

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

BARRY GOLDMAN, Individually And On Behalf
of All Others Similarly Situated,

Plaintiff,

vs.

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

Defendants.

CIVIL ACTION NO. _____

**CLASS ACTION COMPLAINT FOR
VIOLATIONS OF FEDERAL
SECURITIES LAWS**

JURY TRIAL DEMANDED

Plaintiff has alleged the following based upon the investigation of plaintiff's counsel, which included a review of United States Securities and Exchange Commission ("SEC") filings by Adelpia

Communications Corporation ("Adelpia" or the "Company"), as well as regulatory filings and reports, securities analysts' reports and advisories about the Company, press releases and other public statements issued by the Company, and media reports about the Company, and plaintiff believes that substantial additional evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

NATURE OF THE ACTION

1. This is a federal securities class action on behalf of purchasers of the securities of Adelphia between April 2, 2001 and April 1, 2002, inclusive (the "Class Period"), seeking to pursue remedies under the Securities Exchange Act of 1934 (the "Exchange Act").

2. The Company owns and operates cable television systems and local telephone operations in suburban areas of large and medium-sized cities in the United States. Adelphia's operations consist of providing telecommunications services primarily over its broadband networks.

3. Throughout the Class Period, Adelphia reported strong financial results and continues growth of its broadband network. All along, however, Adelphia failed to disclose more than \$2.284 billion dollars in off-balance sheet debt in connection with a co-borrowing arrangement with certain managed entities.

4. On March 27, 2002 Adelphia disclosed that certain managed entities had borrowed \$2.284 billion against credit facilities that were co-guaranteed by Adelphia, but that the potential liabilities were not included in the Company's consolidated balance sheet for the period ending December 31, 2001.

5. The Company further shocked the investment community by revealing during a conference call with Wall Street analysts on March 27, 2002 that some of the proceeds borrowed by the managed entities were advances to the Rigas family – Adelphia's founders and majority shareholders – which used the proceeds to purchase securities from Adelphia.

6. Moreover, the Company also revealed that it might have to repay \$500 million in unsecured bank debt of Adelphia Business Solutions, Inc. (“Adelphia Business”), which Adelphia has guaranteed, and which filed for bankruptcy protection under Chapter 11 on March 27, 2002.

7. On April 1, 2002, Adelphia issued a press release announcing it was delaying the release of its 2001 year-end results “to review certain accounting matters relating to co-borrowing credit facilities which Adelphia is a party to.” Adelphia’s common stock close at \$11.83 on April 2, 2002.

JURISDICTION AND VENUE

1. The claims asserted herein arise under and pursuant to Sections 10(b) and 20(a) of the Exchange Act [15 U.S.C. §§ 78j(b) and 78t(a)] and Rule 10b-5 promulgated thereunder by the Securities and Exchange Commission ("SEC") [17 C.F.R. § 240.10b-5].

1. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §§ 1331 and 1337 and Section 27 of the Exchange Act [15 U.S.C. § 78aa].

2. Venue is proper in this District pursuant to Section 27 of the Exchange Act, and 28 U.S.C. § 1391(b). Many of the acts and practices complained of herein occurred in substantial part in this District.

3. In connection with the acts alleged in this complaint, defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mails, interstate telephone communications and the facilities of the national securities markets.

PARTIES

1. Plaintiff Barry Goldman, as set forth in the attached certification, purchased the securities of Adelphia at artificially inflated prices during the Class Period and has been damaged thereby.

2. Defendant Adelphia is a Delaware corporation with its principle executive offices located at One North Main Street, Coudersport, PA 16915. Adelphia operates in the telecommunications industry with cable television and local telephone operations.

3. Defendant John J. Rigas served as the Company's Chairman, President and CEO at all times relevant to this action. John Rigas is the founder of Adelphia and his family (the "Rigas Family") maintains a controlling position in the Company.

4. Defendant Timothy Rigas served as the Company's Chief Financial Officer, Executive Vice President and Treasurer at all times relevant to this action.

5. Defendants James P. Rigas is Executive Vice President of Strategic Planning and a director of Adelphia. He also serves as Vice Chairman, President, Chief Executive Officers, Chief Operating Officer, and a director of Adelphia Business. James P. Rigas signed the Company's year-end reports filed with the SEC during the Class Period.

6. Defendant Michael J. Rigas is Executive Vice President of Operations and a director of Adelphia. He also served as Vice Chairman, Secretary, and a director of Adelphia Business. Michael J. Rigas signed the Company's year-end reports filed with the SEC during the Class Period.

7. The defendants referenced above in ¶¶ 14 and 17 are referred to herein as the "Individual Defendants."

8. Because of the Individual Defendants' positions with the Company, they had access to the adverse undisclosed information about its business, operations, products, operational trends, financial statements, markets and present and future business prospects via access to internal corporate documents (including the Company's operating plans, budgets and forecasts and reports of actual operations compared thereto), conversations and connections with other corporate officers and employees, attendance at management and Board of Directors meetings and committees thereof and via reports and other information provided to them in connection therewith.

9. It is appropriate to treat the Individual Defendants as a group for pleading purposes and to presume that the false, misleading and incomplete information conveyed in the Company's public filings, press releases and other publications as alleged herein are the collective actions of the narrowly defined group of defendants identified above. Each of the above officers of Adelphia, by virtue of their high-level positions with the Company, directly participated in the management of the Company, was directly involved in the day-to-day operations of the Company at the highest levels and was privy

to confidential proprietary information concerning the Company and its business, operations, products, growth, financial statements, and financial condition, as alleged herein. Said defendants were involved in drafting, producing, reviewing and/or disseminating the false and misleading statements and information alleged herein, were aware, or recklessly disregarded, that the false and misleading statements were being issued regarding the Company, and approved or ratified these statements, in violation of the federal securities laws.

10. As officers and controlling persons of a publicly-held company whose common stock was, and is, registered with the SEC pursuant to the Exchange Act, and was traded on the NASDAQ National Market (the "NASDAQ"), and governed by the provisions of the federal securities laws, the Individual Defendants each had a duty to disseminate promptly, accurate and truthful information with respect to the Company's financial condition and performance, growth, operations, financial statements, business, products, markets, management, earnings and present and future business prospects, and to correct any previously-issued statements that had become materially misleading or untrue, so that the market price of the Company's publicly-traded securities would be based upon truthful and accurate information. The Individual Defendants' misrepresentations and omissions during the Class Period violated these specific requirements and obligations.

11. The Individual Defendants participated in the drafting, preparation, and/or approval of the various public and shareholder and investor reports and other

communications complained of herein and were aware of, or recklessly disregarded, the misstatements contained therein and omissions therefrom, and were aware of their materially false and misleading nature. Because of their Board membership and/or executive and managerial positions with Adelphia, each of the Individual Defendants had access to the adverse undisclosed information about Adelphia's business prospects and financial condition and performance as particularized herein and knew (or recklessly disregarded) that these adverse facts rendered the positive representations made by or about Adelphia and its business issued or adopted by the Company materially false and misleading.

12. The Individual Defendants, because of their positions of control and authority as officers and/or directors of the Company, were able to and did control the content of the various SEC filings, press releases and other public statements pertaining to the Company during the Class Period. Each Individual Defendant was provided with copies of the documents alleged herein to be misleading prior to or shortly after their issuance and/or had the ability and/or opportunity to prevent their issuance or cause them to be corrected. Accordingly, each of the Individual Defendants is responsible for the accuracy of the public reports and releases detailed herein and are therefore primarily liable for the representations contained therein.

13. Each of the defendants is liable as a participant in a fraudulent scheme and course of business that operated as a fraud or deceit on purchasers of Adelphia common stock by disseminating materially false and misleading statements

and/or concealing material adverse facts. The scheme: (I) deceived the investing public regarding Adelpia's business, operations, management and the intrinsic value of Adelpia shares; and (ii) caused plaintiff and other members of the Class to purchase Adelpia securities at artificially inflated prices.

PLAINTIFF'S CLASS ACTION ALLEGATIONS

14. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased or otherwise acquired the securities of Adelpia between April 2, 2001, and April 1, 2002, inclusive (the "Class Period") and who were damaged thereby. Excluded from the Class are defendants, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which defendants have or had a controlling interest.

15. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, Adelpia securities were actively traded on the NASDAQ. While the exact number of Class members is unknown to plaintiff at this time and can only be ascertained through appropriate discovery, plaintiff believes that there are hundreds if not thousands of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by Adelpia or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities

class actions. As of January 16, 2002, the Company had over 186 million shares of common stock outstanding.

16. Plaintiff's claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by defendants' wrongful conduct in violation of federal law that is complained of herein.

17. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation.

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

(a) whether the federal securities laws were violated by defendants' acts as alleged herein;

(b) whether statements made by defendants to the investing public during the Class Period misrepresented material facts about the business, operations and management of Adelpia; and

(c) to what extent the members of the Class have sustained damages and the proper measure of damages.

19. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may

be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

SUBSTANTIVE ALLEGATIONS

Background Facts

20. John J. Rigas, Adelphia's founder, and his three sons (collectively the "Rigas family" is the controlling shareholders of Adelphia and hold approximately 91.3% of the Company's voting power. Each of John J. Rigas' three sons is a director and executive of the Company.

21. The Rigas family also has controlling ownership interests in Managed Entities. Managed Entities are cable systems owed by the Rigas family and managed by Adelphia. Adelphia provides management and consulting services to these privately held partnerships, corporations, and limited liability companies which, in turn, pay fees to Adelphia and reimburse Adelphia for allocated corporate and administrative costs. Thus, the Rigas family controls both Adelphia and the Managed Entities.

22. Adelphia and the Managed Entities have entered into co-borrowing arrangements, whereby either entity can borrow up to a total of \$5.6 billion, with both entities liable for the borrowing made by either under the arrangement.

23. Adelphia operates in the telecommunications industry specifically in cable television and local telephone operations. As of December 31, 2000, Adelphia owned or managed cable television systems with broadband networks that could

broadcast to more than nine million homes and served approximately 5.7 million basic subscribers. Prior to and throughout much of the Class Period, Adelphia provided telecommunications services through its subsidiary Adelphia Business Solutions, Inc.

24. In January 2002, Adelphia spun-off Adelphia Business to its shareholders. Prior to that spin-off, Adelphia owned approximately 79 % of Adelphia Business. On March 27, 2002, Adelphia Business announced that it was filing for bankruptcy.

25. On March 27, 2002, Adelphia shocked the market when, in conjunction with its announcement of its financial results for the fourth quarter of 2001 and the full fiscal year, the Company revealed during a conference call that it had \$2.3 billion of off-balance sheet debt. Specifically, Adelphia guaranteed credit facilities for a closely-held partnership named Highland Holdings, which is controlled by the Rigas Family, and which used the money, in substantial part, to purchase securities from Adelphia. Adelphia also revealed that it might be liable for \$500 million in bank loans secured by Adelphia Business. Then, on April 1, 2002, Adelphia announced that it was requesting an extension to file its Annual Report on Form 10-K with the SEC. The Company reported that the extension was being sought to allow the Company and its outside auditors additional time to review certain accounting matters relating to co-borrowing credit facilities, which Adelphia is a party. In response to these negative announcements, the price of Adelphia common stock dropped from \$20.39 per share on

March 26, 2002, to \$13.12 per share on April 1, 2002. In addition, the price of Adelphia debt securities materially declined.

26. It is now readily apparent that throughout the Class Period, Adelphia 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 related to Highland. The Company's failure to disclose the existence of the off-balance sheet debt was highly material to investors as the Company effectively concealed its substantial borrowings and drastically understated its debt levels.

**Materially False And Misleading
Statements Issued During The Class Period**

27. The Class Period begins on April 2, 2001. On that date, Adelphia issued a press release announcing its financial results for the fourth quarter and full year of fiscal 2000. The Company reported revenues of \$804.6 million for the fourth quarter. The press release further represented that Adelphia Business had "continued to make significant contributions to the Company's overall financial performance." Defendant Timothy Rigas commented on the results stating in pertinent part as follows:

The year 2000 demonstrated continued success in both our cable and telephone subsidiaries. The combined financial results of our cable operations and Adelphia Business Solutions' original markets were impressive. Together these operations delivered pro forma revenue and EBITDA growth of 12.5% and 13.9%, respectively.

We were pleased with the dramatic acceleration of our new cable product roll-outs. During the December quarter, we added over 380,000 digital cable subscribers, averaging approximately 32,000

adds per week, bringing our total at quarter end to over 900,000 customers. This significantly exceeded our previously stated goal of ending the year with 800,000 digital cable subscribers. We are happy with the current incremental revenues generated by the digital video services. We are even more excited about the long-term revenue opportunities for interactive television and video-on-demand services afforded Adelphia through its extensive and growing digital deployment. We also succeeded in achieving our annual goals for deployment of high-speed data services. As we gain additional experience with the high-speed data product and continue to open new plant for the services, our weekly sales rate is ramping significantly. In recent weeks we have been adding up to 4,500 new high-speed data customers per week, which puts us slightly ahead of our goals for 2001. The huge gains in the digital deployment and data ramp rates were driven in part by higher than typical marketing expenditures during the December 2000 quarter. These extra marketing expenditures depressed margins for the fourth quarter.

Looking ahead to 2001, we expect to increase data subscribers by 225,000 and to end the year 2001 with at least 1,600,000 digital subscribers. We also expect to increase basic subscribers by 1.5% to 1.9% for the year. While we expect full year EBITDA margins to equal full year 2000 EBITDA margins, programming price increases during the first quarter of 2001 combined with marketing and other expenses associated with the new product rollouts may keep our EBITDA margins under pressure during the first quarter of the year. Achieving these goals, combined with price increases scheduled to take place primarily during the second quarter of 2001, is expected to result in revenue and EBITDA growth in the range of 11% to 12.5% for the full year 2001.

28. On April 2, 2001, the Company filed its Annual Report on Form 10-K with the SEC for the period ended December 31, 2000 (the "2000 10-K"), reporting essentially the same results reported in the April 2, 2001 press release. The Individual Defendants each signed the 2000 10-K.

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

30. On April 20, 2001, Adelphia filed a prospectus supplement (the "Prospectus Supplement") with the SEC relating to the issuance of the 3.25% Subordinated Notes. The Prospectus Supplement described several placements of securities to Highland without disclosing that the Company had guaranteed Highland's credit facilities.

31. On May 14, 2001, Adelphia issued a press release announcing its financial results for the first quarter of 2001, the period ending March 31, 2001. The Company reported revenues of \$838.2 million for the first quarter of 2001. Defendant Rigas commented on the financial results, stating in pertinent part as follows:

In the first quarter, Adelphia's cable operations experienced continued success in rolling out our digital cable and high speed cable modem products. During the March quarter, we added over 300,000 digital cable subscribers, averaging approximately 23,000 adds per week, bringing our total quarter at quarter end to over 1,200,000. This is well in line with our year-end goal of achieving 1,600,000 digital cable subscribers. We also added nearly 50,000 cable modem customers during the quarter, which also keeps us on pace to reach our goal of adding 225,000 high speed cable modem customers during the year. . . 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%. These 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.

32. On May 15, 2001, Adelphia filed its Form 10-Q for the first quarter of fiscal 2001, the period ending March 31, 2001, with the SEC, which was signed by defendant Timothy Rigas. The Form 10-Q failed to disclose the billions of dollars of off-balance sheet debt for which Adelphia was responsible.

33. 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. Then, on June 7, 2001, Adelphia issued a press release announcing that it had increased the offering to \$1 billion.

34. 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.

35. 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, which was signed by defendant Timothy Rigas. The Form 10-Q failed to disclose the billions of dollars of off-balance sheet debt for which Adelphia was responsible.

36. Also, 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. Defendant Timothy Rigas commented on the results, stating in pertinent part as follows:

In the second quarter, we continued our successful deployment of new services including the roll-out of our digital cable and high-speed cable modem products... As we continue to open a new plant for this service, we expect our weekly sales rate to continue to ramp throughout the remainder of the year.

37. On August 14, 2001, the Company filed with the SEC its Quarterly report on Form 10-Q for the period ended June 30, 2001 (the "Second Quarter 2001 10-Q"), reporting essentially the same results reported in the August 14, 2001 press release. Defendant Timothy J. Rigas signed the Second Quarter 2001 10-Q.

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

39. On October 9, 2001, Adelphia issued a press release announcing that it had sold \$500 million of five-year senior notes.

40. On October 23, 2001, Adelphia issued a press release announcing that it had closed "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.

41. On November 9, 2001, Adelphia filed its Form 10-Q for the third quarter of fiscal 2001, the period ending September 30, 2001, which was signed by defendant Timothy Rigas. The Form 10-Q failed to disclose the billions of dollars of off-balance sheet debt for which Adelphia was responsible.

42. Also on November 9, 2001, Adelphia issued a press release announcing that it had sold 30 million newly-issued shares of Class A common stock to the public at \$21.50 per share and that it had increased the size of its mandatory convertible preferred stock offering from \$125 million to \$300 million. In connection with the stock sale, the Company filed a prospectus supplement with the SEC, which failed to reveal the Company's true debt level. In addition, the press release indicated that the Rigas Family had agreed with Adelphia to purchase \$50 million face amount of Series E preferred stock and 7.5 million shares of Class B common stock.

43. On November 9, 2001, Adelphia issued a press release announcing its financial results for the third quarter of 2001, the period ending September 30, 2001. The Company reported revenues of \$898.6 million. The press release also represented that Adelphia's Board of Directors had authorized in principle the distribution of Adelphia's equity interests in Adelphia Business to Adelphia's shareholders.

44. On November 9, 2001, the Company filed with the SEC its Quarterly Report on Form 10-Q for the period ended September 30, 2001 (the "Third Quarter 2001 10-Q"), reporting essentially the same results reported in the November 9, 2001 press release. Defendant Timothy J. Rigas signed the Third Quarter 2001 10-Q.

45. Defendants' statements above were materially false and misleading when made because:

(a) The Company failed to disclose \$2.284 billion in off-balance sheet debt in connection with co-borrowing arrangements backed by managed entities controlled by the Rigas family.

(b) The Company failed to disclose that as much as \$1 billion borrowed by these entities were advanced to the Rigas family partnerships, which used the proceeds to purchase securities from Adelphia. As a result, no real equity was created.

(c) Inclusion of this debt in the Company's balance sheet would have decreased Adelphia's net worth and reduced the Company's earnings.

(d) Inclusion of this debt in the Company's balance sheet would have potentially violated the Company's debt covenants, negatively affected the Company's corporate credit rating, and increased borrowing costs and restricted the Company's ability to borrow.

(e) The Company failed to disclose what assets, in addition to 300,000 of its cable subscribers, are backing up this debt. As a result, the debt may be under collateralized.

1. On November 28, 2001, a report carried by Bloomberg Business News repeated statements made by defendant John Rigas at the Western Cable Show in Anaheim, California. With respect to the Company's debt levels, defendant John 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.

2. On December 26, 2001, Adelphia issued a press release announcing that it would be spinning-off Adelphia Business via a stock dividend to Adelphia shareholders on or about January 11, 2002. Then on January 14, 2002, Adelphia issued a press release announcing that it had completed the spin-off.

3. On January 17, 2001, Adelphia again sold securities to the public – selling 40 million Class A common shares for \$25.50 each and \$500 million in convertible preferred stock. Again, the Company filed a prospectus supplement with the SEC which failed to disclose the Company's true debt levels.

The Truth Begins To Emerge

4. On March 27, 2002, Adelphia shocked the market when, in conjunction with its announcement of its financial results for the fourth quarter of 2001 and the full fiscal year, the Company revealed during a conference call that it had \$2.3 billion of off-balance sheet debt. Specifically, Adelphia guaranteed credit facilities for a closely-held partnership named Highland Holdings, which is controlled by the Rigas Family, and which used the money, in substantial part, to purchase securities from Adelphia. Adelphia also revealed that Adelphia Business had filed for bankruptcy and that it may be liable for \$500 million in bank loans secured by Adelphia Business. In a footnote near the end of Adelphia's press release announcing forth quarter and year-end results for 2001, the Company reported:

Certain subsidiaries of the Company are co-borrowers with certain companies owned by the Rigas Family and managed by the Company (“Managed Entities”) for borrowing amounts up to \$5,630,000. Each of the co-borrowers is liable for all borrowing under the credit facilities and may borrow up to the full amount of the facilities. Amounts borrowed under these facilities by the Company’s subsidiaries are included as debt on the Company’s consolidated balance sheet. Amounts borrowed by Managed Entities under the facilities are not included on the Company’s consolidated balance sheet. The Company expects the Managed Entities to repay their borrowings in the ordinary course. The Company does not expect that it will need to repay the amounts borrowed by the Managed Entities. As of December 31, 2001, co-borrowing credit facilities balances, net of amounts otherwise reflected as debt on the Company’s consolidated balance sheets, totaled approximately \$2,284,000. The related maturities of these amounts are as follows: approximately \$0 in 2002, \$26,0900 in 2003 to 2005, \$519,000 in 2006 and \$1,739,000 thereafter.

(emphasis added).

5. The Company further shocked the investment community during a conference call with Wall Street analysts on March 27, 2002. Specifically, defendant Timothy Rigas revealed that some of the proceeds borrowed by the Managed Entities “were advanced to the Rigas family partnership, which used the proceeds to purchase various securities from Adelpia.”

6. An article in The Street.com on March 27, 2002 quoted a fund manager as stating “Adelpia is further encumbering their assets to lend money to a purchaser of Adelpia equity. . .[i]t’s smoke and mirrors. No real equity was created.”

7. On March 28, 2002, The New York Times reported that the Rigas family appears to have borrowed \$1 billion or more in loans guaranteed by the Company and used the money to purchase Adelpia stock and bonds.

8. Furthermore, the Company filed a Form 8-K with the SEC on March 28, 2002, relating to the bankruptcy filing of Adelpia Business. Specifically, the Company revealed that it might be liable to repay \$500 million in borrowings by Adelpia Business under a joint credit facility whereby the Company guaranteed the borrowings of Adelpia Business. In addition, the Company revealed that it had given Adelpia Business \$36.8 million on an unsecured basis prior to the bankruptcy filing and may be unable to recover that debt.

9. Moreover, an article in the Wall Street Journal on March 29, 2002 raised concerns regarding collateral for the \$2.284 billion debt. The article reported that Highland Holdings, which owns 300,000 subscribers, is not sufficient to cover the debt. As such, the Company has not disclosed the collateral for a significant portion of the debt.

10. Then, on April 1, 2002, Adelpia announced that it was requesting an extension to file its Annual Report on Form 10-K with the SEC. The Company reported that the extension was being sought to allow the Company and its outside auditors additional time to review certain accounting matters relating to co-borrowing credit facilities, which Adelpia is a party.

11. 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's debt securities also materially dropped.

12. The market for Adelphia's securities was open, well-developed and efficient at all relevant times. As a result of these materially false and misleading statements and failures to disclose, Adelphia's common stock traded at artificially inflated prices during the Class Period. Plaintiff and other members of the Class purchased or otherwise acquired Adelphia securities relying upon the integrity of the market price of Adelphia's securities and market information relating to Adelphia, and have been damaged thereby.

13. During the Class Period, defendants materially misled the investing public, thereby inflating the price of Adelphia's common stock, by publicly issuing false and misleading statements and omitting to disclose material facts necessary to make defendants' statements, as set forth herein, not false and misleading. Said statements and omissions were materially false and misleading in that they failed to disclose material adverse information and misrepresented the truth about the Company, its business and operations, as alleged herein.

14. At all relevant times, the material misrepresentations and omissions particularized in this Complaint directly or proximately caused or were a substantial contributing cause of the damages sustained by plaintiff and other members of the Class. As described herein, during the Class Period, defendants made or caused to be made a series of materially false or misleading statements about Adelphia's business, prospects and operations. These material misstatements and omissions had the cause and effect of creating in the market an unrealistically positive assessment of Adelphia and its business,

prospects and operations, thus causing the Company's securities to be overvalued and artificially inflated at all relevant times. Defendants' materially false and misleading statements during the Class Period resulted in plaintiff and other members of the Class purchasing the Company's securities at artificially inflated prices, thus causing the damages complained of herein.

Additional Scierter Allegations

15. As alleged herein, defendants acted with scienter in that defendants knew that the public documents and statements issued or disseminated in the name of the Company were materially false and misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws. As set forth elsewhere herein in detail, defendants, by virtue of their receipt of information reflecting the true facts regarding Adelphia, their control over, and/or receipt and/or modification of Adelphia's allegedly materially misleading misstatements and/or their associations with the Company which made them privy to confidential proprietary information concerning Adelphia, participated in the fraudulent scheme alleged herein.

16. Moreover, defendants were motivated to conceal the Company's true debt level in order to enable Adelphia to sell hundreds of millions of dollars worth of securities to the market on terms more favorable than they otherwise would have received had the truth been known by the public.

17. The financial statements and related press releases by the Company identified above were materially false and misleading when made. The Company has been forced to restate its financial results during the Class Period because, contrary to its earlier statements, those results did not comply with GAAP.

18. 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 that 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-(a)(1).

19. Defendants’ failure to disclose the \$2.284 billion off-balance sheet debt in connection with co-borrowing arrangements with managed entities violated, inter alia, the following GAAP principles:

(a) the principle that a conservative approach be taken providing early recognition of unfavorable events and minimizing the amount of income reported. (See Statement No. 4 of the Accounting Principles Board (“APB Nos”) at 4 ¶¶ 28, 35, 171);

(b) the principle that the financial information presented should be complete. (See APB No. 4, ¶¶ 28, 35, 88, 171);

(c) the principle of fair presentation (“presents fairly”).
(See AFB No. 4, ¶¶ 109, 138, 189);

(d) the principle of adequacy and fairness disclosure.
(See APB No. 4 ¶¶ 81, 106, 189, 199);

(e) the principle of materiality concerning information that is significant enough to affect evaluations or decisions. (See APB No. 4, ¶¶ 25, 128);

(f) the principle that the substance of transactions rather than form should be reflected. (See AFB No. 4, ¶¶ 25, 35, 127);

(g) the principle that the financial statements contain and disclose relevant, understandable, and timely information for the economic decisions of the user. (See AFB No. 4 ¶¶ 23, 88, 89, 92);

(h) the principle that financial statements provided reliable financial information about the enterprise for the economic decisions of the user. (See APB No. 4, ¶¶ 77, 78, 107, 108); and

(i) the principle that a restatement of a previously issued financial statement is allowed only when there was a material error, oversight or misuse of facts that existed at the time the financial statements were prepared. (See AFB No. 20, ¶¶ 13, 74; FASB Statement of Concepts No. 16).

Applicability Of Presumption Of Reliance: Fraud On The Market Doctrine

1. At all relevant times, the market for Adelphia's securities was an efficient market for the following reasons, among others:

(a) Adelphia's stock met the requirements for listing, and was listed and actively traded on the NASDAQ, a highly efficient and automated market;

(b) As a regulated issuer, Adelphia filed periodic public reports with the SEC and the NASD;

(c) Adelphia regularly communicated with public investors via established market communication mechanisms, including through regular disseminations of press releases on the national circuits of major newswire services and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services; and

(d) Adelphia was followed by several securities analysts employed by major brokerage firms who wrote reports, which were distributed to the sales force and certain customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace.

2. As a result of the foregoing, the market for Adelphia's securities promptly digested current information regarding Adelphia from all publicly available sources and reflected such information in Adelphia's stock price. Under these circumstances, all purchasers of Adelphia's securities during the Class Period suffered similar injury through their purchase of Adelphia's securities at artificially inflated prices and a presumption of reliance applies.

NO SAFE HARBOR

3. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this complaint. Many of the specific statements pleaded herein were not identified as "forward-looking statements" when made. To the extent there were any forward-looking statements, there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. Alternatively, to the extent that the statutory safe harbor does apply to any forward-looking statements pleaded herein, defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements was made, the particular speaker knew that the particular forward-looking statement was false, and/or the forward-looking statement was authorized and/or approved by an executive officer of Adelphia who knew that those statements were false when made.

FIRST CLAIM

Violation Of Section 10(b) Of The Exchange Act And Rule 10b-5 Promulgated Thereunder Against All Defendants

4. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

5. During the Class Period, defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (I) deceive the investing public, including plaintiff and other Class members, as alleged herein; and (ii) cause plaintiff and other members of the Class to purchase Adelpia's securities at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, defendants, and each of them, took the actions set forth herein.

6. Defendants (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (c) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon the purchasers of the Company's securities in an effort to maintain artificially high market prices for Adelpia's securities in violation of Section 10(b) of the Exchange Act and Rule 10b-5. All defendants are sued either as primary participants in the wrongful and illegal conduct charged herein or as controlling persons as alleged below.

7. Defendants, individually and in concert, directly and indirectly, by the use, means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about the business, operations and future prospects of Adelpia as identified herein.

8. These defendants employed devices, schemes and artifices to defraud, while in possession of material adverse non-public information and engaged in acts, practices, and a course of conduct as alleged herein in an effort to assure investors of Adelpia's value and performance and continued substantial growth, which included the making of, or the participation in the making of, untrue statements of material facts and omitting to state material facts necessary in order to make the statements made about Adelpia and its business operations and future prospects in the light of the circumstances under which they were made, not misleading, as set forth more particularly herein, and engaged in transactions, practices and a course of business which operated as a fraud and deceit upon the purchasers of Adelpia securities during the Class Period.

9. Each of the Individual Defendants' primary liability, and control person liability, arises from the following facts: (i) the Individual Defendants were high-level executives and/or directors at the Company during the Class Period and members of the Company's management team or had control thereof; (ii) each of these defendants, by virtue of his responsibilities and activities as a senior officer and/or director of the Company was privy to and participated in the creation, development and reporting of the

Company's internal budgets, plans, projections and/or reports; (iii) each of these defendants enjoyed significant personal contact and familiarity with the other defendants and was advised of and had access to other members of the Company's management team, internal reports and other data and information about the Company's finances, operations, and sales at all relevant times; and (iv) each of these defendants was aware of the Company's dissemination of information to the investing public which they knew or recklessly disregarded was materially false and misleading.

10. The defendants had actual knowledge of the misrepresentations and omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were available to them. Such defendants' material misrepresentations and/or omissions were done knowingly or recklessly and for the purpose and effect of concealing Adelphia's operating condition and future business prospects from the investing public and supporting the artificially inflated price of its securities. As demonstrated by defendants' overstatements and misstatements of the Company's business, operations and earnings throughout the Class Period, defendants, if they did not have actual knowledge of the misrepresentations and omissions alleged, were reckless in failing to obtain such knowledge by deliberately refraining from taking those steps necessary to discover whether those statements were false or misleading.

11. As a result of the dissemination of the materially false and misleading information and failure to disclose material facts, as set forth above, the market price of Adelphia's securities was artificially inflated during the Class Period. In ignorance of the fact that market prices of Adelphia's publicly-traded securities were artificially inflated, and relying directly or indirectly on the false and misleading statements made by defendants, or upon the integrity of the market in which the securities trade, and/or on the absence of material adverse information that was known to or recklessly disregarded by defendants but not disclosed in public statements by defendants during the Class Period, plaintiff and the other members of the Class acquired Adelphia securities during the Class Period at artificially high prices and were damaged thereby.

12. At the time of said misrepresentations and omissions, plaintiff and other members of the Class were ignorant of their falsity, and believed them to be true. Had plaintiff and the other members of the Class and the marketplace known the truth regarding the problems that Adelphia was experiencing, which were not disclosed by defendants, plaintiff and other members of the Class would not have purchased or otherwise acquired their Adelphia securities, or, if they had acquired such securities during the Class Period, they would not have done so at the artificially inflated prices which they paid.

13. By virtue of the foregoing, defendants have violated Section 10(b) of the Exchange Act, and Rule 10b-5 promulgated thereunder.

14. As a direct and proximate result of defendants' wrongful conduct, plaintiff and the other members of the Class suffered damages in connection with their respective purchases and sales of the Company's securities during the Class Period.

SECOND CLAIM

Violation Of Section 20(a) Of The Exchange Act Against Individual Defendants

15. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

16. The Individual Defendants acted as controlling persons of Adelphia within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions, and their ownership and contractual rights, participation in and/or awareness of the Company's operations and/or intimate knowledge of the false financial statements filed by the Company with the SEC and disseminated to the investing public, the Individual Defendants 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 which plaintiff contends 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 by plaintiff 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.

17. In particular, each of these defendants had direct and supervisory involvement in the day-to-day operations of the Company and, therefore, is 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.

18. As set forth above, Adelphia and the Individual Defendants each violated Section 10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By virtue of their positions as controlling persons, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act.

19. As a direct and proximate result of defendants' wrongful conduct, plaintiff and other members of the Class suffered damages in connection with their purchases of the Company's securities during the Class Period.

WHEREFORE, plaintiff prays for relief and judgment, as follows:

(a) Determining that this action is a proper class action, designating plaintiff as Lead Plaintiff and certifying plaintiff as a class representative under Rule 23 of the Federal Rules of Civil Procedure and plaintiff's counsel as Lead Counsel;

(b) Awarding compensatory damages in favor of plaintiff and the other Class members against all defendants, jointly and severally, for all damages sustained as a result of defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;

(c) awarding plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

(d) Such other and further relief as the Court may deem just and proper.

JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury.

Dated: April 5, 2002

SCHRIFFIN & BARROWAY, LLP

By: _____
Marc Topaz, Esq. (PA Bar #63782)
3 Bala Place, Suite 400
Bala Cynwyd, Pennsylvania 19004
Telephone: (610) 667-7706

ABBEY GARDY, LLP
Mark C. Gardy
Nancy Kaboolian
212 East 39th Street
New York, New York 10016
Telephone: (212) 889-3700

Attorneys for Plaintiff

(ags/cases/adelpia/complain//comp)