

**UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

**ALAN SHULIMSON, on behalf of
himself and all others similarly
Situated,**

Plaintiff,

vs.

**ADELPHIA COMMUNICATIONS
CORPORATION, JOHN J. RIGAS,
JAMES P. RIGAS, MICHAEL J.
RIGAS and TIMOTHY J. RIGAS**

Defendants.

Civil Action No. 02CV1819

**AMENDED CLASS ACTION
COMPLAINT
FOR VIOLATION OF
FEDERAL SECURITIES LAWS**

JURY TRIAL DEMANDED

Plaintiff, Alan Shulimson, on behalf of himself and all other persons similarly situated, by his undersigned attorneys, alleges the following based upon personal knowledge as to himself and his own acts, and information and belief as to all other matters, based upon, *inter alia*, the investigation conducted by and through his attorneys, which included, among other things, a review of the public documents and announcements made by the defendants, Securities and Exchange Commission (“SEC”) filings, press releases, and analyst reports regarding Adelpia Communications Corporation (“Adelpia” or the “Company”), and plaintiff believes that substantial evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

NATURE OF THE ACTION

1. This is a class action brought by plaintiff on behalf of himself and a Class

consisting of all other persons who purchased Adelphia securities during the period from January 19, 2001 through and including April 1, 2002 (the “Class Period”), to recover damages caused by the defendant’s issued and/or failed to correct false and misleading financial statements and press releases concerning the Company’s publicly reported financial condition directed to the investing public.

JURISDICTION AND VENUE

2. The claims alleged herein arise under Section 10(b) and 20(a) of the Securities Exchange Act of 1934 (the “Exchange Act”), 15 U.S.C. §78j(b) and 78t(a), and Rule 10b-5, 17 C.F.R. §240.10b-5 promulgated thereunder.

3. This Court has jurisdiction over the subject matter of this action pursuant to Section 27 of the Securities Exchange Act of 1934 (the “Exchange Act”), 15 U.S.C. §78aa and 28 U.S.C. §1331.

4. Venue is proper in this Judicial District pursuant to Section 27 of the Exchange Act and 28 U.S.C. §1391(b). Many of the acts and transactions alleged herein, including the preparation and dissemination to the investing public of false and misleading information, occurred in substantial part in this Judicial District. Moreover, the Company’s corporate headquarters are located in this Judicial District.

5. In connection with the acts, transactions and conduct alleged herein, defendants directly and indirectly, used the means and instrumentalities of interstate commerce, including the United States mails, interstate telephone communications and the facilities of the national securities exchange.

THE PARTIES

6. Plaintiff, Alan Shulimson, purchased Adelphia securities as set forth in the accompanying Certification of Named Plaintiff.

7. Defendant Adelphia is incorporated in the State of Delaware and maintains its corporate headquarters at One North Main Street, Coudersport, PA 16915. Adelphia owns and operates cable television systems located mainly in suburban areas of large and medium-sized cities throughout the United States. Adelphia also owns certain local telephone operations in the Eastern United States. Adelphia's operations consist of providing telecommunication services, primarily over broadband networks which can transmit large quantities of voice, video and data by way of digital or analog signals. As of September 30, 2001, there were approximately 153.8 million shares of Adelphia Class A common stock issued and outstanding. During the Class Period, Adelphia Class A common stock was actively traded on NASDAQ National Market System ("NASDAQ") under the ticker symbol "ADLAC".

8. Defendant John J. Rigas ("John Rigas") was the Chairman, President and Chief Executive Officer of Adelphia, and President of its subsidiaries at all relevant times herein. As such, John Rigas was responsible for overseeing all aspects of Adelphia's operations and on numerous occasions made public statements on the Company's behalf regarding Adelphia's financial condition and future prospects. The family of John Rigas ("Rigas Family") maintains a controlling shareholder position in the Company. John Rigas is the father of Michael J. Rigas, Timothy J. Rigas and James P. Rigas, who are also officers and directors of the Company.

9. Defendant Michael J. Rigas ("Michael Rigas") is Executive Vice President in charge of operations at Adelphia and a Vice President of its subsidiaries.

10. Defendant Timothy J. Rigas (“Timothy Rigas”) is Executive President, Chief Financial Officer, Chief Accounting Officer and Treasurer of Adelphia and its subsidiaries. Timothy Rigas signed Adelphia’s Form 10-Qs for the first, second and third quarter of 2001 and made public statements on the Company’s behalf regarding Adelphia’s financial condition and future prospects.

11. Defendant James P. Rigas (“James Rigas”) is Executive Vice President in charge of Strategic Planning at Adelphia and a vice president of its subsidiaries.

12. Defendants John Rigas, Michael Rigas, Timothy Rigas and James Rigas are collectively referred to hereafter as the “Individual Defendants.”

13. By reason of their positions with the Company, the Individual Defendants had access to internal Company documents, reports and other information, including the adverse non-public information concerning the Company’s services, financial condition and future prospects, and attended management and/or board of directors meetings. As a result of the foregoing, they were responsible for the truthfulness and accuracy of the Company’s public reports, SEC filings and press releases described herein.

14. Adelphia, and the Individual Defendants as officers and directors of a publicly-held company, had a duty to promptly disseminate truthful and accurate information with respect to Adelphia and to promptly correct any public statements issued by or on behalf of the Company which had become false or misleading.

15. Each of the defendants knew or recklessly disregarded that the false and/or misleading statements and omissions complained of herein would adversely affect the integrity of the market for the Company’s stock and would cause the price of the Company’s common stock

to become artificially inflated. Each of the defendants acted knowingly or in such a reckless manner as to constitute a fraud and deceit upon plaintiff and the other members of the Class.

16. Defendants are liable, jointly and severally, as direct participants in and co-conspirators of, the wrongs complained of herein.

CLASS ACTION ALLEGATIONS

17. Plaintiff brings this action as a class action pursuant to Federal Rules of Civil Procedure 23(a) and (b)(3) on behalf of a class (the “Class”) consisting of all persons who purchased Adelpia securities during the Class Period, a period previously defined as from January 19, 2001 through April 1, 2002, inclusive (the “Class Period”). Excluded are the defendants, any entity in which the defendants have a controlling interest or is a parent or subsidiary of or is controlled by the Company, and the officers, directors, employees, affiliates, legal representatives, heirs, predecessors, successors and assigns of the defendants.

18. The members of the Class are so numerous that joinder of all members is impracticable. While the exact number of Class members is unknown to plaintiff at this time and can only be ascertained through appropriate discovery, plaintiff believes there are, at a minimum, thousands of members of the Class who traded during the Class Period. The Company had approximately 153.8 million shares of its Class A common stock outstanding as of September 30, 2001.

19. Common questions of law and fact exist as to all members of the Class and predominate over any questions affecting solely individual members of the Class. Among the questions of law and fact common to the Class are:

- (i) whether the federal securities laws were violated by

defendants' acts as alleged herein;

- (ii) whether the Company issued false and misleading financial statements during the Class Period;
- (iii) whether defendants acted knowingly or recklessly in issuing false and misleading financial statements;
- (iv) whether the market prices of the Company's securities during the Class Period were artificially inflated because of the defendants' conduct complained of herein; and
- (v) whether the members of the Class have sustained damages and, if so, what is the proper measure of damages.

20. Plaintiff's claims are typical of the claims of the members of the Class as plaintiff and the other members of the Class each sustained damages arising out of the defendants' wrongful conduct in violation of federal law as complained of herein.

21. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class actions and securities litigation. Plaintiff has no interests antagonistic to or in conflict with those of the Class.

22. A class action is superior to other available methods for the fair and efficient adjudication of the controversy since joinder of all members of the Class is impracticable. Furthermore, because the damages suffered by the individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for the Class members individually to redress the wrongs done to them. Plaintiff anticipates no unusual difficulties in the management of this action as a class action.

23. Plaintiff will rely, in part, upon the presumption of reliance established by the fraud-on-the-market doctrine in that:

- (i) defendants made public misrepresentations or failed to disclose material facts during the Class Period;
- (ii) such omissions and misrepresentations were material;
- (iii) the securities of the Company traded in an efficient market;
- (iv) the misrepresentations and omissions alleged would tend to induce a reasonable investor to misjudge the value of the Company's securities; and
- (v) plaintiff and the other members of the Class purchased Adelphia securities between the time the defendants failed to disclose or misrepresented material facts and the time the true facts were disclosed, without knowledge of the omitted or misrepresented facts.

24. Based upon the factors set forth in the preceding paragraph, plaintiff and the other members of the Class are entitled to the presumption of reliance upon the integrity of the market.

NO STATUTORY SAFE HARBOR

25. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the false statements pleaded in this Complaint because none of the statements pleaded herein are "forward-looking" statements nor were they identified as "forward-looking statements" when made. Nor did meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in any purportedly forward-looking statements. In the alternative, to the extent that the statutory safe harbor does apply to any statements pleaded herein which are deemed to be forward-looking, defendants are liable for those false forward-looking statements because at the time each of those statements was made the speaker actually knew those forward-looking statement were false and/or the statement was authorized and/or approved by an executive officer of Adelphia who

actually knew that the statements were false when made.

SUBSTANTIVE ALLEGATIONS

Background Summary

26. Adelphia is the sixth largest cable provider in the country. Along with its competitors, Adelphia incurred substantial debt to upgrade its cable lines, enabling it to offer services such as high-speed Internet access, phone service and expanded television channels. The debt burden on Adelphia was even greater due to the facility start-up costs of its majority owned subsidiary, Adelphia Business Solutions (“ABIZ”), a competitive local exchange carrier or CLEC.

27. In late 2000, Adelphia undertook to lower its debt and to curtail the expansion of its ABIZ subsidiary. On December 11, 2000, Adelphia announced it would put \$450 million in equity into its subsidiary, ABIZ. Defendant Timothy Rigas was quoted as saying at a cable conference hosted by UBS Warburg that Adelphia would not provide its telecommunications subsidiary any additional financing for the remainder of 2001. In January 2002, Adelphia spun off ABIZ to Adelphia’s shareholders. On March 27, 2002, ABIZ filed for bankruptcy.

28. On March 27, 2002, Adelphia disclosed not only that it may be liable for \$500 million in unsecured bank borrowings made by ABIZ, but that Adelphia also guaranteed \$2.3 in additional debt which is not reflected on Adelphia’s balance sheet. Specifically, Adelphia guaranteed credit facilities for partnerships and other entities controlled by the Rigas Family. Some of the borrowings were used to purchase Adelphia stock. Then, on April 1, 2002, Adelphia announced it was requesting an extension for additional time to file its Form 10-K with the SEC. The Company reported that the extension was being sought to allow the Company and

its auditors additional time to review certain accounting matters relating to the Company's co-borrowing arrangements with off balance sheet entities set up for the Rigas Family. In response to these negative announcements, the price of Adelpia common stock dropped from \$20.39 per share on March 26, 2002 to \$13.12 per share on April 1, 2002. The price of Adelpia common stock continues to decline. On April 3, 2002, Adelpia reported that the SEC is investigating its debt. The price of Adelpia other securities have also materially declined.

29. It is now apparent that throughout the Class Period, Adelpia issued a series of materially false and misleading statements which misrepresented the Company's financial condition and results because the Company failed to disclose the existence of billions of dollars of off-balance sheet debt. The Company's failure to disclose the existence of this off-balance sheet debt was highly material to investors as the Company effectively concealed the true extent and magnitude of its obligations, understated its debt and overstated its net value.

Class Period Events

30. The Class Period begins on January 19, 2001. On January 19, 2001, Adelpia issued a press release announcing it would sell 17 million Class A shares worth \$750 million and \$750 million of 6% subordinated notes due 2006. In making this announcement, the Company raised from \$885 million to \$1.5 billion, an increase of 69%, the amount it had previously announced on January 7 it planned to issue. In addition, the press release disclosed that the Rigas Family committed to buy 5.82 million of Class B shares, which are not publicly traded, at \$42.96 each, and \$167 million of the 6% subordinated notes convertible into Class B shares at a conversion price of \$55.49 per share, raising an additional \$417 million. The closings on the Rigas Family purchases would occur 270 days after the closing on the public offerings. The

proceeds of these offerings would be used to repay debt. The press release failed to disclose that the Rigas Family purchases would be financed by borrowings co-guaranteed and cross-collateralized by the Company.

31. On February 14, 2001, Adelphia issued a press release stating that the Company would purchase approximately 63.3 million shares of ABIZ for approximately \$461 million pursuant to a rights offering. At December 31, 2000, Adelphia owned 59.4% of the ABIZ outstanding common stock and held 90.6% of the total voting power. After the exercise of its subscription rights in full, Adelphia now owned 79% of ABIZ.

32. On April 2, 2001, Adelphia issued a press release publicly announcing results of operations for the fourth quarter and full year ended December 31, 2000. The Company reported revenues for the fourth quarter of \$804.6 million. The press release further represented that ABIZ had “continued to make further contributions to the Company’s overall financial performance”.

33. On April 2, the Company also filed its Form 10-K. As of December 31, 2000, Adelphia had total outstanding debt of \$12.6 billion, which included \$3,423,640 of parent debt and \$9,179,773 of subsidiary debt. The Form 10-K disclosed:

Adelphia also provides management and consulting services to other partnerships, corporations and limited liability companies engaged in the ownership and operation of cable television systems (the “Managed Entities”). John J. Rigas and members of his immediate family (collectively, the “Rigas family”), including entities they own or control, have controlling ownership interests in these entities. As of December 31, 2000, the broadband networks for cable systems owned by these Rigas family partnerships and corporations passed in front of 262,602 homes and served 193,678 basic subscribers.

In addition, the Form 10-K disclosed that as of March 29, 2001, the Rigas Family owned 100% of all outstanding Class B common stock. Over time, the Company had issued Class B common stock in connection with direct placements with Highland 2000, L.P., a limited partnership owned by the Rigas Family. The Form 10-K was signed by each of the Individual Defendants. The Form 10-K failed to disclose that Adelphia had co-guaranteed and cross-collateralized the debt used to finance these transactions. The statement of outstanding debt was misleading since it did not reflect these off-balance sheet obligations related to the Rigas Family entities.

34. On April 10, 2001, Adelphia was raised to a Strong Buy at Ladenburg Thalmann & Co. On April 16, 2001, Deutsche Banc Alex Brown initiated coverage of Adelphia with a Buy rating. Analyst K. Zia observed that Adelphia “with its recent successful financings, asset sales and more profit-focused approach to ABIZ, combined with prospects of strong cable operating results in 2001, we see the potential for a dynamic near-term turnaround as strong”.

35. On April 18, 2001, Adelphia issued a press release announcing that it intended to offer \$500,000,000,000 aggregate principal amount of 3.25% Convertible Subordinated Notes due 2021 (“3.25% Subordinated Notes”).

36. On April 20, 2001, Adelphia filed a prospectus supplement (the “prospectus supplement”) with the SEC relating to the announced issuance of the 3.25% Subordinated Notes. The prospectus supplement described several placements of securities to Highland 2000, L.P. The prospectus supplement failed to disclose that Adelphia had co-guaranteed and cross-collateralized the debt which was being used to finance the purchase of the 3.25% Subordinate Notes and other securities by Rigas Family entities.

37. On May 14, 2001, Adelphia announced its results of operations for the first

quarter ended March 31, 2001. The Company reported revenues of \$838.2 million for the first quarter of 2001. Defendant Timothy Rigas commented on the financial results, stating in pertinent part as follows:

I am also very pleased to report a dramatic improvement in the EBITDA contribution from our subsidiary, Adelphia Business Solutions. We believe that the March 31, 2001 quarter marks an important inflection point, as it was the first time that Adelphia Business Solutions contributed positively to Adelphia's consolidated EBITDA growth rate. The improvement represented 35% of Adelphia's consolidated revenue growth of 13% and 30% of its consolidated EBITDA growth of 10%. The contributions should continue to accelerate during the remainder of this year and next. This improvement allows us to reiterate Adelphia Business Solutions' goal of becoming EBITDA positive by the December 2001 quarter.

38. On May 15, 2001, Adelphia filed its Form 10-Q for the quarter ended March 31, 2001, with the SEC. The Form 10-Q was signed by Defendant Timothy Rigas. While the Form 10-K disclosed that the Company had entered into a stock purchase agreement and a note purchase agreement on January 17, 2001 and another note purchase agreement on April 19, 2001 with Highland 2000, L.P., an entity controlled by the Rigas Family, to make further direct placements of securities, the Form 10-Q failed to disclose that Adelphia had co-guaranteed and cross-collateralized the debt which was being used to finance these transactions. At March 31, 2001, the Company's total outstanding debt aggregated \$13.6 billion on its balance sheet, however, this statement was misleading since it did not include these other off-balance sheet obligations related to the Rigas Family entities.

39. On June 6, 2001, Adelphia issued a press release announcing that it intended to issue \$400,000,000 aggregate principal amount of Senior Notes due 2011. On the following day,

June 7, 2001, Adelphia issued a press release announcing that it was increasing the offering to \$1 billion from \$400,000,000.

40. On June 29, 2001, Adelphia issued a press release announcing that it had filed a shelf registration statement with the SEC for the issuance of up to \$4.9 billion of securities.

41. On August 14, 2001, Adelphia issued a press release announcing its financial results for the second quarter of 2001, the period ending June 30, 2001. The Company reported revenues of \$893.3 million for the second quarter of 2001.

42. Also on August 14, 2001, Adelphia filed its Form 10-Q for the second quarter of fiscal 2001, the period ending June 30, 2001 with the SEC. The Form 10-Q was signed by the defendant Timothy Rigas. While the Form 10-K disclosed that the Company had entered into a stock purchase agreement and a note purchase agreement on January 17, 2001 and another note purchase agreement on April 19, 2001 with Highland 2000, L.P., an entity controlled by the Rigas Family, to make further direct placements of securities, the Form 10-Q failed to disclose that Adelphia had co-guaranteed and cross-collateralized the debt which was being used to finance these transactions. At June 30, 2001, the Company's total outstanding debt aggregated \$14,407,631 on its balance sheet, however, this statement was misleading since it did not include these other off-balance sheet obligations related to the Rigas Family entities.

43. On September 5, 2001, Adelphia issued a press release in which John Rigas and the Company announced that Adelphia was planning to purchase \$125 million in assets from ABIZ during 2001.

44. On September 28, 2001, Adelphia issued a press release announcing that it closed a \$2.3 billion revolving credit facility.

45. On October 9, 2001, Adelphia issued a press release announcing that it had sold \$500 million of 5 year Senior Notes.

46. On October 23, 2001, Adelphia issued a press release announcing that it had closed on several purchase agreements with the Rigas Family. According to the press release, the Rigas Family had purchased 5.8 million shares of Class B common stock for \$42.96 per share and \$167.4 million aggregate principal amount of 6% Convertible Subordinated Notes due 2006.

47. On November 9, 2001, Adelphia reported its third quarter results. More importantly for investors, Adelphia announced that it would distribute its 79% ownership in ABIZ as a dividend to its shareholders by March 31, 2002.

48. Additionally, on November 9, 2001, Adelphia announced that it had sold 30,000,000 newly issued shares of Class A common stock, at a price of \$21.50 per share. The Company also sold \$300,000,000 in convertible preferred stock. Proceeds of approximately \$907,500,000 from these offerings were used to repay subsidiary bank debt. The Rigas Family also entered into agreements with Adelphia to purchase \$50 million of the Series E preferred stock and 7.5 million shares of Class B common stock. The closings on these Rigas family purchases would raise proceeds of approximately \$202,625,000, and would occur 270 days after closing on the public offerings. The press release failed to disclose that the Rigas Family purchases would be financed by borrowings co-guaranteed and cross-collateralized by the Company.

49. The announcements that Adelphia was taking steps to improve its balance sheet still further and would spin off its investment in ABIZ by the end of the first quarter of 2002 was well received by analysts. Bloomberg News reported on November 10, 2001 that analysts

expected Adelphia to cut debt by as much as \$5.7 billion, or 42% percent, to \$7.8 billion. By spinning off its 79 percent stake in ABIZ, it was also anticipated the Company would pare down debt on its balance sheet by an additional \$1.7 billion.

50. Real Money.com columnist Brett Messing, in a special report to The Street.com on November 20, 2001 focused on Adelphia “as a great balance-sheet improvement play.”

51. On November 28, 2001, a report carried by Bloomberg Business News reported statements made by defendant, John Rigas at the Western Cable Show in Anaheim, California. With respect to the Company’s debt levels, defendant Rigas stated: “We have made a pretty conscious movement to get our leverage back down. That was one of the reasons that we went with the dilution (from the stock sale). As far as the financial world, God bless them. We have been known to borrow money. We absorbed a lot of growth.”

52. Salomon Smith Barney analyst Niraj A. Gupta in a report on Adelphia issued on January 8, 2002 noted:

Although the spin off of ABIZ will not directly impact cable-only leverage, deconsolidation of the ABIZ assets will eliminate the uncertainty regarding the funding of ABIZ, which has been a meaningful overhang on ADLAC shares for quite some time.

53. On January 14, 2002, Adelphia issued a press release that its spinoff of ABIZ to the Company’s shareholders was complete.

54. On January 16, 2002, Adelphia issued a press release that it had issued \$1 billion in equity (40 million shares at \$25.50) and \$500 million in convertible obligations in order to further reduce its leverage.

55. In conjunction with the sale of stock on January 16, 2001, the Company filed a

prospectus supplement with the SEC which failed to disclose the Company's true debt levels.

56. In an analyst report issued by Goldman Sachs on January 16, 2002, the covering analyst observed: "While we believe that shareholders will likely be frustrated by the increased dilution, the impact of this offering on ADLAC's valuation is modest, and ADLAC's balance sheet is significantly enhanced."

THE TRUTH EMERGES

57. Adelphia shocked the market on March 27, 2002, when, during a question and answer period at the end of the Company's fourth quarter earnings conference call, it was revealed for the first time that Adelphia had liability for \$2.3 billion in off-balance sheet debt, in addition to the \$14.6 billion in debt on its balance sheet. This indebtedness was never included on Adelphia's balance sheet and its magnitude had never been previously disclosed.

58. Adelphia confirmed in response to questioning that the assets of these managed entities included 300,000 cable subscribers. Oren Cohen, an analyst with Merrill Lynch Capital Markets, expressed concern that on a per-subscriber basis the debt represented approximately \$7600 per subscriber compared to a conservative market value (in an arm's length sale) of \$5000 per subscriber, resulting in an astonishing debt to value ratio of 152%.

59. Adelphia's response was that these were substantial other assets other than the 300,000 subscribers backing up the off-balance sheet debt, but no further breakout was provided. Timothy Rigas stated "We'll continue to review the level of detail beyond what we've provided today".

60. Other analysts also expressed surprise about the magnitude of the off-balance sheet debt. For example, Goldman Sachs wrote:

We (and investors) were very disappointed with the information revealed yesterday surrounding the ADLAC/Highland Capital Holdings (Rigas Family investment vehicle) co-borrowing (and co-guaranteed) debt arrangement, the manner of disclosure (esp. given the limited disclosures in 10-K's before yesterday's release), and lack of detail surrounding the arrangement and believe until management provides substantially more detail, the stock and management will remain under a cloud.

61. On March 27, 2002, shares of Adelpia closed at \$16.70, down from the previous day's close of \$20.39, by 18%. The shares dropped another 12 percent, or \$1.80 on March 28, 2002 to close at \$14.90.

62. On April 1, 2002, Adelpia issued a press release announcing that the Company and its outside auditors are reviewing the Company's "co-borrowing" arrangements with off balance sheet partnerships set up with members of its controlling shareholders. The press release also disclosed that the Company was seeking extra time from the SEC to file its year-end reports while the review is completed. Adelpia said the review is aimed at "providing additional clarification" of the partnerships.

63. On April 1, 2002, The Wall Street Journal reported that Adelpia is expected to disclose that the value of the Rigas Family managed entities' assets won't cover the recently disclosed \$2.3 billion in debt. In order to find a solution, sources say Adelpia is studying a sale of assets. "They have lost a material amount of credibility in the marketplace and they'll have a hard time accessing capital or accessing it at a price they're used to getting," said Russell Solomon, a senior vice president at Moody's Investors Service Inc. The article also reported that Mr. Solomon said he had spoken to more than 100 institutional investors, many of whom were upset with Adelpia's lack of disclosure.

64. On April 1, 2002, the price of Adelphia stock continued to decline and closed at \$13.12.

65. On April 3, 2002, Adelphia issued a press release stating the SEC is conducting an informal investigation and had requested information related to the debt.

66. Adelphia stock had been trading in an open, well-developed and efficient market at all times during the Class Period. As a result of the defendants' materially false and misleading statements and failures to disclose as set forth herein, the Company's stock traded at artificially inflated prices during the Class Period.

67. The SEC requires that publicly-traded companies present their financial statements in accordance with GAAP. 17 C.F.R. §210.4-01(a)(1). Financial statements filed with the SEC which are not prepared in accordance with GAAP "will be presumed to be misleading or inaccurate, despite footnote or other disclosures, unless the Commission has otherwise provided." 17 C.F.R. §210.4-01(a)(1).

68. The defendants violated the following GAAP principles, among others:

- a. the principles that the financial information presented should be complete. (See APB No. 4, ¶¶28, 35, 88, 171);
- b. the principle of fair presentation ("presents fairly"). (See APB No. 4, ¶¶109, 138, 189);
- c. the principle of adequacy and fairness of disclosure. (See APB No. 4, ¶¶81, 106, 189, 199); and
- d. the principle of materiality concerning information that is significant enough to affect evaluations or decisions. (See APB No. 4, ¶¶25, 128).

69. During the Class Period, Adelphia materially misled the investing public

thereby inflating the price of Adelphia's securities by publicly issuing false and misleading statements and omitting to disclose material facts necessary to make Adelphia's statements, as set forth herein not false and misleading. Throughout the Class Period, each defendant knew or recklessly disregarded that Adelphia's true financial condition were not as represented in those reports, releases and statements, because in order to generate the appearance of a healthy balance sheet, prospering performance and favorable financial results, defendants had to, and did, violate GAAP. As a result of these false and misleading statements, the Company's shares were traded at artificially inflated prices, causing damage to plaintiff and the other members of the Class when the Company revealed that the Company was liable for significant off-balance sheet debt.

SCIENTER ALLEGATIONS

70. The facts alleged herein, compel a strong inference that the Individual Defendants made material false and misleading statements to the investing public with scienter in that the Individual Defendants knew that the public statements issued or disseminated in the name of the Company were materially false and misleading; knew or recklessly disregarded that such statements would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements as primary violators of the federal securities laws. In addition, the Individual Defendants were personally motivated to conceal the Company's true debt level in order to enable Adelphia to sell hundreds and millions of dollars worth of securities to the market on terms more favorable than they otherwise would have received had the truth been known.

COUNT I

(VIOLATION OF SECTION 10(b) OF THE EXCHANGE ACT AND RULE 10b-5 BROUGHT AGAINST ALL DEFENDANTS)

71. Plaintiff repeats and realleges each and every allegation contained in the foregoing paragraphs as if fully set forth herein.

72. During the Class Period, defendants directly engaged in a common plan, scheme, and unlawful course of conduct, pursuant to which it knowingly or recklessly engaged in acts, transactions, practices, and courses of business which operated as a fraud and deceit upon plaintiff and the other members of the Class, and made various deceptive and untrue statements of material facts and omitted to state material facts in order to make the statements made, in light of the circumstances under which they were made, not misleading to plaintiff and the other members of the Class. The purpose and effect of the scheme, plan, and unlawful course of conduct was, among other things, to deceive the investing public, including plaintiff and the other members of the Class, and to induce plaintiff and the other members of the Class to purchase Adelphia securities during the Class Period at artificially inflated prices.

73. During the Class Period, the defendants, pursuant to said scheme, plan, and unlawful course of conduct, knowingly and/or recklessly issued, caused to be issued, participated in the issuance of, the preparation and/or issuance of deceptive and materially false and misleading statements to the investing public as particularized above.

74. As a result of the defendants' dissemination of and/or failure to correct the false and misleading statements set forth above, the market price of Adelphia securities was artificially inflated during the Class Period. Unaware of the false and misleading nature of the statements

described above and the deceptive and manipulative devices and contrivances employed by the defendants. plaintiff and the other members of the Class relied, to their detriment, on the integrity of the market price of the stock in purchasing Adelphia securities. Had plaintiff and the other members of the Class known the truth, they would not have purchased Adelphia securities or would not have purchased them at the inflated prices that they did.

75. Plaintiff and the other members of the Class have suffered damages as a result of the wrongs herein alleged in an amount to be proved at trial.

76. By reason of the foregoing, the defendants have violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder and are liable to plaintiff and the other members of the Class for damages which they suffered in connection with their purchases of Adelphia securities during the Class Period.

COUNT II

(VIOLATION OF SECTION 20(a) OF THE EXCHANGE ACT BROUGHT AGAINST THE INDIVIDUAL DEFENDANTS)

77. Plaintiff repeats and realleges each and every allegation contained in each of the foregoing paragraphs as if set forth fully herein.

78. The Individual Defendants acted as controlling persons of the Company within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions, and active participation in and/or awareness of the Company's day-to-day operations, each Individual Defendant had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements and SEC filings that plaintiff alleges are false and

misleading. The Individual Defendants were provided with, or had unlimited access to copies of the Company's reports, press releases, public filings and other statements alleged herein to be misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

79. In particular, the Individual Defendants had direct and supervisory involvement in the day-to-day operations of the Company and, therefore, are presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

80. By virtue of their positions as controlling persons, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of the wrongful conduct, plaintiff and the other members of the Class suffered damages in connection with their purchases of the Company's securities during the Class Period.

WHEREFORE, plaintiff, on its behalf and on behalf of the Class, prays for judgment as follows:

A. Declaring this action to be a proper class action and certifying plaintiff as class representative under Rule 23 of the Federal Rules of Civil Procedure;

B. Awarding monetary damages against all of the defendants, jointly and severally, in favor of plaintiff and the other members of the Class for all losses and damages suffered as a result of the wrongdoings alleged herein, including punitive damages where appropriate, together with interest thereon;

C. Awarding plaintiff the fees and expenses incurred in this action, including reasonable allowance of fees for plaintiff's attorneys and experts;

D. Granting plaintiff and the other members of the Class such other and further relief as the Court may deem just and proper.

JURY DEMAND

Plaintiff hereby demands a trial by jury.

Dated: April 4, 2002

BERGER & MONTAGUE, P.C.

By: _____
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