

Approved: _____
TIMOTHY J. COLEMAN
CHRISTOPHER J. CLARK
Assistant United States Attorneys

Before: HONORABLE ANDREW J. PECK
United States Magistrate Judge
Southern District of New York

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UNITED STATES OF AMERICA,	:	<u>SEALED</u>
	:	<u>COMPLAINT</u>
- v. -	:	
JOHN J. RIGAS,	:	Violations of
TIMOTHY J. RIGAS,	:	15 U.S.C. §§ 78j(b) & 78ff;
MICHAEL J. RIGAS,	:	17 C.F.R. § 240.10b-5;
JAMES R. BROWN and	:	18 U.S.C. §§ 371, 1343,
MICHAEL C. MULCAHEY,	:	1344, 1346 & 2.
	:	
Defendants.	:	COUNTY OF OFFENSE:
	:	NEW YORK COUNTY

-----x

SOUTHERN DISTRICT OF NEW YORK, ss.:

THOMAS F.X. FEENEY, being duly sworn, deposes and says that he is an Inspector with the United States Postal Inspection Service, and charges as follows:

COUNT ONE

(Conspiracy to Commit Securities
Fraud, Wire Fraud and Bank Fraud)

1. From in or about 1999, up to and including in or about May 2002, in the Southern District of New York and elsewhere, JOHN J. RIGAS, TIMOTHY J. RIGAS, MICHAEL J. RIGAS, JAMES R. BROWN and MICHAEL C. MULCAHEY, the defendants, and others known and unknown, unlawfully, willfully and knowingly did combine, conspire, confederate and agree together and with others to commit offenses against the United States, to wit, violations of Title 15, United States Code, Sections 78j(b) and 78ff; Title 17, Code of Federal Regulations, Section 240.10b-5; and Title 18, United States Code, Sections 1343, 1344 and 1346.

OBJECTS OF THE CONSPIRACY

Securities Fraud

2. It was a part and object of the conspiracy that JOHN J. RIGAS, TIMOTHY J. RIGAS, MICHAEL J. RIGAS, JAMES R. BROWN and MICHAEL C. MULCAHEY, the defendants, and others known and unknown, unlawfully, willfully and knowingly, directly and indirectly, by the use of means and instrumentalities of interstate commerce, and of the mails, and of facilities of national securities exchanges, would and did use and employ, in connection with the purchase and sale of securities, manipulative and deceptive devices and contrivances in violation of Title 17, Code of Federal Regulations, Section 240.10b-5 by: (a) employing devices, schemes and artifices to defraud; (b) making untrue statements of material fact and omitting to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and (c) engaging in acts, practices and courses of business which operated and would operate as a fraud and deceit upon the purchaser and seller, all in violation of Title 15, United States Code, Sections 78j(b) and 78ff, and Title 17, Code of Federal Regulations, Section 240.10b-5.

Wire Fraud

3. It was a further part and object of the conspiracy that JOHN J. RIGAS, TIMOTHY J. RIGAS, MICHAEL J. RIGAS, JAMES R. BROWN and MICHAEL C. MULCAHEY, the defendants, and others known and unknown, unlawfully, willfully and knowingly, having devised and intending to devise a scheme and artifice to defraud, and for obtaining money and property by means of false and fraudulent pretenses, representations and promises, to wit, a scheme and artifice, among other things, to: (a) deprive Adelphia Communications Corp. ("Adelphia") and its shareholders of the intangible right to the honest services of Adelphia directors and officers; (b) violate the fiduciary and other duties of Adelphia directors, officers and employees to Adelphia and its shareholders; and (c) obtain Adelphia's money and property, would and did transmit and cause to be transmitted by means of wire communications in interstate and foreign commerce, writings, signs, signals, pictures and sounds for the purposes of executing such scheme and artifice, all in violation of Title 18, United States Code, Sections 1343 and 1346.

Bank Fraud

4. It was a further part and object of the conspiracy that JOHN J. RIGAS, TIMOTHY J. RIGAS, MICHAEL J. RIGAS, JAMES R. BROWN and MICHAEL C. MULCAHEY, the defendants, and others known and unknown, unlawfully, willfully and knowingly, would and did execute, and attempt to execute, a scheme and artifice to defraud a financial institution, and to obtain moneys, funds, credits, assets, securities and other property owned by, and under the custody and control of, a financial institution, by means of false and fraudulent pretenses, representations and promises, all in violation of Title 18, United States Code, Sections 1344.

OVERT ACTS

5. In furtherance of the conspiracy, and to effect the illegal objects thereof, JOHN J. RIGAS, TIMOTHY J. RIGAS, MICHAEL J. RIGAS, JAMES R. BROWN and MICHAEL C. MULCAHEY, the defendants, committed the following overt acts, among others, in the Southern District of New York and elsewhere:

a. On or about March 30, 2000, JOHN J. RIGAS, TIMOTHY J. RIGAS, MICHAEL J. RIGAS and BROWN, caused Adelphia to issue a press release announcing Adelphia's results for the fourth quarter of 1999, which was distributed throughout the United States, including in New York, New York;

b. In or about March 2000, JOHN J. RIGAS, TIMOTHY J. RIGAS and MICHAEL J. RIGAS caused Adelphia to begin construction of a golf course and club on a parcel of land located near Coudersport, Pennsylvania that was primarily owned by JOHN J. RIGAS;

c. On or about May 15, 2000, JOHN J. RIGAS, TIMOTHY J. RIGAS, MICHAEL J. RIGAS and BROWN, caused Adelphia to issue a press release announcing Adelphia's results for the first quarter of 2000, which was distributed throughout the United States, including in New York, New York;

d. On or about August 14, 2000, JOHN J. RIGAS, TIMOTHY J. RIGAS, MICHAEL J. RIGAS and BROWN caused Adelphia to issue a press release announcing Adelphia's results for the second quarter of 2000, which was distributed throughout the United States, including in New York, New York;

e. On or about August 15, 2000, TIMOTHY J. RIGAS, the defendant stated in a public conference call, which was transmitted to various locations in New York, New York and

elsewhere, that 60 percent of Adelphia's systems were two-way capable;

f. In or about August 2000, TIMOTHY J. RIGAS traveled to Africa on an Adelphia corporate airplane for a safari vacation;

g. On or about November 14, 2000, JOHN J. RIGAS, TIMOTHY J. RIGAS, MICHAEL J. RIGAS and BROWN, caused Adelphia to issue a press release announcing Adelphia's results for the third quarter of 2000, which was distributed throughout the United States, including in New York, New York;

h. On or about January 17, 2001, MICHAEL J. RIGAS executed agreements between Adelphia and Highland 2000, L.P. concerning the purchase and sale of Adelphia securities;

i. On or about April 2, 2001, JOHN J. RIGAS, TIMOTHY J. RIGAS, MICHAEL J. RIGAS and BROWN caused Adelphia to issue a press release announcing Adelphia's results for the fourth quarter and full year of 2000, which was distributed throughout the United States, including in New York, New York;

j. On or about May 8, 2001, JOHN J. RIGAS executed a check from Adelphia to a manufacturer of digital cable converter boxes in the amount of approximately \$26,200,000;

k. On or about May 14, 2001, JOHN J. RIGAS, TIMOTHY J. RIGAS, MICHAEL J. RIGAS and BROWN caused Adelphia to issue a press release announcing Adelphia's results for the first quarter of 2001, which was distributed throughout the United States, including in New York, New York;

l. On or about August 14, 2001, JOHN J. RIGAS, TIMOTHY J. RIGAS, MICHAEL J. RIGAS and BROWN caused Adelphia to issue a press release announcing Adelphia's results for the second quarter of 2001, which was distributed throughout the United States, including in New York, New York;

m. On or about August 31, 2001, TIMOTHY J. RIGAS and BROWN caused Adelphia to file a certification concerning its compliance with the financial conditions of its public indentures;

n. On or about September 18, 2001, JOHN J. RIGAS, TIMOTHY J. RIGAS, MICHAEL J. RIGAS, BROWN and MICHAEL C. MULCAHEY, the defendant, caused approximately \$5,000,000 to be wire transferred from First Union National Bank ("First Union")

in Florida to J.P. Morgan Chase Bank ("Chase") in New York, New York;

o. In or about the quarter ending September 30, 2001, TIMOTHY J. RIGAS and BROWN directed Adelphia employees to credit Adelphia with approximately \$10.5 million in management fees from certain affiliates of Adelphia;

p. On or about October 1, 2001, JOHN J. RIGAS, TIMOTHY J. RIGAS, MICHAEL J. RIGAS, BROWN and MULCAHEY caused approximately \$4,500,000 to be wire transferred from First Union in Florida to Chase in New York, New York;

q. On or about November 9, 2001, JOHN J. RIGAS, TIMOTHY J. RIGAS, MICHAEL J. RIGAS and BROWN caused Adelphia to issue a press release announcing Adelphia's results for the third quarter of 2001, which was distributed throughout the United States, including in New York, New York;

r. On or about November 28, 2001, in Anaheim, California, JOHN J. RIGAS made public remarks at the Western Cable Show, a cable industry conference;

s. On or about December 21, 2001, JOHN J. RIGAS executed a check from Adelphia to a manufacturer of digital cable converter boxes in the amount of approximately \$16,809,998;

t. In or about January 2002, TIMOTHY J. RIGAS and MULCAHEY prepared certain notices addressed to Bank of Montreal, which were backdated to October 22, 2001;

u. On or about January 15, 2002, at 99 Church Street in New York, New York, TIMOTHY J. RIGAS and BROWN participated in a meeting with representatives of Moody's Investors Service;

v. On or about March 27, 2002, JOHN J. RIGAS, TIMOTHY J. RIGAS, MICHAEL J. RIGAS, BROWN and MULCAHEY caused Adelphia to issue a press release reporting its results for the fourth quarter and full year 2001;

w. On or about March 28, 2002, JOHN J. RIGAS, TIMOTHY J. RIGAS, MICHAEL J. RIGAS, BROWN and MULCAHEY caused approximately \$6,359,647 to be wire transferred from First Union in Florida to Chase in New York, New York;

x. On or about March 29, 2002, JOHN J. RIGAS, TIMOTHY J. RIGAS, MICHAEL J. RIGAS, BROWN and MULCAHEY caused

approximately \$3,886,669 to be wire transferred from First Union in Florida to Chase in New York, New York;

y. In or about April 2002, TIMOTHY J. RIGAS and MULCAHEY prepared certain receipts, which purported to acknowledge the receipt, on or about October 22, 2001, by Adelpia Communications Corp. from Highland 2000, L.P., of approximately \$423,375,076 in immediately available funds; and

z. On or about April 12, 2002, JOHN J. RIGAS, TIMOTHY J. RIGAS, MICHAEL J. RIGAS, BROWN and MULCAHEY caused approximately \$4,296,928 to be wire transferred from First Union in Florida to Chase in New York, New York.

(Title 18, United States Code, Section 371).

COUNT TWO

(Securities Fraud)

6. From in or about 1999, up to and including in or about May 2002, in the Southern District of New York and elsewhere, JOHN J. RIGAS, TIMOTHY J. RIGAS, MICHAEL J. RIGAS, JAMES R. BROWN and MICHAEL C. MULCAHEY, the defendants, unlawfully, willfully and knowingly, directly and indirectly, by the use of means and instrumentalities of interstate commerce, and of the mails, and of facilities of national securities exchanges, would and did use and employ, in connection with the purchase and sale of securities, namely Adelpia Communications Corporation Class A common stock, manipulative and deceptive devices and contrivances in violation of Title 17, Code of Federal Regulations, Section 240.10b-5 by: (a) employing devices, schemes and artifices to defraud; (b) making untrue statements of material fact and omitting to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and (c) engaging in acts, practices and courses of business which operated and would operate as a fraud and deceit upon purchasers and sellers of Adelpia Communications Corporation Class A common stock.

(Title 15, United States Code, Sections 78j(b) and 78ff;
Title 17, Code of Federal Regulations, Section 240.10b-5;
Title 18, United States Code, Section 2).

COUNTS THREE THROUGH SEVEN

(Wire Fraud)

7. On or about the dates set forth below, in the Southern District of New York and elsewhere, JOHN J. RIGAS, TIMOTHY J. RIGAS, MICHAEL J. RIGAS, JAMES R. BROWN and MICHAEL C. MULCAHEY, the defendants, unlawfully, willfully and knowingly, having devised and intending to devise a scheme and artifice to defraud, and for obtaining money and property by means of false and fraudulent pretenses, representations and promises, to wit, a scheme and artifice, among other things, to: (a) deprive Adelphia and its shareholders of the intangible right to the honest services of Adelphia directors and officers; (b) violate the fiduciary and other duties of Adelphia directors and officers to Adelphia and its shareholders; and (c) obtain Adelphia's money and property, would and did transmit and cause to be transmitted by means of wire communications in interstate and foreign commerce, writings, signs, signals, pictures and sounds for the purposes of executing such scheme and artifice, to wit, the defendants caused Adelphia to make the wire transfers set forth below:

COUNT	APPROXIMATE DATE	APPROXIMATE AMOUNT	WIRE TRANSMISSION
THREE	September 18, 2001	\$5,000,000	Wire transfer from First Union in Florida to Chase in New York, New York
FOUR	October 1, 2001	\$4,500,000	Wire transfer from First Union in Florida to Chase in New York, New York
FIVE	March 28, 2002	\$6,359,647	Wire transfer from First Union in Florida to Chase in New York, New York
SIX	March 29, 2002	\$3,886,669	Wire transfer from First Union in Florida to Chase in New York, New York
SEVEN	April 12, 2002	\$4,296,928	Wire transfer from First Union in Florida to Chase in New York, New York

(Title 18, United States Code, Sections 1343, 1346 and 2).

COUNTS EIGHT AND NINE

(Bank Fraud)

8. On or about the dates set forth below, in the Southern District of New York and elsewhere, JOHN J. RIGAS, TIMOTHY J. RIGAS, MICHAEL J. RIGAS, JAMES R. BROWN and MICHAEL C. MULCAHEY, the defendants, unlawfully, willfully and knowingly, would and did execute, and attempt to execute, a scheme and artifice to defraud a financial institution, and to obtain moneys, funds, credits, assets, securities and other property owned by, and under the custody and control of, a financial institution, by means of false and fraudulent pretenses, representations and promises, to wit, the defendants falsely represented that the borrowers on the credit agreements set forth below were in compliance with certain material terms of those credit agreements:

COUNT	APPROXIMATE DATES	CREDIT AGREEMENT
EIGHT	April 14, 2000 through May 2002	\$2,250,000,000 Credit Agreement dated April 14, 2000 among Century Cable Holdings, LLC and other Adelphia affiliates, as borrowers, and Chase and other lenders, including numerous financial institutions located in New York, New York
NINE	September 28, 2001 through May 2002	\$2,030,000,000 Credit Agreement among Olympus Cable Holdings, LLC and other Adelphia affiliates, as borrowers, and Bank of Montreal and other lenders, including numerous financial institutions located in New York, New York

(Title 18, United States Code, Sections 1344 and 2.)

The bases for my knowledge and for the foregoing charges are, in part and among other things, as follows:

1. I am an Inspector with the United States Postal Inspection Service. For the past 4 years, I have been assigned to a special squad that investigates securities frauds. I have participated in more than approximately 40 investigations of alleged securities frauds. I have personally participated in the

investigation of this matter, which began in or about late March 2002. I am fully familiar with the facts and circumstances set forth below, based on, among other things:

a. Interviews conducted by myself and other law enforcement agents with, among others: (1) at least approximately 15 Adelphia employees with first-hand knowledge of Adelphia's corporate structure, financial dealings, business and accounting practices, and of the events set forth in this Complaint;¹ (2) representatives of Deloitte & Touche, LLP ("Deloitte"), Adelphia's former outside auditors; (3) representatives of Price Waterhouse Coopers ("PWC"), which is conducting a forensic accounting analysis of Adelphia's books and records; (4) representatives of financial institutions that have made loans to, issued securities for, and participated in other transactions with Adelphia; (5) representatives of credit rating agencies that have rated Adelphia and its securities; (6) securities analysts whose work has included research on Adelphia; and (7) investors in securities issued by Adelphia;

b. Discussions with other law enforcement agents and representatives of the United States Securities and Exchange Commission ("SEC");

c. Interviews of Adelphia employees and others conducted by investigators acting on behalf of a special committee of the Board of Directors of Adelphia ("the Special Committee");

d. My review of various public filings made by Adelphia Communications Corporation ("Adelphia") pursuant to the rules and regulations of the SEC, including, among others,

¹ Among the Adelphia employees that have been interviewed are individuals in this investigation are individuals who knew of, and/or participated in, the criminal conduct alleged in this Complaint. Those individuals have provided information to the Government in the hope of obtaining non-prosecution or cooperation agreements with the Government. The information provided by those individuals has been corroborated by, among other things: (1) statements of other Adelphia employees, and other witnesses with personal knowledge of the events set forth herein; (2) documentary evidence; and (3) public statements made by Adelphia concerning the events set forth herein. Based on, among other things, such corroborating evidence, I submit that the information provided by the Adelphia employees described above is reliable and accurate.

Adelphia's Forms 10-Q, 10-K and certain Forms 8-K ("Adelphia's SEC Filings");

e. My review of other publicly available information concerning Adelphia, including, among other sources: (1) press releases issued by Adelphia (and the accompanying financial statements, where applicable); (2) transcripts of conference calls in which Adelphia officers made statements to and investors, securities analysts, credit rating agency analysts and others; (3) reports concerning Adelphia published by securities analysts, credit rating agencies and others; (4) media reports concerning Adelphia; and (5) documents filed by Adelphia in the United States Bankruptcy Court for the Southern District of New York;

f. My review of numerous books and records obtained from Adelphia and from other entities, including financial institutions and other business organizations that have had dealings with Adelphia.

2. Because this affidavit is being submitted for the limited purpose of establishing probable cause, I have not included herein all of the facts I have learned in connection with this investigation. Where I have reported the contents of documents, or the actions or statements of others, I have reported those matters in substance and in part, except as indicated otherwise.

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OVERVIEW

3. Based on the results of this investigation, there is probable cause to believe that JOHN J. RIGAS, TIMOTHY J. RIGAS, MICHAEL J. RIGAS, JAMES R. BROWN and MICHAEL C. MULCAHEY, the defendants, and their co-conspirators, perpetrated an elaborate and multifaceted scheme to defraud stockholders and creditors of Adelphia, and the public, as set forth below.

4. Adelphia, one of the largest cable television operators in the United States, is a public company with numerous debt and equity securities traded on the open markets. Until in or about May 2002, JOHN J. RIGAS, the defendant, together with members of his family, controlled Adelphia through their ownership of a majority of the voting shares of the company, their control of a majority of seats on the Board of Directors, and their positions as the company's most senior executive officers.

5. The investigation has revealed probable cause to believe that JOHN J. RIGAS, the defendant, together with members of his family, has looted Adelphia on a massive scale, using the company as the Rigas Family's personal piggy bank, at the expense of public investors and creditors, and that JOHN J. RIGAS, TIMOTHY J. RIGAS, MICHAEL J. RIGAS, JAMES R. BROWN and MICHAEL C. MULCAHEY, the defendants, and their co-conspirators, fraudulently concealed the Rigas Family's self-dealing from the public.

6. Among the means and methods used by JOHN J. RIGAS, TIMOTHY J. RIGAS, MICHAEL J. RIGAS, JAMES R. BROWN and MICHAEL C. MULCAHEY, the defendants, to carry out the scheme were a variety of deceptive and misleading accounting practices involving Adelphia's "off-balance-sheet" liabilities and its "EBITDA," a so-called "pro forma" measure of corporate earnings that stands for "earnings before interest, taxes, depreciation and amortization." Through the fraudulent use of deceptive and misleading accounting practices, the defendants and their co-conspirators manipulated the books and records of Adelphia to create the illusion that Adelphia's financial condition and performance were substantially more favorable than they in fact were.

7. Based on my review of industry publications, analyst reports and interviews with Adelphia employees and other sources, I have learned that Adelphia has been for many years one of the most heavily leveraged companies in the cable industry, and one of the largest issuers of high-yield debt securities, commonly known as "junk bonds." In 1999, Adelphia's debt increased dramatically, as a result of a series of leveraged acquisitions of other cable operators that doubled Adelphia's size.

8. As a result of Adelphia's large and rapidly growing debt, the company faced enormous pressure from Wall Street -- that is, from investors, creditors, analysts, banks, credit rating agencies and other market participants -- to deliver a high level of operating performance and to reduce its staggering debt burden. In fact, however, Adelphia failed to meet those expectations.

9. As JOHN J. RIGAS, TIMOTHY J. RIGAS, MICHAEL J. RIGAS, JAMES R. BROWN and MICHAEL C. MULCAHEY, the defendants, well knew, if the true facts about Adelphia's financial condition and performance had been disclosed to the public, the market price for its securities would have fallen, its access to additional capital would have been cut off, and the personal wealth of the Rigas Family would have been reduced dramatically.

In order to avoid those consequences, JOHN J. RIGAS, TIMOTHY J. RIGAS, MICHAEL J. RIGAS, BROWN and MULCAHEY, together with their co-conspirators, conceived and executed a scheme to defraud the public by creating the false appearance that Adelphia was consistently performing at a high level, and that it was systematically reducing its debt load.

10. Based on my review of, among other things, Adelphia's public announcements and SEC filings, I have learned the following:

a. On or about March 27, 2002, Adelphia announced that it had approximately \$2,284,000,000 in previously undisclosed off-balance-sheet liabilities. On or about April 1, 2002, as a result of disagreements between Adelphia and its auditors, Deloitte, about the appropriate accounting treatment of those liabilities, Adelphia failed to file its audited financial statements with the SEC on time, and requested an extension until April 16, 2002. On or about April 3, 2002, Adelphia announced that it was the subject of an SEC investigation concerning the accounting treatment of its off-balance-sheet liabilities. On or about April 16, 2002, as a result of Adelphia's continuing inability to reach agreement with Deloitte concerning the appropriate accounting treatment of those liabilities, Adelphia again failed to file its audited financial statements on time.

b. On or about May 2, 2002, Adelphia announced that it expected to restate its previously issued financial statements for the years 1999, 2000 and 2001, to include billions of dollars in previously undisclosed off-balance-sheet liabilities.

c. On or about May 15, 2002, Adelphia announced that the Special Committee was conducting an internal investigation concerning its off-balance-sheet liabilities and other matters. On or about May 15, 2002, the NASDAQ Stock Market ("NASDAQ") halted trading in Adelphia's Class A common stock. Between on or about May 15, 2002 and May 22, 2002, all members of the Rigas Family who were officers and/or directors of Adelphia resigned their positions. On or about May 23, 2002, trading of Adelphia's Class A common on NASDAQ resumed. On or about June 2, 2002, as a result of Adelphia's continuing failure to file audited financial statements, NASDAQ delisted Adelphia's Class A common stock.

d. The market response to the events described above is depicted in Figure 1, below. From on or about March 29, 2001 through on or about July 22, 2002, the aggregate market

value of Adelphia's Class A common stock fell from approximately \$6.1 billion to less than approximately \$30 million. Based on my training and experience, I submit that there is probable cause to believe that facts concerning Adelphia's previously undisclosed off-balance-sheet liabilities were material to investors, as evidenced by the swift and dramatic decline in the market price for Adelphia's Class A common stock.

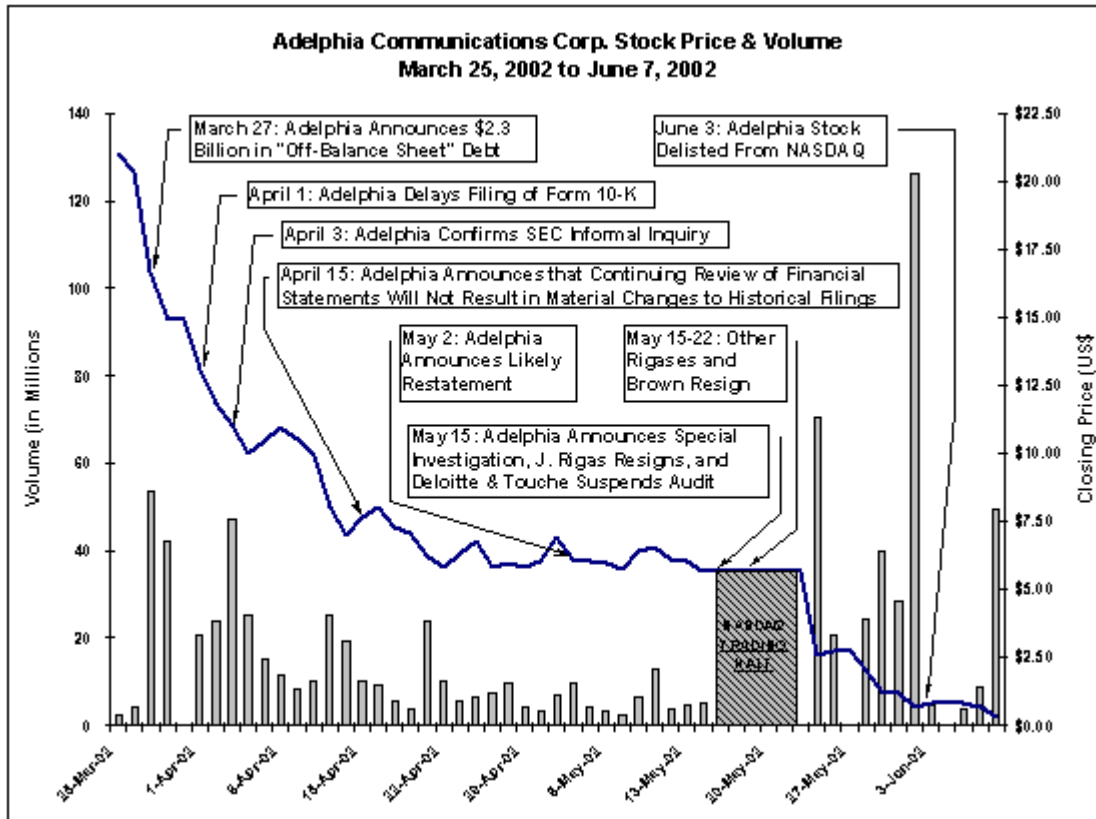


FIGURE 1

11. In addition to the collapse of Adelphia's stock price, the company's credit ratings were downgraded, its ability to obtain additional funding from the capital markets and lending institutions was cut off, and it has defaulted on billions of dollars in debt. On or about June 25, 2002, Adelphia filed for bankruptcy in the United States Bankruptcy Court for the Southern District of New York.

BACKGROUND

I. Relevant Parties and Entities

12. Based upon, among other things: (1) my review of Adelphia's SEC filings; (2) my review of the books and records of Adelphia; (3) my review of other publicly available materials regarding Adelphia, including its bankruptcy filings; and (4) interviews of Adelphia employees, I have learned the following:

a. At all relevant times, Adelphia was a Delaware Corporation with its principal place of business in Coudersport, Pennsylvania. In or about 1986, Adelphia was organized into a holding company, which, among other things, principally was engaged in managing and operating cable television franchises throughout the United States. As of December 31, 2000, Adelphia was the sixth largest cable television provider in the United States and operated cable systems in at least approximately 29 states with approximately five million subscribers, including subscribers in the Southern District of New York.

b. At all relevant times, JOHN J. RIGAS, the defendant, was the Chairman of the Board of Directors, President, and Chief Executive Officer of Adelphia. JOHN J. RIGAS is the father of TIMOTHY J. RIGAS and MICHAEL J. RIGAS, the defendants. Members of the family of JOHN J. RIGAS, including his wife, sons, daughter and son-in-law, are referred to collectively herein as "the Rigas Family."

c. At all relevant times, TIMOTHY J. RIGAS, the defendant, was Executive Vice President, Chief Financial Officer, Chief Accounting Officer and Treasurer of Adelphia, and was a member of the Board of Directors of Adelphia. From in or about December 1992 through in or about June 2001, TIMOTHY J. RIGAS was the Chairman of the Audit Committee of the Board of Directors of Adelphia.

d. At all relevant times, MICHAEL J. RIGAS, the defendant, was Executive Vice President for Operations, Secretary, and a member of the Board of Directors of Adelphia.

e. At all relevant times, JAMES R. BROWN, the defendant, was Vice President of Finance for Adelphia, with responsibility for the preparation of Adelphia's financial statements and public disclosures regarding its performance.

f. At all relevant times, MICHAEL C. MULCAHEY, the defendant, was Director of Internal Reporting for Adelphia, with responsibility for Adelphia's treasury functions, including the supervision of all money flowing into and out of Adelphia, its reporting to lenders and debt security holders regarding its financial condition, and its internal record keeping regarding expenditures on behalf of, among other things, the Rigas Family and entities that they owned and controlled.

II. Rigas Family Control of Adelphia

g. At all relevant times, two classes of Adelphia common stock were issued and outstanding: Class A, which exercises one vote per share, and Class B, which exercises 10 votes per share. At all relevant times, JOHN J. RIGAS, TIMOTHY J. RIGAS and MICHAEL J. RIGAS, the defendants, together with other members of the Rigas Family owned approximately 100 percent of Adelphia's Class B Shares. In or about December 2001, the Rigas Family owned approximately 15 percent of Adelphia's Class A shares. However, as a result of this two-class share structure, at all relevant times, the Rigas Family controlled a majority of Adelphia shareholder votes.

h. Under Adelphia's certificate of incorporation, Adelphia Class A shares elect only one of Adelphia's nine directors. Thus, at all relevant times prior to May 2002, as a result of the Rigas Family's stock ownership, Adelphia's certificate of incorporation, and an agreement among the Class B stockholders, members of the Rigas Family had the power to elect, and did elect, eight of nine Adelphia directors. At all relevant times, five of Adelphia's nine directors -- including JOHN J. RIGAS, TIMOTHY J. RIGAS and MICHAEL J. RIGAS, the defendants, the third son of JOHN J. RIGAS, and the son-in-law of JOHN J. RIGAS -- were members of the Rigas Family.

i. At all relevant times prior to on or about June 3, 2002, Adelphia's Class A common stock was registered with the SEC and was publicly traded on the NASDAQ National Market System. As of on or about June 1, 2002, approximately 228,600,000 shares of Adelphia's Class A common stock were issued and outstanding. On or about January 2, 2002, the closing price for Adelphia's Class A common stock was approximately \$31.85. On or about June 3, 2002, Adelphia's Class A common stock was delisted by NASDAQ, and is now traded in the over-the-counter market. According to information obtained from the "Pink Sheets," a securities quotation service specializing in so-called "penny stocks," as of July 22, 2002, the market price for Adelphia's Class A common stock was approximately 15 cents per

share. No established public market exists for Adelphia's Class B common stock.

j. Based on the Rigas Family's control of the Adelphia shareholder votes and Board of Directors, the Rigas Family controlled all of Adelphia's operations, including decisions on matters such as amendments to Adelphia's Certificate of Incorporation and Bylaws, mergers and acquisitions, and other fundamental corporate transactions, such as compensation for officers, the issuance of stock, and the use of Adelphia's capital.

III. Rigas Family Entities ("RFEs")

A. Cable RFEs

k. At all relevant times, in addition to controlling Adelphia, the Rigas Family owned and controlled various entities (Rigas Family Entities or "RFEs") including certain cable television properties ("Cable RFEs") that were managed and operated by Adelphia pursuant to certain management agreements. Under the management agreements, Adelphia managed all aspects of the Cable RFEs' businesses, including marketing, billing, and payment of operating expenses. In exchange for Adelphia's efforts in running their operations, the Cable RFEs agreed to pay Adelphia, as a management fee, approximately five per cent of their revenues in each quarter.

B. Other RFEs (Non-Cable)

l. In addition to the Cable RFEs, the Rigas Family owned and controlled a number of entities which did not provide cable television service to consumers ("Other RFEs"). For example, members of the Rigas Family owned and controlled a furniture and interior design company, a car dealership, and a number of limited liability partnerships, the sole function of which was to hold securities. Although the Other RFEs had no cable business for Adelphia to manage, and although no management agreement between Adelphia and these entities existed, the operations and financial dealings of the Other RFEs were commingled with Adelphia, its subsidiaries, and the Cable RFEs. For example, Adelphia employees regularly performed work for the Other RFEs, their accounts payable were regularly paid with funds held in Adelphia's bank accounts, and they were not required to settle their debts to Adelphia in cash, but were permitted to accrue balances owing to Adelphia, often on an interest-free basis. In addition, these Other RFEs often used Adelphia's capital to conduct their activities. Thus, although the Other

RFEs were not Adelphia subsidiaries and were wholly owned by the Rigas Family, they were treated in effect as if they were Adelphia entities, with little or no recognition of their divergent ownership or interests.

IV. Adelphia's Cash Management System

13. Based upon, among other things, statements made and reports prepared by PWC, I have learned the following:

a. At all relevant times, the operating revenues and expenses of Adelphia, its subsidiaries, and the RFEs (including both Cable RFEs and Other RFEs) were organized, collected, and expended through a centralized cash management system ("CMS"). The accounts that made up the Adelphia CMS were maintained at First Union of Florida, in Pensacola, Florida.

b. Under the CMS, all cash received by Adelphia, its subsidiaries, or the RFEs was swept, on a regular basis, into a central cash management account from which all expenses of Adelphia, its subsidiaries, and the RFEs were paid. Revenues and expenses of particular entities within the CMS were accounted for through inter-company debits and credits within the CMS.

c. For example, under the CMS, if a Cable RFE received a payment from a subscriber, the cash from that payment would be swept into Adelphia's central cash management account, and that RFE would receive an inter-company credit in the amount of the payment. Similarly, if a Cable RFE incurred an expense to an entity outside Adelphia, a check or wire transfer would be drawn on Adelphia's central cash management account, and the particular entity would receive an inter-company debit in the amount of the payment.

d. Under the CMS, no distinction was drawn between Adelphia, its subsidiaries, and the RFEs (whether Cable or Other). Indeed, Adelphia maintained the books and records for most of the RFEs on a general ledger system shared with Adelphia and its subsidiaries. In addition, no regular policy for billing and collection of interest resulting from balances under the CMS was maintained with regard to Adelphia's subsidiaries or the RFEs.

e. Although the financial affairs of Adelphia and the RFEs were intermingled as outlined above, and although Adelphia managed all aspects of the RFEs' business affairs, the financial results of the RFEs were not consolidated or combined with Adelphia's results on Adelphia's financial statements.

14. Based on my review of a Form 8K filed by Adelphia with the SEC on or about May 23, 2002, Adelphia's Board of Directors did not approve the commingling of Adelphia's funds and the funds of the RFEs under the CMS, and Adelphia's independent directors were not advised of this commingling.

V. Adelphia's Rapid Expansion Through Leveraged Acquisitions

15. Based upon, among other things, my review of Adelphia SEC filings, I have learned the following:

a. From on or about December 31, 1998 through on or about December 31, 1999, Adelphia's basic cable subscribers² increased from approximately 2,200,000 to approximately 5,000,000. The principal reason for that increase was Adelphia's acquisition of other cable operators. The largest of those acquisitions were the following:

- i. On or about October 1, 1999, Adelphia acquired Century Communications Corporation ("Century"), which served approximately 1,610,000 basic subscribers located primarily in California and Puerto Rico. In connection with the acquisition of Century, Adelphia paid approximately \$811,900,000 in cash and approximately 47,800,000 shares of newly issued Class A common stock, and assumed approximately \$1.7 billion of debt.
- ii. On or about October 1, 1999, Adelphia acquired Frontier Vision Holdings, L.P. ("Frontier Vision"), which served approximately 710,000 basic subscribers located primarily in Ohio, Kentucky, New England and Virginia. In connection with the acquisition of Century, Adelphia paid approximately \$543,300,000 in cash and approximately 6,900,000 shares of newly issued Class A common stock, and assumed approximately \$1.15 billion of debt.
- iii. On or about October 1, 1999, Adelphia acquired Harron Communications Corp. ("Harron"), which served approximately 296,000 basic subscribers

² In Adelphia's December 31, 2000, Form 10-K, Adelphia publicly reported that it used the term "basic cable subscribers" to mean "a home with one or more television sets connected to a cable system."

located primarily in southeastern Pennsylvania, Michigan, Massachusetts and New Hampshire. In connection with the acquisition of Harron, Adelphia paid approximately \$1,211,704,000.

b. The aggregate purchase price for Adelphia's acquisitions in 1999, including the acquisitions described above, was at least approximately \$9,859,000,000.

VI. Adelphia's Highly Leveraged Capital Structure

16. Based upon, among other things: (1) my review of Adelphia's SEC filings; and (2) my review of other publicly available documents regarding Adelphia, including its bankruptcy filings, securities analyst reports and credit rating agency reports, I have learned the following:

a. From on or about December 31, 1998 through on or about December 31, 1999, Adelphia's total reported liabilities increased from approximately \$3.53 billion to approximately \$9.29 billion. By December 31, 2000, Adelphia's total reported liabilities had increased to approximately \$12.60 billion.

b. At all relevant times, based upon, among other things, its rapid expansion through leveraged acquisitions and the fact that it consistently spent more money on its operations than those operations generated, Adelphia's capital structure was highly leveraged. Adelphia raised capital from three principal sources: (1) secured loans from banks; (2) the sale of debt securities to the public; and (3) the sale of equity securities to the public.

c. As a result of Adelphia's highly leveraged capital structure, investors, lenders, securities analysts, and credit rating agencies publicly expressed concerns about Adelphia's ability to service its debt. Adelphia's publicly reported performance and publicly reported ratios of debt-to-equity and cash-flow-to-debt were therefore carefully watched by creditors and investors.

A. Adelphia's Secured Syndicated Bank Loans and the Co-Borrowing Agreements

17. Based upon, among other things: (1) my review of Adelphia's SEC filings; (2) my review of certain loan agreements entered into by Adelphia; and (3) interviews with Adelphia employees, I have learned the following:

a. At all relevant times, as a result of Adelphia's structure as a holding company, all of Adelphia's operating assets were owned by its subsidiaries, not Adelphia itself. It therefore was necessary for Adelphia to accomplish secured borrowing through its subsidiaries, which possessed the assets that served as security for loans. From time to time, a number of Adelphia subsidiaries were combined into a "borrowing group" for purposes of obtaining capital through secured syndicated bank loans.

b. At all relevant times, Adelphia, through its subsidiaries, owed billions of dollars under these and similar credit facilities. For example, as of in or about June 2002, Adelphia, through various subsidiaries, was organized into six borrowing groups, and had outstanding debt of approximately \$6.8 billion in secured syndicated bank loans under approximately six different credit facilities.

c. At all relevant times, based on, among other things, Adelphia's substantial indebtedness as a percentage of cash flow and total assets, the agreements establishing each of Adelphia's credit facilities required that the borrowing group that was a party to the agreement not exceed: (1) certain specified leverage ratios; (2) certain specified ratios of annualized operating cash flow to pro forma debt service; and (3) certain specified ratios of operating cash flow to interest expense. Each of the agreements further provided that if a borrowing group's ratio of cash flow to indebtedness fell below a specified threshold, that borrowing group was not in compliance with its credit agreement and was considered in default.

d. At all relevant times, the agreements establishing certain of Adelphia's credit facilities required that Adelphia report to its lenders, each quarter, as to whether the borrowing group that was a party to the agreement was in compliance with the terms of the credit facility, and, in particular, whether the borrowing group was within the specified ratios discussed in Paragraph 17(c), above.

e. At all times prior to in or about 1996, only Adelphia subsidiaries were borrowers under these secured credit facilities. In or about March 1996, Adelphia's borrowing practices changed. From that time forward, Adelphia subsidiaries entered into a number of so-called "Co-Borrowing Facilities" together with various Cable RFEs. As a result, as explained more fully below, various Cable RFEs borrowed substantial sums of money, for which Adelphia's subsidiaries were jointly and severally liable, to finance business operations that were wholly

owned by the Rigas Family, or to buy assets that were held for the sole benefit of the Rigas Family. Thus, the Rigas Family benefitted from loans for which the publicly held company, Adelphia, through its affiliates, was liable, and which diminished Adelphia's liquidity and access to working capital, without any economic benefit to Adelphia.

f. Beginning in or about March 1996 through in or about September 2001, in connection with the secured credit facilities established by the borrowing groups made up of its subsidiaries, Adelphia caused a number of borrowing groups to enter into "Co-Borrowing Agreements" with various Cable RFEs.

g. These Co-Borrowing Agreements provided that: (1) a "Co-Borrower" could borrow up to the entire amount of credit available under a given facility; and (2) each Co-Borrower was jointly and severally liable for the full amount of indebtedness under the credit facility, without regard to which of the Co-Borrowers actually received funds borrowed under the facility.

h. As a result of these and other provisions of under the Co-Borrowing Agreements, certain Cable RFEs were permitted to borrow the total amount available under a given credit facility, and each member of the borrowing group of Adelphia subsidiaries would be jointly and severally liable for the full amount of the debt.

i. Adelphia subsidiaries were parties to, and jointly and severally liable with certain Cable RFEs for credit extended under, the following Co-Borrowing Facilities:

- i. On or about March 29, 1996, Telsat Acquisition L.P. and Global Acquisition Partners L.P., both of which were Adelphia subsidiaries, together with Highland Video Associates, a Cable RFE, as a Co-Borrower, entered into a credit agreement for a syndicated, secured credit facility in the amount of approximately \$200,000,000.
- ii. On or about May 6, 1999, UCA Corp., UCA, LLC, National Cable Acquisition Associates, L.P., Grand Island Cable, Inc., SVHH Cable Acquisition, L.P., Tele-Media Company of Hopewell-Prince George, all of which were Adelphia subsidiaries, together with Hilton Head Communications, L.P., a Cable RFE, as a Co-Borrower, entered into a credit agreement for

a syndicated, secured credit facility in the amount of approximately \$850,000,000.

iii. On or about April 14, 2000, Century Cable Holdings, LLC and Ft. Myers Cablevision, LLC, both of which were Adelphia subsidiaries, together with Highland Prestige Georgia, Inc., a Cable RFE, as a Co-Borrower, entered into a credit agreement for a syndicated, secured, credit facility in the amount of approximately \$2.25 billion. The bank syndicate included Chase Securities, Inc., the Chase Manhattan Bank, Barclays Bank PLC (New York Branch), the Bank of New York, the Bank of Montreal (New York Branch) and the Bank of Nova Scotia (New York Branch), all of which were located in New York, New York.

iv. On or about September 28, 2001, Olympus Cable Holdings, LLC and Adelphia Company of Western Connecticut, both of which were Adelphia subsidiaries, together with Highland Video Associates, LP, Coudersport Cable Television Company, and Adelphia Holdings, 2001, LLC, all of which were Cable RFEs, as Co-Borrowers, entered into a credit agreement for a syndicated, secured, credit facility in the amount of approximately \$2.03 billion. The bank syndicate included the Bank of New York, the Bank of Nova Scotia (New York Branch), the Bank of Montreal (New York Branch), Citicorp USA and the Chase Manhattan Bank, all of which were located in New York, New York.

j. Each of the Co-Borrowing Agreements relating to the credit facilities described above provided that the agreement was governed by the laws of the State of New York, and contained forum selection provisions that, in general, required litigation concerning the agreement to be brought in this Court, or in the courts of the State of New York.

k. Each of the Co-Borrowing Facilities described above are syndicated loans made by a group, or "syndicate," of banks and institutional investors. The Co-Borrowing Facilities are traded on the secondary market for syndicated loans, and have been among the most widely quoted loans traded in that market.

B. Adelphia's Publicly Issued Notes and Preferred Stock

18. Based upon, among other things: (1) my review of Adelphia's SEC filings; (2) my review of securities offering documents prepared by and for Adelphia; and (3) interviews with Adelphia employees, I have learned the following:

a. At all relevant times, Adelphia, as well as its subsidiaries, issued and sold unsecured notes and preferred stock to the public. As of on or about June 1, 2002, Adelphia had approximately \$6.9 billion in outstanding unsecured notes to the public (not including accrued and unpaid interest thereon), and approximately \$1.6 billion in convertible preferred stock. At all relevant times, Adelphia's publicly traded notes were registered with the SEC, and were traded in the over-the-counter market for such securities.

b. As of on or about June 1, 2002, various Adelphia subsidiaries had a total of at least approximately \$2.6 billion (principal amount) outstanding in unsecured notes to the public.

c. Based on the amount of its own and its subsidiaries' issuance of below investment-grade notes or bonds (commonly known as "junk bonds"), Adelphia was one of the largest junk bond issuers in the United States.

d. At all relevant times, the indentures relating to Adelphia's publicly issued debt securities required Adelphia to report, each quarter, as to whether Adelphia was in compliance with certain requirements set out in the indentures. Among other things, the indentures set out requirements relating to permissible leverage ratios.

C. Adelphia's Common Stock

19. Based upon, among other things: (1) my review of Adelphia's SEC filings; and (2) interviews with Adelphia employees, I have learned the following:

a. From at least in or about 1996 through in or about 1998, the vast majority of Adelphia's capital was raised through the above-described secured syndicated bank debt or publicly issued notes.

b. In or about late 1999, in connection with its rapid expansion through leveraged acquisitions, Adelphia issued

large amounts of common stock to help pay for such acquisitions, as described in Paragraph 15, above.

c. Because the Rigas Family's control of Adelphia was based on the voting power of its stock, each issuance of additional common stock threatened the Rigas Family with further dilution and potential loss of control of Adelphia. As described more fully below, from in or about 1998 through in or about March 2002, in connection with each major public offering of Adelphia Class A common stock, a "Rigas Direct Placement" was conducted, in which Adelphia issued Class B common stock directly to the Rigas Family to prevent dilution of the Rigas Family's voting power.

VII. Adelphia's Financial Disclosures

A. Periodic Financial Disclosures

20. Based upon my training and experience, I am aware that at all relevant times, in order to sell securities to members of the public and maintain public trading of its securities in the United States, Adelphia was required to comply with provisions of the federal securities laws, including the Securities Exchange Act of 1934, and rules and regulations promulgated thereunder, which were designed to ensure that the company's financial information was accurately recorded and disclosed to the public.

21. Under these regulations, Adelphia was required to, among other things: (a) file with the SEC annual financial statements audited by an independent accountant; (b) file with the SEC quarterly updates of its financial statements that disclosed its financial condition and the results of its business operations for each three-month period; (c) devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that the company's transactions were recorded as necessary to permit preparation of financial statements in conformity with Generally Accepted Accounting Principles ("GAAP") and other applicable criteria; and (d) make and keep books, records, and accounts that accurately and fairly reflected the company's business transactions.

22. Based on interviews of Adelphia employees, I have learned that, from in or about 1999 through in or about May 2002, JOHN J. RIGAS, TIMOTHY J. RIGAS, MICHAEL J. RIGAS and JAMES R. BROWN, the defendants, and other Adelphia employees, participated in preparing, reviewing and certifying consolidated financial statements for Adelphia that purported to conform with applicable

regulatory requirements (hereinafter, the "Financial Statements"). The Financial Statements were filed with the SEC in Washington, D.C., and directly disseminated to the public, through press releases, quarterly reports on SEC Forms 10-Q and annual reports on SEC Forms 10-K, and in other communications with investors, credit rating agencies, bank lenders and securities analysts. The Financial Statements filed with Adelphia's Forms 10-Q and Forms 10-K purported to disclose, among other things, Adelphia's EBITDA, net income and capital expenditures. In addition, in its Forms 10-Q and Forms 10-K, Adelphia reported other information about its performance, including its number of "basic cable subscribers."

B. Additional Material Disclosures

23. Beyond its periodic financial reporting obligations, Adelphia routinely disclosed additional material information about its business and performance to the public.

1. Press Releases Announcing Quarterly Results

24. Based on, among other things, interviews with Adelphia employees and investors, and my review of Adelphia's public announcements, I have learned the following:

a. From at least on or about August 20, 1997 through on or about March 27, 2002, JOHN J. RIGAS, TIMOTHY J. RIGAS, MICHAEL J. RIGAS and JAMES R. BROWN, the defendants, and other Adelphia employees, prepared, issued, reviewed, and approved a press release after the end of each quarter, which purported to outline Adelphia's operating results for the preceding quarter.

b. These quarterly press releases purported to disclose, among other things, Adelphia's: (1) EBITDA for the quarter; (2) EBITDA growth for the quarter; (3) number of "basic cable subscribers; (4) growth of "basic cable subscribers;" (5) number of digital cable subscribers; and (6) number of high speed data subscribers.

c. At all relevant times, it was the policy and practice of Adelphia, instituted by TIMOTHY J. RIGAS and MICHAEL J. RIGAS, the defendants, that each and every press release announcing quarterly results was reviewed and approved by every member of the Rigas Family before it was released.

d. Each and every such press release was transmitted by means of wire communications in interstate

commerce, including facsimile transmissions and distribution on the Internet, to news organizations, financial institutions and individuals in New York, New York and elsewhere.

2. Conference Calls Announcing Quarterly Results

25. Based upon, among other things, interviews with Adelphia employees and investors, and my review of Adelphia's public announcements, I have learned the following:

a. From at least on or about August 20, 1997 through on or about March 27, 2002, JOHN J. RIGAS, TIMOTHY J. RIGAS, MICHAEL J. RIGAS and JAMES BROWN, the defendants, along with other Adelphia employees, routinely participated in a conference call at the end of each quarter to discuss the company's results from the preceding quarter and the Adelphia press release announcing those results. These conference calls were announced to the public in advance, and were targeted to securities analysts, credit rating agency analysts and institutional investors in Adelphia.

b. At various times, JOHN J. RIGAS, TIMOTHY J. RIGAS, MICHAEL J. RIGAS and JAMES BROWN, the defendants, along with other Adelphia employees, made oral presentations on such conference calls concerning Adelphia's results, and responded to fielded questions and comments from other participants on the calls.

c. At various times in the course of such conference calls, TIMOTHY J. RIGAS, MICHAEL J. RIGAS, and JAMES BROWN, the defendants, along with other Adelphia employees, made representations about, among other things, Adelphia's: (1) EBITDA for the quarter; (2) EBITDA growth for the quarter; (3) number of "basic cable subscribers"; (4) "basic cable subscriber" growth for the quarter; (5) number of digital cable subscribers; and (6) number of high speed data subscribers.

d. Each and every quarterly conference call was open to investors and others throughout the world, and was transmitted by means of wire communications in interstate commerce to conference call participants and others in New York, New York and elsewhere.

3. Other Disclosures

26. Based upon, among other things: (1) interviews with Adelphia employees; and (2) interviews with investors in

Adelphia securities, securities analysts and representatives of credit rating agencies, I have learned the following:

a. From at least in or about 1999 through in or about May 2002, JOHN J. RIGAS, TIMOTHY J. RIGAS, MICHAEL J. RIGAS and JAMES R. BROWN, the defendants, and other Adelphia employees acting at their direction, presented information about Adelphia's performance to the members of the investing public in a variety of one-on-one communications. Those communications included "road show" presentations, in which Adelphia representatives promoted Adelphia and its securities to investors, analysts and other market participants. Adelphia representatives also conducted one-on-one meetings with substantial investors, securities analysts, credit rating agencies and other market participants, in which they provided information concerning Adelphia's financial condition, performance and other matters in connection with the market for Adelphia's securities. In addition, Adelphia representatives communicated frequently with analysts, investors and other market participants by telephone, e-mail, facsimile transmission and other forms of communication.

b. In the course of these presentations, JOHN J. RIGAS, TIMOTHY J. RIGAS, MICHAEL J. RIGAS and JAMES R. BROWN, the defendants, and other Adelphia employees acting at their direction, made representations about, among other things: (1) Adelphia's progress in upgrading or "rebuilding" its cable plant to enable delivery of digital cable, internet connections, video-on-demand and other services; (2) Adelphia's EBITDA and EBITDA growth; (3) the number and growth of Adelphia's "basic cable subscribers"; and (4) the number of Adelphia's high speed data subscribers.

THE SCHEME TO DEFRAUD

27. From in or about 1999 through in or about May 2002, as a result of Adelphia's rapid expansion and growing debt load, Adelphia faced intense pressure to generate revenues and reduce its leverage. As set forth above, in order to comply with various covenants contained in the Co-Borrowing Agreements and Adelphia's bond indentures, Adelphia was required to maintain certain ratios of debt to earnings. As set forth in more detail below, Adelphia also risked reduced credit ratings if it failed to deleverage (i.e., to reduce the debt-to-equity ratio in its capital structure) and to meet performance expectations. Based on my training and experience, I know that reductions in a company's credit ratings can have material, adverse consequences for a company and result in limitations on its access to additional capital, to increases in its interest costs and

decreases in the market prices for its securities. Similarly, as set forth in more detail below, Adelphia faced pressure from investors and securities analysts to deliver high levels of operating results and reduce its leverage, or risk a decline in the price of its publicly traded stock. Such a decline would not only have affected Adelphia adversely, but also would have had a direct and material adverse effect on the Rigas Family, whose personal wealth was largely invested in Adelphia securities.

28. From in or about 1999 through in or about May 2002, as set forth in detail below, Adelphia's true performance consistently failed to meet Wall Street's earnings expectations. At the same time, in part as a result of the Rigas Family's use of Adelphia's funds for their own purposes, Adelphia's debt load continued to grow. In order to conceal Adelphia's failure to perform and its large and growing debt burden, JOHN J. RIGAS, TIMOTHY J. RIGAS, MICHAEL J. RIGAS, JAMES R. BROWN and MICHAEL C. MULCAHEY, the defendants, and their co-conspirators, participated in a scheme to create the false appearance that Adelphia's operating performance was consistently in line with Wall Street's expectations, and that Adelphia was systematically deleveraging through, among other means, sales of equity securities to the Rigas Family.

29. In addition, from at least in or about 2000 through in or about May 2002, as set forth in more detail below, JOHN J. RIGAS, TIMOTHY J. RIGAS and MICHAEL J. RIGAS, the defendants, used Adelphia funds and other assets for their personal benefit, and that of other members of the Rigas Family. Among other things, the Rigas Family used Adelphia funds to construct a golf course on land primarily owned by JOHN J. RIGAS; routinely used Adelphia's corporate aircraft and company apartments in New York, New York for their personal affairs without reimbursement to Adelphia; and used at least approximately \$252,157,176 in Adelphia funds to pay margin calls against loans to the Rigas Family. These uses of Adelphia funds for the benefit of the Rigas Family were not presented to or approved by the Adelphia Board of Directors, were not disclosed to the members of the Adelphia Board of Directors who were not members of the Rigas Family, and were not disclosed to the public.

30. As set forth in detail below, the investigation has revealed that, from in or about 1999 through in or about May 2002, JOHN J. RIGAS, TIMOTHY J. RIGAS, MICHAEL J. RIGAS, JAMES R. BROWN and MICHAEL C. MULCAHEY, the defendants, and their co-conspirators, participated in a scheme to defraud Adelphia's creditors, investors and the public, through, among other things,

numerous misrepresentations and omissions, including misrepresentations and omissions concerning the following material facts:

a. the magnitude of Adelphia's off-balance-sheet debt, in particular, Adelphia's liabilities under the Co-Borrowing Agreements that were not reported on Adelphia's consolidated balance sheet;

b. the extent and circumstances of the reduction in Adelphia's debt through sales of securities to the Rigas Family and the public;

c. Adelphia's operating performance, including its earnings and other financial results, the number and growth of its "basic cable subscribers," and its progress toward completing the "rebuild" of its cable plant;

d. Adelphia's compliance with certain debt covenants under the Co-Borrowing Agreements and Adelphia's bond indentures; and

e. the unauthorized and unreimbursed use of Adelphia's funds and assets by the Rigas Family.

I. Fraud in Connection with Adelphia's Liabilities Under the Co-Borrowing Agreements

31. Based on, among other things: (1) my review of Adelphia's SEC filings; (2) my review of Adelphia's books and records; (3) interviews with Adelphia employees; (4) interviews with Adelphia's auditors; and (5) discussions with SEC employees, I have learned the following:

a. From at least in or about 2000 through in or about 2002, JOHN J. RIGAS, TIMOTHY J. RIGAS, MICHAEL J. RIGAS, JAMES R. BROWN and MICHAEL C. MULCAHEY, the defendants, caused Adelphia to issue financial statements that contained material misrepresentations of fact, and omitted to state material facts, concerning the magnitude of Adelphia's liabilities under the co-borrowing agreements.

b. As set forth above, each of the Co-Borrowing Agreements provided that each co-borrower was jointly and severally liable for the entire amount of indebtedness under the applicable credit facility. Because wholly owned subsidiaries of Adelphia were co-borrowers under each of the Co-Borrowing Agreements, Adelphia was liable for indebtedness under each of

the Co-Borrowing Agreements. Pursuant to GAAP, Adelphia was required to disclose all of its liabilities in its financial statements, including its joint and several liabilities for debts outstanding under the Co-Borrowing Agreements.

c. Beginning at least as early as Adelphia's financial statements for the Second Quarter of 1999, and continuing through its financial statements for the Third Quarter of 2001, JOHN J. RIGAS, TIMOTHY J. RIGAS, MICHAEL J. RIGAS, JAMES R. BROWN and MICHAEL C. MULCAHEY, the defendants, caused Adelphia routinely to understate its liabilities by omitting substantial portions of indebtedness under the Co-Borrowing Agreements from Adelphia's balance sheet, and failing otherwise to disclose Adelphia's liabilities for such indebtedness.

d. The following table sets forth the amounts of debt omitted from Adelphia's financial statements, as reflected in its Form 10-Q filings for the quarters specified:

REPORTING PERIOD	REPORTED LIABILITIES	ACTUAL LIABILITIES	APPROXIMATE AMOUNT OMITTED
Q2 1999	\$4,162,154,000	\$4,412,154,000	\$250,000,000
Q3 1999	\$4,324,424,000	\$4,574,424,000	\$250,000,000
Q4 1999	\$12,400,605,000	\$12,650,605,000	\$250,000,000
Q1 2000	\$12,478,372,000	\$13,096,372,000	\$618,000,000
Q2 2000	\$12,990,935,000	\$13,387,935,000	\$397,000,000
Q3 2000	\$14,083,426,000	\$15,225,716,826	\$1,142,290,826
Q4 2000	\$16,287,376,000	\$17,468,058,512	\$1,180,682,512
Q1 2001	\$17,270,883,000	\$18,500,298,239	\$1,229,415,239
Q2 2001	\$17,854,801,000	\$19,129,787,649	\$1,274,986,649
Q3 2001	\$18,604,914,000	\$20,440,171,099	\$1,835,257,099

e. From at least in or about 1999 through in or about 2002, JOHN J. RIGAS, TIMOTHY J. RIGAS, MICHAEL J. RIGAS, JAMES R. BROWN and MICHAEL C. MULCAHEY, the defendants, caused Adelphia routinely to issue financial statements that contained false and misleading statements concerning the magnitude of the outstanding liabilities under the Co-Borrowing Agreements. Those statements were contained in footnotes stating that Adelphia and certain of its subsidiaries were liable for specified amounts of

debt outstanding under the Co-Borrowing Agreements, but omitting to state that Adelphia and its subsidiaries were also jointly and severally liable for additional amounts that were not disclosed in such footnotes.

f. For example, on or about April 2, 2001, Adelphia filed a Form 10-Q with the SEC that contained financial statements as of December 31, 2000, stating that Adelphia had "total subsidiary debt" of approximately \$9,179,000,000. A footnote to those financial statements stated that certain subsidiaries of Adelphia were co-borrowers under credit facilities for Co-Borrowings up to approximately \$3,751,250,000. However, that footnote omitted to state the amount of actual indebtedness under the Co-Borrowing Agreements, that is, that Adelphia was jointly and severally liable for at least approximately \$1.2 billion under the Co-Borrowing Agreements, in addition to the approximately \$9,179,000,000 of "total subsidiary debt" reported on Adelphia's balance sheet.

g. On or about March 27, 2002, JOHN J. RIGAS, TIMOTHY J. RIGAS, MICHAEL J. RIGAS, JAMES R. BROWN and MICHAEL C. MULCAHEY, the defendants, caused Adelphia to issue a press release reporting its results for the fourth quarter and full year 2001. In a footnote near the end of that document, Adelphia disclosed that, as of December 31, 2001, the outstanding balance under the Co-Borrowing Agreements was approximately \$2,284,000,000 greater than the liabilities disclosed on Adelphia's balance sheet. This was the first time that Adelphia disclosed: (1) the actual indebtedness under the Co-Borrowing Agreements; and (2) that the liabilities disclosed on its balance sheet did not include the amount of indebtedness under the Co-Borrowing Agreements.

h. Subsequent to that disclosure, the market price for Adelphia's Class A common stock fell sharply, from a closing price of approximately \$20.39 per share on or about March 26, 2002, to a closing price of approximately \$14.90 per share on March 29, 2002.

i. On or about April 1, 2002, Adelphia failed to file its Annual Report on Form 10-K with the SEC, as required by applicable regulations. In a press release issued that day, Adelphia stated that it had sought an extension of time to file its Form 10-K, to allow it to review the accounting treatment of liabilities under the Co-Borrowing Agreements with its auditors. Adelphia was granted an extension of time to on or about April 16, 2002.

j. Subsequently, the market price of Adelphia's Class A common stock fell further, to a closing price of approximately \$10.00 per share on April 4, 2002.

k. On or about April 16, 2002, Adelphia again failed to file its Form 10-K, and stated that it was continuing to review the accounting treatment of liabilities under the Co-Borrowing Agreements with its auditors. The closing price of Adelphia's Class A common stock on or about April 16, 2002 was approximately \$8.02 per share, less than approximately 50 percent of the closing price on March 26, 2002.

l. On or about May 2, 2002, Adelphia announced that it was likely to issue a restatement of its previously issued financial statements for 1999, 2000 and 2001, to reflect substantial amounts of additional liabilities under the Co-Borrowing Agreements.

m. To date, Adelphia has not filed its Form 10-K for the year ended December 31, 2001, and has not issued restatements of its previously issued financial statements.

II. Fraud in Connection with Adelphia's Purported Deleveraging

32. As set forth more fully below, there is probable cause to believe that from at least in or about 2001 through in or about March 2002, in response to the concerns of investors, lenders and analysts about Adelphia's debt burden, JOHN J. RIGAS, TIMOTHY J. RIGAS, MICHAEL J. RIGAS, JAMES R. BROWN and MICHAEL C. MULCAHEY, the defendants, and their co-conspirators, represented that Adelphia was making substantial reductions in its debt. In addition, the defendants and their co-conspirators represented that the Rigas Family was demonstrating its commitment to reducing Adelphia's debt, by purchasing substantial amounts of Adelphia securities. However, as set forth in detail below, the defendants and their co-conspirators omitted to disclose that, in fact, certain sales of Adelphia securities to the Rigas Family did not reduce Adelphia's debt, because those sales were financed by a purported assumption of debt under the Co-Borrowing Agreements, for which Adelphia remained jointly and severally liable.

33. Based on my review of cable industry trade publications, reports published by securities analysts, credit rating agencies and other investment professionals, and other publicly available materials, I have learned the following:

a. From at least the early 1990s, Adelphia has been characterized as one of the most highly leveraged cable operators. For example, on or about August 5, 1991, *Multichannel News*, a cable industry periodical, reported that Adelphia had been "long pegged as one of the most hazardously leveraged cable operators," and that "the company was high on many cable financiers' list of [cable operators] whose leverage might get them into financial trouble."

b. In or about June 1999, in an interview with *Multichannel News*, JOHN J. RIGAS, the defendant, stated:

We're finally getting our leverage down where it's more respectable and not such an issue with a lot of people. It's going to take a lot of getting used to, if we get it down, that every time people write about Adelphia, they won't use the phrase, 'highly leveraged Adelphia.' I'm going to have to take a Valium to get used to it.

c. On or about October 8, 2001, *Multichannel News* reported market speculation that the Rigas Family could not afford to pay at least approximately \$400,000,000 due to Adelphia pursuant to a stock purchase agreement between Adelphia and Highland 2000, L.P., one of the Other RFEs. The report also quoted a debt analyst who stated that, "Highland agreed to the purchases to show investors its commitment to the company and to improving shareholder value."

d. On or about November 28, 2001, in Anaheim, California, JOHN J. RIGAS, the defendant, made public remarks at the Western Cable Show, a cable industry conference, in which he stated that "we have made a pretty conscious movement to get our leverage back down."

e. On or about January 21, 2002, *Cable World*, a cable industry periodical, quoted TIMOTHY J. RIGAS, the defendant, as stating that Adelphia had been "really looking to decrease leverage" over the preceding year, and that "we felt that rather than replacing [that debt], the company was better off strategically to reduce the leverage and therefore issue equity." The report also quoted a statement by a securities analyst that, in order "to keep investors' confidence, Adelphia has to hit its fourth-quarter and first-quarter numbers . . . [and] the Rigas Family has to keep a commitment that it made in November [2001] to buy a total of \$400 million in Adelphia shares."

34. Based on my review of Adelphia SEC filings, I have learned the following:

a. At all relevant times, Highland 2000, L.P. ("Highland 2000") was a Delaware limited partnership owned and controlled by JOHN J. RIGAS, TIMOTHY J. RIGAS, and MICHAEL J. RIGAS, the defendants, and members of their immediate family.

b. On or about January 17, 2001, JOHN J. RIGAS, TIMOTHY J. RIGAS, and MICHAEL J. RIGAS, the defendants, caused Adelphia's Board of Directors to approve two direct sales of securities to Highland 2000. Those transactions included: (a) the sale of approximately 5,819,367 shares of Adelphia Class B common stock for approximately \$259,900,000; and (b) the sale of \$167,400,000 aggregate principal amount 6 percent convertible subordinated notes due 2006, for approximately \$162,500,000 ("Rigas Direct Placements").

c. In order to induce the members of the Board who were not members of the Rigas Family to approve the Rigas Direct Placements, JOHN J. RIGAS, TIMOTHY J. RIGAS, and MICHAEL J. RIGAS, the defendants, caused Highland to agree to pay for those securities in "immediately available funds" not later than on or about October 22, 2001.

d. On or about January 17, 2001, MICHAEL J. RIGAS, the defendant, executed written agreements between Highland 2000 and Adelphia, in which Highland 2000 agreed to pay for the Rigas Direct Placements in immediately available funds. MICHAEL J. RIGAS signed those agreements on behalf of both Adelphia and Highland 2000.

e. In violation of that agreement, Highland 2000 failed to pay Adelphia for the Rigas Direct Placements, and JOHN J. RIGAS, TIMOTHY J. RIGAS and MICHAEL J. RIGAS, the defendants, failed to disclose that fact to the members of the Board of Directors who were not members of the Rigas Family.

35. On or about October 23, 2001, JOHN J. RIGAS, TIMOTHY J. RIGAS and MICHAEL J. RIGAS, the defendants, caused Adelphia to issue a press release, stating that it had closed on the Rigas Direct Placements, but omitting to state that Adelphia had not received payment in immediately available funds, as required by the agreements between Adelphia and Highland 2000.

36. Based on interviews with Adelphia employees, and on my review of books and records of Adelphia, I have learned the following:

a. In or about January 2002, TIMOTHY J. RIGAS and MICHAEL C. MULCAHEY, the defendants, caused Adelphia employees to make false and misleading entries in the books and records of Adelphia, including false and misleading journal entries on Adelphia's general ledger, which purported to show that, on or about October 22, 2001, Highland 2000 had paid a total of approximately \$423,375,076 to Adelphia, as consideration for the Rigas Direct Placements.

b. In or about January 2002, TIMOTHY J. RIGAS and MICHAEL C. MULCAHEY, the defendants, for the purpose of creating supporting documentation for the false and misleading entries described in the preceding paragraph, prepared fictitious notices addressed to Bank of Montreal, in Chicago, Illinois, as administrative agent under the Olympus Co-Borrowing Agreement, and inserted those notices into the books and records of Adelphia. Those notices referred to a purported borrowing and a purported paydown pursuant to that agreement, both in the amount of approximately \$423,375,076, on or about October 22, 2001. The notices, which were signed by MULCAHEY, were falsely backdated to October 22, 2001, and were never sent to Bank of Montreal.

c. In or about April 2002, TIMOTHY J. RIGAS and MICHAEL C. MULCAHEY, the defendants, prepared false and misleading receipts, which purported to acknowledge that, on or about October 22, 2001, Adelphia received a total of approximately \$423,375,076 in immediately available funds from Highland 2000, and inserted those receipts into the books and records of Adelphia. Those receipts were falsely backdated to October 22, 2001, and were signed by TIMOTHY J. RIGAS and MULCAHEY.

37. Based on interviews with current and former employees of Adelphia and Moody's Investors Service, Inc. ("Moody's"), and on my review of certain publications of Moody's and certain books and records of Adelphia, I have learned the following:

a. At all relevant times, Adelphia and most or all of its numerous debt securities and syndicated bank loans were rated by Moody's, which is located at 99 Church Street in New York, New York.

b. A corporation's credit ratings affect the market for its securities and its ability to obtain financing. When a corporation's credit rating is downgraded, the price for its securities is likely to fall, its access to the capital

markets may be limited, and it may be forced to pay higher interest rates to obtain additional financing.

c. On or about June 14, 2000, Moody's placed Adelphia's credit ratings under review for a possible downgrade, citing, among other things, "Adelphia's significant appetite for acquisitions, at high cash flow multiples, and management's propensity to finance the same predominantly with debt."

d. On or about August 15, 2000, Moody's concluded its review and lowered all but one of Adelphia's credit ratings. Moody's stated that Adelphia "has placed notably greater financial strain on its balance sheet over the past year by continuing to effect acquisitions at increasingly higher purchase prices per subscriber with predominantly debt financing." Moody's also noted its "expectation that Adelphia will issue new equity over the near term in order to mitigate further deterioration of its core credit profile."

e. On or about June 7, 2001, Moody's assigned a B2 rating to Adelphia's proposed issuance of approximately \$400,000,000 in senior unsecured notes. Moody's stated that its rating reflected, among other things, Adelphia's "very high financial leverage." Moody's also "cautioned that management must continue to execute operationally at a very high level, and must successfully demonstrate that it possesses both the ability and the desire to materially deleverage its balance sheet over the next 18 to 24 months (and to remain more conservatively capitalized thereafter) in order to maintain the current stable rating outlook, and potentially the current ratings altogether."

f. On or about August 20, 2001, Moody's changed its rating outlook for Adelphia to negative. Moody's stated that "Adelphia's extremely high financial leverage, both on an absolute basis and on a relative level within its peer group, continues to be cause for concern," and noted that Adelphia was "one of the most highly leveraged companies in the cable sector." However, Moody's also noted that Adelphia had "financial support from the Rigas Family," in the form of recent purchases of equity securities.

g. On or about October 22, 2001, Moody's placed all of Adelphia's credit ratings under review for possible downgrade.

38. Based on interviews with employees of Adelphia and Moody's, and on my review of books and records of Adelphia, I have learned that, on or about January 15, 2002, TIMOTHY J. RIGAS

and JAMES R. BROWN, the defendants, together with other Adelphia employees, attended a meeting with representatives of Moody's at 99 Church Street in Manhattan. During that meeting, in order to induce Moody's not to downgrade Adelphia's credit ratings, TIMOTHY J. RIGAS and BROWN made misrepresentations of material fact, and omitted to state material facts, including among others the following:

a. TIMOTHY J. RIGAS and BROWN stated that Adelphia's bank debt was approximately \$1.223 billion, when in fact, as TIMOTHY J. RIGAS and BROWN well knew, Adelphia's bank debt also included at least approximately \$2.3 billion in additional off-balance-sheet debt for which Adelphia was jointly and severally liable under the Co-Borrowing Agreements;

b. TIMOTHY J. RIGAS and BROWN stated that Adelphia's debt had been reduced by approximately \$471,000,000 as a result of the Rigas Direct Purchases, but omitted to state that such purchases were not paid for in immediately available funds, but rather were financed by borrowings under the Co-Borrowing Agreements, for which Adelphia was jointly and severally liable, such that Adelphia's debt was not in fact reduced by such amounts.

39. On or about January 22, 2002, Moody's issued a press release stating that it had concluded the review of Adelphia's credit ratings that it began in or about October 2001. Based in part on the material misrepresentations and omissions made by TIMOTHY J. RIGAS and JAMES R. BROWN, the defendants, on or about January 15, 2002, Moody's confirmed certain of those ratings, upgraded other ratings, and stated that its rating outlook for Adelphia was stable. Among other things, Moody's cited "the continued sponsorship of the Rigas Family, including contributions in November 2001 of \$417 million."

40. On or about March 28, 2002, after Adelphia disclosed that it had at least approximately \$2,284,000,000 in off-balance-sheet debt under the Co-Borrowing Agreements, Moody's issued a press release stating that it was reinitiating its review of Adelphia's credit ratings for possible downgrade. Moody's stated that it was "not fully aware of . . . the absolute magnitude and recent spike in these off-balance sheet borrowings [under the Co-Borrowing Agreements], and the fact that these proceeds were utilized (particularly at such a material level) to fund the Rigas Family's" purchases of Adelphia securities, "thereby diminishing somewhat the value of the 'true' equity contributions that ultimately led to the prior rating confirmations."

41. On or about May 3, 2002, May 15, 2002, May 17, 2002, and June 5, 2002, Moody's lowered various credit ratings of Adelphia.

III. Fraudulent Reporting of Adelphia's Operating Results

42. As set forth more fully below, there is probable cause to believe that from at least on or about August 20, 1997, through on or about March 27, 2002, JOHN J. RIGAS, TIMOTHY J. RIGAS, MICHAEL J. RIGAS, JAMES R. BROWN, and MICHAEL C. MULCAHEY, the defendants, caused Adelphia to fraudulently misrepresent numerous material facts about its performance contained in each of Adelphia's Forms 10-Q, Forms 10-K, quarterly results press releases and quarterly results conference calls.

43. Among the material facts that the defendants misrepresented in Adelphia's public disclosures were: (1) Adelphia's EBITDA; (2) Adelphia's number of basic cable subscribers; and (3) Adelphia's progress in rebuilding its cable plant to provide internet access and other services.

A. Misrepresentations Concerning EBITDA

44. Based upon, among other things, (1) my review of Adelphia's SEC filings; (2) my review of the books and records of Adelphia; (3) my review of documents provided by entities other than Adelphia; (4) my review of other publicly available information about Adelphia, including Adelphia's press releases, transcripts of its conference calls and its bankruptcy filings; (5) interviews with Adelphia employees; and (6) interviews with investors in Adelphia securities, securities analysts and credit rating agency analysts, I have learned the following:

a. As a result of its highly leveraged capital structure, Adelphia was under pressure to deliver a consistently high level of operating performance.

b. From in or about 1999 through in or about May 2002, JOHN J. RIGAS, TIMOTHY J. RIGAS, MICHAEL J. RIGAS, JAMES R. BROWN, and MICHAEL C. MULCAHEY, the defendants, along with other Adelphia employees, engaged in a pattern and practice of misrepresenting Adelphia's performance by artificially inflating the EBITDA disclosed by Adelphia in its Form 10-Ks, Form 10-Qs, quarterly press releases, and quarterly conference calls. The defendants and other Adelphia employees artificially inflated Adelphia's publicly disclosed EBITDA by, among other means: (1) engaging in sham transactions with affiliates to create the false appearance of revenue to Adelphia; and (2) engaging in sham

transactions with other corporations to give the false appearance of revenue to Adelphia. Through these and other methods, the defendants and other Adelphia employees artificially inflated Adelphia's publicly disclosed EBITDA by approximately \$160 million in 2000, and approximately \$210 million in 2001.

1. Fraudulent Affiliate Fee Transactions

c. In or about October 2000, TIMOTHY J. RIGAS, and JAMES R. BROWN, the defendants, along with other Adelphia employees, discovered that Adelphia's EBITDA for the third quarter of 2000 was below Adelphia's publicly disclosed predictions and market expectations. From at least October 2000 through on or about March 23, 2002, the defendants and other Adelphia employees devised and executed a scheme to artificially inflate Adelphia's publicly disclosed EBITDA by causing Adelphia and certain of the RFEs to engage in backdated, sham transactions which misrepresented the amount of revenue earned by Adelphia from those RFEs.

d. As discussed above, the Rigas Family controlled not only Adelphia, but the Cable RFEs, which were managed by Adelphia and were part of the Adelphia CMS. At all relevant times, pursuant to various management agreements, the Cable RFEs paid Adelphia a management fee equal to approximately five percent of their revenue for each quarter.

e. In addition, as a result of, among other things, their receipt of the proceeds of draw-downs from the Co-Borrowing Agreements, certain Cable RFEs owed considerable sums of money to Adelphia through inter-company receivables recorded through the Adelphia CMS. Although Adelphia did not always charge interest to RFEs on inter-company balances, it did in certain cases, and this practice gave rise to large interest payments due from the RFEs to Adelphia in each quarter.

f. By definition, EBITDA includes a company's operating income, such as the five percent management fees owed to Adelphia by the Cable RFEs. By definition, EBITDA does not properly include interest payments. Thus, Adelphia's EBITDA in a given quarter properly could be increased by the five percent management fees owed by the Cable RFEs, but not by the interest payments owed by the Cable RFEs.

g. Beginning in or about October 2000, TIMOTHY J. RIGAS, JAMES R. BROWN, and other Adelphia employees met after the close of each quarter to review, among other things, Adelphia's actual EBITDA for the preceding quarter. During these

meetings and at follow-up meetings, the defendants discussed the artificial inflation of Adelphia's publicly disclosed EBITDA through, among other means, the creation of backdated journal entries in Adelphia's books recording affiliate transactions between Adelphia and certain RFEs created solely for the purpose of artificially inflating EBITDA.

h. In particular, TIMOTHY J. RIGAS and JAMES R. BROWN, the defendants, and other Adelphia employees acting at their direction, would determine a target number for Adelphia's publicly disclosed EBITDA, and would attempt to justify that figure by creating backdated, sham transactions between Adelphia and the RFEs in which the RFEs would agree to pay money to Adelphia that Adelphia could book as revenue. Such sham transactions lacked any economic or business basis, did not result in money being actually paid to Adelphia, and were backdated so as to effect the prior quarter's results, although they had been created and executed after the end of that period.

i. After the end of each fiscal quarter, from in or about October 2000 through on or about March 23, 2002, TIMOTHY J. RIGAS and JAMES R. BROWN, the defendants and other Adelphia employees acting at their direction, caused Adelphia to book as revenue "management fees" allegedly owed by certain Cable RFEs above and beyond the five percent fees owed Adelphia under the management agreements. These "management fees" had no economic or business purpose, and were conceived and memorialized after the end of the period in which they were booked on Adelphia's books and records.

j. In order to ensure that the RFEs did not in actuality have to pay any additional funds to Adelphia as a result of the increased management fees described above, TIMOTHY J. RIGAS and JAMES R. BROWN, the defendants and other Adelphia employees acting at their direction, caused Adelphia to reduce the interest payments owed by the RFEs to Adelphia by the exact amount of the increase in management fees. Thus, the defendants ensured that the fraudulent characterization of interest expenses as management fees had no economic effect on either party to the transaction, and was simply a circular, sham transaction designed to allow Adelphia to inflate its EBITDA.

k. Consistent with the nature of the sham transaction, the amount of the "management fees" charged to the RFEs was not subject to negotiation was not based on additional management services provided by Adelphia to the Cable RFEs, but rather was determined based on the amount by which the defendants and other Adelphia employees sought to artificially inflate

Adelphia's publicly disclosed EBITDA for that quarter. Adelphia did not receive any funds in payment of these purported fees.

l. For the year 2001, TIMOTHY J. RIGAS and JAMES R. BROWN, the defendants, and other Adelphia employees acting at their direction, fraudulently and misleadingly represented that approximately \$5 million in interest expense owed by the RFEs to Adelphia was actually owed as management fees. As a result, the defendants fraudulently inflated Adelphia's publicly disclosed EBITDA by \$5 million for the year 2001.

m. In addition to the circular, sham transaction relating to management fees described above, TIMOTHY J. RIGAS and JAMES R. BROWN, the defendants, and other Adelphia employees acting at their direction, caused Adelphia to record as revenue other baseless fees owed by RFEs and Adelphia subsidiaries to Adelphia for the purpose of inflating Adelphia's publicly disclosed EBITDA.

n. For example, in or about October 2000, TIMOTHY J. RIGAS and JAMES R. BROWN, the defendants, and other Adelphia employees acting at their direction, caused Adelphia to record as revenue approximately at least \$7 million in so-called debt placement fees from Cable RFEs, even though Adelphia had never in the past, and never again, charged the Cable RFEs a fee for debt placement. This fee was conceived of and recorded for the sole purpose of inflating Adelphia's publicly disclosed EBITDA, and had no business purpose. Moreover, the amount of the fee had no basis in fact, but rather was determined by TIMOTHY J. RIGAS and JAMES R. BROWN, the defendants, base on the amount they sought to artificially inflate Adelphia's EBITDA in that quarter.

o. Similar fraudulent transactions relating to RFE management fees were undertaken in each quarter from at least on or about January 1, 2000 through on or about December 31, 2001. As a result of these and similar fraudulent transactions, in the year 2000 Adelphia's publicly reported EBITDA was artificially inflated by approximately \$34.9 million, or approximately 10 percent. Similarly, in the year 2001, Adelphia's publicly reported EBITDA was artificially inflated by approximately \$32.2 million, or approximately 14 percent.

2. Fraudulent Marketing Support Transactions

p. In addition to causing Adelphia to enter into sham transactions with affiliates for the purpose of inflating EBITDA, JOHN J. RIGAS, TIMOTHY J. RIGAS, MICHAEL J. RIGAS and

JAMES R. BROWN, the defendants, also caused Adelphia to enter into sham transactions with other companies for the same purpose.

q. Beginning in the late 1990s, digital cable television service became a high-margin, high-growth business for Adelphia. In order to provide digital cable television service, it was necessary for Adelphia to purchase digital cable converter boxes for installation in customers' homes.

r. Purchases of digital cable converter boxes became a large capital expense for Adelphia, and made Adelphia an important customer of two of the largest manufacturers of such converter boxes, Corporation No. 1 and Corporation No. 2.

s. In or about October 2000, TIMOTHY J. RIGAS, MICHAEL J. RIGAS and JAMES R. BROWN, the defendants, along with other Adelphia employees, determined that, based on its actual performance in 2000, Adelphia's EBITDA for 2000 was below its estimates and market expectations.

t. In order to fraudulently inflate Adelphia's EBITDA, TIMOTHY J. RIGAS and JAMES R. BROWN, the defendants, concocted a scheme to enter into sham agreements for "marketing support" from Corporation No. 1 and Corporation No. 2, and to use illusory payments from Corporation No. 1 and Corporation No. 2 to inflate EBITDA. Because MICHAEL J. RIGAS, the defendant, controlled Adelphia's operations and purchasing activities, MICHAEL J. RIGAS was apprized of the plan and helped negotiate the sham marketing support agreements on Adelphia's behalf.

u. In or about November 2000, at the direction of TIMOTHY J. RIGAS, MICHAEL J. RIGAS, and JAMES R. BROWN, the defendants, Adelphia employees began negotiating with Corporation No. 1 and Corporation No. 2 in the hope of reaching an agreement for marketing support payments to Adelphia. Adelphia, however, had agreed previously to pay for its digital converter purchases pursuant to the pricing terms set out in pre-existing contracts with Corporation No. 1 and Corporation No. 2. By seeking marketing support payments for 2000, Adelphia, in effect, was attempting to re-negotiate the terms of sales that had already taken place in 2000. Corporation No. 1 and Corporation No. 2 declined to give Adelphia any money back on its digital converter purchases for 2000.

v. Because Corporation No. 1 and Corporation No. 2 were unwilling to give Adelphia any economically meaningful payments for "marketing support" for converter boxes it already had purchased, Adelphia proposed sham "marketing support"

transactions with Corporation No. 1 and Corporation No. 2, in which no economic benefit would be received by any party, but by which Adelphia could inflate its EBITDA.

w. Under the terms of Adelphia's proposal, Corporation No. 1 and Corporation No. 2 agreed to pay Adelphia millions of dollars for "marketing support" in connection with the converters already purchased by Adelphia. In exchange, Adelphia agreed to a price increase for the converters it had already purchased in an amount identical to the "marketing support" paid by Corporation No. 1 and Corporation No. 2. It was the expressed intent of the parties to the marketing support agreements that the agreements would not alter, in any way, the economics of the already completed converter sales. Thus, the price increases and "marketing support" payments constituted wash transactions with no economic substance.

x. Although the sham "marketing support" agreements had no economic effect, and did not result in any actual economic change or benefit to Adelphia, the defendants and other Adelphia employees misleadingly and fraudulently accounted for the amounts due and owed pursuant to the agreements in such a way that they artificially inflated Adelphia's publicly reported EBITDA for the year 2000.

y. At the direction of TIMOTHY J. RIGAS and JAMES R. BROWN, the defendants, Adelphia employees treated the "payments" from Corporation No. 1 and Corporation No. 2 to Adelphia as a "contra-expense" to Adelphia's marketing costs. This misleading accounting treatment had the effect of lowering Adelphia's marketing expenses which, in turn, misleadingly increased Adelphia's publicly disclosed EBITDA, because less of Adelphia's revenue appeared to be consumed by marketing expenses.

z. At the direction of TIMOTHY J. RIGAS and JAMES R. BROWN, the defendants, Adelphia employees misleadingly treated the payments owed to Corporation No. 1 and Corporation No. 2 pursuant to the agreements as capital expenses, which did not effect the increase in Adelphia's publicly disclosed EBITDA caused by the marketing support payments, because capital expenditures are not factored in when calculating EBITDA. Thus, although the marketing support payments had no economic effect whatsoever on Adelphia, through their misleading and fraudulent accounting for the transactions, the defendants used them to artificially increase Adelphia's publicly disclosed EBITDA.

aa. For the year ending December 31, 2000, TIMOTHY J. RIGAS and JAMES R. BROWN, the defendants, caused

Adelphia employees to record approximately \$34.4 million in marketing support payments from Corporation No. 1 and Corporation No. 2. At the direction of TIMOTHY J. RIGAS and JAMES R. BROWN, the defendants, Adelphia employees, in Adelphia's publicly filed Form 10-K for 2000, its publicly distributed press release announcing results for the year 2000, and its related conference call, Adelphia employees misleadingly and fraudulently accounted for the "payments" from Corporation No. 1 and Corporation No. 2 as a "contra-expense" while accounting for the corresponding payments to Corporation No. 1 and Corporation No. 2 as capital expenses, thereby artificially inflating Adelphia's publicly disclosed EBITDA in the year 2000 by approximately \$34.4 million.

- i. Specifically, for the quarter ending June 30, 2000, TIMOTHY J. RIGAS and JAMES R. BROWN, the defendants, caused Adelphia employees to record approximately \$7 million in marketing support payments from Corporation No. 1 and Corporation No. 2, despite the fact that Adelphia itself did not conceive of the idea of marketing support payments until October 2000, and did not even propose such payments to Corporation No. 1 and Corporation No. 2 until November 2000. At the direction of TIMOTHY J. RIGAS and JAMES R. BROWN, the defendants, these fraudulent accounting adjustments were reflected in Adelphia's publicly filed Form 10-K for 2000, its publicly distributed press release announcing results for the year 2000, and its related conference call.
- ii. Similarly, for the quarter ending September 30, 2000, TIMOTHY J. RIGAS and JAMES R. BROWN, the defendants, caused Adelphia employees to record approximately \$12.7 million in marketing support payments from Corporation No. 1 and Corporation No. 2, despite the fact that Adelphia itself did not conceive of the idea of marketing support payments until October 2000, and did not even propose such payments to Corporation No. 1 and Corporation No. 2 until November 2000. At the direction of TIMOTHY J. RIGAS and JAMES R. BROWN, the defendants, these fraudulent accounting adjustments were reflected in Adelphia's publicly filed Form 10-K for 2000, its publicly distributed press release announcing results for the year 2000, and its related conference call.

iii. Finally, for the quarter ending December 31, 2000, TIMOTHY J. RIGAS and JAMES R. BROWN, the defendants, caused Adelphia employees to record approximately \$14.6 million in marketing support payments from Corporation No. 1 and Corporation No. 2. At the direction of TIMOTHY J. RIGAS and JAMES R. BROWN, the defendants, these fraudulent accounting adjustments were reflected in Adelphia's publicly filed Form 10-K for 2000, its publicly distributed press release announcing results for the year 2000, and its related conference call.

bb. Pursuant to the scheme to defraud described above, and by using the same misleading and fraudulent accounting techniques described above, for the year ending December 31, 2001, TIMOTHY J. RIGAS and JAMES R. BROWN, the defendants, caused Adelphia employees to record approximately \$53 million in marketing support payments from Corporation No. 1 and Corporation No. 2. At the direction of TIMOTHY J. RIGAS and JAMES R. BROWN, the defendants, Adelphia employees, in all of Adelphia's Forms 10-Q and 10-K for 2001, and in each of Adelphia's press releases announcing results for 2001, and the related conference calls, misleadingly and fraudulently accounted for the "payments" from Corporation No. 1 and Corporation No. 2 as a "contra-expense" while accounting for the corresponding payments to Corporation No. 1 and Corporation No. 2 as capital expenses, thereby artificially inflating Adelphia's publicly disclosed EBITDA in its Form 10-K for the year 2001 by approximately \$53 million.

cc. Pursuant to the scheme to defraud described above, and by using the same misleading and fraudulent accounting techniques described above, TIMOTHY J. RIGAS and JAMES R. BROWN, the defendants, directed Adelphia employees to artificially inflate Adelphia's publicly disclosed EBITDA in the quarter ending March 31, 2002 by approximately \$7.3 million.

dd. The table below reflects the instances of inflation of Adelphia's publicly disclosed EBITDA numbers through fraudulent treatment of marketing support "payments."

APPROXIMATE TIME PERIOD	APPROXIMATE AMOUNT	DISCLOSURE CONTAINING INFLATED EBITDA
Q2 2000	\$7.5 million	2000 10K and related press release and conference call

APPROXIMATE TIME PERIOD	APPROXIMATE AMOUNT	DISCLOSURE CONTAINING INFLATED EBITDA
Q3 2000	12.5 million	2000 10-K; related press release and conference call
Q4 2000	14.6 million	2000 10-K; related press release and conference call
YE 2000	34.4 million	2000 10-K; related press release and conference call
Q1 2001	15.7 million	Q1 2001 10-Q, 2001 10-K; related press releases and conference calls
Q2 2001	12.7 million	Q2 2001 10-Q, 2001 10-K; related press releases and conference calls
Q3 2001	5.3 million	Q3 2001 10-Q, 2001 10-K; related press releases and conference calls
Q4 2001	19.2 million	2001 10-K; related press releases and conference calls
YE 2001	53 million	2001 10-K; related press releases and conference calls
Q1 2002	7.3 million	Q1 2002 10-Q, related press releases and conference calls

B. Misrepresentations Concerning "Basic Cable Subscribers"

45. Based upon, among other things: (1) my review of Adelphia's SEC filings; (2) my review of the books and records of Adelphia; (3) my review of documents provided by entities other than Adelphia; (4) my review of other publicly available information about Adelphia, including Adelphia's press releases, transcripts of its conference calls and its bankruptcy filings; (5) interviews with Adelphia employees; and (6) interviews with investors in Adelphia securities, securities analysts and credit rating agency analysts, I have learned the following:

a. The number and growth rate of a cable operator's basic cable subscribers is widely considered to be an important measure of the company's financial condition and performance, in part because a company's basic subscriber base (as opposed to subscribers to pay channels and other services) provides a steady and predictable flow of subscription income.

b. In Adelphia's December 31, 2000, Form 10-K, Adelphia publicly reported that it used the term "basic cable subscribers" to mean "a home with one or more television sets connected to a cable system."

c. By at least in or about the late 1990s, the growth of "basic cable subscribers" in the cable television industry had slowed, due to the expansion of satellite television service and the maturation of cable markets. By in or about 2000, one or two percentage points in basic subscriber growth per quarter was the industry average.

d. In or about early 2000, TIMOTHY J. RIGAS, MICHAEL J. RIGAS and JAMES R. BROWN, the defendants, and other Adelphia employees became aware that the number of Adelphia's basic subscriber numbers for the first quarter of 2000 would fail to meet Adelphia's predictions and industry averages.

e. In response to the slow and/or negative growth of subscribers, TIMOTHY J. RIGAS, MICHAEL J. RIGAS and JAMES R. BROWN, the defendants, and other Adelphia employees embarked on a pattern and practice of fraudulently misrepresenting the number of Adelphia's "basic cable subscribers" in Adelphia's Forms 10-K, quarterly results press releases, quarterly results conference calls, and at "road show" presentations.

f. As TIMOTHY J. RIGAS, MICHAEL J. RIGAS and JAMES R. BROWN, the defendants, well knew, even a relatively small adjustment to the overall "basic cable subscribers" could make a negative growth figure positive, and put Adelphia's results in line with market expectations. Indeed, as detailed in the chart below, the defendants and other Adelphia employees often fraudulently inflated the number of Adelphia's subscribers for quarters with negative actual subscriber growth to give the appearance of positive subscriber growth.

g. From in or about August 15, 2000 through on or about March 23, 2002, at the direction of TIMOTHY J. RIGAS and JAMES R. BROWN, the defendants, and with the knowledge and approval of JOHN J. RIGAS and MICHAEL J. RIGAS, the defendants,

Adelphia employees fraudulently and misleadingly inflated the number of Adelphia's "basic cable subscribers" by: (1) misleadingly including in its publicly reported number of "basic cable subscribers," categories of subscribers that were not "basic cable subscribers" as publicly reported by Adelphia; and (2) by failing to disclose that when new categories of subscribers were added to the number of "basic cable subscribers" for a given quarter, the numbers for the preceding twelve months were not adjusted to include those additional categories of subscribers. As a result, Adelphia's subscriber growth rate, which already had been inflated fraudulently, was inflated even further.

h. In particular, on or about May 15, 2000, TIMOTHY J. RIGAS and JAMES R. BROWN, the defendants, with the knowledge of JOHN J. RIGAS and MICHAEL J. RIGAS, the defendants, who reviewed Adelphia's subscriber statistics and reviewed and approved all of Adelphia's public disclosures, directed Adelphia employees, in its press release and conference call announcing its results for the first quarter of 2000, to fraudulently and misleadingly claim that Adelphia had 5,000,517 "basic cable subscribers," a 1.6 percent growth rate over the preceding twelve months. In order to inflate the number of "basic cable subscribers" disclosed on or about May 15, 2000, the defendants and other Adelphia employees included in the number of "basic cable subscribers" approximately 43,000 subscribers to cable services in Brazil and Venezuela provided by a company in which Adelphia held only a minority interest.

i. To compound the misrepresentation created by this baseless addition, TIMOTHY J. RIGAS and JAMES R. BROWN, the defendants, with the knowledge of JOHN J. RIGAS and MICHAEL J. RIGAS, the defendants, and other Adelphia employees did not adjust the "basic cable subscriber" numbers for the preceding twelve months to include these Brazilian and Venezuelan subscribers, resulting in the misleading appearance of significant "basic cable subscriber" growth.

j. Similarly, on or about August 14, 2001, TIMOTHY J. RIGAS and JAMES R. BROWN, the defendants, with the knowledge of JOHN J. RIGAS and MICHAEL J. RIGAS, the defendants, directed Adelphia employees, in Adelphia's press release and conference call announcing its results for the second quarter of 2001, fraudulently and misleadingly to claim that Adelphia had 5,672,225 "basic cable subscribers," and a 1 percent growth rate over the preceding twelve months. In order to inflate the number of "basic cable subscribers" disclosed on or about August 14, 2000, the defendants and other Adelphia employees included in the

"basic cable subscriber" number approximately 33,000 subscribers to Adelphia's internet service who did not subscribe to any Adelphia cable television service whatsoever. Also included were the subscribers in Brazil and Venezuela described above.

k. To compound the misrepresentation created by these baseless additions, the defendants and other Adelphia employees did not adjust the "basic cable subscriber" numbers for the preceding twelve months to include these internet-only subscribers in the preceding number of reported "basic cable subscribers," resulting in the misleading appearance of significant "basic cable subscriber" growth.

l. Similarly, on or about March 27, 2002, TIMOTHY J. RIGAS and JAMES R. BROWN, the defendants, with the knowledge of JOHN J. RIGAS and MICHAEL J. RIGAS, the defendants, directed Adelphia employees, in Adelphia's press release and conference call announcing its results for the fourth quarter and year 2001, fraudulently and misleadingly claimed that Adelphia had 5,810,253 "basic cable subscribers," and a .5 percent growth rate over the preceding twelve months. In order to inflate the number of "basic cable subscribers" disclosed on or about March 27, 2002, the defendants and other Adelphia employees included in the number of "basic cable subscribers" approximately 60,000 subscribers to Adelphia's home security service who did not subscribe to any Adelphia cable television service whatsoever. Also included were the subscribers in Brazil and Venezuela and the internet-only subscribers described above.

m. To compound the misrepresentation created by these baseless additions, the defendants and other Adelphia employees did not adjust the "basic cable subscriber" numbers for the preceding twelve months to include these internet-only subscribers in the preceding number of reported "basic cable subscribers," resulting in the misleading appearance of significant "basic cable subscriber" growth.

C. Misrepresentations Concerning High-Speed Internet Subscribers

46. Based upon, among other things: (1) my review of Adelphia's SEC filings; (2) my review of Adelphia's books and records; and (3) interviews with Adelphia employees, I have learned the following:

a. In or about November 2001, JOHN J. RIGAS, TIMOTHY J. RIGAS, MICHAEL J. RIGAS and JAMES R. BROWN, the defendants, and other Adelphia employees learned that Adelphia's

high-speed internet subscriber base was substantially lower than market expectations. As the defendants well knew, by late 2001, cable investors placed great significance on the number of a cable company's subscribers to high-margin internet services.

b. On or about November 9, 2001, TIMOTHY J. RIGAS and JAMES R. BROWN, the defendants, with the knowledge of JOHN J. RIGAS and MICHAEL J. RIGAS, the defendants, directed Adelphia employees, in Adelphia's quarterly results press release and quarterly results conference call for the third quarter of 2001, to fraudulently and misleadingly represent that Adelphia had 315,104 high speed internet subscribers.

c. In order to overstate the number of high-speed internet subscribers disclosed on or about November 13, 2001, the defendants, and other Adelphia employees, included in the number of Adelphia high-speed internet subscribers approximately 10,000 subscribers to high-speed internet service provided by RFEs that were not owned or controlled by Adelphia.

d. To compound the misrepresentation created by this baseless addition, the defendants and other Adelphia employees did not revise Adelphia's high-speed internet subscriber numbers for the preceding twelve months to include the subscribers added in November 2001 from the RFEs, resulting in the misleading appearance of a larger high-speed internet subscriber base.

D. Misrepresentations Concerning Progress in Rebuilding Cable Systems

47. Based upon, among other things: (1) my review of Adelphia's SEC filings; (2) my review of Adelphia's books and records; (3) interviews with Adelphia employees; (4) interviews with investors in Adelphia securities, securities analysts and credit rating agency analysts, I have learned the following:

a. Beginning in the late 1990s, in response to competition from digital satellite television services, telephone companies and other sources, many cable operators began to rebuild their systems to make them capable of providing such services as digital cable television, high-speed internet access service, video-on-demand and other services. Because the internet is interactive, however, it requires a system of cables that can both send signals to customers (such as a television show), and receive signals from customers (such as data inputted into an internet search engine).

b. Traditional coaxial cable systems generally were not capable of providing the two-way transmission necessary for internet service. In order to provide two-way service on older, lower bandwidth systems, it is necessary to "rebuild" the systems, using newer, high bandwidth cable and transmission equipment. The rebuilding process, which requires re-laying miles of cable, is very costly.

c. Because of such modernization, rebuilding efforts typically absorb a large proportion of a cable operator's resources. As a result, investors, analysts and other market participants consider the progress of a cable operator's rebuild efforts to be important. The higher the percentage of rebuild completion, the sooner the company will be relieved of the enormous expense of rebuilding. Moreover, the higher the percentage of rebuild completion, the higher the company's potential income from such new and high-margin services as digital cable and high-speed internet access.

d. Cable companies with high percentages of two-way capable systems were more attractive to investors because: (1) they had more ability to provide high-margin internet service; and (2) they had less expensive rebuilding to do.

e. Beginning in or about late 1999 through on or about March 28, 2002, JOHN J. RIGAS, TIMOTHY J. RIGAS, MICHAEL J. RIGAS, and JAMES R. BROWN, the defendants, along with other Adelphia employees, engaged in a pattern and practice of fraudulently misrepresenting Adelphia's percentage of two-way capable cable systems, and the corresponding percentage of systems requiring rebuilds.

f. At all relevant times, JOHN J. RIGAS, TIMOTHY J. RIGAS, MICHAEL J. RIGAS and JAMES R. BROWN, the defendants, were aware of the true extent of Adelphia's progress in completing its rebuild, based on internal business records provided to them.

g. From in or about 1999 through in or about May 2002, JOHN J. RIGAS, TIMOTHY J. RIGAS, MICHAEL J. RIGAS and JAMES R. BROWN, the defendants, together with other Adelphia employees acting at their direction, fraudulently and misleadingly inflated Adelphia's percentage of two-way-capable capacity above the percentages reported within Adelphia in numerous communications with the public, including quarterly results conference calls, equity road shows, and other disclosures.

h. Beginning in or about 1999 through on or about March 28, 2002, JOHN J. RIGAS, TIMOTHY J. RIGAS, MICHAEL J. RIGAS, and JAMES R. BROWN, the defendants, and other Adelphia employees acting at their direction presented to participants in equity road shows demonstrative aids that overstated Adelphia's two-way capacity by approximately 15 percent. When the defendants and other Adelphia employees publicly disclosed Adelphia's percentage of rebuilds, the percentage had been artificially inflated above the accurate information available within Adelphia.

i. For example, in late 1999, JAMES R. BROWN, the defendant, showed road show participants a document indicating that 50 percent of Adelphia's systems were two-way capable, when, in truth and in fact, as he well knew, only approximately 35 percent of Adelphia's systems were two-way capable at that time. From in or about 1999 through in or about 2002, the fraudulent document used by BROWN was used at hundreds of road show presentations by BROWN and other Adelphia employees. This document was frequently revised to include numbers on the percentage of two-way capable systems that were fraudulently inflated and inconsistent with rebuild numbers reported within Adelphia.

j. Similarly, on or about August 15 2000, TIMOTHY J. RIGAS, the defendant, told financial analysts on a conference call that approximately 60 percent of Adelphia's systems had been rebuilt and were therefore two-way capable, when, in truth and in fact, as he well knew, only approximately 50 percent of Adelphia's systems were two way capable at that time.

E. Fraudulent Rigas Converter Transaction

48. Based upon, among other things: (1) my review of Adelphia's SEC filings; (2) my review of books and records of Adelphia; (3) interviews with Adelphia employees; and (4) interviews with forensic accountants employed by Price Waterhouse Cooper and working on behalf of Adelphia, I have learned the following:

a. From at least in or about 1998 through in or about May 2002, as a result of, among other things, the need to rebuild its cable systems to make them two-way capable, and the need to purchase digital cable converter boxes, Adelphia had significant capital expenditures in every quarter. Because Adelphia was heavily leveraged and had limited liquidity under its credit agreements, securities analysts and investors closely

watched Adelphia's capital expenditures for signs of material increases that might negatively affect the company.

b. In or about February 2001, TIMOTHY J. RIGAS, MICHAEL J. RIGAS and JAMES R. BROWN, the defendants, along with other Adelphia employees, became aware that Adelphia's capital expenditures for the third quarter of the 2000 fiscal year were approximately \$725 million, an increase of approximately \$100 million over the previous year and above market expectations. The defendants and other Adelphia employees determined that, among other things, capital expenditures had increased because during the year Adelphia had purchased a large quantity of digital converter cable boxes.

c. In or about October 2001, TIMOTHY J. RIGAS, MICHAEL J. RIGAS and JAMES R. BROWN, the defendants, along with other Adelphia employees, conceived a scheme to fraudulently and misleadingly under-represent to the public Adelphia's capital expenditures for the third quarter of 2001. As part of the scheme, the defendants, at the direction of TIMOTHY J. RIGAS, JAMES R. BROWN and other Adelphia employees, caused Adelphia to sell approximately 525,000 digital cable converter boxes, worth approximately \$101 million to Highland Holdings, L.P., an Other RFE with no cable business. Highland Holdings had no use for the converter boxes, and was chosen as the recipient of the boxes because its financial statements were not audited. There was no business purpose for the transaction, and no expectation that Adelphia would be paid for the converter sale.

d. In or about October 2001, TIMOTHY J. RIGAS, MICHAEL J. RIGAS and JAMES R. BROWN, the defendants, and other Adelphia employees fraudulently and misleadingly caused Highland Holdings to record approximately \$101 million in digital cable converters as an asset on Highland Holding's books, and caused Adelphia to remove those converters from its books. The defendants and other Adelphia employees further caused Adelphia to fraudulently and misleadingly remove the cost of the transferred converters, which Adelphia had purchased, from Adelphia's capital expenditures for the purpose of artificially decreasing Adelphia's publicly reported capital expenditures. Rather, Adelphia's books reflected an inter-company receivable from Highland Holdings in the amount of approximately \$101 million.

e. In or about November 2001, TIMOTHY J. RIGAS, MICHAEL J. RIGAS and JAMES R. BROWN, the defendants, and other Adelphia employees caused Adelphia, in its Form 10-Q and in its press release and conference call announcing its quarterly

results, to make false and misleading statements about its capital expenditures in the third quarter of 2001 in that it fraudulently understated the amount of its capital expenditures by approximately \$101 million.

f. In or about December 2001, an Adelphia employee created journal entries on Adelphia's books that reversed the sale of digital converters from Adelphia to Highland Holdings, L.P., for the purpose of making Adelphia's books accurately reflect its true condition at the close of the year 2001. When JAMES R. BROWN, the defendant, was made aware of these journal entries, he ordered the Adelphia employee to delete them and to ensure that the digital converters continued to appear to be an asset of Highland Holdings, L.P., and not Adelphia.

IV. Fraud in Connection with Adelphia's Compliance with the Terms of Its Bank Loans and Debt Securities

A. Misrepresentations Concerning Bank Debt

49. Based upon, among other things: (1) my review of books and records of Adelphia; and (2) interviews with Adelphia employees, I have learned the following:

a. As discussed above, the agreements creating Adelphia's syndicated, secured credit facilities required it to make quarterly reports to its lenders regarding each borrowing group's compliance with the conditions of the credit facilities, and, in particular, its ratio of cash flow to indebtedness.

b. From at least in or about 1999 through in or about March 23, 2002, TIMOTHY J. RIGAS, JAMES R. BROWN and MICHAEL C. MULCAHEY, the defendants, along with other Adelphia employees, prepared and submitted to lenders loan compliance reports that fraudulently misrepresented, among other things, the cash flow of the reporting entities.

c. For the purpose of creating such fraudulent loan compliance reports, at the direction of TIMOTHY J. RIGAS, JAMES R. BROWN, and MICHAEL C. MULCAHEY, the defendants, from time to time Adelphia employees created special accounts within Adelphia's general ledger that were maintained primarily for the purpose of recording transactions designed to fraudulently and misleadingly misrepresent Adelphia's true financial condition to lenders.

d. As explained above, Adelphia's secured bank borrowings were made through "borrowing groups" of its subsidiaries. At the close of each quarter, Adelphia employees, along with TIMOTHY J. RIGAS, JAMES R. BROWN, and MICHAEL C. MULCAHEY, the defendants, would meet to review the financial statements of each borrowing group to prepare the required loan compliance report.

e. Where an Adelphia borrowing group was not in compliance with its loan covenants, and in many cases where a borrowing group was in compliance but could obtain better loan rates by reporting a more favorable ratio of cash flow to indebtedness, TIMOTHY J. RIGAS, JAMES R. BROWN, and MICHAEL C. MULCAHEY, the defendants, and other Adelphia employees made one or more fraudulent adjustments to the financial information disclosed in the required loan compliance documents.

f. Such fraudulent adjustments to financial information submitted to banks took a number of forms. Often, TIMOTHY J. RIGAS, JAMES R. BROWN, and MICHAEL C. MULCAHEY, the defendants, would record revenue due from affiliates, without any factual basis, and direct Adelphia employees to credit such revenue to a particular borrowing group so that it would be in compliance. At other times, the defendants would direct Adelphia employees either to lower the borrowing groups' actual costs or increase its actual revenues, again with no factual basis. Such fraudulent adjustments had the effect of increasing the cash flow for a particular borrowing group so as to bring it into compliance with its loan agreements.

g. Such fraudulent adjustments to the reported financial information were made through, among other means, large credits to the special accounts in Adelphia's general ledger described above. At the direction of TIMOTHY J. RIGAS, JAMES R. BROWN, and MICHAEL C. MULCAHEY, the defendants, the fraudulent adjustments were reflected in these accounts only for one day each quarter: the day specified in the loan agreements for reporting. Thus, for a report due September 30, 2000, the fraudulent adjustments would not appear on Adelphia's general ledger on September 29, 2000, but would be credited on September 30, 2000, and then would be reversed on October 1, 2000.

h. In or about 1992, TIMOTHY J. RIGAS, the defendant, in discussing the fraudulent adjustments of financial information submitted to lenders, informed at least one Adelphia employee, in substance and in part, that he did not like to do business in that manner, but that he had no choice given the circumstances.

B. Misrepresentations Concerning Notes Issued to the Public

i. As discussed above, the indentures creating Adelphia's publicly issued notes required it to make quarterly reports to the holders of its notes regarding its compliance with the provisions of the indentures.

j. From at least in or about 2001 through in or about May 2002, TIMOTHY J. RIGAS and JAMES R. BROWN, the defendants, caused Adelphia to issue certifications of compliance with the indentures when, in numerous cases, Adelphia had not even undertaken the financial calculations necessary for determining whether Adelphia was actually in compliance.

k. For example, on or about August 31, 2001, Adelphia filed a certification (actually due on August 19, 2001) wherein it certified that it was in compliance with the financial conditions of its public indentures, when it had not undertaken the financial calculations necessary to determine whether it was in compliance. In fact, in every quarter of 2001, Adelphia failed to comply with certain material financial conditions of its public indentures, including conditions relating to the maximum leverage Adelphia was permitted.

V. Fraud in Connection with Rigas Family Self-Dealing

50. As set forth above, at all relevant times, JOHN J. RIGAS, TIMOTHY J. RIGAS, and MICHAEL J. RIGAS, the defendants, by virtue of their positions as the most senior executive officers of Adelphia, controlled Adelphia and its assets. Among other things, they had the ability to cause funds to be disbursed from the Adelphia CMS.

51. From at least in or about 1999 through May 2002, JOHN J. RIGAS, TIMOTHY J. RIGAS, and MICHAEL J. RIGAS, the defendants, and other members of the Rigas Family, used Adelphia assets for their own purposes, without reimbursement to Adelphia, without the authorization of the Adelphia Board of Directors, and without disclosing such use to the members of the Board who were not members of the Rigas Family or to the public.

A. The Golf Course

52. Based on my review of Adelphia SEC filings and certain books and records of Adelphia, I have learned the following:

a. At all relevant times, The Golf Club at Wending Creek Farms, LLC ("the Golf Club"), a Delaware limited liability company, was a wholly owned subsidiary of Adelphia.

b. From at least in or about March 2000 through in or about May 2002, the Golf Club conducted construction of a golf course and club on a parcel of approximately 830 acres of land located near Coudersport, Pennsylvania. Of the 830 acres of land on which the Golf Club is sited, approximately 169 acres were owned by an Adelphia subsidiary. The remaining land was owned and controlled, directly or indirectly, by JOHN J. RIGAS, the defendant.

c. To date, approximately \$13,000,000 of Adelphia funds have been spent on equipment and development costs for the golf facilities. The golf facilities have not been completed, and the remaining construction has been projected to cost approximately \$40,000,000. Adelphia has not executed any written leases or made any lease payments for use of the portion of the 830 acres owned and controlled by JOHN J. RIGAS, the defendant.

d. The construction of the golf facilities on land primarily owned by JOHN J. RIGAS, the defendant, was not presented to Adelphia's Board of Directors, was not disclosed to the members of the Board who were not members of the Rigas Family, and was not disclosed to the public.

B. Undisclosed Payments from Adelphia to JOHN J. RIGAS

53. Based on information obtained from PWC, I have learned the following:

a. From at least in or about 2000 through in or about 2001, Adelphia advanced substantial sums of money to JOHN J. RIGAS, the defendant. Those advances were executed through the Adelphia CMS, by transferring funds to an RFE, and then subsequently transferring funds from the RFE to JOHN J. RIGAS. Some or all of the amounts transferred were recorded as accounts receivable of Adelphia from one or more RFEs. In turn, some or all of the amounts transferred from RFEs to JOHN J. RIGAS were recorded as accounts receivable of one or more RFEs from JOHN J. RIGAS.

b. As of on or about December 31, 2000, various Other RFEs owed at least approximately \$311,961,327 to Adelphia. Of that amount, at least approximately \$52,959,804 represented amounts owed to various Other RFEs by JOHN J. RIGAS, the

defendant. As of on or about December 31, 2001, various Other RFEs owed at least approximately \$876,303,989 to Adelphia. Of that amount, at least approximately \$66,915,213 represented amounts owed to various Other RFEs by JOHN J. RIGAS, the defendant.

54. Based on interviews with current and former employees of Adelphia, as well as my review of certain books and records of Adelphia, and of documents obtained from the Bank of New York, located in New York, New York, I have learned the following:

a. At all relevant times, JOHN J. RIGAS, the defendant, maintained bank accounts at a branch of the Bank of New York, based in New York, New York.

b. In or about early 2001, TIMOTHY J. RIGAS, the defendant, advised MICHAEL C. MULCAHEY, the defendant, that JOHN J. RIGAS, the defendant, had been spending unacceptably large amounts of Adelphia funds. TIMOTHY J. RIGAS instructed MULCAHEY that any individual request by JOHN J. RIGAS to wire more than approximately \$1,000,000 per month from the Adelphia CMS to his personal bank account would thereafter require the approval of TIMOTHY J. RIGAS.

c. From at least in or about early 2001 through in or about early 2002, JOHN J. RIGAS, TIMOTHY J. RIGAS and MICHAEL C. MULCAHEY, the defendants, caused Adelphia to make cash payments to JOHN J. RIGAS in the amount of at least approximately \$1,000,000 per month. Those cash payments were made through the CMS, and were wire transferred to the account of JOHN J. RIGAS at the Bank of New York. During that period, at least approximately \$12,000,000 was wire transferred from the CMS to the personal bank account of JOHN J. RIGAS at the Bank of New York.

55. On or about April 30, 2001, JOHN J. RIGAS, TIMOTHY J. RIGAS, MICHAEL J. RIGAS, and JAMES R. BROWN, the defendants, caused Adelphia to file an amended annual report on Form 10-K, that falsely stated that the total amount of compensation to JOHN J. RIGAS, the defendant, for the year ended December 31, 2000 was less than approximately \$1,900,000.

C. Rigas Family's Use of Adelpgia Corporate Aircraft and Apartments

56. Based on my review of certain books and records of Adelpgia and conversations with Adelpgia employees, I have learned the following:

a. At all relevant times, Adelpgia maintained and operated approximately three airplanes (the "Adelpgia Airplanes"). The Adelpgia Airplanes were operated from an airport in Wellsville, New York. Adelpgia paid all maintenance costs for the Adelpgia Airplanes.

b. From at least in or about 1999 through May 2002, JOHN J. RIGAS, TIMOTHY J. RIGAS, and MICHAEL J. RIGAS, the defendants, and members of their immediate family, have routinely used the Adelpgia Airplanes for personal travel. For example, in or about August 2000, TIMOTHY J. RIGAS and one or more of his friends used one of the Adelpgia Airplanes to travel to Africa for a safari vacation.

c. The cost of the Rigas Family's personal travel on the Adelpgia Airplanes was paid by Adelpgia. Adelpgia was not reimbursed by the Rigas Family for that cost. TIMOTHY J. RIGAS, the defendant, prevented Adelpgia employees from keeping records of the purpose of the Rigas Family's air travel.

d. The Rigas Family's use of the Adelpgia Airplanes was not presented to or approved by the Adelpgia Board of Directors, was not disclosed to the members of the Board who were not members of the Rigas Family, and was not disclosed to the public.

57. Based on my review of the books and records of Adelpgia, and on documents obtained from the Saratoga apartment building and public information concerning the residential real estate market in New York, New York, I have learned the following:

a. At all relevant times, Adelpgia owned approximately two condominium apartments in the Saratoga, located at 330 East 75th Street in New York, New York.

b. From in or about 1998 through in or about May 2002, the daughter and the son-in-law of JOHN J. RIGAS, the defendant, had exclusive use of those apartments on a rent-free basis. The rental value of those apartments for that period was at least approximately \$150,000.

c. The use of those apartments by members of the Rigas Family was not presented to or approved by the Adelphia Board of Directors, was not disclosed to the members of the Board who were not members of the Rigas Family, and was not disclosed to the public.

D. Adelphia's Undisclosed Payments of Margin Calls Against Rigas Family Loans

58. Based on my review of Adelphia's books and records, I have learned the following:

a. From on or about December 31, 1998 through on or about June 2, 2002, JOHN J. RIGAS, TIMOTHY J. RIGAS, and MICHAEL J. RIGAS, the defendants, together with other members of the Rigas Family, caused Adelphia to issue at least approximately 197,000,000 shares of Class A common stock, resulting in an increase of more than approximately 700 percent in the number of such shares outstanding from approximately 31,258,843 on or about December 31, 1998 to approximately 228,600,000 on or about June 2, 2002. As set forth above, the majority of Adelphia's Class A common stock is owned and controlled by persons other than members of the Rigas Family.

b. During that same period, JOHN J. RIGAS, TIMOTHY J. RIGAS, and MICHAEL J. RIGAS, the defendants, together with other members of the Rigas Family, caused Adelphia to issue at least approximately 14,000,000 shares of Class B common stock. Because approximately 100 percent of the Class B common stock is owned or controlled by the Rigas Family, and because of the enhanced voting rights and other characteristics of Class B common stock, the issuance of such stock enabled the Rigas Family to maintain control over Adelphia, notwithstanding the issuance of millions of shares of Class A common stock to third parties.

c. In order to finance the Rigas Family purchases of Adelphia securities, JOHN J. RIGAS, TIMOTHY J. RIGAS, and MICHAEL J. RIGAS, the defendants, together with other members of the Rigas Family, caused at least approximately 23,200,000 shares of Adelphia common stock that was owned and controlled by the Rigas Family to be pledged as collateral for loans, and used the proceeds of such loans to pay for such securities.

59. Based on my review of certain of Adelphia's books and records, together with records obtained from Deutsche Bank Alex. Brown Inc. ("Deutsche"), Goldman Sachs & Co. ("Goldman"),

Salomon Smith Barney ("Salomon") and Bank of America, I have learned the following:

a. At all relevant times, Highland Preferred Communications 2001, LLC; Highland Communications; Highland Holdings II, G.P.; and Highland Preferred Communications and Doris Holdings, L.P. were entities owned and controlled by JOHN J. RIGAS, TIMOTHY J. RIGAS and MICHAEL J. RIGAS, the defendants, together with other members of the Rigas Family.

b. At all relevant times, Highland Preferred Communications 2001, LLC maintained a brokerage account at Deutsche, which was associated with a margin loan account. At all relevant times, Highland Communications maintained a brokerage account at Salomon, which was associated with a margin loan account. At all relevant times, Highland Holdings II, G.P. maintained a brokerage account at Goldman, which was guaranteed by the account of Doris Holdings, L.P. At all relevant times, Highland Preferred Communications was the borrower on a loan from Bank of America that was secured by Adelpia Class A common stock. The four loans described above are referred to collectively as the "Rigas Family Stock Loans."

c. At all relevant times, under the terms of each of the Rigas Family Stock Loans, the Rigas Family was required to pay interest on outstanding loan balances, and to meet margin requirements with respect to the Adelpia Class A common stock pledged as collateral. Under such margin requirements, if the market value of the Adelpia common stock declined, the lender could make a "margin call" against the Rigas Family. In the event of a margin call, the Rigas Family would be required to provide additional cash or securities to increase the value of the lender's collateral. If the Rigas Family did not satisfy the margin call, the lender could sell the Adelpia common stock pledged to secure the loan on the open market, and use the proceeds of that sale to reduce the balance of the loan.

60. Based on, among other things, information obtained from PWC, and on my review of books and records of Adelpia, Bank of America, Deutsche, Goldman and Salomon, I have learned the following:

a. From in or about 1999 through in or about May 2002, JOHN J. RIGAS, TIMOTHY J. RIGAS, and MICHAEL J. RIGAS, the defendants, together with other members of the Rigas Family, caused Adelpia Class A common stock to be pledged as collateral in connection with each of the Rigas Family Stock Loans.

b. As of on or about December 10, 2001, the Rigas Family had pledged a total of at least approximately 23,040,877 shares of Adelpia Class A common stock as collateral for aggregate loan balances on the Rigas Family Stock Loans of at least approximately \$188,750,000, as set forth below:

LENDER	BORROWER	APPROXIMATE NUMBER OF SHARES PLEDGED	APPROXIMATE LOAN BALANCE
Bank of America	Highland Preferred Communications	4,147,999	\$47,000,000
Deutsche	Highland Preferred Communications 2001, LLC	5,285,963	\$50,050,000
Goldman	Highland Holdings II, G.P.; Doris Holdings, L.P. (guarantor)	5,398,151	\$30,100,000
Salomon	Highland Communications	8,208,764	\$61,600,000

c. From in or about July 2000 through in or about May 2002, the market price for Adelpia common stock declined steadily from more than approximately \$40.00 per share in or about July 2000 to less than approximately \$6.00 per share in or about mid-May 2002. As a result of the decline in the market price for Adelpia's common stock, a series of margin calls was made against the Rigas Family Stock Loans, as set forth below:

d. From on or about July 31, 2000 through on or about April 1, 2002, Bank of America made approximately 6 margin calls on the Highland Preferred Communications loan account, for a total of approximately \$52,089,668.

e. From on or about September 27, 2000 through on or about May 9, 2002, Goldman Sachs made a total of approximately 27 margin calls on the Highland Holdings II, G.P. brokerage account, for a total of approximately \$71,109,178.

f. From on or about July 11, 2001 through on or about May 10, 2002, Salomon Smith Barney made a total of approximately 28 margin calls on the Highland Communications brokerage account, for a total of approximately \$78,673,145.

g. From on or about March 28, 2002 through on or about April 3, 2002, Deutsche Bank made a total of approximately 4 margin calls on the Highland Preferred Communications 2001, LLC brokerage account, for a total of approximately \$50,285,185.

h. From in or about July 2000 through in or about May 2002, JOHN J. RIGAS, TIMOTHY J. RIGAS, MICHAEL J. RIGAS, JAMES R. BROWN and MICHAEL C. MULCAHEY, the defendants, caused Adelphia to pay a total of at least approximately \$252,157,176 to satisfy the margin calls described above.

i. The funds used to pay those margin calls were wire transferred from the Adelphia CMS to the respective lenders. For example, the following payments made to satisfy margin calls against the Goldman brokerage account of Highland Holdings II, G.P. were made through interstate wire transfers from Adelphia CMS accounts held at First Union in Pensacola, Florida to a Goldman account held at Chase in New York, New York, as set forth below:

APPROXIMATE DATE	APPROXIMATE AMOUNT	TRANSFEROR ACCOUNT
September 27, 2000	\$8,250,000	Highland Holdings
August 17, 2001	\$1,700,000	Adelphia
August 23, 2001	\$2,700,000	Adelphia
August 29, 2001	\$2,100,000	Adelphia
September 18, 2001	\$5,000,000	Adelphia
September 20, 2001	\$500,000	Adelphia
September 21, 2001	\$5,000,000	Adelphia
September 25, 2001	\$3,500,000	Adelphia
September 27, 2001	\$1,750,000	Adelphia
October 1, 2001	\$4,500,000	Adelphia
October 3, 2001	\$2,500,000	Adelphia
November 15, 2001	\$150,000	Adelphia
November 19, 2001	\$75,000	Adelphia
February 21, 2002	\$2,352,592	Highland Holdings II
February 22, 2002	\$798,926	Highland Holdings II

APPROXIMATE DATE	APPROXIMATE AMOUNT	TRANSFEROR ACCOUNT
March 28, 2002	\$6,359,647	Highland Holdings II
March 29, 2002	\$3,886,669	Highland Holdings II
April 2, 2002	\$3,934,629	Highland Holdings II
April 3, 2002	\$2,786,446	Highland Holdings II
April 4, 2002	\$1,705,815	Highland Holdings II
April 5, 2002	\$2,245,631	Highland Holdings II
April 12, 2002	\$4,296,928	Highland Holdings II
April 15, 2002	\$2,180,853	Highland Holdings II
April 22, 2002	\$1,554,668	Highland Holdings II
April 23, 2002	\$971,667	Highland Holdings II
April 29, 2002	\$43,185	Highland Holdings II
May 9, 2002	\$266,522	Highland Holdings II
	TOTAL	\$71,109,178

j. The Rigas Family did not reimburse Adelphia for the funds used to pay the margin calls described above. In addition, Adelphia's payment of those margin calls substantially increased the amount of Adelphia's liabilities under the Co-Borrowing Agreements.

k. The use of at least approximately \$252,157,176 in Adelphia funds to satisfy margin calls against the Rigas Family Stock Loans was not presented to or approved by the Adelphia Board of Directors, was not disclosed to the members of the Board who were not members of the Rigas Family, and was not disclosed to the public.

61. Based on, among other things, interviews with Adelphia employees, investors, securities analysts, representatives of credit rating agencies and others, and on my review of SEC filing and other publicly available materials concerning Adelphia, I have learned the following:

a. Based on the fact that members of the Rigas Family were the principal owners of Adelphia, and exercised control over Adelphia's affairs, investors and analysts generally

considered the Rigas Family's financial situation to be material to the market for Adelpchia's securities.

b. In particular, investors and analysts were concerned that a decline in the market price of Adelpchia's common stock would have a material adverse effect on the Rigas Family's financial situation. As a result, the Rigas Family's ability to provide financial support to Adelpchia would be adversely affected by such a decline. For example, on or about November 6, 2001, *TheStreet.com*, an Internet website that publishes financial analysis, quoted the statement of a market participant that "the liquidity of Adelpchia is dependent on the liquidity of the Rigases."

c. By at least on or about December 17, 2001, based on Adelpchia SEC filings, the public was aware that the Rigas Family had pledged a large amount of Adelpchia common stock in connection with margin loans. As the market price for Adelpchia's stock declined throughout 2001 and 2002, investors and analysts expressed concern that the Rigas Family's financial situation would be adversely affected by substantial margin calls against the Rigas Family Stock Loan Accounts.

d. On various occasions in or about 2001 and 2002, investors and analysts requested information from TIMOTHY J. RIGAS and JAMES R. BROWN, the defendants, concerning the likelihood of substantial margin calls against the Rigas Family's Adelpchia common stock holdings.

e. For example, on or about May 2, 2002, during a meeting held at the offices of Moody's at 99 Church Street in New York, New York, a representative of Moody's asked TIMOTHY J. RIGAS, the defendant, for information about the risk that margin calls would be made against the Rigas Family's Adelpchia common stock holdings. In response, TIMOTHY J. RIGAS made false and misleading statements that led the Moody's representative to

believe that the Rigas Family's margin debt had been paid in full, and that the payment of margin calls against that debt had not increased Adelphia's liabilities.

WHEREFORE, deponent prays that the above-named defendants be arrested and imprisoned or bailed as the case may be.

THOMAS F.X. FEENEY
United States Postal Inspector

Sworn to before me this
day of July, 2002.

UNITED STATES MAGISTRATE JUDGE
SOUTHERN DISTRICT OF NEW YORK