty, fraud, negligent misrepresentation and contribution. The complaint alleges, among other things, that Deloitte knew of at least aspects of the alleged misappropriation and misconduct of the Rigas Family, and other alleged acts of self-dealing and misappropriation by the Rigas Family were readily apparent to Deloitte from the books and records that Deloitte reviewed and to which it had access. The complaint alleges that, in either case, Deloitte had a duty to report the Rigas Family's alleged misconduct to those who could have acted to stop the Rigas Family, but Deloitte did not do so. The complaint seeks damages of an unspecified amount.

Deloitte filed preliminary objections to the complaint, which were overruled by the court by order dated June 11, 2003.

On September 15, 2003, Deloitte filed an Answer, New Matter, and Counterclaims in response to the complaint. In its counterclaims, Deloitte asserted causes of action against Adelphia for breach of contract, fraud, negligent misrepresentation and contribution. Also on September 15, 2003, Deloitte filed a related complaint naming as additional defendants John J. Rigas, Timothy J. Rigas, Michael J. Rigas and James P. Rigas. In this complaint, Deloitte alleged causes of action for fraud, negligent misrepresentation and contribution. On January 9, 2004, Adelphia answered Deloitte's counterclaims. Deloitte moved to stay discovery in this action until completion of the criminal action against John J. Rigas, Timothy J. Rigas, Michael J. Rigas and Michael C. Mulcahey, which Adelphia opposed. Following this motion, discovery was effectively stayed for 60 days but has now commenced. Deloitte and Adelphia have exchanged documents and have begun deposition discovery. The court has indicated its desire to try the case by the end of 2005.

The Company cannot predict the outcome of these legal proceedings or estimate the possible effects on the financial condition or results of operations of the Company.

Other Litigation Matters. The Company is a defendant, and may be a potential defendant, in other lawsuits and claims. The outcomes of such claims, lawsuits, or other proceedings cannot be predicted with certainty. Accordingly, the Company cannot determine the outcome of such claims, lawsuits, or other proceedings nor the potential impact on the financial condition or results of operations of the Company.

SUPPLEMENTAL FINANCIAL SCHEDULES

ADELPHIA COMMUNICATIONS CORPORATION
(Debtors-In-Possession)
SCHEDULE I
CONDENSED BALANCE SHEETS (Parent Company Only)
(amounts in thousands)

	December 31, 2003	December 31, 2002	December 31, 2001
ASSETS			
Noncurrent assets:			
Investments in and advances to consolidated subsidiaries, net	$ 390,737	$ 1,178,418	$ 3,742,486
Total assets	$ 390,737	$ 1,178,418	$ 3,742,486
LIABILITIES AND STOCKHOLDERS' DEFICIT			
Current liabilities			
Accrued liabilities	$ —	$ —	$ 151,423
Current portion of debt	—	—	6,528,517
Total current liabilities	—	—	6,679,940
Noncurrent liabilities	3,138	3,145	2,520
Liabilities subject to compromise	7,462,273	7,310,541	—
Total liabilities	7,465,411	7,313,686	6,682,460
Series B Preferred Stock	—	148,794	148,708
Stockholders' deficit:			
Series preferred stock	397	397	167
Class A Common Stock, $.01 par value, 1,200,000,000 shares authorized, 229,787,271, 229,787,096 and 187,774,691 shares issued, respectively, 228,692,414, 228,692,239 and 186,679,834 shares outstanding, respectively	2,297	2,297	1,877
Class B Common Stock, $.01 par value, 300,000,000 shares authorized, 25,055,365, 25,055,365 and 25,055,365 shares issued and outstanding, respectively	251	251	251
Additional paid-in capital	12,071,165	12,071,165	9,267,860
Accumulated other comprehensive loss, net	(9,680)	(18,754)	(8,695)
Accumulated deficit	(18,310,818)	(17,478,206)	(10,289,378)
Treasury stock, at cost	(27,937)	(27,937)	(27,937)
	(6,274,325)	(5,450,787)	(1,055,855)
Amounts due from the Rigas Family and Rigas Family Entities	(800,349)	(833,275)	(2,032,827)
Total stockholders' deficit	(7,074,674)	(6,284,062)	(3,088,682)
Total liabilities and stockholders' deficit	$ 390,737	$ 1,178,418	$ 3,742,486

ADELPHIA COMMUNICATIONS CORPORATION
(Debtors-In-Possession)
SCHEDULE I
CONDENSED STATEMENTS OF OPERATIONS (Parent Company Only)
(amounts in thousands)

	Year ended December 31, 2003	2002	2001
Expenses:			
Interest expense	$ —	$ 276,019	$ 451,416
Other expense, net	—	175,875	2,520
Total expenses	—	451,894	453,936
Loss before equity in losses of consolidated subsidiaries, net	—	(451,894)	(453,936)
Equity in losses of consolidated subsidiaries, net	(832,612)	(6,736,934)	(5,662,565)
Net loss	(832,612)	(7,188,828)	(6,116,501)
Dividend requirements applicable to preferred stock			
Third party	—	(55,551)	(54,359)
Beneficial conversion feature	$ (7,317)	$ (3,512)	$ —
Net loss applicable to common stockholders	$ (839,929)	$ (7,247,891)	$ (6,170,860)

ADELPHIA COMMUNICATIONS CORPORATION
(Debtors-In-Possession)
SCHEDULE I
CONDENSED STATEMENTS OF CASH FLOWS (Parent Company Only)
(amounts in thousands)

	Year ended December 31,		
	2003	2002	2001
Cash flows from operating activities:			
Net loss	$ (832,612)	$(7,188,828)	$(6,116,501)
Adjustments to reconcile net loss to net cash used in operating activities:			
Equity in losses of consolidated subsidiaries, net	832,612	6,736,934	5,662,565
Provision for SEC litigation	—	175,000	—
Amortization of debt financing costs	—	1,000	1,071
Change in accrued liabilities	—	56,225	44,269
Net cash used in operating activities	—	(219,669)	(408,596)
Cash flows used for investing activities:			
Investment in and advances to consolidated subsidiaries, net	—	(1,290,038)	(4,209,090)
Net cash used in investing activities	—	(1,290,038)	(4,209,090)
Cash flows from financing activities:			
Proceeds from debt, net of issuance costs	—	—	2,933,039
Issuance of Class A Common Stock, net of issuance costs	—	1,007,410	1,404,248
Issuance of convertible preferred stock	—	557,848	334,758
Preferred stock dividends paid	—	(55,551)	(54,359)
Net cash provided by financing activities	—	1,509,707	4,617,686
Increase in cash and cash equivalents	—	—	—
Cash and cash equivalents at beginning of year	—	—	—
Cash and cash equivalents at end of year	$ —	$ —	$ —

ADELPHIA COMMUNICATIONS CORPORATION AND SUBSIDIARIES
(Debtors-in-Possession)
SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS
Years ended December 31, 2003, 2002 and 2001
(Dollars in thousands)

	Balance at beginning of period	Additions/ charges to costs and expenses	Deductions (2)	Adjustments for acquisitions/ dispositions(1)	Balance at end of period
For the year ended December 31, 2003:					
Allowance for doubtful accounts	$ 26,957	$ 56,395	$ (43,244)	$ —	$ 40,108
Valuation allowance for deferred tax asset	3,984,586	291,168	—	—	4,275,754
For the year ended December 31, 2002:					
Allowance for doubtful accounts	$ 104,452	$ 60,573	$ (66,178)	$ (71,890)	$ 26,957
Valuation allowance for deferred tax asset	2,402,540	2,420,622	—	(838,576)	3,984,586
For the year ended December 31, 2001:					
Allowance for doubtful accounts	$ 69,735	$ 112,041	$ (77,324)	$ —	$ 104,452
Valuation allowance for deferred tax asset	1,033,553	1,315,735	—	53,252	2,402,540

(1) For allowance for doubtful accounts, this column includes the TelCove Spin-off (See Note 9).

(2) For allowance for doubtful accounts, this column includes amounts written off as uncollectible, net of recoveries.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company's management, under the supervision and with the participation of our CEO, CFO and CAO, has completed an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-14 under the Exchange Act. Certain of the Company's more significant undertakings in evaluating the Company's disclosure controls and procedures are set forth below:

- Upon the revelation of the Rigas Family's alleged misconduct, the Special Committee of the Board, composed solely of three Carryover Directors, Dennis Coyle, Leslie Gelber and Erland Kailbourne, began an investigation of allegations against the Rigas Family. The Special Committee retained the law firm of Covington & Burling to conduct an independent investigation of the allegations against the Rigas Family, which included an investigation of transactions between the Company and certain Rigas Family members and Rigas Family Entities. Covington & Burling's investigation was conducted primarily from May 2002 to March 2003, and included numerous interviews and a review of documentation. Covington & Burling's investigation found that there had been misconduct.

- During the first quarter of 2003, the Company initiated an extensive effort to analyze and review the Company's historical books and records dating back to December 31, 1998. These efforts identified material misstatements in the Company's previously issued financial statements.

- The Company hired a Vice President of Internal Audit in September 2003 who undertook a review of the existing internal audit function and established revised audit scopes, policies, methods and procedures. Subsequently, the internal audit group completed a comprehensive company-wide risk assessment in January 2004. Internal audit identified business processes that were qualitatively and/or quantitatively of higher risk and implemented a risk-based audit plan, including status assessments of previously identified unresolved internal control deficiencies.

Identification of Material Weaknesses and Reportable Conditions

The Company's efforts to evaluate the effectiveness of the design and operation of its disclosure controls and procedures identified certain "material weaknesses" and other reportable conditions in our internal control. A material weakness was defined for the applicable periods as a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. A reportable condition was defined for the applicable periods as a matter that relates to significant deficiencies in the design or operation of internal controls that could adversely affect an organization's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. We identified the following material weaknesses and/or reportable conditions in our internal control during the three years ended December 31, 2003:

- ***Deficiencies related to the internal control environment.*** The Rigas Management (i) did not promote an environment that emphasized the establishment and/or adherence to appropriate internal control and (ii) took actions or directed subordinates to take actions that circumvented or otherwise defeated the existing internal control system. Management concluded that, among other things, (i) the Company did not have adequate integrity, experience or depth of accounting and financial management personnel, (ii) accounting, information system and supervisory controls over fixed assets and inter-company, cash management and affiliate receivables were not in operation and (iii) the Company lacked a robust governance function, including internal audit and adequate oversight by its board of directors. One result of these control environment deficiencies was that accounting entries were made at the direction of Rigas Management and certain other senior executives without appropriate supporting documentation and that were not in compliance with GAAP. In addition, one member of the Rigas Family served as CFO and chairman of the Audit Committee despite the conflicts of interest associated with such a dual role.

- ***Deficiencies related to the design, documentation and execution of accounting policies and procedures.*** The Company has identified areas where internal control was missing, ineffective or not effectively executed or monitored, including failures in documenting business process policies and procedures, adequately segregating responsibilities and establishing effective management review controls. Accounting entries were processed without appropriate supporting documentation or documented approvals, and balance sheet accounts were not reconciled to subsidiary ledgers on a regular basis. The review and analysis of the historical books and records identified various transactions in which former directors, officers and employees misapplied or ignored generally accepted accounting principles in a manner that permitted the Company to recognize revenue prematurely or defer expenses improperly. Arbitrary adjustments were identified that management believes were recorded for the purposes of meeting debt covenants or achieving certain leverage ratios to obtain more favorable interest rates.

- ***Deficiencies related to inadequate or ineffective policies and practices for the resolution of unusual or complex accounting matters.*** In addition to the deficiencies in the internal control environment noted above, management also concluded that the policies and practices for the resolution of unusual or complex accounting matters were inadequate or ineffective and that the prior organizational structure of the accounting organization was not conducive to the timely identification and accurate resolution of such accounting issues.

- ***Deficiencies related to policies and procedures with respect to property and equipment, including the capitalization of labor, materials and overhead costs and depreciation.*** Management also concluded that the policies and practices for the capitalization of labor, material and overhead costs related to (i) reconnecting customers where a drop already existed, (ii) service calls, (iii) overhead costs, such as cable system electrical power, engineering costs, customer care costs and costs to insure the Company for business interruption and other general risks, (iv) set-top box repairs, (v) equipment repairs, (vi) maintenance contracts, (vii) other normal service and maintenance activities performed by the Company's technical employees and (viii) the amount of interest allocated to construction activities was improper. In addition, the Company generally did not record asset retirements or timely transfer completed construction projects from its construction-in-progress accounts to its property and equipment accounts in order to ensure proper depreciation expense calculations. The reconciliations of the detailed property and equipment sub-ledgers to the general ledger were not performed timely and accurately and there was insufficient monitoring and tracking of suspense accounts and real property. The Company also did not monitor the useful lives for its property and equipment accounts. Finally, the Company generally did not document adjustments to journal entries appropriately.

PwC reported to management and the Audit Committee the existence of material weaknesses, and the Company's evaluation considered the findings of PwC. Based on our evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures, the Company's management, including the CEO, CFO and CAO, has concluded that, as of December 31, 2003, the Company's disclosure controls and procedures were not effective. In addition, based on work to date, the Company's management, including the CEO, CFO and CAO, has concluded that, as of December 31, 2003, the Company's internal control over financial reporting was not effective.

Changes in Internal Control

We have taken a number of steps that have improved and are expected to continue to improve the effectiveness of the Company's internal control, including the following:

- Adelphia has appointed new members to its Board and Audit Committee such that all current members of the Board and the Audit Committee were appointed subsequent to the discovery of the alleged wrongdoings. All Board members, except our CEO, and all Audit Committee members are independent of the Company.

- The Board created the position of lead independent director in April 2003 in light of current best governance practices for cases where a company's CEO also serves as the chairperson of the Board, as currently is our case. In December 2003, Anthony Kronman, former Dean of the Yale Law School, was elected Lead Director.

- Adelphia appointed a new Chairman and CEO during the first quarter of 2003, a new CFO and a new CAO during the first half of 2003 and a new General Counsel in July 2003.

- Adelphia created a Corporate Governance and Nominating Committee which assists the Board by: (i) recommending to the Board, carrying out and maintaining the Company's corporate governance policies and processes; (ii) identifying qualified individuals for membership on the Board and its committees; (iii) recommending the composition and procedures of the Board and its committees; and (iv) assessing the effectiveness of the Board and its committees.

- Adelphia has adopted charters for the Audit and Corporate Governance Committees.

- The Board has established the new Code of Ethics to include company-wide principles for maintaining the integrity of the Company's compliance, accounting and reporting systems. The Code of Ethics has been disseminated to all Company employees, and employees are required to certify their agreement to abide by the Code of Ethics.

- Adelphia has adopted a whistleblower policy and has established a reporting process for employees by telephone hotline, e-mail, facsimile or physical address. Adelphia's General Counsel serves as Corporate Governance Officer and along with the Vice President of Internal Audit reports whistleblower concerns directly to the Audit Committee of the Board.

- Adelphia has established a Disclosure Committee, consisting of senior executives from the Company's operating, finance and legal groups. The Disclosure Committee was established to assist in the administration of disclosure controls and procedures with respect to the Company's public disclosures, including SEC filings.

- The Company has reorganized and restructured its accounting department. The Company has:

- replaced substantially all of the senior finance and accounting employees;

- implemented a new organizational structure in the department; and

- segregated duties to mitigate the risk of any one employee being able to manipulate financial transactions or to falsify the entry, approval or reconciliation of accounting records.

- The Company has also established policies and procedures that are intended to ensure that the resolution of accounting issues are supported by appropriate documentation and approval.

- The Company significantly expanded the resources devoted to the Company's internal audit function and has revised internal audit reporting lines such that the Vice President of Internal Audit now reports directly to the Audit Committee.

- The Company has performed a review and analysis of all general ledger accounts from December 1998 through December 2003, and implemented new or revised accounting policies and procedures designed to comply with GAAP, rules and regulations of the SEC and, where applicable, cable industry practice.

- The Company has completely revised its policies and procedures with respect to property and equipment, including the capitalization of labor, materials and overhead costs associated with construction and installation activities. The Company has implemented a centralized organization for counting and reporting subscribers to ensure proper controls and consistent practices across all regions.

- The Company has taken advantage of significant outside resources to supplement the Company's finance and accounting functions and to support the preparation of the consolidated financial statements and related information included in this report.

- The Company continues to work to improve its internal control. In this regard, we are currently in the process of completing our documentation and testing requirements under Section 404 of the Sarbanes-Oxley Act of 2002. The majority of the documentation, testing and identification of remediation items has been completed, with the remainder expected to be completed during the first quarter of 2005. To date, the Company has identified over 700 internal control deficiencies that require remediation. The Company is in the process of remediating and retesting these internal control deficiencies. These remediation and retesting efforts will continue during 2005. Based on its preliminary assessments to date, the Company believes that it will have, as of December 31, 2004, material weaknesses in its internal control over financial reporting.

At the same time as we continue our efforts to improve our internal control, management of the Company has implemented a number of additional procedures and controls, including testing, review and evaluation, to mitigate recognized deficiencies specifically for the preparation of the financial statements for the periods covered by this Annual Report on Form 10-K. Management believes that these procedures and controls were effective in ensuring the proper collection, evaluation and disclosure of the financial information for the periods covered by this report and that the financial statements included in this report are fairly stated in all material respects.

The effectiveness of the Company's or any system of disclosure controls and procedures and internal control over financial reporting is subject to certain limitations, including the exercise of judgment in designing, implementing and evaluating the controls and procedures, the assumptions used in identifying the likelihood of future events, and the inability to eliminate misconduct completely. As a result, the Company's disclosure controls and procedures and internal control over financial reporting may not prevent all errors or improper acts or ensure that all material information will be made known to appropriate management in a timely fashion.

Other than as summarized above, since December 31, 2003, there have been no significant changes in the Company's internal control over financial reporting or in other factors that could significantly impact such internal control.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

CURRENT EXECUTIVE OFFICERS AND DIRECTORS

Our current executive officers and directors and their respective ages (as of September 30, 2004) are as follows:

Name	Age	Position
William T. Schleyer	53	Chairman and CEO
Ron Cooper	47	President and COO
Vanessa A. Wittman	37	Executive Vice President and CFO
Brad M. Sonnenberg	49	Executive Vice President, General Counsel and Secretary
Scott D. Macdonald	43	SVP and CAO
David R. Brunick	42	SVP – Human Resources
Jack A. Olson	50	SVP – Media Services
Joseph W. Bagan	39	SVP – Southeast Region
Paula J. Trustdorf	57	SVP – Central Region
Lee A. Perron	50	SVP – California Region
Robert G. Wahl	63	SVP – Northeast Region
Steven M. Delgado	46	SVP – Western Region
E. Thayer Bigelow, Jr.	62	Director
Rodney W. Cornelius	54	Director
Anthony T. Kronman	59	Director
Philip R. Lochner, Jr.	61	Director
Susan Ness	56	Director
Kenneth L. Wolfe	65	Director

Below is information, including biographical information, about our current executive officers and directors.

William T. Schleyer has served as our Chairman and CEO since March 2003. Prior to joining Adelphia, from October 2001 to November 2002, Mr. Schleyer was President and CEO of AT&T Broadband, which provided cable video, HSI access and telephony service to more than 13 million homes across the United States. AT&T Broadband merged with Comcast Corporation in November 2002. Prior to joining AT&T Broadband, from February 2000 to October 2001, Mr. Schleyer was a principal in Pilot House Ventures Group, LLC, a venture capital company based in Boston. Mr. Schleyer also previously served as President and COO of MediaOne, the broadband services arm of U S WEST Media Group from November 1996 to October 1997. He also was President and COO of Continental Cablevision, Inc. before the company's merger with U S WEST in 1996. Mr. Schleyer serves on the board of directors for the National Cable Television Association, CableLabs, Inc., C-SPAN, and Rogers Communications, Inc.

Ron Cooper has served as our President and COO since March 2003. Prior to joining Adelphia, Mr. Cooper was COO of AT&T Broadband from October 2001 to November 2002, where he was responsible for the operational management of all of the company's functional and geographical units and directed AT&T Broadband's video, voice and data businesses. Before joining AT&T Broadband, Mr. Cooper was founder of Relera, an information services company serving corporate customers and served as President from April 2000 to October 2001. Mr. Cooper previously served as Executive Vice President of MediaOne from 1995 to July 1999, where he oversaw all operations, and previously held a number of senior executive positions with Continental Cablevision, Inc. Mr. Cooper is a member of the National Cable Television Association, the Cable and Telecommunications Association for Marketing and a number of state trade associations and industry and community organizations.

Vanessa A. Wittman has served as our Executive Vice President and CFO since March 2003. Prior to joining Adelphia, from April 2001 to March 2003, Ms. Wittman served as CFO at 360networks, a telecommunications service provider, where she led that company's restructuring efforts to successfully emerge from bankruptcy protection. From February 2000 to April 2001, Ms. Wittman served as Vice President, Corporate Development at 360networks. Prior to joining 360networks, Ms. Wittman served as Senior Director of Corporate Development at Microsoft Corporation from April 1999 to May 2000, and had previously been the CFO of the wireless-services company, Metricom, Inc. from April 1997 to December 1999.

Brad M. Sonnenberg has served as our Executive Vice President, General Counsel and Secretary since July 2003. Prior to joining Adelphia, Mr. Sonnenberg was SVP, General Counsel and Secretary from June 2002 to July 2003 at Covad Communications, where he played a lead role in that company's bankruptcy restructuring. Mr. Sonnenberg joined Covad Communications, a provider of HSI and network access utilizing DSL technology, in January 1999. From October 1990 to January 1999, Mr. Sonnenberg served as an Assistant U.S. Attorney for the Department of Justice, where he prosecuted white collar crimes.

Scott D. Macdonald has served as our SVP and CAO since March 2003. Prior to joining Adelphia, Mr. Macdonald was SVP and Corporate Controller at AT&T Broadband from February 2001 to November 2002. From June 2000 to January 2001, Mr. Macdonald served as AT&T Broadband's Vice President of Financial Operations. Prior to this position, Mr. Macdonald was SVP of Accounting and Finance for AT&T Broadband from June 1999 to May 2000. Before joining AT&T Broadband, Mr. Macdonald was Vice President and Controller for Primestar, Inc., a provider of satellite television services in the United States, from October 1996 to May 1999. He is a certified public accountant in the state of Colorado and is a member of the American Institute of Certified Public Accountants and the Colorado Society of Certified Public Accountants.

David R. Brunick has served as our SVP — Human Resources since March 2003. Mr. Brunick has 20 years of human resource experience in the transportation, health, telecommunications and cable/broadband industries. Prior to joining Adelphia, from February 2000 through December 2002, Mr. Brunick was Senior Vice President of Human Resources for AT&T Broadband. Prior to that position, from January 1998 to February 2000, Mr. Brunick was Vice President of Human Resources at MediaOne.

Jack A. Olson has served as our SVP — Media Services since April 2003. Mr. Olson joined Adelphia in 1980 and has held a series of management and marketing positions with the Company, being named Vice President of Media Development in 1996.

Joseph W. Bagan has served as our SVP — Southeast Region since April 2004. From March 2003 to March 2004, Mr. Bagan was the SVP — Information Technology and Chief Administrative Officer of Adelphia. Prior to joining Adelphia, from December 2002 to February 2003, Mr. Bagan was the CFO for Ricochet Wireless High Speed Data Internet (d/b/a Ricochet Networks, Inc.), a wireless high-speed data service provider targeted to mobile high speed data users. Prior to joining Ricochet, Mr. Bagan was Chief Information Officer for AT&T Broadband from January 2000 to October 2001, and was the SVP of Billing Operations and Chief Information Officer from October 2001 to November 2002. Mr. Bagan had previously been a partner at Arthur Andersen responsible for the Communications, Media and High Tech consulting practice for the southwestern United States from October 1997 to January 2000.

Paula J. Trustdorf has served as our SVP — Central Region since September 2003. Ms. Trustdorf has more than 12 years of experience in the cable industry. Prior to joining Adelphia, from June 2000 to March 2003, Ms. Trustdorf was a SVP at AT&T Broadband, responsible for its Dallas Region. Prior to her role at AT&T Broadband, Ms. Trustdorf was Regional Vice President, Operations -Northwest Division at TCI of Colorado, Inc. from February 1998 to June 2000.

Lee A. Perron has served as our SVP — California Region since April 2003. Mr. Perron has 22 years experience in the cable television industry. Mr. Perron joined Adelphia in October 1999 in connection with Adelphia's acquisition of Century, where he served as Vice President, Corporate Affairs since January 2000. Mr. Perron held several management positions with Adelphia prior to being appointed to his current position, including Vice President, Corporate Affairs from October 1999 to March 2002 and Regional Vice President from March 2002 to April 2003. Prior to his employment with the Company, Mr. Perron held various management positions at Tele-Communications, Inc., serving as that company's Regional Vice President, West Division from 1997 until 1998.

Robert G. Wahl has served as our SVP — Northeast Region since April 2003. Mr. Wahl joined Adelphia in 1990. Mr. Wahl has served in a series of management positions for the Company in connection with cable systems throughout the Northeast, including Corporate Director of Operations for the Great Lakes Region from June 1994 to July 1999, and Regional Vice President for the Great Lakes Region from August 1999 to March 2003.

Steven M. Delgado has served as our SVP — Western Region since September 2003. Mr. Delgado joined Adelphia in October 1999 as Regional Vice President in connection with Adelphia's acquisition of Century. From 1997 to October 1999, Mr. Delgado served as Vice President at Century, where he managed its Western Region. Mr. Delgado is a 20-year veteran of the cable industry, and has worked in the areas of advertising sales, direct sales, telemarketing, marketing, programming, and operations.

E. Thayer Bigelow, Jr. was appointed a director by the Board effective August 2003. Mr. Bigelow is a member of the Audit Committee and Chairman of the Compensation Committee of the Board. Mr. Bigelow has been the Managing General Partner of Bigelow Media, LLC, which is an investor in media and entertainment companies, since September 2000. Previously, Mr. Bigelow was Senior Advisor of Time Warner, Inc., a media and entertainment company, from October 1998 to September 2000. From February 1997 to October 1998, Mr. Bigelow was the Acting CEO of Courtroom Television Network LLC, a network distributed through cable television and satellite systems providing live coverage of trials and related documentary and entertainment programming. From September 1991 to February 1997, Mr. Bigelow was the President and CEO of Time Warner Cable Programming, Inc., which developed and invested in new cable television networks and other new services distributed over cable systems. From May 1988 to September 1991, Mr. Bigelow served as the President of Home Box Office, Inc, a distributor of pay television programming throughout the world on cable television and satellite systems. Mr. Bigelow serves on the boards of directors of Crane Co. and Huttig Building Products, Inc. and is an independent director of the Lord Abbett family of mutual funds.

Rodney W. Cornelius was appointed a director by the Board effective October 2002. Mr. Cornelius, a 20-year veteran of the cable industry, is currently an investor focusing on private and public markets as well as venture capital. In 1997, Mr. Cornelius co-founded and was an investor in Renaissance Cable, which owned and operated cable systems, and served as its Vice Chairman until 1999 when it was sold to Charter Communications. In 1983, Mr. Cornelius was employed by and held a minority interest in Cablevision Industries, Inc., which at the time, owned and operated cable systems serving approximately 100,000 subscribers. Mr. Cornelius held various executive positions including CFO, COO and Vice Chairman of the Board until 1996 when the company, then having approximately 1.5 million subscribers, was sold to Time Warner. Prior to 1983, Mr. Cornelius was a Certified Public Accountant.

Anthony T. Kronman was appointed a director by the Board effective October 2002 and was appointed Lead Director on December 5, 2003. Professor Kronman is a member of the Corporate Governance and Nominating Committee of the Board. Professor Kronman is Sterling Professor of Law at Yale Law School and was the dean of the school from 1994 until his deanship concluded on July 1, 2004.

Philip R. Lochner, Jr. was appointed a director by the Board effective May 2003. Mr. Lochner is a member of the Compensation Committee and Chairman of the Corporate Governance and Nominating Committee of the Board. Mr. Lochner serves on the boards of directors of Apria Healthcare Group Inc., GTech Holdings, Inc., Clarcor Inc., Solutia Inc. and is a member of the Board of Governors of the American Stock Exchange. Mr. Lochner served as SVP and Chief Administrative Officer of Time Warner, Inc., the media and entertainment company, from July 1991 to June 1998. Previously, Mr. Lochner served as a Commissioner on the United States Securities and Exchange Commission from March 1990 to July 1991.

Susan Ness was appointed a director by the Board effective May 2003. Ms. Ness is a member of the Audit and Corporate Governance and Nominating Committees of the Board. Since 2001, Ms. Ness has been a business consultant to communications companies. Ms. Ness was Distinguished Visiting Professor of Communication at the Annenberg School for Communication (University of Pennsylvania) and Director of Information and Society of the Annenberg Policy Center for the 2001-2002 academic year. Ms. Ness was a Commissioner of the Federal

Communications Commission from 1994 to 2001. Prior to joining the Federal Communications Commission, Ms. Ness was a vice president of American Security Bank and was the group head for lending to communications companies. She also was Assistant General Counsel to the Banking, Currency and Housing Committee of the United States House of Representatives during the mid-1970s. Ms. Ness serves on the boards of directors of LLC International, Inc. and the Library of American Broadcasting Foundation.

Kenneth L. Wolfe was appointed a director by the Board effective August 2003. Mr. Wolfe is Chairman of the Audit Committee of the Board. Mr. Wolfe served as the Chairman and CEO of Hershey Foods Corporation, a food and products manufacturing firm, from 1994 until his retirement in December 2001. He joined that company in 1967 and held various executive positions before being appointed Vice President and CFO in 1981. In 1984, Mr. Wolfe was named SVP. From 1985 to 1993, he was President and COO. Mr. Wolfe serves on the board of directors of Bausch & Lomb, Inc. and Revlon, Inc., and is an advisory member of the Board of Trustees of Fidelity Funds.

There are no family relationships among the current executive officers and directors of the Company. Ms. Wittman was serving as an executive officer at 360networks when it filed for protection under Chapter 11 in June 2001.

Each director named above holds such office until the next annual meeting of stockholders and until his or her successor is elected and qualified.

Identification of Audit Committee/Audit Committee Financial Expert

Adelphia has a separately designated standing Audit Committee established in accordance with Section 3(a) (58) (A) of the Exchange Act. The Audit Committee, which has a written charter approved by the Board, consists of three directors: Kenneth L. Wolfe, Chairman, E. Thayer Bigelow, Jr. and Susan Ness. Each member of the Audit Committee is independent and able to read and understand fundamental financial statements as defined in the listing standards of Nasdaq and applicable SEC regulations. The Board has determined that Mr. Wolfe is an audit committee financial expert within the meaning of Item 401(h) of Regulation S-K under the Securities Act.

Code of Business Conduct and Ethics

Adelphia adopted its Code of Ethics in April 2003. See Item 1, "Business — Corporate Governance — Code of Business Conduct and Ethics."

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires directors, executive officers, and persons who own more than 10% of the Class A Common Stock, to file with the SEC initial reports of ownership and reports of changes in ownership of Adelphia's equity securities. Executive officers, directors and greater than 10% stockholders are required by SEC regulations to provide us with copies of all Section 16(a) reports they file. Based solely on our review of the copies of such reports furnished to us and written representations from our executive officers and directors, during and for the year 2003, all Section 16(a) filing requirements applicable to our executive officers and directors were complied with, except that the following current or former officers of Adelphia failed to timely report their initial ownership of securities on Form 3 on their respective appointments as officers of Adelphia: Joseph W. Bagan, Christopher T. Dunstan, Scott D. Macdonald, James M. Matusoff, Ronald F. Stengel, Paula J. Trustdorf and Vanessa A. Wittman. All required Forms 3 were later filed with the SEC. In addition, based solely on our review of the copies of Section 16(a) reports furnished to us, the following greater than 10% stockholders did not file Forms 5 for the year 2003: John J. Rigas, Michael J. Rigas, Timothy J. Rigas, James P. Rigas, Ellen Rigas Venetis and Highland, a Rigas Family Entity. We are unable to determine whether such filings were required under Section 16(a) because we do not have access to, and those individuals have not provided us with, the necessary information to make such a determination.

ITEM 11. EXECUTIVE COMPENSATION

SUMMARY COMPENSATION

The following table sets forth for the periods indicated information regarding the compensation earned by or paid to our current CEO, the four other most highly compensated executive officers serving as of December 31, 2003 and each other person who served as CEO at any time during the year (collectively referred to herein as the "Named Executive Officers"):

Summary Compensation Table for 2003

	Annual Compensation				
Name and Principal Position	Year	Salary ($)	Bonus ($)	Other Annual Compensation ($)	All Other Compensation ($)
William T. Schleyer (1) Chairman and CEO	2003	1,384,387 (2)	1,489,848 (3)		
Ron Cooper (1) President and COO	2003	916,526 (4)	992,290 (5)		750 (6)
Vanessa A. Wittman (1) Executive Vice President and CFO	2003	356,610	1,570,322 (7)	111,921 (8)	
Joseph W. Bagan (9) SVP-Southeast Region	2003	217,154	632,729 (10)		750 (6)
Robert G. Wahl (9) SVP-Northeast Region	2003	238,461	486,424 (10)		750 (6)
Erland E. Kailbourne (11) Former Chairman and Interim CEO	2003 2002	220,091 (12) 505,346 (13)			

(1) Messrs. Schleyer and Cooper joined Adelphia in January 2003, and Ms. Wittman joined Adelphia in March 2003.

(2) Amount includes $1,000,387, the pro rata portion of Mr. Schleyer's annual salary of $1,275,000 for his services on and after March 18, 2003, and $384,000, Mr. Schleyer's compensation for his services prior to March 18, 2003, as provided by his employment agreement. During the period January 17, 2003 through March 18, 2003 (the effective date of the Bankruptcy Court's approval of Mr. Schleyer's employment agreement), Mr. Schleyer was employed by Adelphia, but did not act as an officer or director of Adelphia.

(3) Amount includes the 2003 portion of Mr. Schleyer's signing bonus equal to $480,328 and incentive bonus paid pursuant to the short-term incentive plan (the "STIP") of $1,009,521.

(4) Amount includes $666,926, the pro rata portion of Mr. Cooper's annual salary of $850,000 for his services on and after March 18, 2003, and $249,600, Mr. Cooper's compensation for his services prior to March 18, 2003, as provided by his employment agreement. During the period January 17, 2003 through March 18, 2003 (the effective date of the Bankruptcy Court's approval of Mr. Cooper's employment agreement), Mr. Cooper was employed by Adelphia, but did not act as an officer or director of Adelphia

(5) Amount includes the 2003 portion of Mr. Cooper's signing bonus equal to $319,277 and incentive bonus paid pursuant to the STIP of $673,014.

(6) Amount includes matching contributions under Adelphia's 401(k) plan.

(7) Amount includes a one-time signing bonus of $250,000, incentive bonus paid pursuant to the STIP of $340,634 and an award pursuant to the Adelphia Communications Corporation Performance Retention Plan of $979,688. Per the terms of the Adelphia Communications Corporation Performance Retention Plan, the $979,688 award has not yet been paid. Unless vesting is accelerated in connection with the consummation of a restructuring (as defined in the Performance Retention Plan), the award generally vests in 36 equal monthly installments commencing in April 2004.

(8) Amount represents the reimbursement of relocation expenses (including tax gross-up).

(9) Mr. Bagan joined Adelphia in March 2003, and Mr. Wahl became an executive officer of Adelphia in April 2003 in connection with his promotion to the position of SVP.

(10) Mr. Bagan's bonus figure represents an incentive bonus paid pursuant to the STIP of $117,104 and an award pursuant to the Adelphia Communications Corporation Performance Retention Plan of $515,625. Mr. Wahl's bonus figure represents an incentive bonus paid pursuant to the STIP of $142,674 and an award pursuant to the Adelphia Communications Corporation Performance Retention Plan of $343,750. Per the terms of the plan, the amounts awarded under the Adelphia Communications Corporation Performance Retention Plan have not yet been paid. Unless vesting is accelerated in connection with the consummation of a restructuring (as defined in the Performance Retention Plan), the awards generally vest in 36 equal monthly installments commencing in April 2004 with respect to Mr. Bagan and commencing in May 2004 with respect to Mr. Wahl.

(11) Mr. Kailbourne served as our interim CEO from May 2002 until March 2003.

(12) Amount includes (i) $199,688, which represents salary paid to Mr. Kailbourne in 2003 for his services as Interim CEO and (ii) $20,403, which represents compensation paid to Mr. Kailbourne in 2003 for his services as a director after resigning his position as Interim CEO.

(13) Amount includes (i) $447,846, which represents salary paid to Mr. Kailbourne in 2002 for his services as Interim CEO and (ii) $57,500, which represents compensation paid to Mr. Kailbourne in 2002 for his services as a director prior to being appointed Interim CEO.

STOCK OPTION/SAR GRANTS

There were no grants of stock options or stock appreciation rights ("SARs") to any of the Named Executive Officers in 2003.

AGGREGATED OPTION/SAR EXERCISES AND YEAR END OPTION/SAR VALUES

During the fiscal year ended December 31, 2003, none of the Named Executive Officers exercised any stock options or SARs. Set forth below is information on the number of shares of Class A Common Stock underlying unexercised options held by the Named Executive Officers as of December 31, 2003. None of such stock options were in-the-money as of December 31, 2003.

Aggregated Option/SAR Exercises in 2003 and 2003 Year-End Option/SARs Values

	Number of Securities Underlying Unexercised Options/SARs at FY-End (#)	
Name	**Exercisable**	**Unexercisable**
William T. Schleyer	–	–
Ron Cooper	–	–
Vanessa A. Wittman	–	–
Joseph W. Bagan	–	–
Robert G. Wahl	–	1,700
Erland E. Kailbourne	1,100	–

LONG-TERM INCENTIVE PLAN AWARDS

None of the Named Executive Officers received long-term incentive plan awards in 2003.

DIRECTOR COMPENSATION

Our current directors are compensated for their services as follows:

Each director who is neither an officer nor an employee of the Company is paid $75,000 a year for serving as a director. In addition, each director is paid $2,000 for each board meeting attended and $1,000 for each committee meeting attended. The chairman of each committee is also paid an additional $500 for each committee meeting over which he or she presides. Beginning in 2004, the Lead Director is paid an additional $10,000 a year.

Directors who are also our officers or employees do not receive any additional compensation for their services as directors. Mr. Schleyer is our only director who is also an officer or employee of Adelphia.

EMPLOYMENT ARRANGEMENTS

William T. Schleyer and Ron Cooper

On January 17, 2003 Adelphia entered into employment and indemnification agreements with William T. Schleyer—CEO, and Ron Cooper—President and COO, which agreements were subsequently amended and became effective on March 18, 2003 following approval of the agreements by the Bankruptcy Court. The term of each employment agreement runs until December 31, 2005, and will be automatically extended annually for an additional year absent notice by June 30, 2005 to the contrary.

The employment agreements provide for annual base salaries of $1,275,000 for Mr. Schleyer and $850,000 for Mr. Cooper, to be reviewed by the Board annually but not to be decreased except upon mutual consent. The executives are guaranteed an annual bonus for 2003 of 100 percent of base salary prorated for the period between the effective date of the agreement and December 31, 2003. In 2004 and all subsequent years the executives will be eligible for an annual bonus of 100 percent of base salary for meeting certain performance targets, and such bonus may be adjusted accordingly for performance below or above the performance targets. The agreements provide for a signing bonus of $1,700,000 for Mr. Schleyer and $1,130,000 for Mr. Cooper, to be payable in ratable monthly installments from the month in which the effective date occurs until December 2005.

Each agreement provides that if an executive's employment is terminated by Adelphia not for cause or by the executive for good reason (as defined in the agreements), the executive shall receive within 30 days after termination a payment of three times the sum of base salary and target bonus (guaranteed bonus for 2003). The executive will also be entitled to health coverage at employee rates for 18 months.

If an executive's employment is terminated by Adelphia for cause or by the executive not for good reason, the executive shall receive salary earned through the date of termination of employment. If employment is terminated for cause before December 2005, the executive is required to repay the portion of the signing bonus he has received. If the executive voluntarily terminates employment not for good reason before December 2005, the executive will not receive the remaining portion of his signing bonus.

Upon Adelphia's emergence from bankruptcy, the executives will be entitled to receive initial equity awards of restricted shares valued at $10.2 million for Mr. Schleyer and $6.8 million for Mr. Cooper. One third of the shares will vest on the second anniversary of the effective date of each executive's employment agreement (e.g., if the date of emergence occurs on the second anniversary of such effective date, one third of the restricted shares would be fully vested when granted), an additional third on the first anniversary of the date of Adelphia's emergence from bankruptcy, and the final third on the second anniversary of the date of emergence. The executives are eligible to receive an additional grant of restricted shares of up to $5.1 million for Mr. Schleyer and $3.4 million for Mr. Cooper if the Board determines that the executives' performance during the pre-emergence period was exceptional.

For each calendar year after the year in which Adelphia emerges from bankruptcy, the executives will be eligible to receive equity awards (made up of restricted shares and/or stock options) valued at two times the sum of base salary plus target annual bonus, if they achieve certain performance targets set by the Board.

Upon emergence from bankruptcy and in each year thereafter, the executives will be eligible to receive grants of stock options in amounts to be determined by the Board. If the executives are terminated by Adelphia for cause or resign not for good reason, all unvested restricted shares, restricted deferred share units, and options are forfeited. Any vested stock options immediately expire if the executive is terminated by Adelphia for cause. If the executive resigns other than for good reason, any vested stock options must be exercised within 30 days.

The executives agree not to compete with the Company for one year after employment is terminated for any reason other than the expiration of the agreement. Each employment agreement also provides that the executives shall not divulge confidential information, shall not solicit the Company's customers for one year following termination of employment for any reason and shall assign intellectual property rights to the Company.

Adelphia will provide a gross-up for any excise tax imposed upon either of the executives under Internal Revenue Code Section 4999 or similar provisions sufficient to put each of the executives in the same after-tax position as if such excise tax were not due. Each of the executives shall be entitled to continuing indemnification for any additional tax imposed by taxing authorities relating to such excise tax or gross-up.

Each of the employment agreements provide that each of the executives will be permitted use of the Company's aircraft in accordance with the Company's aircraft policy approved by the Board, provided that no personal use of the Company aircraft shall be permitted. The Board-approved aircraft policy provides, among other things, that reimbursed commuting under a timeshare arrangement does not constitute personal use of the aircraft if significant advantages to the Company in terms of time, money, security or productivity may be realized.

To induce Messrs. Schleyer and Cooper to enter into their employment agreements, Adelphia entered into indemnification agreements with each of them pursuant to which, Adelphia agrees to indemnify each of Messrs. Schleyer and Cooper, respectively, in their capacity as officers of Adelphia and, in the case of Mr. Schleyer, in his capacity as a director of Adelphia.

Subject to certain limited exceptions, the indemnification agreements indemnify Messrs. Schleyer and Cooper against any and all expenses and liabilities incurred by them as a result of any action or legal proceeding related to their status as a fiduciary of Adelphia, to the fullest extent permitted by law. Under the terms of the indemnification agreements, Adelphia will, among other things, advance all such expenses incurred by them or on their behalf without regard to their ultimate entitlement to indemnification, however, Messrs. Schleyer and Cooper would be required to repay such advances if it is determined by judgment or final adjudication that they would not be entitled to be indemnified. A determination as to whether Adelphia will indemnify either of Messrs. Schleyer or Cooper against any action or legal proceeding will be decided either by members of the Board who are not involved in the proceeding or by independent counsel hired by Adelphia.

Vanessa A. Wittman

Adelphia entered into an employment agreement with Vanessa A. Wittman—Executive Vice President and CFO, effective on May 8, 2003. The term of the agreement runs until the death or disability of Ms. Wittman, or termination by Adelphia or Ms. Wittman for any reason.

The agreement provides for initial annual base salary of $475,000 which may be increased subject to periodic review. Pursuant to the Compensation Committee's annual performance review of Ms. Wittman in January 2004, her annual base salary was increased to $490,000, effective in April 2004.

The agreement provides that Ms. Wittman is eligible to earn annual incentive bonuses of 80% of base salary, upon the satisfaction of performance goals set by the Compensation Committee. Ms. Wittman is eligible to participate in the Company's Performance Retention Plan, the initial terms of which include a grant of 200% of base salary to be payable in accordance with the terms of the plan and prorated for the first year of employment.

The employment agreement provides that if Ms. Wittman's employment terminates for any reason, she will be entitled to receive any accrued but unpaid base salary, vested benefits, and unreimbursed expenses. If Ms. Wittman's employment is terminated by Adelphia without cause or by Ms. Wittman with good reason, she shall be entitled to (i) any accrued and unpaid incentive bonus for previous years, (ii) a pro rata portion of the incentive bonus for the year in which the termination occurs, (iii) continued payment of base salary for two years, and (iv) payment of health care premiums equal to the price of Company health care premiums for one year.

Ms. Wittman has agreed not to compete with Adelphia for at least 12 months following termination of her employment for any reason. The employment agreement provides that Ms. Wittman shall not divulge confidential information, shall not solicit the Company's customers for one year following termination of employment for any reason and shall assign intellectual property rights to the Company.

Robert G. Wahl and Joseph W. Bagan

On November 10 and November 1, 2004, Adelphia entered into amended and restated employment agreements with Robert G. Wahl, SVP-Northeast Region, and Joseph W. Bagan, SVP-Southeast Region, respectively. Such agreements became effective on their dates of execution and supercede the prior employment agreements that the executives had with Adelphia that became effective May 8, 2003. The term of each agreement runs until (i) the death or disability of the executive; (ii) termination of the executive by Adelphia with or without cause; or (iii) termination by the executive with or without good reason. Modifications to the agreements include revisions to the definition of good reason (as defined in the agreements), the provision concerning the reimbursement of business and other expenses and the calculation of the incentive bonus in the event of termination from Adelphia. Also, provisions regarding continued medical coverage for up to two years following certain termination events and reimbursement for relocation expenses were added.

The agreements provide for an annual base salary of $260,000 for both Mr. Wahl and Mr. Bagan, which may be increased, subject to periodic review. The agreements also provide that the executives are eligible to earn annual incentive bonuses upon the satisfaction of performance goals set by the Compensation Committee. The executives are eligible to participate in the Company's Performance Retention Plan, the terms of which include a grant of cash and/or restricted stock to be payable in accordance with the terms of the plan.

The agreements provide that in the event that either executive's employment terminates due to death or disability, the executive is entitled to any accrued, unpaid base salary and incentive bonuses, a pro rata portion of the incentive bonus for the year in which termination occurs, all vested and unpaid benefits under the Company's benefit plans and unreimbursed business expenses. In the event that the executive's employment is terminated by Adelphia other than for death, disability or cause, or if terminated by the executive for good reason, the executive is entitled to, in addition to the aforementioned, payment of an amount equal to the base salary for two years, continued medical coverage for two years and reimbursement for relocation expenses if the executive had previously relocated at the Company's request since March of 2003. In the event the executive is terminated for cause (as defined in the agreements) or by the executive without good reason, he shall only receive accrued, unpaid base salary, vested benefits and unreimbursed expenses.

Messrs. Wahl and Bagan are prohibited from competing with the Company for at least 12 months following termination of employment for any reason without the express prior written approval of the Company. The agreements also provide that the executives shall not divulge confidential information, shall not solicit the Company's customers or employees for at least 12 months following termination of employment for any reason and shall have no claim to the Company's intellectual property rights.

Compensation Committee Interlocks and Insider Participation in Compensation Decisions

Our Compensation Committee is currently comprised of E. Thayer Bigelow, Jr. and Philip R. Lochner, both of whom have been serving on such committee since 2003. Pete J. Metros, Dennis P. Coyle and Leslie J. Gelber, former board members, also served as members of our Compensation Committee during various periods in 2003. None of the members of our Compensation Committee in 2003 was an officer or employee of Adelphia or any of its subsidiaries during 2003, and none of them have ever been an officer of Adelphia or any of its subsidiaries. During 2003, none of our executive officers served as a member of the board of directors or compensation committee of any other company that had one or more executive officers serving as a member of our Board or our Compensation Committee. See Note 7, "Transactions with Other Officers and Directors," to the accompanying consolidated financial statements for a description of Dennis Coyle's related party transactions in certain years prior to 2003.

NON-EQUITY BASED PLANS AND AGREEMENTS MAINTAINED BY THE COMPANY

KERP Programs

On September 21, 2004, the Bankruptcy Court entered orders authorizing the Debtors to implement and adopt the continuity program that consists of two distinct programs (i) the Adelphia Communications Corporation Key Employee Continuity Program (as amended, the "Stay Plan") and (ii) the Adelphia Communications Corporation Sale Bonus Program (as amended, the "Sale Plan" and, together with the Stay Plan, the "Continuity Program"), which are each designed to motivate certain employees to remain with the Debtors. In addition, the orders authorized certain amendments to the Amended and Restated Severance Program and certain formal employment agreements. With respect to the Stay Plan and the Sale Plan, in the event that (i) a Change in Control (as defined in the Stay Plan and the Sale Plan) occurs and (ii) all of the bonuses under both the Stay Plan and the Sale Plan are payable, the total cost of the Continuity Program could reach approximately $30.8 million (including approximately $9.8 million payable under the Stay Plan, $18.0 million payable under the Sale Plan, and a $3.0 million pool from which the CEO of Adelphia may grant additional bonuses). William T. Schleyer, Ron Cooper, Vanessa A. Wittman and Brad M. Sonnenberg are not eligible to participate in the Continuity Program.

Stay Plan

Subject to the terms of the Stay Plan, certain employees of the Company (the "Stay Participants") may each be eligible to receive a cash payment in the form of a bonus (the "Stay Bonus") if, subject to certain limited exceptions, the Stay Participants continue their active employment with the Company or its successors from the date such Stay Participant is notified in writing that he or she has been selected for coverage under the Stay Plan to the payroll date immediately following the nine month anniversary of such date. The CEO of Adelphia selects the Stay Participants and, subject to the review and approval of the Compensation Committee of the Board, establishes the amount of each Stay Participant's Stay Bonus, subject to any aggregate amounts available under the Stay Plan.

Sale Plan

Under the terms of the Sale Plan, certain employees of the Company (the "Sale Participants") may each be eligible to receive cash payments in the form of a bonus (the "Sale Bonus") if, subject to certain limited exceptions, the Sale Participants continue their active employment with the Company or its successors until, and following, a Change in Control (as defined in the Sale Plan). Fifty percent of the Sale Bonus will be paid to eligible Sale Participants within ten business days of the effective date of the Change in Control and the remaining fifty percent of the Sale Bonus will be paid to eligible Sale Participants within ten business days of the six month anniversary of such effective date; provided that a Sale Participant's employment has continued through such dates, subject to certain limited exceptions. The CEO of Adelphia will select the Sale Participants and, subject to the review and approval of the Compensation Committee of the Board, will establish the amount of each Sale Participant's Sale Bonus, subject to any aggregate amounts available under the Sale Plan.

Amended and Restated Severance Program

Employees of the Company are currently afforded severance benefits either pursuant to Adelphia's existing severance plan, the Amended and Restated Adelphia Communications Corporation Severance Plan (the "Severance Plan"), or pursuant to an existing employment agreement with the Company (each an "Existing Employment Agreement"). Except for certain limited exceptions, all full-time employees of Adelphia and certain affiliates that do not have Existing Employment Agreements are covered by the Severance Plan, which provides for severance pay in the event of a termination without "Cause" (as defined in the Severance Plan). The modifications to the Severance Plan and the form of employment agreements (as described in the following paragraph) that were approved by the Bankruptcy Court pursuant to the order entered September 21, 2004, could cost the Company a maximum of $9.973 million (including $5.723 million in enhanced severance benefits and healthcare continuation, and $4.250 million in relocation reimbursement expenses) if each Director-level employee, Vice President ("VP") and SVP were to be involuntarily separated from the Company and all eligible VPs and SVPs qualified for the maximum amount of relocation reimbursement. William T. Schleyer, Ron Cooper, Vanessa A. Wittman and Brad M. Sonnenberg are not eligible to participate in the Severance Plan.

Form of Amended and Restated Employment Agreement and New Form of Employment Agreement

The Company will seek to (i) amend and restate all Existing Employment Agreements that the Company has with VPs and SVPs by entering into the Form of Amended and Restated Employment Agreements (as approved by the Bankruptcy Court) with such VPs and SVPs and (ii) enter into a New Form Employment Agreement (as approved by the Bankruptcy Court) with VPs that are not currently a party to an Existing Employment Agreement and all new employees hired at the level of VP or SVP. As a result, all eligible VPs and SVPs will have agreements that reflect certain recently approved modifications, including (i) severance benefits upon resignation for "Good Reason" (as such term is defined in the relevant agreement); (ii) non-competition covenants (subject to applicable law); (iii) reimbursement for certain relocation expenses in the case of certain VPs and SVPs that are new hires or have relocated since March 2003 and are terminated under certain circumstances; and (iv) healthcare continuation coverage following a termination by the Company without Cause or by the VP or SVP with Good Reason for a period that is coterminous with their respective severance benefit. Certain VPs and SVPs that enter into the Form of Amended and Restated Employment Agreement or the New Form Employment Agreement, as the case may be, may also be eligible to participate in the Continuity Program and/or the Amended and Restated Adelphia Communications Corporation Performance Retention Plan.

Short-Term Incentive Plan

The Company maintains the STIP, which is a calendar year program, and which provides for the payment of annual bonuses to employees of the Company based upon the satisfaction of qualitative and quantitative metrics, as approved by the Compensation Committee of the Board. In general, in addition to certain General/Area Managers, full-time employees with a title of Director and above are eligible to participate in the STIP. For 2003, approximately 300 employees were eligible to participate. Target awards under the STIP are based on a percentage of each participant's base pay. As of December 31, 2003, the Company had accrued $7.353 million for bonuses payable under the STIP for 2003. See Item 12, "Beneficial Ownership of Securities — Amended and Restated Adelphia Communications Corporation Performance Retention Plan."

ITEM 12. BENEFICIAL OWNERSHIP OF SECURITIES

The following table sets forth certain information regarding the beneficial ownership of shares of Class A Common Stock and Class B Common Stock as of April 15, 2004 by each Named Executive Officer, each director, all executive officers and directors of Adelphia as a group, and each person known to the Company to own beneficially more than 5% of either class of common stock, based on 228,692,414 shares of Class A Common Stock and 25,055,365 shares of Class B Common Stock outstanding. Unless otherwise noted, each of the stockholders in the table has sole voting and investment power for the corresponding shares of stock owned by such stockholder. The business address of each director and officer named below, unless otherwise noted, is c/o Adelphia Communications Corporation, 5619 DTC Parkway, Greenwood Village, Colorado 80111.

Name	Shares of Class A Common Stock (a)	Percent of Class A Common Stock	Shares of Class B Common Stock (a)	Percent of Class B Common Stock
William T. Schleyer	–	–	–	–
Ron Cooper	–	–	–	–
Vanessa A. Wittman	–	–	–	–
Joseph W. Bagan	–	–	–	–
Robert G. Wahl	1,186(b)	(*)	–	–
E. Thayer Bigelow	–	–	–	–
Rodney W. Cornelius	–	–	–	–
Anthony T. Kronman	–	–	–	–
Philip R. Lochner	–	–	–	–
Susan Ness	–	–	–	–
Kenneth L. Wolfe	–	–	–	–
Former Officer				
Erland E. Kailbourne 133 Hidden Ridge Common Williamsville, NY 14221	500	(*)	–	–
All executive officers and directors as a group (21 persons)	7,281	(*)	–	–
5% Beneficial Owners				
John J. Rigas 106 Steerbrook Road Coudersport, PA 16915	51,610,806(c)	20.1%(h)	28,071,692(c)	100.0%
Michael J. Rigas 106 Steerbrook Road Coudersport, PA 16915	42,371,591(d)	17.1%(h)	19,169,136(d)	68.3%
Timothy J. Rigas 106 Steerbrook Road Coudersport, PA 16915	42,371,591(e)	17.1%(h)	19,169,136(e)	68.3%
James P. Rigas 106 Steerbrook Road Coudersport, PA 16915	41,607,055(f)	16.9%(h)	18,404,800(f)	65.6%
Ellen Rigas Venetis c/o Golenback, Eiseman Assor Bell & Pesko 437 Madison Avenue New York, New York 10022	38,320,632(g)	15.6%(h)	17,514,928(g)	62.4%

Name	Shares of Class A Common Stock (a)	Percent of Class A Common Stock	Shares of Class B Common Stock (a)	Percent of Class B Common Stock
Highland Holdings 106 Steerbrook Road Coudersport, PA 16915	17,804,104(i)	7.8%	–	–
Highland 2000, LLC 106 Steerbrook Road Coudersport, PA 16915	17,237,216(j)	7.0%	17,237,216(j)	61.4%
Highland 2000, L.P. 106 Steerbrook Road Coudersport, PA 16915	17,237,216(j)	7.0%	17,237,216(j)	61.4%
Rigas Limited Purpose Group 106 Steerbrook Road Coudersport, PA 16915	51,610,806(k)	20.1%	28,071,692(k)	100%
Wallace R. Weitz & Co. 1125 South 103rd Street Suite 600 Omaha, NE 68124-6008	23,477,521(l)	10.3%	–	–
Leonard Tow 160 Lantern Ridge Road New Canaan, CT 06840	29,137,975(m)	12.8%	–	–
Claire Tow 160 Lantern Ridge Road New Canaan, CT 06840	20,126,589(n)	8.8%	–	–
David Z. Rosensweig 380 Lexington Avenue New York, NY 10168	20,832,359(o)	9.1%	–	–

* Less than 1% of the outstanding shares of such class.

(a) Pursuant to the rules and regulations of the SEC a person is deemed to beneficially own securities over which such person has or shares voting power or investment power, as well as securities over which such person has the right to acquire beneficial ownership within 60 days ("Derivative Securities"). For purposes of computing the percentage of beneficial ownership of any person, only the Derivative Securities of such person and not the Derivative Securities of any other person are deemed to be outstanding. The holders of Class B Common Stock are deemed to be beneficial owners of an equal number of shares of Class A Common Stock because Class B Common Stock is convertible into Class A Common Stock on a one-to-one basis at the option of the holder.

(b) On February 6, 2001, Robert G. Wahl was granted options to purchase 1,700 shares of Class A Common Stock. As of April 15, 2004, 60% of Mr. Wahl's options had vested. Therefore, the shares of Class A Common Stock that may be acquired upon exercise of such vested options are included in the table. In addition, the amount shown includes 98 shares Class A Common Stock which are held in trust for Mr. Wahl under Adelphia's 401(k) plan and 68 shares of Class A Common Stock over which Mr. Wahl shares voting and investment power with his spouse.

(c) Based on our review of the Schedule 13D/A filed on August 15, 2001 by John J. Rigas, Michael J. Rigas, Timothy J. Rigas, James P. Rigas, Ellen Rigas Venetis, Doris Holdings, L.P. ("Doris Holdings"), Eleni Acquisitions, Inc., Highland, Highland Holdings II ("Highland II"), Highland 2000, L.P. and Highland 2000 LLC (the "Rigas Family 13D"), the Forms 5 filed on February 13, 2002 by John J. Rigas, Michael J. Rigas, Timothy J. Rigas, James P. Rigas and Ellen Rigas Venetis (the "Rigas Family Forms 5") and certain agreements referenced therein, John J. Rigas beneficially owns or has the purported power to direct the voting of 51,610,806 shares of Class A Common Stock. This amount includes: (1) 71,700 shares owned directly; (2) 2,398,151 shares owned indirectly through Doris Holdings; (3) 4,919,340 shares in which he has the purported right to direct the voting in the election of directors pursuant to the Stockholders Agreement described below (and assuming the parties to such agreement converted their Class B Common Stock into Class A Common Stock) (and for which John J. Rigas disclaims beneficial ownership); (4) voting and investment power shared with Michael J. Rigas, Timothy J. Rigas, James P. Rigas and Ellen Rigas Venetis with respect to (a) 17,237,216 shares of Class B Common Stock owned by Highland 2000, L.P., (b) 17,804,104 shares of Class A Common Stock beneficially owned by Highland, (c) 3,000,000 shares of Class A Common Stock held by Highland II and (d) 97,949 shares of Class B Common Stock held by Dorellenic Cable Partners ("Dorellenic"); (5) 5,819,187 shares of Class B Common Stock owned directly; and (6) options to purchase 263,159 shares of Class A Common Stock.

(d) Based solely on our review of the Rigas Family 13D, the Rigas Family Forms 5 and certain agreements referenced therein, Michael J. Rigas beneficially owns or has the purported power to direct the voting of 42,371,591 shares of Class A Common Stock. This amount includes: (1) 200 shares owned directly; (2) 2,398,151 shares owned indirectly through Doris Holdings; (3) voting and investment power shared with John J. Rigas, Timothy J. Rigas, James P. Rigas and Ellen Rigas Venetis with respect to (a) 17,237,216 shares of Class B Common Stock owned by Highland 2000, (b) 17,804,104 shares of Class A Common Stock beneficially owned by Highland, (c) 3,000,000 shares of Class A Common Stock held by Highland II and (d) 97,949 shares of Class B Common Stock held by Dorellenic; and (4) 1,833,971 shares of Class B Common Stock owned directly.

(e) Based solely on our review of the Rigas Family 13D, the Rigas Family Forms 5 and certain agreements referenced therein, Timothy J. Rigas beneficially owns or has the purported power to direct the voting of 42,371,591 shares of Class A Common Stock. This amount includes: (1) 200 shares owned directly; (2) 2,398,151 shares owned indirectly through Doris Holdings; (3) voting and investment power shared with John J. Rigas, Michael J. Rigas, James P. Rigas and Ellen Rigas Venetis with respect to (a) 17,237,216 shares of Class B Common Stock owned by Highland 2000, (b) 17,804,104 shares of Class A Common Stock beneficially owned by Highland, (c) 3,000,000 shares of Class A Common Stock held by Highland II and (d) 97,949 shares of Class B Common Stock held by Dorellenic; and (4) 1,833,971 shares of Class B Common Stock owned directly.

(f) Based solely on our review of the Rigas Family 13D, the Rigas Family Forms 5 and certain agreements referenced therein, James P. Rigas beneficially owns or has the purported power to direct the voting of 41,607,055 shares of Class A Common Stock. This amount includes: (1) 2,398,151 shares owned indirectly through Doris Holdings; (2) voting and investment power shared with John J. Rigas, Michael J. Rigas, Timothy J. Rigas and Ellen Rigas Venetis with respect to (a) 17,237,216 shares of Class B Common Stock owned by Highland 2000, (b) 17,804,104 shares of Class A Common Stock beneficially owned by Highland, (c) 3,000,000 shares of Class A Common Stock held by Highland II and (d) 97,949 shares of Class B Common Stock held by Dorellenic; and (3) 1,069,635 shares of Class B Common Stock owned directly.

(g) Based solely on our review of the Rigas Family 13D, the Rigas Family Forms 5 and certain agreements referenced therein, Ellen Rigas Venetis owns or has the purported power to direct the voting of 38,320,632 shares of Class A Common Stock, which includes: (1) 1,600 shares owned directly; (2) voting and investment power shared with John J. Rigas, Michael J. Rigas, Timothy J. Rigas and James P. Rigas with respect to (a) 17,237,216 shares of Class B Common Stock owned by Highland 2000, (b) 17,804,104 shares of Class A Common Stock beneficially owned by Highland, (c) 3,000,000 shares of Class A Common Stock held by Highland II and (d) 97,949 shares of Class B Common Stock held by Dorellenic; and (3) 179,763 shares of Class B Common Stock owned directly.

(h) After giving effect to the conversion solely by each individual holder of all of his or her beneficially owned Class B Common Stock into Class A Common Stock and including all shares of Class A Common Stock held by such individual holder or over which such individual holder has or shares voting or investment power as disclosed in notes (c) through (g), the percentage of Class A Common Stock owned by John J. Rigas, Michael J. Rigas, Timothy J. Rigas, James P. Rigas and Ellen Rigas Venetis would be 20.1%, 17.1%, 17.1%, 16.9% and 15.6%, respectively.

(i) Based solely on our review of the Rigas Family 13D, the Rigas Family Forms 5 and certain agreements referenced therein, Highland is the beneficial owner of 17,804,104 shares of Class A Common Stock, which includes: (1) 737,878 shares owned directly, (2) 7,582,264 shares owned indirectly through Highland Communications, L.L.C. ("Highland Communications"), a wholly owned subsidiary of Highland,

(3) 9,433,962 owned indirectly through Highland Preferred Communications, L.L.C. ("Highland Preferred"), a wholly owned subsidiary of Highland and (4) 50,000 shares owned indirectly through Bucktail Broadcasting Corporation ("Bucktail Broadcasting"), a subsidiary of Highland. Highland is a general partnership, the general partners of which are John J. Rigas, Michael J. Rigas, Timothy J. Rigas, James P. Rigas and Ellen Rigas Venetis. Each of these Rigas Family members share or may be deemed to share voting and investment power with respect to the shares held by Highland, Highland Communications, Highland Preferred and Bucktail Broadcasting.

(j) Based solely on our review of the Rigas Family 13D, the Rigas Family Forms 5 and certain agreements referenced therein, Highland 2000, L.P. is the beneficial owner of 17,237,216 shares of Class B Common Stock, which includes: (1) 14,220,889 shares owned directly and (2) 3,016,327 shares which could be issued upon conversion of convertible notes that Highland 2000, L.P. purchased from Adelphia on January 22, 2002, for which Adelphia has not received payment, and which are convertible into shares of Class B Common Stock. After giving effect to the conversion of the 17,237,216 shares of Class B Common Stock beneficially owned by Highland 2000, L.P. into shares of Class A Common Stock, the percentage of Class A Common Stock owned by Highland 2000 L.P. would be 7.0%. Highland 2000, L.P. is a limited partnership of which Highland 2000, LLC is the general partner and John J. Rigas, Michael J. Rigas, Timothy J. Rigas, James P. Rigas and Ellen Rigas Venetis are limited partners.

(k) Based solely on our review of the Rigas Family 13D and certain agreements referenced therein, each of John J. Rigas, Michael J. Rigas, Timothy J. Rigas, James P. Rigas and Ellen Rigas Venetis is a member of the "Rigas Limited Purpose Group." The Rigas Limited Purpose Group is deemed to beneficially own 51,610,806 shares of Class A Common Stock. Each member of the Rigas Limited Purpose Group, as well as Dorellenic, is a party to the Stockholder's Agreement discussed below. After giving effect to the conversion of the 28,071,692 shares of Class B Common Stock beneficially owned by the Rigas Limited Purpose Group into shares of Class A Common Stock, the percentage of Class A Common Stock owned by the Rigas Limited Purpose Group would be 20.1%. The members of the Rigas Limited Purpose Group reported in the Rigas Family 13D that they are acting as a group only with respect to voting for the election of directors and not for the purpose of acquiring, disposing or otherwise voting such securities. See notes (c) through (i).

(l) Based solely on our review of a Schedule 13G/A filed on January 23, 2004, by Wallace R. Weitz & Company ("Weitz & Co.") as a registered investment adviser under Section 203 of the Investment Advisers Act of 1940 and by Wallace R. Weitz, President and primary owner of Weitz & Co. All of the shares reported by Weitz & Co. are owned of record by investment advisory clients of Weitz & Co. and none are owned directly or indirectly by Weitz & Co. or Mr. Weitz. Weitz & Co. and Mr. Weitz disclaim any beneficial ownership of any of the shares reported.

(m) Based solely on our review of the Schedule 13G filed on April 11, 2003 by the Claire Tow Trust, The Leonard and Claire Tow Charitable Trust, Inc., the Tow Charitable Remainder Unitrust # 1, the Tow Foundation, Inc., Claire Tow, Leonard Tow and David Rosensweig (the "2003 Tow Schedule 13G"), the amount shown for Mr. Tow includes (1) 6,090,290 shares as to which Mr. Tow has sole voting and investment power; and (2) the following shares over which Mr. Tow disclaims beneficial ownership: (a) 19,988,678 shares held by trusts and foundations (17,307,308 of which are held by the Claire Tow Trust, 160 Lantern Ridge Road, New Canaan, CT 06840) as to all of which he may be deemed to share voting and investment power with his wife, Claire L. Tow, and David Z. Rosensweig; and (b) 3,059,007 shares held by Citizens Communications Company as to which he may be deemed to share voting and investment power. The amount shown for Mr. Tow does not include 137,911 shares described in note (n) as to which Mrs. Tow has sole voting and investment power, as to which shares Mr. Tow disclaims beneficial ownership.

(n) Based solely on our review of the 2003 Tow Schedule 13G, the amount shown for Mrs. Tow includes (1) 137,911 shares as to which Mrs. Tow has sole voting and investment power, and (2) the 19,988,678 shares held by trusts and foundations described in note (m) as to which she may be deemed to share voting and investment power with Mr. Tow and Mr. Rosensweig, and as to which shares Mrs. Tow disclaims beneficial ownership. The amount shown for Mrs. Tow does not include the 6,090,290 shares described in note (m) as to which Mr. Tow has sole voting and investment power, as to which shares Mrs. Tow disclaims beneficial ownership.

(o) Based solely on our review of the 2003 Tow Schedule 13G, the amount shown for Mr. Rosensweig includes (1) 5,000 shares as to which Mr. Rosensweig has sole voting and investment power and (2) the following shares over which Mr. Tow disclaims beneficial ownership: (a) 19,988,678 shares held by trusts and foundations described in note (m) as to which he may be deemed to share voting and investment power with Mr. and Mrs. Tow and (b) 838,681 shares held in trust over which he is the sole trustee.

John J. Rigas, Michael J. Rigas, Timothy J. Rigas, James P. Rigas, Ellen Rigas Venetis, Dorellenic and the Company are parties to a Class B Stockholders Agreement dated July 1, 1986 (the "Stockholders Agreement") providing that such stockholders must vote their shares of Adelphia Common Stock for the election of directors designated by a majority of voting power (as defined in the Stockholders Agreement) of the shares of Adelphia Common Stock held by them. The Stockholders Agreement also provides that, in the absence of the consent of the holders of a majority of the voting power of the shares of Adelphia Common Stock owned by the parties to the Stockholders Agreement, (i) none of the stockholder parties may sell, assign or transfer all or any part of their shares of Adelphia Common Stock in a public sale (as defined in the Stockholders Agreement) without first offering the shares to the other parties to the Stockholders Agreement and (ii) no stockholder party may accept a bona fide offer from a third party to purchase shares of such stockholder without first offering the shares to the Company and then to the other parties to the Stockholders Agreement. In addition, each party has certain rights to acquire the shares of Adelphia Common Stock of the others under certain conditions. The Stockholders Agreement terminates when the stockholder parties are the beneficial owners of less than 25% of the combined voting power of all shares of the Company having voting power.

In addition, as discussed in Item 13, "Certain Relationships and Related Transactions — Related Transactions — Rigas Family — Rigas Family Agreement," John J. Rigas, Timothy J. Rigas, James P. Rigas and Michael J. Rigas, acting in their individual capacities and on behalf of each entity directly or indirectly controlled by any or all of them (collectively, the "Contracting Rigas Family Members"), pledged all of their shares of Adelphia Common Stock to the Company pursuant to the Rigas Family Agreement.

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of December 31, 2003 with respect to shares of Class A Common Stock that may be issued under the Company's existing equity compensation plans.

Plan Category(1)	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted- average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)
Equity compensation plans approved by security holders(2)................................	301,146	$44.25	7,198,854
Equity compensation plans not approved by security holders(3)................................	N/A	N/A	N/A
Total	301,146	$44.25	7,198,854

(1) The table does not include information for the equity compensation plans assumed by the Company in connection with the acquisition of Century during the fourth quarter of 1999. The number of securities to be issued upon exercise of outstanding options, warrants and rights under plans assumed in the acquisition and outstanding at December 31, 2003 was 13,228 and the weighted-average exercise price was $10.48. No further grants or awards have been or will be made under the assumed plans.

(2) The Company's stockholders approved the Adelphia 1998 Long-Term Incentive Compensation Plan.

(3) The Company's stockholders have not approved (i) the Amended and Restated Adelphia Performance Retention Plan (the "PRP"), (ii) the Adelphia and Hyperion Telecommunications Corporation Executive Performance Share Compensation Plan (the "EPSCP"), or (iii) the Employment Agreements for William T. Schleyer and Ron Cooper (which provide for the grant of equity awards in connection with and following the Debtors' emergence from bankruptcy). The PRP and the EPSCP are not reflected in the table because (i) there is no limit to the number of securities that can be granted pursuant to such plans and thus no definitive number of securities remaining available for future issuance and (ii) with respect to the EPSCP, as of December 31, 2003, all awards had been paid in cash (although the plan allows for the payment of awards in the form of Class A Common Stock), and with respect to the PRP, as of December 31, 2003, no awards have been paid thereunder (although the PRP allows for the payment of a portion of awards in cash or the equity of the Company following the Debtors' emergence from bankruptcy in certain circumstances). Accordingly, there are no options, warrants or rights outstanding with respect to the Class A Common Stock under the EPSCP or the PRP as of December 31, 2003.

The following is a description of the material provisions of the Company's equity compensation plans that have not been approved by shareholders.

AMENDED AND RESTATED ADELPHIA COMMUNICATIONS CORPORATION PERFORMANCE RETENTION PLAN

The Adelphia Communications Corporation Performance Retention Plan was approved by the Bankruptcy Court on May 5, 2003, and the Amended and Restated PRP was approved by the Bankruptcy Court on September 21, 2004. Participants in the PRP are eligible to receive annual target awards that are based on the participant's base salary, job title and responsibilities. Target awards range from 25% to 200% of a participant's base salary. The amount of the award that a participant receives for each plan year is dependent on the percentage of the EBITDAR Target achieved by the Company for such year. EBITDAR Target is defined in the PRP to mean the EBITDAR objective established by the Company for its business plan for each plan year for purposes of calculating awards under the PRP. EBITDAR is defined as the consolidated earnings of the Company, normalized for accounting adjustments, changes in accounting policies and asset sales and determined before reduction by certain expenses, including (i) consolidated interest expense, (ii) total income tax expense, (iii) total depreciation expense, (iv) total amortization expense, and (v) total restructuring-related fees and expenses.

The PRP is administered by the Compensation Committee of the Board, and covers approximately 50 management employees, including Executive Vice Presidents, SVPs and Vice Presidents. The Compensation Committee determines, among other things, the date upon which each participant's award is granted and the target amount of such award.

In general, awards granted for the plan year during which the participant first commences participation in the PRP will vest on a monthly basis in 36 equal monthly installments commencing one year after the participant begins participation in the PRP. Subsequent awards will vest in 36 equal monthly installments beginning as of the January 31 of the year immediately following the plan year with respect to which the award was granted.

Generally, upon the Consummation of the Restructuring (as defined in the PRP, and described below), the portion of each award that is vested will be paid in cash, in a lump sum, on the date of such Consummation of the Restructuring, except that awards that are less than 25% vested as of the Consummation of the Restructuring will become 25% vested and paid in cash. Consummation of the Restructuring means the earliest to occur of (i) the date on which the Debtors' plan or plans of reorganization in connection with the Chapter 11 Cases becomes or become effective in accordance with its or their terms and (ii) the date of a Change in Control (as defined in the PRP). The aggregate value of the unvested portion of awards granted to the participants will be paid in the form of restricted stock of the Company following the Debtors' emergence from bankruptcy and will vest in two equal annual installments on each of the first and second anniversaries of the date of the Consummation of the Restructuring. In the event awards become payable in connection with a Change in Control, the plan administrator may provide that all awards (both vested and unvested) will be paid in cash, in a lump sum, on the date such Change in Control occurs. In the event the plan administrator makes such a determination, the unvested portion of all awards will be paid based on either the value established for each annual grant based on performance if so established, or 100% achievement of any unvalued grants.

In the event that the Consummation of the Restructuring does not occur on or before the second anniversary of the date on which a participant's award is granted, 50% of the portion of such award that is vested will be paid in cash on the date of such second anniversary, and the balance of the vested portion of the award will be paid in cash as of the date of the Consummation of the Restructuring. The aggregate value of all unvested awards will be converted to shares of restricted stock of the Company following the Debtors' emergence from bankruptcy in the event of a Consummation of the Restructuring that results in an emergence by the Debtors from bankruptcy, or in the event of a Consummation of the Restructuring that results in a Change in Control, such unvested awards may be payable in cash based on either the value established for each annual grant based on performance, if so established, or 100% achievement of any unvalued grants, subject to the determination of the plan administrator.

If the Company terminates a participant for any reason other than for Cause (as defined in the PRP) prior to the date on which an award is scheduled to be paid, the participant will receive a payment equal to the vested portion of his or her award; provided, that if the termination is in connection with a Change in Control, in addition to the payment of the vested portion of the awards, the administrative committee under the PRP may provide that the unvested portion of all awards will be paid in cash based on either the value established for each annual grant based on performance, if so established, or 100% achievement of any unvalued grants. In the event a participant is terminated by the Company for Cause, any awards granted to the participant will be forfeited, and the participant will be ineligible to receive any payment or settlement of any award under the PRP.

ADELPHIA AND HYPERION TELECOMMUNICATIONS CORPORATION EXECUTIVE PERFORMANCE SHARE COMPENSATION PLAN

The Company adopted the Adelphia and Hyperion Telecommunications Corporation Executive Performance Share Compensation Plan, effective as of January 1, 1998. The purpose of the EPSCP is to provide certain key employees of the Company with an opportunity to receive awards based on the growth in the price of the Class A Common Stock. No awards have been granted under the EPSCP since the 1999 plan year (although some awards letters were sent in January of 2001 relating to grants for the 1999 plan year), and the Company does not presently intend to grant any additional performance unit awards under the EPSCP. As of December 31, 2003, there were 31,533 performance units outstanding under the EPSCP.

The EPSCP is administered by a committee appointed by the Board. The committee determines those employees who are eligible to participate in the EPSCP and the times when performance units are to be awarded. In general, employees who are heads of major functional areas and who earn more than $90,000 are eligible to participate in the EPSCP.

The number of performance units awarded in connection with any award is based on (i) the eligible compensation earned by a participant during the plan year in which the performance unit award is granted, and (ii) the cumulative average growth rate of the Class A Common Stock for the relevant period. The performance units awarded to a participant are credited to a performance unit account, which (x) records the number of performance units awarded, (y) is solely for accounting purposes, and (z) does not require a segregation of the Company's assets.

Awards granted under the EPSCP vest ratably over a three-year period beginning on the December 31st following the date the award is granted. Awards generally become payable upon the earliest to occur of death, retirement or termination of employment from the Company (other than due to total disability or involuntary termination) (each, a "Payment Event"). If a participant's employment is terminated as a result of his/her total disability or involuntary termination, no payment would be made to a participant, unless the administrative committee under the EPSCP determines otherwise. Upon the occurrence of a Payment Event, a participant will receive an amount in cash or shares of Class A Common Stock equal in value to the participant's vested account, determined in the year in which the Payment Event occurs. Awards are payable in either cash or Class A Common Stock, as determined by the committee that administers the EPSCP. A participant's right to the payment or distribution of an award will be forfeited in the event the participant competes with the Company, solicits the Company's employees, or discloses work product or trade secrets of the Company.

EMPLOYMENT AGREEMENTS FOR WILLIAM T. SCHLEYER AND RON COOPER

The Employment Agreements for William T. Schleyer and Ron Cooper provide for the grant of certain equity awards in the event of the Debtors' emergence from bankruptcy. The material terms of the Employment Agreements for Messrs. Schleyer and Cooper, including a description of the equity awards, are set forth under the heading Item 11, "Executive Compensation — Employment Arrangements."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

RELATED TRANSACTIONS—RIGAS FAMILY

(1) Co-Borrowing Agreements

Between March 29, 1996 and September 28, 2001, Rigas Management caused certain Rigas Co-Borrowing Entities and certain subsidiaries of the Company to enter into four separate co-borrowing agreements. One of these agreements was refinanced on September 28, 2001, at which time the outstanding loan balance was repaid in full. Except for TelCove, which was limited to $500 million maximum under the applicable facility, each co-borrower under each of these agreements was able to borrow up to the entire amount of the available credit under the applicable facility. Each co-borrower is jointly and severally liable for the entire amount of the indebtedness under the applicable co-borrowing agreement regardless of whether that co-borrower actually borrowed that amount under such co-borrowing agreement. Although the applicable Rigas Co-Borrowing Entities and the applicable subsidiaries of the Company entered into assumption agreements dated as of May 6, 2002, pursuant to which the applicable Rigas Co-Borrowing Entities have confirmed their previous agreement with the applicable subsidiaries of the Company to repay the amount of any borrowings that are transferred onto its books, the Company has concluded that it remains fully liable to the lenders under the co-borrowing agreement for the full amount of such borrowings. Accordingly, all amounts outstanding under co-borrowing agreements have been reflected in the consolidated balance sheets in Item 8, "Consolidated Financial Statements and Supplementary Data" of this report as of the dates that such agreements were in effect. To the extent that amounts attributed to the Rigas Co-Borrowing Entities have been reflected in the Company's debt balances, the Company has recorded equal and offsetting increases to the amounts due from the Rigas Co-Borrowing Entities.

The table below sets forth certain information regarding amounts outstanding for these co-borrowing credit facilities for the indicated periods (amounts in thousands):

	December 31,		
	2003	2002	2001
Attributable to Company subsidiaries	$ 1,730,219	$ 1,730,219	$ 2,590,333
Attributable to Rigas Co-Borrowing Entities	2,846,156	2,846,156	2,449,667
Total included as debt of the Company	$ 4,576,375	$ 4,576,375	$ 5,040,000

Included in the amounts attributable to Company subsidiaries in the table above are $500 million of proceeds that were credited to TelCove during 2000 as an unrestricted borrower under a joint bank credit facility with the Century Borrowers and a Rigas Co-Borrowing Entity.

(2) Management agreements and services provided by the Company to Managed Cable Entities and certain fees charged to Managed Cable Entities.

The Company provides management and administrative services to the Managed Cable Entities. In circumstances where a management agreement exists, a management fee is charged to the Managed Cable Entity in accordance with the agreement. Such management agreements generally provide for a management fee based on a percentage of revenue plus reimbursements for expenses incurred by the Company on behalf of the Managed Cable Entities. Where no management agreement exists, the Company allocates a pro rata share of its corporate, regional, call center and certain other costs to the Managed Cable Entities. Such allocations generally are based upon the Managed Cable Entities' pro rata share of revenue or subscribers, as appropriate. The management fees paid by the Managed Cable Entities are generally limited by the terms of the applicable co-borrowing agreement. The amounts charged and allocated to the Managed Cable Entities pursuant to these arrangements were $22.2 million, $17.5 million and $11.2 million for 2003, 2002 and 2001, respectively.

The Company performs all of the cash management functions of the Managed Cable Entities. As such, any positive (negative) cash flows of the Managed Cable Entities are deposited into (deducted from) the Company's cash accounts. In addition, the personnel of the Managed Cable Entities are employees of the Company, and substantially all of the cash operating expenses and capital expenditures of the Managed Cable Entities are allocated or otherwise charged to the Managed Cable Entities by the Company based on the terms of the applicable vendor agreements. Such charges and allocations represent amounts incurred by the Company on behalf of the Managed Cable Entities, and the amounts charged and allocated are determined by reference to the terms of third party invoices or agreements. Accordingly, while this activity affects the amounts due from the Managed Cable Entities, the Company has not designated any of these charges and allocations as related party transactions to be separately reported in its consolidated statements of operations. In the accompanying consolidated financial statements, the Company has recognized all liabilities incurred under these arrangements on behalf of the Managed Cable Entities.

(3) Praxis

The Company owns a 99.5% limited partnership interest in Praxis Capital Ventures, L.P. ("Praxis"), a consolidated subsidiary of Adelphia. Peter L. Venetis, the son-in-law of John J. Rigas, owns membership interests in both the general partner of Praxis and the company that manages Praxis. Formed in June 2001, Praxis primarily engaged in making private equity investments in the telecommunications market. The Company committed to provide $65 million of capital to Praxis, of which $8.5 million was invested by Praxis during 2002 and 2001. Under the terms of the Praxis partnership agreement, the Company was required to pay a management fee to the management company at an annual rate equal to 2% of the capital committed by the Company. By order dated October 20, 2003, the Debtors rejected the Praxis partnership agreement under applicable bankruptcy law. In 2003, the Company accrued $975,000 which represents management fees due for such year prior to rejection of the partnership agreement. Rejection may give rise to pre-bankruptcy unsecured damages claims that are included in liabilities subject to compromise at the amounts expected to be allowed. See Note 2, "Bankruptcy," to the accompanying consolidated financial statements.

(4) Legal Defense Costs

During the third quarter of 2003, the Bankruptcy Court approved a stipulation and order that, among other things, allowed certain members of the Rigas Family to cause the Managed Cable Entities to pay up to $15 million of certain legal defense costs on their behalf. The stipulation and order also set forth the terms pursuant to which the Company could continue to manage the Managed Cable Entities. On February 18, 2004, the Bankruptcy Court approved the request of such Rigas Family members for an additional $12.8 million to be advanced by the Managed Cable Entities for criminal defense costs only, and the Bankruptcy Court issued an order to this effect on March 9, 2004. A hearing on the motion for a stay pending appeal was held on March 17, 2004 in the District Court. On March 22, 2004 the District Court denied Adelphia's motion for a stay pending appeal of the Bankruptcy Court's March 9, 2004 order. On September 14, 2004, the Rigas Family members again moved to amend the August 7, 2003 and March 9, 2004 orders, seeking approximately $11 million more in cash from the Managed Cable Entities to fund civil and criminal defense costs. While that motion was pending, the District Court issued a decision on September 27, 2004, reversing the Bankruptcy Court's March 9, 2004 Order and remanding the matter back to the Bankruptcy Court for further consideration. On November 8, 2004, a hearing occurred regarding evidentiary issues relating to the Rigas Family members' latest motion, at which time the Bankruptcy Court granted Adelphia's motion to exclude certain evidence. Another evidentiary hearing was held on November 22, 2004, concerning the ability of the Rigases to obtain additional funding of attorneys fees both pursuant to the request, which was granted but vacated by the District Court, and the latest request for an additional $11 million. The Bankruptcy Court has not yet ruled on the Rigas Family members' motions.

Pursuant to the stipulation and order, the Managed Cable Entities had accrued aggregate Rigas Family defense costs of $10.8 million through December 31, 2003, including $8.6 million that had been advanced to such Rigas Family members as of such date. Subsequent to December 31, 2003, the remaining $17.0 million of approved advances was drawn by the Rigas Family. As the Rigas Family defense costs were accrued and paid on behalf of the Managed Cable Entities, the accrual of such costs results in an increase in the amounts due to the Company from the Managed Cable Entities.