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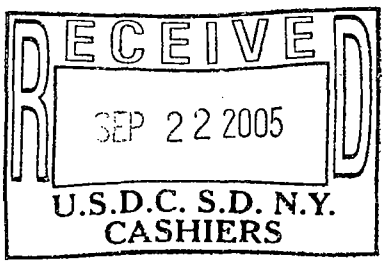
UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK



SECURITIES AND EXCHANGE COMMISSION,	
Plaintiff,	
-against-	
	02 Civ. 5776 (PKC)
ADELPHIA COMMUNICATIONS CORPORATION,	
JOHN J. RIGAS,	**SECOND**
TIMOTHY J. RIGAS,	**AMENDED COMPLAINT**
MICHAEL J. RIGAS,	
JAMES P. RIGAS,	
JAMES R. BROWN, and	
MICHAEL C. MULCAHEY,	
Defendants.	

Plaintiff Securities and Exchange Commission ("Commission"), for its Second Amended Complaint against defendants Adelphia Communications Corporation ("Adelphia" or the "Company"), John J. Rigas ("J. Rigas"), Timothy J. Rigas ("T. Rigas"), Michael J. Rigas ("M. Rigas"), James P. Rigas ("J.P. Rigas"), James R. Brown ("Brown"), and Michael C. Mulcahey ("Mulcahey"), alleges as follows:

PRELIMINARY STATEMENT

1. This case concerns one of the most extensive financial frauds ever to take place at a public company. From at least 1998 through March 2002, Adelphia – the nation's sixth largest cable-television company – systematically and fraudulently excluded billions of dollars in liabilities from its consolidated financial statements by hiding them on the books of off-balance sheet affiliates. It also inflated earnings to meet Wall Street's expectations, falsified operations statistics, and concealed blatant self-dealing by the family that founded and controlled Adelphia, the Rigas Family. Six senior Adelphia officials orchestrated this widespread and multifaceted scheme: **J. Rigas**, Adelphia's founder, Chief Executive Officer ("CEO") and Chairman; **T. Rigas**, J. Rigas' son and Adelphia's Chief Financial Officer ("CFO"), Chief Accounting Officer ("CAO"), Treasurer and a Director; **M. Rigas**, J. Rigas' son, Adelphia's Executive Vice President for Operations and Secretary; **J. P. Rigas**, J. Rigas' son, and Adelphia's then Executive Vice President for Strategic Planning and a Director; **Brown**, Adelphia's then Vice President of Finance; and **Mulcahey**, a Vice President of Adelphia as well as its then Assistant Treasurer.

2. The principal components of the fraud came within three general categories:

First. Between mid-1999 and the end of 2001, Adelphia fraudulently excluded from the Company's annual and quarterly consolidated financial statements over $2.3 billion in its bank debt by systematically recording those liabilities on the books of unconsolidated affiliates. Not only did the exclusion of these liabilities violate Generally Accepted Accounting Principles ("GAAP"), but Adelphia and other Defendants affirmatively misled the public about these liabilities in Commission filings and other public statements. In some instances, the Defendants created sham transactions backed by fictitious documents to give the false

appearance that Adelphia had actually repaid debts when, in truth, it had simply shifted them to unconsolidated Rigas-controlled entities.

Second. During about the same period, Adelphia and the other Defendants regularly misstated in press releases, including earnings reports, and Commission filings, Adelphia's reported performance in three aspects that are crucial to the "metrics" used by Wall Street to evaluate cable companies: (i) the number of its "basic cable subscribers," (ii) the extent of its cable plant "rebuild," or upgrade, and (iii) its earnings, including its net income and earnings before interest, taxes, depreciation, and amortization ("EBITDA"). Adelphia and other Defendants also frequently made material misrepresentations or omitted necessary and material facts in statements made to Adelphia's auditors and public debt indenture trustees.

Third. Since at least 1998, Adelphia used fraudulent misrepresentations and omissions of material fact to conceal rampant self-dealing by the Rigas Family. For example, Defendants forced the public company to pay for vacation properties and New York City apartments used personally by the Rigas Family, develop a golf course on land mostly owned by the Rigas Family, and issue over $772 million of Adelphia shares of common stock and over $563 million of Adelphia notes for the benefit of the Rigas Family.

3. The fraud continued even after Adelphia acknowledged the existence of off-balance sheet liabilities on March 27, 2002. After that, Defendants covered-up their conduct and secretly diverted $174 million in Adelphia funds to pay personal margin loans of Rigas Family members. When Adelphia failed to file its 2001 Form 10-K throughout the spring, the price of Adelphia's stock collapsed from a closing price of $20.39 per share on March 26, 2002 to a closing price of $0.79 on June 3, 2002, when the National Association of Securities Dealers Automated Quotation System ("NASDAQ") delisted the stock. Most of the individual

Defendants named in this action no longer work at Adelphia, having resigned from their officer and director positions in mid- to late-May.

VIOLATIONS

4. By virtue of the conduct alleged in this Complaint:

a. Adelphia, directly or indirectly, singly or in concert, has engaged in acts, practices and courses of business that constitute violations of Section 17(a) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C. § 77q(a), Sections 10(b), 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. §§ 78j(b), 78m(a), 78m(b)(2)(A) and 78m(b)(2)(B), and Rules 10b-5, 12b-20, 13a-1, and 13a-13, 17 C.F.R. §§ 240.10b-5, 240.12b-20, 240.13a-1, and 240.13a-13;

b. J. Rigas, directly or indirectly, singly or in concert, has engaged in acts, practices and courses of business that constitute violations of Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a), and Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5, 17 C.F.R. § 240.10b-5, thereunder; and J. Rigas is also liable, pursuant to Section 20(a) of the Exchange Act, 15 U.S.C. § 77t(a), as a controlling person of Adelphia, for Adelphia's violations of Sections 13(a) and 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act, 15 U.S.C. §§ 78m(a), 78m(b)(2)(A) and 78m(b)(2)(B), and Rules 12b-20, 13a-1 and 13a-13, 17 C.F.R. §§ 240.12b-20, 240.13a-1, and 240.13a-13, thereunder;

c. T. Rigas, directly or indirectly, singly or in concert, has engaged in acts, practices and courses of business that constitute violations of Section 17(a) of the

Securities Act, 15 U.S.C. § 77q(a), Sections 10(b) and 13(b)(5) of the Exchange Act, 15 U.S.C. §§ 78j(b), 78m(b)(5), and Rules 10b-5, 13b2-1, and 13 b2-2, 17 C.F.R. §§ 240.10b-5, 240.13b2-1, and 240.13b2-2; and T. Rigas is also liable, pursuant to Section 20(a) of the Exchange Act, 15 U.S.C. § 77t(a), as a controlling person of Adelphia, for Adelphia's violations of Sections 13(a) and 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act, 15 U.S.C. §§ 78m(a), 78m(b)(2)(A) and 78m(b)(2)(B), and Rules 12b-20, 13a-1 and 13a-13, 17 C.F.R. §§ 240.12b-20, 240.13a-1, and 240.13a-13, thereunder;

d. M. Rigas, directly or indirectly, singly or in concert, has engaged in acts, practices and courses of business that constitute violations of Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a), and Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5, 17 C.F.R. § 240.10b-5, thereunder; and M. Rigas is also liable, pursuant to Section 20(a) of the Exchange Act, 15 U.S.C. § 77t(a), as a controlling person of Adelphia, for Adelphia's violations of Sections 13(a) and 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act, 15 U.S.C. §§ 78m(a), 78m(b)(2)(A) and 78m(b)(2)(B), and Rules 12b-20, 13a-1 and 13a-13, 17 C.F.R. §§ 240.12b-20, 240.13a-1, and 240.13a-13, thereunder;

e. J.P. Rigas, directly or indirectly, singly or in concert, has engaged in acts, practices and courses of business that constitute violations of Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a), and Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5, 17 C.F.R. § 240.10b-5, thereunder; and J.P. Rigas is also liable, pursuant to Section 20(a) of the Exchange Act, 15 U.S.C. § 77t(a), as a controlling person of Adelphia, for Adelphia's violations of Sections 13(a) and 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act, 15 U.S.C. §§ 78m(a), 78m(b)(2)(A) and 78m(b)(2)(B), and Rules

12b-20, 13a-1 and 13a-13, 17 C.F.R. §§ 240.12b-20, 240.13a-1, and 240.13a-13, thereunder;

f. Brown, directly or indirectly, singly or in concert, has engaged in acts, practices and courses of business that constitute violations of Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a), Sections 10(b) and 13(b)(5) of the Exchange Act, 15 U.S.C. §§ 78j(b), 78m(b)(5), and Rules 10b-5, 13b2-1, and 13 b2-2, 17 C.F.R. §§ 240.10b-5, 240.13b2-1, and 240.13b2-2; and Brown is also liable pursuant to Section 20(a) of the Exchange Act, 15 U.S.C. § 77t(a), as a controlling person of Adelphia, for Adelphia's violations of Sections 13(a) and 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act, 15 U.S.C. §§ 78m(a), 78m(b)(2)(A) and 78m(b)(2)(B), and Rules 12b-20, 13a-1 and 13a-13, 17 C.F.R. §§ 240.12b-20, 240.13a-1, and 240.13a-13, thereunder; and

g. Mulcahey, directly or indirectly, singly or in concert, has engaged in acts, practices and courses of business that constitute violations of Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a), Sections 10(b) and Section 13(b)(5) of the Exchange Act, 15 U.S.C. §§ 78j(b), 78m(b)(5), and Rules 10b-5, 13b2-1, and 13 b2-2, 17 C.F.R. §§ 240.10b-5, 240.13b2-1, and 240.13b2-2, thereunder.

5. Unless the Defendants are permanently restrained and enjoined by this Court, they will again engage in the acts, practices, and courses of business set forth in this Complaint and in acts, practices, and courses of business of similar type and object. By this action, the Commission seeks judgment, among other things: (a) permanently enjoining the Defendants from engaging in the acts, practices and courses of business alleged herein, pursuant to Section 20(b) of the Securities Act, 15 U.S.C. § 77t(b), and Section 21(d) of the Exchange Act, 15 U.S.C. §78u(d); (b) requiring the Defendants to disgorge their ill-gotten gains including, from each

individual Defendant (i) all compensation received during the period of the fraud; (ii) all property unlawfully taken from Adelphia through undisclosed related-party transactions; and (iii) all severance payments related to their resignations from the company plus prejudgment interest thereon; (c) requiring the Defendants to provide accountings, assets, liabilities, income and expenses; (d) requiring each of the Defendants to pay civil money penalties pursuant to Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d), and Section 21(d)(3) of the Exchange Act, 15 U.S.C. § 78u(d)(3); and (e) barring T. Rigas, Brown, J. Rigas, M. Rigas, J.P. Rigas and Mulcahey from serving as an officer or director of a publicly held company pursuant to Section 20(e) of the Securities Act, 15 U.S.C. § 77t(e), and Section 21(d)(2) of the Exchange Act, 15 U.S.C. § 78u(d)(2).

JURISDICTION AND VENUE

6. The Commission brings this action pursuant to the authority conferred upon it by Section 20 of the Securities Act, 15 U.S.C. § 77t, and Section 21 of the Exchange Act, 15 U.S.C. § 78u, seeking to restrain and enjoin permanently the Defendants from engaging in the acts, practices, and courses of business alleged herein.

7. Defendants, directly and indirectly, have made use of the means or instruments of transportation or communication in, and the means or instrumentalities of interstate commerce, or of the mails, or of the facilities of a national securities exchange, in connection with the transactions, acts, practices, and courses of business alleged herein.

8. Certain of these transactions, acts, practices and courses of business occurred in the Southern District of New York, including: (a) making misrepresentations or omissions of material fact in New York City to credit agencies; (b) disseminating fraudulent press releases and earnings reports to market analysts in New York City; and (c) making misrepresentations and

omissions of material fact to market analysts participating from New York City in quarterly Adelphia conference calls.

9. Accordingly, this Court has jurisdiction over this action, and venue is proper in this district, pursuant to Section 20 of the Securities Act, 15 U.S.C. § 77t, and Sections 21 and 27 of the Exchange Act, 15 U.S.C. §§ 78u and 78aa.

DEFENDANTS

10. **Adelphia** is a Delaware corporation headquartered in Coudersport, Pennsylvania. Adelphia owns, operates, and manages cable television systems and other related telecommunications businesses. Adelphia issues Class A shares of common stock, which are registered with the Commission pursuant to Section 12(g) of the Exchange Act, 15 U.S.C. §78l(g), and Class B shares of common stock, which have ten times the voting power of Class A shares and which have been held almost exclusively, directly or indirectly, by J. Rigas or members of his family. Shares of Adelphia's Class A stock were listed on NASDAQ until June 3, 2002, and are now quoted by Pink Sheets, LLC. Adelphia filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code on June 25, 2002. In March 2002, Adelphia's Board of Directors ("Board") appointed a Special Committee ("Special Committee") to investigate business relationships between Adelphia and affiliates of the Rigas family.

11. **J. Rigas** is 80 years old and resides in Coudersport, Pennsylvania. He is Adelphia's founder and until May 15, 2002, was its CEO and Chairman of its Board. At all relevant times, J. Rigas and members of his immediate family held five of Adelphia's nine Board of Director positions, and exercised voting control of Adelphia shares. On or about May 15, 2002, J. Rigas resigned from his position as CEO and Chairman of Adelphia, and on or about May 23, 2002, resigned his position as a director of Adelphia, pursuant to a request by the

Special Committee.

12. **T. Rigas** is 49 years old and resides in Coudersport, Pennsylvania. He is J. Rigas' son and was, at all relevant times, Adelphia's CFO, CAO, and Treasurer, as well as an Adelphia director. On or about May 16, 2002, he resigned pursuant to a request by the Special Committee. Between approximately December 1992 and June 2001, T. Rigas was chairman of the Audit Committee of Adelphia's Board.

13. **M. Rigas** is 51 years old and resides in Coudersport, Pennsylvania. He is J. Rigas' son and was, at all relevant times, Adelphia's Executive Vice President for Operations and Secretary of Adelphia until he resigned pursuant to a request by the Special Committee on or about May 23, 2002. M. Rigas is an attorney licensed in the District of Columbia.

14. **J.P. Rigas** is 47 years old and resides in Coudersport, Pennsylvania. He is J. Rigas' son and was, at all relevant times, Adelphia's Executive Vice President for Strategic Planning, as well as a director of Adelphia, until he resigned pursuant to a request by the Special Committee on or about May 23, 2002. J.P. Rigas holds a law degree, but it is not known whether he is presently licensed to practice law.

15. **Brown** is 43 years old and resides in Coudersport, Pennsylvania. At all relevant times, he was Adelphia's Vice President of Finance. On or about May 19, 2002, Brown resigned from his position at Adelphia pursuant to a request by the Special Committee. Brown oversaw the accounting and finance functions at Adelphia and assisted in the preparation of Adelphia filings with the Commission and Adelphia's press releases, including those announcing Adelphia's quarterly and annual operating results. With T. Rigas, Brown also presented Adelphia's financial and operational results in quarterly conference calls with market analysts and during road show presentations to investors and securities industry representatives.

16. **Mulcahey** is 47 years old and resides in Port Allegany, Pennsylvania. At all relevant times, he was an Adelphia Vice President and its Assistant Treasurer. Mulcahey oversaw Adelphia's cash management system and made false statements to Adelphia's public debt Indenture Trustees, its auditors and created false records used to enter journal entries involved in at least one sham stock transaction, described below, that the Defendants used, among other things, to exclude substantial portions of Adelphia's bank debt from its consolidated financial statements and issue additional Class B shares to Rigas-controlled entities in order to preserve the Rigas Family's voting control of Adelphia shares.

OTHER RELEVANT ENTITIES

17. **Highland Holdings** ("Highland") is a general partnership of J. Rigas, M. Rigas, T. Rigas, J.P. Rigas, and J. Rigas' daughter, Ellen Rigas Venetis ("Venetis"). **Highland 2000** is a limited partnership of J. Rigas, T. Rigas, M. Rigas, J.P. Rigas, and Venetis, who together own Highland 2000's general partner. As explained below, Highland and Highland 2000 received Adelphia securities in the sham stock transactions described in Paragraphs 45 through 48 below.

DEFENDANTS' FRAUDULENT CONDUCT

Background

18. During the period of the conduct alleged in this Complaint, Adelphia became the sixth largest cable television operator in the United States and, through various consolidated subsidiaries, by the end of 2000 was providing cable television and local telephone service to customers in thirty-two states and Puerto Rico. **Deloitte and Touche LLP** ("Deloitte") was Adelphia's independent auditor during the period of the conduct alleged in this Complaint.

19. During the period of the conduct alleged in this Complaint, Defendant J. Rigas

and other members of his family including Defendants T. Rigas, M. Rigas, and J.P. Rigas owned various partnerships, corporations and limited liability companies that were also engaged in the ownership and operation of cable television systems and other related and non-related businesses (collectively, the "Rigas Entities"). The financial results of the Rigas Entities were not consolidated or combined with those of Adelphia on Adelphia's financial statements.

20. During the period of the conduct alleged in this Complaint, in addition to Adelphia's own business operations, Adelphia also managed and maintained virtually every aspect of the Rigas Entities that owned and operated cable television systems, including maintaining their books and records on a general ledger system shared with Adelphia and its subsidiaries. The Rigas Entities did not reimburse or otherwise compensate Adelphia for these services.

21. During the period of the conduct alleged in this Complaint, Adelphia and the Rigas Entities, including those that are in businesses unrelated to cable systems, participated jointly in a cash management system operated by Adelphia (the "Adelphia CMS"). Adelphia, its subsidiaries, and the Rigas Entities all deposited some or all of their cash generated or otherwise obtained from their operations, borrowings and other sources in the Adelphia CMS, withdrew cash from the Adelphia CMS to be used for their expenses, capital expenditures, repayments of debt and other uses, and engaged in transfers of funds with other participants in the Adelphia CMS. This resulted in the commingling of funds among the Adelphia CMS participants, including Adelphia subsidiaries and Rigas Entities, and created numerous related party payables and receivables among Adelphia, its subsidiaries, and the Rigas Entities.

22. Since at least mid-1999, Adelphia has relied heavily upon commercial credit, issuance of notes pursuant to various indentures, and access to equity markets in order to fund its

expenditures on the construction, modernization, expansion, and maintenance of its cable systems, as well as its working capital needs. Specifically:

a. As of June 1, 2002, whether previously disclosed or otherwise – and whether used for legitimate purposes or otherwise – Adelphia or its consolidated subsidiaries actually owed (i) approximately $6.8 billion in principal amount under six different bank credit facilities (collectively, the "Credit Facilities"), (ii) approximately $6.9 billion in principal amount under a series of either senior notes or convertible subordinated notes issued pursuant to various indentures, and (iii) $1.6 billion in various forms of convertible preferred stock.

b. Certain Adelphia subsidiaries had also separately issued senior or subordinated notes, under which approximately $2.6 billion in principal amount was outstanding on June 1, 2002.

c. In addition, between October 1999 and January 2002, Adelphia undertook four public offerings of its Class A securities on October 6, 1999, January 23, 2001, November 15, 2001, and January 22, 2002. These offerings raised approximately $2,783,000,000 in proceeds. In connection with these offerings, and in connection with other offerings, Adelphia filed with the Commission certain registration statements, including registration statements filed on May 4, 1999, May 7, 1999, June 21, 1999, July 30, 1999, June 30, 2000, March 14, 2001, June 14, 2001, June 21, 2001, June 29, 2001, July 3, 2001, July 17, 2001, and December 14, 2001 (hereafter, the "Registration Statements").

d. Funds from draw-downs under Adelphia's Credit Facilities, issuances of its notes, and equity offerings were largely deposited into, and disbursed from, the

Adelphia CMS.

23. Between at least 1998 and May 2002, the Defendants employed a variety of fraudulent practices, including misrepresentations and omissions of material fact and improper journal entries, to portray favorably Adelphia's financial condition and performance: (a) First, Adelphia understated its liabilities by excluding from its balance sheet portions of its outstanding debt under certain of the Credit Facilities while misrepresenting that those portions had been included. Concurrently, Adelphia overstated its equity and misrepresented that it was de-leveraging due to, among other things, additional investments of capital into Adelphia by J. Rigas and his immediate family that never occurred. (b) Second, Adelphia misstated certain of its reported results—its number of basic cable subscribers, its percentage of cable plant that had been upgraded or "rebuilt," and its quarterly earnings, including net income and EBITDA— to convey the false impression that Adelphia was expanding its customer base, modernizing its network, and increasing its profitability. (c) Third, to conceal that the Rigases were engaged in rampant self-dealing at Adelphia's expense, Adelphia misrepresented or concealed a number of significant transactions by which the Rigases used Adelphia resources with no reimbursement or other compensation to Adelphia. The Defendants engaged in these practices to afford Adelphia continued access to commercial credit and the capital markets.

24. Between March 27, 2002 and the end of June 2002, Adelphia made a series of disclosures concerning the above wrongdoing. Included among them were:

a. On March 27, 2002, Adelphia acknowledged that the Company was liable for approximately $2.3 billion in off-balance sheet debt, a portion of which had been used by the Rigases to purchase Adelphia securities;

b. In a Form 8-K filed with the Commission on June 10, 2002, Adelphia

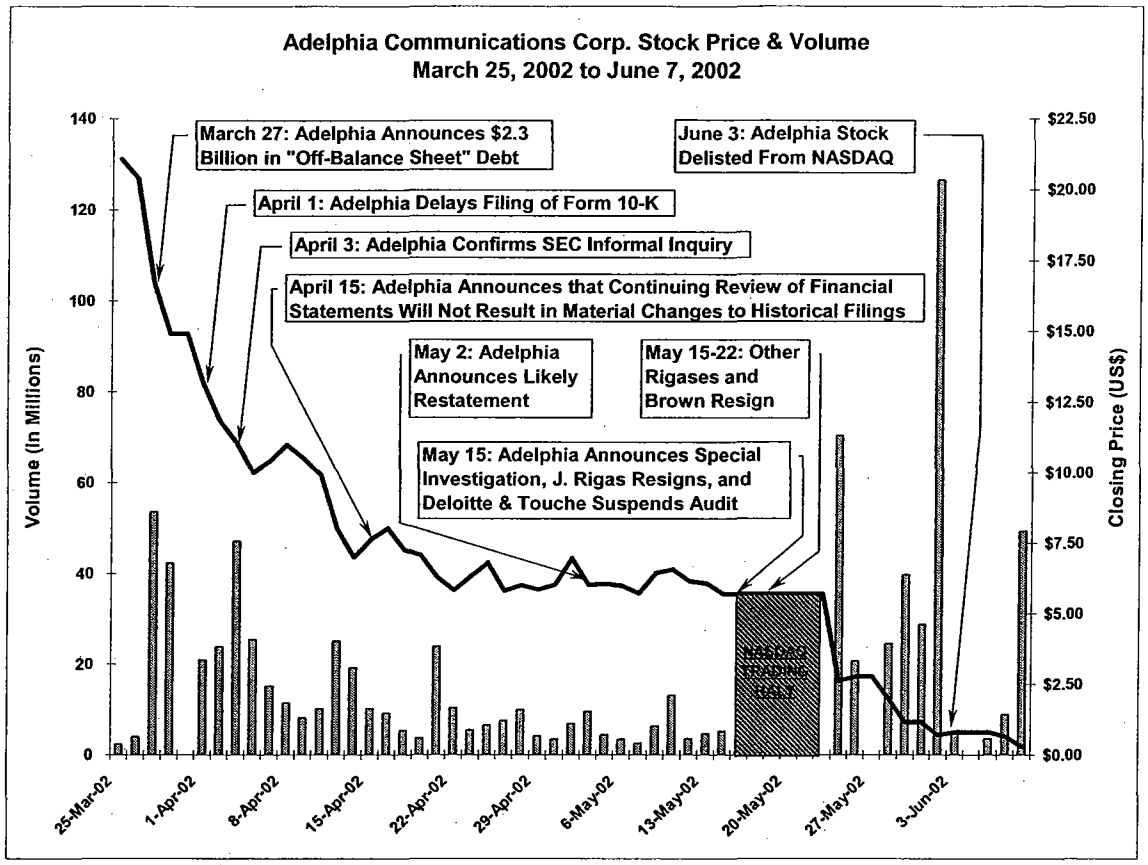
disclosed that it had misrepresented its performance for the years ended December 31, 2000 and December 31, 2001 by, among other things, overstating its earnings, inflating the number of its basic cable subscribers, and misrepresenting the percentage of its cable plant that had been upgraded;

c. In its May 24, 2002 and June 9, 2002 Form 8-Ks, Adelphia disclosed that, since at least 1998, J. Rigas and members of his family had engaged in massive, previously undisclosed self-dealing;

d. Deloitte determined that it was unable to complete its audit procedures at Adelphia for the year ended December 31, 2001 in order for Adelphia to timely file its Form 10-K for the year ended December 31, 2001; and

e. Defendants J. Rigas, T. Rigas, M. Rigas, J.P. Rigas, and Brown resigned from their positions as officers and directors.

25. These disclosures had a profound effect on Adelphia shareholders. On May 30, 2002, citing public interest concerns arising from Adelphia's disclosures, and Adelphia's failure to comply with NASDAQ Rule 4310(c)(14), requiring an issuer among other things to timely file its Form 10-K, a NASDAQ Listing Qualifications Panel de-listed Adelphia stock, effective June 3, 2002. Adelphia's de-listing and its continuing failure to file a 2001 Form 10-K placed Adelphia in violation of various debt covenants and limited Adelphia's access to funds through bank debt or the capital markets. On June 25, 2002, Adelphia filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code. During the course of these events, the share price of Adelphia's Class A shares plummeted as shown below:



Misrepresentations Associated with the Co-Borrowing Credit Facilities

26. From at least mid-1999 through the last quarter of 2001, Adelphia systematically and fraudulently understated its consolidated liabilities by up to $2.3 billion by failing to record a portion of liabilities associated with certain Credit Facilities under which Adelphia was a co-borrower and jointly and severally liable for all outstanding amounts with certain Rigas Entities. The omission of these liabilities was a deliberate scheme to under-report Adelphia's overall debt, portray Adelphia as de-leveraging, and conceal Adelphia's inability to comply with debt ratios in loan covenants.

The Co-Borrowings and the Omission of Liabilities From Adelphia's Financial Statements

27. Between May 1999 and September 28, 2001, Adelphia entered three Credit Facilities, dated respectively, May 6, 1999, April 14, 2000, and September 2001, in which certain Adelphia subsidiaries became co-borrowers with various Rigas Entities that own or operate cable television systems (the "Co-Borrowing Credit Facilities"). Under the terms of the agreements governing these Co-Borrowing Credit Facilities, each co-borrower may borrow up to the entire amount of the available credit under the applicable Co-Borrowing Credit Facility. In addition, each co-borrower is jointly and severally liable for the entire amount of the indebtedness under the applicable Co-Borrowing Credit Facility regardless of whether that co-borrower actually borrowed that amount. As of December 31, 2001, the maximum aggregate amount available to the co-borrowers under the Co-Borrowing Credit Facilities was $5,630,000,000. The Co-Borrowing Credit Facilities are described in the chart below:

NAME OF AGREEMENT	DATE OF AGREEMENT	ADELPHIA SUBSIDIARIES	RIGAS ENTITIES	CREDIT EXTENDED
UCA Credit Facility	May 6, 1999	UCA Corp.; UCA L.L.C. Grand Island Cable, Inc.; SVHH Acquisition, L.P.; National Cable Acquisition Associates, L.P.; and Tele Media Company of Hopewell-Prince.	Hilton Head Communications, L.P.	$600,000,000 8 ½ year reducing revolving credit loan and a $250,000,000, 9 year term, loan for a total available credit of $850,000,000.
CCH Credit Facility	April 14, 2000	Century Cable Holdings and Fort Meyers Cablevision, L.L.C.	Highland Prestige Georgia, Inc.	$1,500,000,000, 8 ¾ year reducing revolving credit loan and two term loans: a $750,000,000, 9 year term loan that closed on April 14,

				2000 and a $500,000,000, 9 ¼ year term loan that closed on September 28, 2000, for a total available credit of $2,250,000,000.
OCH Credit Facility	September 28, 2001	Adelphia Company of Western Connecticut; Olympus Cable Holdings, L.L.C.; and Adelphia Holdings 2001, L.L.C.	Highland Video Associates, L.P. and Coudersport Television Cable Company.	$765,000.000, 8 ¾ year reducing revolving credit facility, a $765,000,000, 8 ¾ year term loan, and a $500,000,000, 9 year term loan, for a total available credit of $2,030,000,000.

28. Although under the agreements governing the Co-Borrowing Credit Facilities each co-borrower could initiate the process resulting in a draw-down, in practice, draw-downs were initiated by Adelphia personnel and wired to an account associated with the Adelphia CMS. Through the Adelphia CMS, the funds were disbursed in accordance with the needs of Adelphia or Rigas Entities who were co-borrowers and accounted for through the creation of related party payables and receivables in Adelphia's general ledger.

29. Even though the terms of the Co-Borrowing Credit Facilities made Adelphia jointly and severally liable for all amounts outstanding, Adelphia, at the direction of J. Rigas, T. Rigas, M. Rigas, J.P. Rigas, and Brown, with the knowledge and assistance of Mulcahey, began quarterly with the second quarter of 1999 to exclude significant portions of Co-Borrowing Credit Facility Debt from Adelphia's quarterly and annual earnings reports and financial statements and record that debt only on the books of certain Rigas Entities. The following chart shows, for the second quarter of 1999 through the third quarter of 2001 (a) Adelphia's reported liabilities, which excluded the debts recorded on the books of Rigas Entities; (b) Adelphia's actual

liabilities; (c) and the amounts of Co-Borrowing Credit Facility Debt removed during that quarter from Adelphia's reported figures:

Quarter	Reported Liabilities (U.S. dollars)	True Liabilities (U.S. dollars)	Amount Removed from Public Company Books Per Quarter (U.S. dollars)
Q2 1999	4,162,154,000	4,412,154,000	250,000,000
Q3 1999	4,324,424,000	4,574,424,000	N/A
Q4 1999	12,400,605,000	12,650,605,000	N/A
Q1 2000	12,478,372,000	13,096,372,000	368,000,000
Q2 2000	12,990,935,000	13,387,935,000	(221,000,000)
Q3 2000	14,083,426,000	15,225,716,826	745,290,826
Q4 2000	16,287,376,000	17,468,058,512	38,391,686
Q1 2001	17,270,883,000	18,500,298,239	48,732,727
Q2 2001	17,854,801,000	19,129,787,649	45,571,410
Q3 2001	18,604,914,000	20,440,171,099	560,270,450
Q4 2001	N/A	N/A	448,159,322

30. As indicated by the amounts set forth in the chart in Paragraph 29 above, by the end of 2001, a total of $2,283,416,421 in Co-Borrowing Credit Facility Debt had been excluded from Adelphia's books and placed on the books of Rigas Entities.

Adelphia's Financial Statements Were False and Misleading

31. Under GAAP, Adelphia should have included on its consolidated balance sheet all of the amounts outstanding under the Co-Borrowing Credit Facilities. This was required by Adelphia's joint and several liability for all outstanding amounts under the Co-Borrowing Credit Facilities, and the resulting ability of the lenders under the Co-Borrowing Credit Facilities to look to Adelphia for full re-payment of outstanding amounts.

32. Adelphia's exclusion of Co-Borrowing Credit Facility Debt from its balance sheet specifically violated, among other things, the GAAP provisions set forth in FAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities -

a Replacement of FASB Statement No. 125," which states that a liability should be derecognized only if it has been extinguished. As outlined in paragraph 16 of FAS No. 140, extinguishment is proper when the debtor has paid the creditor and is relieved of its obligation for the liabilities or when the debtor is legally released from being the primary obligor under the liability. Adelphia's Co-Borrowing Credit Facility Debt was never extinguished and, therefore, its removal of the debt from its balance sheet was improper and contrary to GAAP.

33. Adelphia's financial statements were false and misleading also because they deceptively indicated that Adelphia actually was including on its balance sheet all of the draw-downs under the Co-Borrowing Credit Facilities, including those that the Company had purportedly attributed to Rigas Entities.

34. Since at least the time of its filing of its 1999 Form 10-K, Adelphia has described aspects of Adelphia's Co-Borrowing Credit Facilities with the Rigas Entities in footnotes to its publicly filed financials. Those footnotes, however, deceptively suggested that Adelphia actually was including its liability for Rigas Entity co-borrowings in Adelphia's reported debts, when—in fact—as a result of those borrowings, Adelphia had significant liability in excess of the company's reported debts.

35. On the December 31, 2000 balance sheet, for example, Adelphia listed "Total subsidiary debt" of $9.179 billion and stated in the accompanying footnote that:

> Certain subsidiaries of Adelphia are co-borrowers with [Rigas] Entities under credit facilities for borrowings of up to $3,751,250. Each of the co-borrowers is liable for all borrowings under the credit agreements, and may borrow up to the entire amount of the available credit under the facility. The lenders have no recourse against Adelphia other than against Adelphia's interest in such subsidiaries.

The footnote failed to explain that the $9.179 billion in "Total subsidiary debt" listed on

Adelphia's balance sheet did not reflect Adelphia's liability for additional draw-downs under the Co-Borrowing Credit Facilities that had been placed on the books of the unconsolidated Rigas Entities. In fact, by the close of 2000, over $1.2 billion in co-borrowing liabilities had been omitted from Adelphia's balance sheet and placed on the books of Rigas Entities.

36. A similar footnote appeared in Adelphia's financial statements for December 31, 1999, which reported an amount of "Total subsidiary debt" of $6,513,813,000. The accompanying footnote stated that "[c]ertain subsidiaries of Adelphia are co-borrowers with [Rigas Entities] under credit facilities for borrowings of up to $1,025,000[,000]." Again, the footnote never disclosed that some of the draw-downs under the Co-Borrowing Credit Facilities were being recorded on the books of the Rigas Entities, or that Adelphia's total outstanding liability under these facilities was not fully reflected in the "Total subsidiary debt" figures listed.

The Omission of Co-Borrowing Credit Facility Debt Was Deliberate and Intended to Mislead

37. Not until March 27, 2002 did Adelphia acknowledge publicly that a significant portion of debt from the Co-Borrowing Credit Facilities had been kept off of Adelphia's financial statements. Even then, however, Adelphia, through the conduct of the individual Defendants, falsely represented that the Co-Borrowing Credit Facility Debt had been apportioned between the books of Adelphia and the books of the Rigas Entities based on which entity had borrowed the funds. In its March 27, 2002 press release containing its earnings report for the fourth quarter of 2002, Adelphia described the apportionment of debt by stating: "[a]mounts borrowed under the facilities by the Company's subsidiaries are included as debt on the Company's consolidated balance sheet. Amounts borrowed by [Rigas] Entities under the facilities are not included on the Company's consolidate balance sheet."

38. That was entirely false: a significant portion of the Co-Borrowing Credit Facility Debt placed on the books of the Rigas Entities was either arbitrarily assigned to them in quarterly "reclassification" transactions designed to reduce Adelphia's outstanding liabilities, or removed from the Company's books as part of sham transactions related to the issuance of Adelphia stock to the Rigases, or on at least one occasion, to hide excessive Adelphia digital converter inventory and the costs of that inventory on the books of Rigas Entities. There was no principled allocation of Co-Borrowing Credit Facility Debt according to the separate borrowings and operations of the co-borrower Rigas Entities as Adelphia represented in the March 27, 2002 press release.

39. At no time did Adelphia inform its lenders that it had allocated responsibility for Co-Borrowing Credit Facility Debt between Adelphia and the Rigas Entities, or seek lender approval that the Rigas Entity to whom debt had been transferred was the primary obligor. In fact, Adelphia's purported allocation of Co-Borrowing Credit Facility Debt between Adelphia and Rigas Entities had no effect on the lender's right to seek full repayment of outstanding amounts from any or all of the co-borrowers.

The "Reclassification" of Co-Borrowing Liabilities

40. Adelphia management allocated and reallocated co-borrowing liabilities among Adelphia's consolidated subsidiaries and unconsolidated Rigas Entities at will and through a single, quarterly cash management reconciliation of the inter-company receivables and payables outstanding at quarter end between or among Adelphia's subsidiaries and Rigas Entities. From the third quarter of 2000 through the third quarter of 2001, Adelphia allocated an aggregate of over $477 million of Co-Borrowing Credit Facility Debt to Rigas Entities involved in cable businesses and removed the same amount of debt from Adelphia's books through a process that Adelphia management called the "quarterly reclassification."

41. No attempt was made in the "quarterly reclassification" process to match the use of particular co-borrowings with specific Rigas Entities or attribute portions of the outstanding debt to particular Co-Borrowing Credit Facilities. Rather, the allocation was performed in the following manner:

a. in some quarters, Adelphia personnel reduced Adelphia's Co-Borrowing Credit Facility Debt to the banks by the net intercompany balance and increased the debt of the Rigas Entities to the banks by the same amount, and

b. in other quarters, Adelphia personnel compared the net intercompany balances between quarters and "reclassified" the difference as debt of Rigas Entities to the banks, and at the same time, Adelphia personnel reduced Adelphia's bank debt by the same amount.

42. The quarterly reclassification was based on the existence within the Adelphia CMS of net intercompany balances owing to and from Adelphia and Rigas Entities. During at least 1999 through 2001, at the end of each quarter, there was regularly a net intercompany balance owed to Adelphia by Rigas Entities. Using a series of journal entries, this net amount was removed from Adelphia's books and recorded as debt of Rigas Entities to the banks under the Co-Borrowing Credit Facilities.

43. For example, during the closing process for the third quarter 2000, Adelphia reclassified $187,001,926 of Co-Borrowing Credit Facility Debt on Adelphia's books and placed that debt on the books of Highland Prestige Georgia, Inc. ("HPG"), a Rigas Entity, as debt of HPG under the CCH Co-Borrowing Credit Facility ("CCH"). In making this allocation, Adelphia made no attempt to verify that HPG had itself drawn down, or otherwise benefited from, the amount that had been reclassified, or that such an amount had been drawn down under

the CCH that quarter. Adelphia made similar reclassifications of Adelphia's Co-Borrowing Credit Facility Debt to HPG under the CCH at the end of the quarters ending on December 31, 2000, March 31, 2001, and June 30, 2001.

44. In another instance, during the closing process for the September 30, 2001 quarter, Adelphia reclassified approximately $215,009,000 of Adelphia's Co-Borrowing Credit Facility Debt to the books of Highland Video Associates, L.P. ("Highland Video"), one of the Rigas Entities that is party to the OCH Credit Facility ("OCH"). Again, this was done without any attempt to verify that Highland Video had itself drawn down, or otherwise benefited from, that amount or that such an amount had been drawn down that quarter under the OCH.

Transferring Co-Borrowing Credit Facility Debt
Simultaneously with Rigas Stock Transactions

45. On at least four occasions corresponding with public offerings by Adelphia, Adelphia removed a portion of Co-Borrowing Credit Facility Debt from its books as part of sham transactions in which a Rigas Entity non-co-borrower received Adelphia securities and a Rigas Entity co-borrower "assumed" debt of Adelphia. In each instance, Adelphia claimed in Commission filings and other public statements that Adelphia had applied some or all of the proceeds from these securities transactions actually to pay down debt, when – in fact – these transactions were shams with no bona fide proceeds, and resulted only in the transfer of Adelphia's debt to the books of Rigas Entity co-borrowers. In three of these four transactions, Rigas Entities were issued Class B shares, which in light of their weighted voting power helped the Rigases maintain voting control over Adelphia.

46. In October 2001 and January 2002, Adelphia used journal entries to transfer debt off of its books as follows:

a. Adelphia transferred $423,375,076 of additional Adelphia Co-Borrowing Credit Facility Debt off of its books in an October 20, 2001 direct placement to Highland 2000, a Rigas Entity, of Adelphia Class B shares and 6% Convertible Subordinated Notes. Specifically, Adelphia reduced its outstanding debt and recorded a corresponding payable to Highland Video. Highland Video then recorded a receivable from Adelphia and an increase in intercompany notes payable. In essence, Highland Video had assumed a bank debt of Adelphia's in exchange for a payable from Adelphia to Highland Video. Contemporaneously with these entries, Adelphia issued $423 million worth of common stock and notes to Highland 2000, which was not a party to the OCH. In exchange, Adelphia recorded a receivable from Highland 2000 for $423 million. The result of these transactions was to remove $423,375,076 in Co-Borrowing Credit Facility Debt from Adelphia's books. The transaction was fraudulent chiefly because: (i) $423,375,076 in debt was not paid down, but instead simply was shifted to Highland Video; (ii) Highland 2000 never paid cash for the securities; (iii) Adelphia remained jointly and severally liable for the debt; and (iv) Highland Video's "assumption" of debt was a sham because it never received any economic benefit from it and was not dealing at arms-length. When this transaction came under scrutiny by Deloitte during its audit work for the year ended December 31, 2001, Mulcahey created and, Adelphia personnel provided to Deloitte, fake documentation, including phony draw-down and pay off notices, reflecting monies received from and paid to the Bank of Montreal that were, in fact, never received by Adelphia or paid to the Bank of Montreal, as well as phony cross receipts, all designed to create the impression that Highland 2000 had actually paid cash for the Adelphia Class B shares and Notes and that Adelphia had used that cash to pay down $423,375,076 in

existing debt.

b. Simultaneous with a January 22, 2002 direct placement of $400 million of Adelphia 3.25% Convertible Subordinated Notes to Highland 2000, Adelphia transferred an additional $396,489,318 off of its balance sheet in a non-cash transaction. This Co-Borrowing Credit Facility Debt was allocated to Highland Video and securities in the amount of $400 million were issued to Highland 2000.

47. In January 2000 and July 2000, Adelphia transferred debt off its books through journal entries and phony draw-downs and payoffs under the Co-Borrowing Credit Facilities. The transactions took place in the following manner:

a. Through a January 24, 2000 direct placement of Adelphia Class B shares of common stock to Highland, a Rigas Entity, Adelphia concealed $368,000,000 of its liabilities. To do this, Adelphia drew down $368,000,000 on the UCA credit facility ("UCA"), deposited those funds into the Adelphia CMS, and attributed the draw-down to Hilton Head Communications L.P. ("Hilton Head"), a Rigas Entity that is a party to the UCA by recording on Adelphia's books a debit to Adelphia's overall debt and creating an intercompany payable in the same amount to Hilton Head. Using the $368,000,000 that had been deposited into the Adelphia CMS, Adelphia then repaid $232,000,000 of its preexisting debt on the UCA and $136,000,000 of debt on a different, non-Co-Borrowing Credit Facility. Given its fraudulent exclusion of Co-Borrowing Credit Facility Debt of Rigas Entities from its consolidated balance sheet, the net effect of this transaction was to hide $368,000,000 of Adelphia's liabilities. Adelphia then issued $368,000,000 of Adelphia Class B shares to Highland, which assigned the shares to Highland 2000, another Rigas Entity. According to Adelphia's contemporaneous journal entries,

Adelphia booked a receivable from Highland for the value of the stock issued. In order to attempt to bolster the falsehood that Highland or Highland 2000 had paid actual proceeds for the shares, Adelphia created a phony cross receipt in which Adelphia acknowledged receiving $375 million of "immediately available funds" from Highland 2000—the ultimate recipient of the shares. The cross receipt was false and misleading because: (i) at no point during the transaction did the funds from the UCA draw-down pass through Highland or Highland 2000 and they were not recorded on their books; (ii) Highland 2000 never paid any "immediately available funds;" and (iii) Adelphia was jointly and severally liable for these draw-downs. For the same reason, the supposed closing of this transaction and the purported consideration paid by Highland or Highland 2000 were shams.

b. In a July 3, 2000 direct placement of Class B shares to Highland, Adelphia drew-down $145,000,000 on the CCH, deposited those funds into the Adelphia CMS and attributed the debt to HPG. Through journal entries, the funds were transferred to Adelphia, which paid down $45,000,000 of pre-existing debt of Adelphia under the UCA and used the balance for operations. Adelphia did not account on its balance sheet for its liability for the $145,000,000 draw-down from the CCH.

48. The effect of the October 20, 2001, January 22, 2002, January 24, 2000 and July 3, 2000 transactions alleged in Paragraphs 46 and 47 – *i.e.*, "assumption" of Co-Borrowing Credit Facility Debt by Rigas Entity co-borrowers and the issuance of securities to Rigas Entity non-co-borrowers for no cash – was not disclosed in Commission or other public filings.

Transferring Co-Borrowing Credit Facility Debt Through the Sale of Digital Converters

49. In the last quarter of 2001, Adelphia removed $101 million of Co-Borrowing Credit Facility Debt from its books through a fraudulent transaction with a Rigas Entity in which the Rigas Entity received digital converters from Adelphia as an apparent quid pro quo. Specifically, Adelphia, through journal entries, transferred the digital converters to the books of Highland. In connection with the transfer of the inventory, Adelphia removed from its books approximately $101 million Co-Borrowing Credit Facility Debt, representing the purchase price of the transferred digital converters, and recorded that debt as a draw-down under the OCH by Highland Video.

50. This transaction was fraudulent because Highland Video did not purchase the digital converters, and Highland had no cable operations and, accordingly, no need for digital converters, which were also excess inventory for Adelphia. This transaction was also part of a larger sham because, as described more fully in Paragraphs 109 through 110, below, in or about the last quarter of 2001, Adelphia purchased more digital converters than it needed as part of a fraudulent scheme to obtain, and recognize as current income, kickbacks from two of its digital converter suppliers, Supplier A and Supplier B. Moving the converters to the books of Highland prevented the purchases of these digital converters from causing an unusual spike in capital expenditures in that quarter, and possibly exposing the scheme.

Adelphia Refuses Footnote Disclosure of Off-Balance Sheet Co-Borrowing Debt

51. Adelphia specifically refused to alert investors to the fact that it was omitting a significant portion of its co-borrowing liabilities from its financial statements. Indeed, Adelphia management rejected Deloitte's recommendation that the footnote disclosure explaining the co-

borrowings be enhanced. Beginning in at least the year 2000 audit, Deloitte recommended that Adelphia include in the footnote the total amount of credit available under the co-borrowings, as well as the total amount which had been borrowed by the Rigas Entities. Adelphia management insisted to Deloitte that the disclosure was adequate and Deloitte acquiesced.

The Failure to Report All of the Co-Borrowings on the Public Record Resulted in Other Misrepresentations by Adelphia

52. Due to the systematic removal of debt from the Co-Borrowing Credit Facilities, Adelphia necessarily made other misrepresentations in its Commission filings and public statements. Specifically Adelphia misrepresented (a) that the securities transactions alleged in Paragraphs 46 through 47 had resulted or would result in additional cash; (b) that Adelphia was applying some or all of those proceeds actually to pay down debt; (c) that Adelphia was complying with debt covenants in loan agreements; and (d) that Adelphia was increasing shareholders' equity.

53. Adelphia's public statements concerning the Rigas securities transactions deceptively implied that actual cash was being paid for the stock and, as a result, Adelphia was receiving additional equity—neither of which was true.

a. For instance, in a January 18, 2001 press release issued in connection with the direct placement to the Rigases that eventually closed on October 20, 2001, Adelphia announced that "the family of John Rigas, Chairman of Adelphia, has entered into agreements with Adelphia to purchase approximately $167 million aggregate principal amount of 6% Convertible Subordinated Notes . . . and approximately 5,819,367 shares of Class B Common Stock of Adelphia at a price per share equal to $42.96." The press release further stated that the "closings on these Rigas family purchases will raise total

proceeds of approximately $417 million." This January 18, 2001 press release was false and misleading because the purchases of shares by the Rigases did not result in additional Adelphia equity, no cash was paid to Adelphia, and the Rigas Entities purportedly acquiring those securities did not have the financial ability or intention to pay cash for those securities.

b. On April 20, 2001, Adelphia issued a press release, announcing "the family of John Rigas, Chairman of Adelphia, has entered into an agreement with Adelphia to purchase $400 million aggregate principal amount of 3.25% convertible subordinated notes." Again, this claim was false and misleading when it was made because it implied that the direct placement would result in additional equity for Adelphia, when in fact no additional equity had been contributed in connection with this securities transactions and the Rigas Entity purportedly acquiring the securities did not have the financial ability or intention to pay cash for those securities.

54. In Commission filings and public statements, Adelphia falsely claimed that the proceeds generated from securities transactions alleged in Paragraphs 46 and 47 had been used, in whole or in part, to pay down corporate debt and thereby de-leverage the company. Because those transactions did not generate any cash proceeds, and because the Adelphia debt simply had been shifted to the books of co-borrower Rigas Entities, those statements were false and misleading:

a. For instance, in a January 18, 2002 annual slide show presentation to Credit Rating Agency A, Adelphia represented in one overhead slide that Adelphia was "deleveraging in a leveraging environment," citing among other things the October 20, 2001 transfer of Class B shares by the Rigases through Highland 2000, alleged in

Paragraph 46.

b. Adelphia's 2001 Form 10-Q quarterly report for quarter ended September 30, 2001 contained a similar misrepresentation that Adelphia had used the proceeds from the October 20, 2001 transaction alleged in Paragraph 46 "to repay subsidiary bank debt."

c. Adelphia's Form 10-K annual report for the year ended December 31, 2000 falsely stated that: "On January 21, 2000, Adelphia closed the previously announced direct placement of 5,901,522 shares of Adelphia Class B common stock with Highland 2000, L.P., a limited partnership owned by the Rigas family. Adelphia used a portion of the proceeds of approximately $375,000[,000] from this direct placement to repay borrowings under revolving credit facilities of its subsidiaries, which may be reborrowed and used for general corporate purposes." Adelphia's Form 10-Q quarterly reports for the quarters ended March 31, 2000, June 30, 2000, and September 30, 2000 contained virtually identical misrepresentations.

d. Adelphia's Form 10-K annual report for the year ended December 31, 2000 also falsely stated that: "On July 3, 2000, Adelphia closed the previously announced direct placement of 2,500,000 shares of Adelphia Class B common stock with Highland 2000, L.P., a limited partnership owned by the Rigas family. Adelphia used a portion of the proceeds of approximately $145,000[,000] from this direct placement to repay borrowings under revolving credit facilities of its subsidiaries, which may be reborrowed and used for general corporate purposes." Adelphia's Form 10-Q quarterly reports for quarters ended June 30 and September 30, 2000 contained virtually identical misrepresentations.

55. Because Adelphia massively understated its liabilities, Adelphia falsely

represented in public filings that it was complying with debt ratios in loan covenants, when it was not. For instance, in the Management Discussion and Analysis sections of Adelphia's Form 10-K annual reports for the years ended December 31, 1999 and 2000, the Company stated that "[m]anagement believes the Company is in compliance with the financial covenants and related financial ratio requirements contained in its various credit agreements."

56. Adelphia's representations concerning its compliance with financial covenants and related financial ratio requirements were misleading because Adelphia had no basis for claiming that it was in compliance with financial or other debt ratios. Adelphia had excluded substantial liabilities from its 1999 and 2000 fiscal year balance sheets and either never performed the calculations, or manipulated the result of the calculations, to show that Adelphia was in compliance when it was not.

57. Adelphia's representations concerning its compliance with financial covenants and related financial ratio requirements were also misleading because Adelphia was not in compliance with the leverage ratios in its public indentures throughout 2001. Each of Adelphia's indentures specifies a maximum leverage ratio of between 6.75 and 9.0. Adelphia had actual ratios of 11.96, 17.47, 11.77, and 14.51, respectively, in the first through fourth quarters of 2001, thereby being out of compliance with these ratios.

58. In addition, because Adelphia used, in part, fraudulent securities transactions with the Rigases to exclude liabilities from its balance sheet and understate its liabilities, Adelphia correspondingly overstated its stockholders' equity by the amount of the Rigas' stock acquisitions. The stockholders' equity reported by Adelphia for each quarter from the first quarter of 2000 through the third quarter of 2001 was overstated as follows:

Quarter	Reported Shareholder's Equity (U.S. dollars)	Cumulative Amount by Which Shareholder's Equity is Overstated/ (U.S. dollars)
Q1 2000	$5,135,232	$368,000,000
Q2 2000	5,003,529	368,000,000
Q3 2000	4,974,465	513,000,000
Q4 2000	5,212,104	513,000,000
Q1 2001	6,340,277	513,000,000
Q2 2001	6,084,478	513,000,000
Q3 2001	5,804,748	513,000,000

59. Because Adelphia issued an additional $259,862,335 of Adelphia Class B shares to the Rigases in connection with the October 20, 2001 sham stock transaction, Adelphia's equity was overstated in Adelphia's books and records by $772,862,335 as of December 31, 2001.

60. Adelphia violated GAAP in recording an increase in equity from the sham securities transactions that occurred in October 2001, January 2002, January 2000 and July 2000. Emerging Issues Task Force No. 85-1, "Classifying Notes Received for Capital Stock," which is based upon SEC Staff Accounting Bulleting No. 40, Topic 4-E, "Receivables from Sale of Stock," provides that a company that records a notes receivable as payment for its stock should record the note as a reduction to shareholder's equity and not as an asset. Adelphia received no cash for the sham securities transactions and recorded a receivable as payment for stock issued to Rigas Entities. Accordingly, Adelphia should have recorded a reduction to shareholder's equity and its failure to do so constitutes a violation of GAAP.

The Individual Defendants Were Responsible for the Misrepresentations Concerning the Co-Borrowings

61. At all relevant times, T. Rigas was CFO, CAO, Treasurer, and a director of Adelphia. Brown was Vice President of Finance. Together, they supervised Adelphia accounting and finance personnel, oversaw Adelphia's books and records, and separately controlled the books and records of the Rigas Entities.

62. Between mid-1999 and March 2002, T. Rigas and Brown were directly responsible for understating Adelphia's co-borrowing liabilities on its balance sheet, while misrepresenting that all Co-Borrowing Credit Facility Debt for which Adelphia was liable had been included in Adelphia's liabilities on its balance sheet. Specifically, T. Rigas and Brown:

a. directed Adelphia accounting and finance personnel to remove Co-Borrowing Credit Facility Debt from Adelphia's financial statements by fraudulently "reclassifying" that debt as Co-Borrowing Credit Facility Debt of various Rigas Entities under particular Co-Borrowing Credit Facilities,

b. directed Adelphia accounting and finance personnel to remove Co-Borrowing Credit Facility Debt from Adelphia's financial statements by causing Adelphia to engage in sham transactions that resulted in Rigas Entities "assuming" Adelphia's Co-Borrowing Credit Facility Debt in exchange for direct placements of additional Adelphia Class B shares to Rigas Entities,

c. directed Adelphia accounting and finance personnel to craft and include in Adelphia's financial statements the footnote that deceptively implied that all Co-Borrowing Credit Facility Debt had been included in Adelphia's "Total subsidiary debt" in its financial statements, and

d. refused to follow Deloitte's recommendation that Adelphia disclose in its financial statements the total Co-Borrowing Credit Facility Debt for which it was liable, including the Co-Borrowing Credit Facility Debt on the books of the Rigas Entities.

63. In connection with the securities transactions described in Paragraphs 46 and 47 above, T. Rigas and Brown caused Adelphia to misrepresent—and they themselves misrepresented in conference calls with analysts—that, through these direct placements,

Adelphia was reducing its overall liabilities and de-leveraging, when in fact the direct placements to the Rigas Entities were adding to Adelphia's overall debt. As a result of these misrepresentations, T. Rigas and Brown further caused Adelphia to misrepresent Adelphia's shareholder equity and mislead investors into believing that Adelphia was in compliance with debt ratios in loan covenants.

64. Moreover, to conceal and further Adelphia's fraud, (a) T. Rigas and Brown directed an Adelphia employee to create the phony documentation provided to Deloitte in support of the January 24, 2000 and October 20, 2001 direct placements; and (b) Mulcahey created the false borrowing and paydown notices to the Bank of Montreal and cross receipts used in connection with the October 20, 2001 direct placement, and directed an Adelphia employee to provide the false notices to Deloitte.

65. Knowing that Adelphia's liabilities were understated on its financial statements, T. Rigas and Brown prepared and filed with the Commission Adelphia's Forms 10-K for the years ended December 31, 1999 and December 31, 2000 and Forms 10-Q for the quarters ended June 30, 1999, September 30, 1999, March 31, 2000, June 30, 2000, September 30, 2000, March 31, 2001, June 30, 2001, and September 30, 2001, all of which included inaccurate financial statements of Adelphia. T. Rigas signed each of these inaccurate Forms 10-K and 10-Q.

66. Between mid-1999 and late 2001, T. Rigas and Brown prepared and filed with the Commission certain registration statements for offerings of Adelphia securities during that period, including the Registration Statements. Each of these filings, which T. Rigas signed, contained financial statements of Adelphia that misrepresented, among other things, Adelphia's liabilities and stockholders' equity and, in some instances, misleadingly claimed that Adelphia was in compliance with loan covenants. The registration statements for the Class A stock

offerings described in Paragraph 22(c) above, incorporated by reference certain other Adelphia filings as follows: (i) the Form 10-Q for the quarter ended June 30, 1999; (ii) the Form 10-Q for the quarter ended September 30, 1999; (iii) the Form 10-Q for the quarter ended March 31, 2000; (iv) the Form 10-Q for the quarter ended June 30, 2000; (v) the Form 10-Q for the quarter ended September 30, 2000; (vi) the Form 10-Q for the quarter ended March 31, 2001; (vii) the Form 10-Q for the quarter ended June 30, 2001; (viii) the Form 10-Q for the quarter ended September 30, 2001; (ix) the Form 10-K for the year ended 1999; and (x) the Form 10-K for the year ended 2000. These Form 10-Qs and 10-Ks contain the misrepresentations identified in Paragraphs 31 through 36.

67. Brown prepared or caused to be prepared, and T. Rigas approved fraudulent earnings reports and press releases that, among other things, contained inaccurate financial information for Adelphia and falsely claimed that Adelphia was de-leveraging when it was not.

68. Adelphia had a strict policy that each press release, including any press release containing an earnings report, had to be, and in fact was, reviewed and approved by J. Rigas, T. Rigas, M. Rigas, and J.P. Rigas before it was issued, and that each of them individually had the ability to disapprove and prevent from being issued any particular press release or earnings report for any reason.

69. At all relevant times, J. Rigas was CEO and Chairman of Adelphia and a partner in Highland, Highland II, and Highland 2000. J. Rigas also had ownership interests in the Rigas Entities, including both those Rigas Entities that were co-borrowers under the Co-Borrowing Credit Facilities and those that received Adelphia securities through the sham stock transactions. J. Rigas was involved in the day-to-day management of Adelphia and, with his sons, regularly monitored Adelphia's overall operations and expansion. Specifically, J. Rigas:

a. actively reviewed each Adelphia press release, including press releases containing an earnings report, and sometimes reviewing and giving feedback on press releases late into the evening;

b. directed that Highland 2000 be created as a vehicle to receive Adelphia securities in the October 20, 2001 and January 22, 2002 sham stock transactions.

70. As such, J. Rigas knew, or was reckless in not knowing, that Adelphia's Co-Borrowing Credit Facility Debt was being removed from the books of Adelphia and recorded on the books of Rigas Entities, and, as a result, Adelphia's liabilities were understated.

71. J. Rigas also knew, or was reckless in not knowing, that the direct placements of Adelphia stock to Rigas Entities—representing approximately $1 billion as of December 31, 2001—were not paid for in cash as represented to investors but were sham transactions by which Adelphia's co-borrowing liabilities were removed from Adelphia's books. As a result, J. Rigas knew, or was reckless in not knowing, that the direct placements of Adelphia stock to Rigas Entities did not result in additional equity for Adelphia.

72. Nevertheless, J. Rigas signed each of Adelphia's Forms 10-K and the Registration Statements, all of which contained inaccurate information on Adelphia's liabilities and stockholders' equity and were filed with the Commission between mid 1999 and late 2001.

73. J. Rigas also reviewed and approved fraudulent earnings reports and press releases that contained similar inaccurate financial information on Adelphia, including false claims that Adelphia was de-leveraging through, among other things, stock sales to Rigas Entities, when such stock sales were actually increasing Adelphia's liabilities and diluting Adelphia's equity. Certain of these press releases, namely those issued on January 18, 2001 and November 15, 2001, specifically misrepresented that Adelphia's direct placements to Rigas

Entities resulted in additional equity for Adelphia, which was false.

74. At all relevant times, M. Rigas and J.P. Rigas were Executive Vice Presidents and directors of Adelphia and partners in Highland, Highland II, and Highland 2000.

75. M. Rigas and J.P. Rigas also held ownership interests in the Rigas Entities, including those Rigas Entities that were co-borrowers under the Co-Borrowing Credit Facilities.

76. Between mid 1999 and late 2001, M. Rigas and J.P. Rigas each signed Commission filings, including Adelphia's Forms 10-K and the Registrations Statements, all of which contained financial information on Adelphia that understated Adelphia's liabilities and overstated Adelphia's equity.

77. M. Rigas and J.P. Rigas also approved earnings reports, and press releases that similarly contained inaccurate financial information concerning Adelphia and fraudulently represented that Adelphia was de-leveraging when it was not.

78. While engaged in this conduct, M. Rigas and J.P. Rigas knew, or were reckless in not knowing, that Adelphia's Co-Borrowing Credit Facility Debt had been transferred from Adelphia's books to the books of Rigas Entities and that the direct placements of Adelphia stock to Rigas Entities did not result in additional equity for Adelphia.

79. Mulcahey participated with the Rigases and Brown in their removal of Co-Borrowing Credit Facility Debt from Adelphia's books through sham transactions that resulted in the Rigases acquiring additional Adelphia securities. Specifically, Mulcahey:

a. participated in negotiating the Co-Borrowing Credit Facilities and was aware that Adelphia was jointly and severally liable for all outstanding amounts;

b. effected the phony draw-downs and pay-downs and cross receipts on the Co-Borrowing Credit Facilities that Adelphia used to remove debt from its books and

account for issuance of Adelphia securities to the Rigas Entities for sham consideration in connection with the October 20, 2001 direct placement to the Rigases;

c. caused to be recorded in Adelphia's books the journal entries that transferred Adelphia Co-Borrowing Credit Facility Debt to Rigas Entities purportedly in exchange for the issuance of Adelphia securities in connection with the October 20, 2001 direct placements;

d. created, and provided to Deloitte, the fake documentation, including the phony draw-down and pay-down notices and cross receipts, in order to support the journal entries that he created to account for the October 20, 2001 direct placement and to give Deloitte some basis for accepting Adelphia's accounting treatment for the October 20, 2001 direct placement;

e. directed the preparation of, and signed, false records of Adelphia that certified to Adelphia's Indenture Trustees and note holders that he had reviewed calculations that established that Adelphia was in compliance with the covenants, including the leverage ratios, contained in Adelphia's public debt indentures (the "Debt Compliance Certificates"); and

f. transmitted to banks, over his signature, separate compliance certifications and accompanying calculations that indicated that Adelphia was in compliance with debt covenants in its bank credit facilities.

80. In 1999 and 2000, Mulcahey also misled the holders of Adelphia's public debt securities by directing the preparation of, and signing, the Debt Compliance Certificates. Adelphia's board of directors had specifically authorized Mulcahey to sign the Debt Compliance Certificates and debt compliance statements addressed to Indenture Trustees representing

Adelphia's bank lenders. The Debt Compliance Certificates were false because, in them, Mulcahey represented that he had reviewed calculations of compliance that he in fact had neither reviewed nor prepared. Nor had he asked anyone else whether Adelphia was in fact in compliance with the public debt covenants. In fact, Adelphia had excluded substantial liabilities from its 1999 and 2000 fiscal year balance sheets and either never performed the calculations, or manipulated the result of the calculations, to show that Adelphia was in compliance when it was not.

81. From November 1998 through November 2001, Mulcahey also directed or participated in the preparation of, and signed, documents representing to Adelphia's auditors that the financial statements and other financial information prepared by and provided to the auditors by Adelphia during the course of the auditors' year-end audits were fairly presented in conformity with Generally Accepted Accounting Principles (the "Management Representation Letters"). The Management Representation Letters constituted records of Adelphia, and were relied on by the auditors in the audit reports they provided to Adelphia, and which Adelphia filed with their Form 10-Q's and 10-K's throughout the period. Despite his signature on the Management Representation Letters, Mulcahey did not review the financial statements and had no basis for the representations that he made therein.

Misrepresentations Concerning
Operational and Financial Performance

82. Between mid-1999 and the last quarter of 2001, Adelphia misrepresented its performance in three areas that are important in the metrics financial analysts use to evaluate cable companies: (a) the number of its basic cable subscribers, (b) the percentage of its cable plant "rebuild," or upgrade, and (c) its earnings, including its net income and quarterly EBITDA.

Inflation of the Number of Basic Cable Subscribers

83. The number of a cable company's basic cable subscribers is considered an important measure of a cable company's financial condition because, among other things, basic cable subscribers provide a predictable cash flow that is unlikely to shrink during an economic downturn.

84. In Adelphia's Forms 10-K for the years ended December 31, 2000 and December 31, 1999, Adelphia defined a basic cable subscriber to be "a home with one or more television sets connected to a cable system."

85. Beginning in the first quarter of 2000 and continuing through the fourth quarter of 2001, Adelphia artificially inflated its reported number of basic cable subscribers by counting in the total—without disclosure—categories of customers which had not previously been counted as basic subscribers, and which did not fit within Adelphia's previous use of that term.

86. Adelphia included those additional categories to mislead investors and financial analysts into believing that its performance met or exceeded the Company's guidance or analysts' own expectations for Adelphia growth.

87. For instance, beginning in the second quarter of 2000 and continuing through the fourth quarter of 2001, Adelphia included in its reported count of basic cable subscribers 15,000 subscribers of an unconsolidated affiliate located in Brazil. These subscribers had never been previously included in Adelphia's basic subscriber count. They were added in that quarter only so that Adelphia could report quarter on quarter growth for the first quarter of 2000; they were added in subsequent quarters through the last quarter of 2001 so that Adelphia could sustain the level of subscribers it reported.

88. In the third quarter of 2000, Adelphia included in its basic cable subscriber count 28,000 customers of an unconsolidated Venezuelan affiliate. Again, these subscribers had never been included previously and were added only to meet and sustain subscriber growth predictions and expectations.

89. In the last three quarters of 2001, Adelphia included in its basic subscriber count customers who received "Powerlink," Adelphia's Internet service. There was no basis for including these subscribers because, as Internet customers, they did not fit within Adelphia's definition of a basic cable subscriber. Nevertheless, to meet market expectations, Adelphia added 27,000, 33,000, and 39,000 Powerlink subscribers in the second, third, and fourth quarters, respectively, of 2001.

90. In the third and fourth quarters of 2001, Adelphia included in its reported number of basic cable subscribers 60,000 customers who subscribed to Adelphia's home security service. Including them was deliberately intended to inflate the basic subscriber count for that quarter.

91. As a result of this misconduct, Adelphia's reported number of basic cable subscribers was inflated quarterly as follows:

Quarter	**Reported Basic Subscribers**	**Number and Type of Customer Improperly Included in Number of Reported Basic Subscribers**	**Total Numbers of Basic Subscribers Overstated**
Q1 2000	5,003,517	15,000 (Brazil)+ 28,000 (Venezuela)	43,000
Q2 2000	5,018,068	15,000 (Brazil) + 28,000 (Venezuela)	43,000
Q3 2000	5,190,507	15,000 (Brazil)+ 28,000 (Venezuela)	43,000
Q4 2000	5,547,690	15,000 (Brazil) +	43,000

Quarter	Reported Basic Subscribers	Number and Type of Customer Improperly Included in Number of Reported Basic Subscribers	Total Numbers of Basic Subscribers Overstated
		28,000 (Venezuela)	
Q1 2001	5,723,315	15,000 (Brazil) + 28,000(Venezuela)	43,000
Q2 2001	5,672,225	15,000 (Brazil) + 28,000(Venezuela)+ 27,000 (Powerlink)	70,000
Q3 2001	5,693,035	15,000 (Brazil)+ 28,000(Venezuela)+ 33,000(Powerlink)+ 60,000 (Home Security)	136,000
Q4 2001	5,810,253	15,000 (Brazil))+ 28,000(Venezuela)+ 39,000(Powerlink)+ 60,000 (Home Security)	142,000

92. Adelphia fraudulently boosted its basic subscriber count in three additional ways:

a. First, in the third and fourth quarter of 2001, Adelphia included among its basic cable subscribers the high speed data subscribers of the Rigas Entities that owned cable systems. Given that the results of these Rigas Entities were not consolidated into, or otherwise reported on by Adelphia, including these customers in Adelphia's basic subscriber count was wholly fraudulent.

b. Second, in or about the fourth quarter of 2000, Adelphia included in its count of basic cable subscribers as of December 31, 2000, the new basic cable subscribers that it had acquired in the first month of 2001. Adelphia did not include these subscribers in its count of basic cable subscribers for the following quarter. As a result,

Adelphia's subscriber count for each quarter thereafter was a month off of the quarter reported, i.e., Adelphia's report did not include subscribers obtained in the first month of the quarter upon which it was reporting, but did include subscribers acquired in the first month of the following quarter.

c. Third, in or about the third quarter of 2000 and each quarter thereafter, Adelphia included in its count of basic cable subscribers long distance telephone customers of an Adelphia subsidiary engaged in the business of reselling long distance capacity. The service sold to these customers was completely unrelated to cable television and inclusion of these customers in Adelphia's basic cable subscriber count had no basis.

93. T. Rigas and Brown directly and knowingly caused Adelphia to inflate fraudulently its reported results in connection with the number of its basic cable subscribers. Specifically, between the first quarter of 2000 and the last quarter of 2001, T. Rigas and Brown:

a. directed Adelphia accounting and finance personnel to boost artificially Adelphia's number of basic cable subscribers by making false additions to the actual number of basic subscribers obtained from Adelphia's operations division;

b. communicated the artificially inflated number of basic cable subscribers to analysts and investors in conference calls, presentations and press releases. Additionally, they directed others at Adelphia to make the same misrepresentations; and

c. prepared and issued press release, including earnings reports, that reported Adelphia's inflated basic subscriber count, and prepared and filed with the Commission . Adelphia filings that contained Adelphia's fraudulent basic subscriber number.

94. At all relevant times, M. Rigas, as Executive Vice President of Operations, knew

true number of basic cable subscribers and was aware that Adelphia was reporting a fraudulently inflated number of basic cable subscribers to investors. In fact, on at least two occasions, M. Rigas assured his staff that, despite Adelphia's true operational performance, his staff would still receive performance bonuses due to the fraudulent number of basic cable subscribers created and reported at the direction of T. Rigas and Brown. Nevertheless, M. Rigas approved press releases containing fraudulent misrepresentations concerning Adelphia's number of basic cable subscribers. M. Rigas also signed various Registration Statements and Adelphia's Forms 10-K for the years ended December 31, 1999 and December 31, 2000, all of which also contained fraudulent misrepresentations about the number of Adelphia's basic cable subscribers.

Misstatements of Adelphia's "Rebuild" and Two-Way Capability

95. In conference calls and other communications with investors and financial analysts between approximately 1999 through at least the last quarter of 2001, Adelphia variously misrepresented the percentage of its cable plant that had been "rebuilt" or made "two-way capable." For Adelphia, "rebuild" was a measure of the percentage of its cable plant that can transmit signals at speeds greater than 550 Mhz. "Two-way capable" meant that Adelphia's cable plant could transmit both to the customer and from the customer, thus enabling premium services such as Internet access. Both "rebuilt systems" and "two way capable" systems allow a cable company to offer customers the most advanced—and most profitable—cable products.

96. In each instance where Adelphia misrepresented the percentage of its cable plant that had been "rebuilt" or made "two-way capable," Adelphia claimed that, as of that time, it had "rebuilt" or made "two-way capable" a greater percentage of its cable plant than in fact had been upgraded

97. For example, in a late 1999 road show presentation to analysts and investors in advance of an equity offering, Adelphia showed to the analysts and investors an overhead slide that contained a pie chart which represented that approximately 50% of Adelphia's cable plant had capacity of 550 Mhz or greater—meaning that Adelphia's cable plant was approximately 50% "rebuilt." This claim was fraudulent because Adelphia's cable plant was only approximately 35% rebuilt at that time.

98. Since late 1999, Adelphia has repeatedly presented the same fraudulent information about its rebuild efforts to analysts and investors, except over time the pie chart on the misleading overhead slide was updated to show the ongoing, albeit overstated, progress of Adelphia's cable plant upgrade.

99. The overhead slide used during Adelphia's last presentation to analysts and investors prior to bankruptcy misrepresented that Adelphia's rebuild is 70% complete, when in fact it is only approximately 65% complete.

100. During approximately the same period that Adelphia was misrepresenting the progress of its upgrade—and in fact due to these misrepresentations—Adelphia also understated its quarterly capital expenditures devoted to its upgrade efforts. This was accomplished to ensure that financial analysts would not determine, using Adelphia's true capital expenditures, that Adelphia was exaggerating its progress on rebuild and making its cable plant two-way capable.

101. Although Adelphia fraudulently inflated the base level of its rebuild and two-way capability, its public statements accurately reflected its incremental rebuild rate of approximately 4 to 5 percent per quarter. This created a dilemma for Adelphia that, unless Adelphia began to report a slower rate in its upgrade efforts, the publicly disclosed figure would reach 100 percent

before the Adelphia's upgrade was actually complete. When that happened, Adelphia would be unable to show the dramatic increase in profits expected by analysts at the completion of upgrade, and Adelphia's fraud would be revealed. For this reason, throughout 2001, Adelphia attempted to report a slower growth in rebuild and two-way capability in order to bring Adelphia's reported progress closer to its actual progress.

102. T. Rigas and Brown directly caused Adelphia to inflate fraudulently its reported results in connection with the extent of its rebuild and other upgrade efforts. Specifically, to meet analysts' expectations regarding the degree of Adelphia's cable plant modernization, or "rebuilt percentage," T. Rigas and Brown:

a. directed Adelphia accounting and finance personnel to inflate artificially the actual rebuilt percentage obtained from Adelphia's operations division;

b. conveyed the inflated rebuilt percentage to investors and analysts in conference calls, presentations and press releases from 1999 to the last quarter of 2001; and

c. directed others at Adelphia to make similar misrepresentations.

103. Brown himself created, and with T. Rigas, presented the late 1999 overhead slide designed to deceive investors into believing that approximately 50% of Adelphia's cable plant had been rebuilt.

104. At all relevant times, M. Rigas knew the true percentage of Adelphia's cable plant that had been undergone "rebuild" and been made "two-way capable," and was aware that Adelphia was reporting fraudulently inflated percentages to Adelphia's investors. Nevertheless, M. Rigas approved press releases containing fraudulent misrepresentations concerning Adelphia's progress on its upgrade. M. Rigas also signed various Registration Statements and

Adelphia's Forms 10-K for the years ended December 31, 1999 and December 31, 2000, all of which also contained fraudulent and misleading misrepresentations about Adelphia's "rebuild" and "two-way capable" efforts.

Overstatement of Earnings and EBITDA

105. Between at least the third quarter of 2000 and the last quarter of 2001, Adelphia misrepresented its financial performance by using three fraudulent practices to increase artificially Adelphia's quarterly reported earnings, including its net income and EBITDA, in order to show quarter on quarter growth and meet the expectations of financial analysts which had been informed by Adelphia's own earnings guidance.

106. **First**, during the closing process beginning with the third quarter of 2000, Adelphia added to reported EBITDA management fees purportedly paid to Adelphia by the Rigas Entities that owned cable operations. Adelphia did not provide any additional management services to Rigas Entities in exchange for these fees, and the only purpose for recording them on Adelphia's books was to inflate EBITDA.

107. The amount of the management fees purportedly paid to Adelphia by cable-related Rigas Entities was determined solely by the increase in EBITDA needed to meet analysts' expectations. The fees were never paid in cash to Adelphia but, instead, reflected through entries in the Adelphia CMS. Through these fees, Adelphia added approximately $19 million to Adelphia's 2000 year-end EBITDA and approximately $18 million to Adelphia's 2001 year-end EBITDA.

108. In addition to the fictitious management fees purportedly collected from cable-related Rigas Entities, Adelphia recorded receipt of additional management fees from non-cable Rigas Entities or other affiliated businesses associated with the Rigases and managed by

Adelphia. These included wholly fraudulent fees supposedly collected from Devon Mobile Communications Corp. ("Devon"), Niagara Frontier Hockey, L.P., the holding company for the Buffalo Sabres NHL hockey team, and ABIZ. Devon in particular had no ability to pay any management fee to Adelphia since Devon had no income and only a few FCC licenses as assets. Nevertheless, Adelphia recorded a $10 million management fee from Devon during 2000.

109. **Second**, in or about January 2001, Adelphia entered a scheme with two of its digital converter box suppliers, Supplier A and Supplier B, whereby Adelphia received kickbacks from Adelphia's purchase of converters and recognized those kickbacks as current income paid to Adelphia to market Supplier A's and Supplier B's respective brands. Specifically, in or about January 2001, Adelphia negotiated and entered with Supplier A and Supplier B a purchase agreement to buy digital converters at the standard price plus a premium of approximately $26 per box. At the same time, Adelphia entered side agreements with Supplier A and Supplier B whereby Supplier A and Supplier B agreed to return to Adelphia the approximately $26 premium as "marketing support payments," which Adelphia recorded as current income. Adelphia recorded the premiums per box it paid Supplier A and Supplier B as capital expenses to be amortized over time and recognized the $26 paid to Adelphia as current income. Adelphia backdated the agreements to before December 31, 2000, and recognized fraudulent amounts of marketing support income in both 2000 and 2001.

110. In return for entering the agreements with Adelphia, Supplier A and Supplier B obtained commitments from Adelphia to purchase additional converter boxes in the future, as well as secured Adelphia as a customer. In fact, Adelphia did purchase additional converter boxes, which, as described in Paragraphs 49 through 50, above, led Adelphia to transfer fraudulently digital converter inventory to the books of Highland. As a result of the fraudulent

kickbacks from Supplier A and Supplier B, Adelphia fraudulently increased EBITDA by approximately $37 million in 2000 and approximately $54 million in 2001.

111. **Third**, Adelphia fraudulently increased EBITDA by shifting Adelphia expenses to ABIZ and other Rigas Entities during the closing process. Such shifts had no factual basis and were made solely to decrease artificially Adelphia's expenses, thereby inflating net income and EBITDA. As a result in part of this misconduct, an aggregate of approximately $4 million in expenses was improperly shifted to ABIZ during 2000 and 2001.

112. T. Rigas and Brown directly caused Adelphia to inflate fraudulently Adelphia's reported earnings, including its net income and EBITDA. Specifically, in order to show quarter on quarter growth in Adelphia's earnings, T. Rigas and Brown improperly inflated earnings by:

a. directing that fraudulent management fees be charged to Rigas Entities and other managed entities, determining the amount of those fees, and instructing Adelphia accounting personnel to create journal entries booking those fees in order to improperly inflate revenue;

b. orchestrating Adelphia's participation in the fraudulent scheme with Supplier A and Supplier B in order to generate, and record as income, fake marketing support payments; and

c. causing Adelphia expenses to be shifted improperly to ABIZ and other Rigas Entities during the closing process.

113. While engaged in the above conduct, T. Rigas and Brown conveyed Adelphia's inflated earnings to investors and analysts in conference calls and press releases, including those press releases that contained earnings reports. T. Rigas and Brown also directed others at Adelphia to make the similar misrepresentations to investors and analysts. Knowing that their

conduct had fraudulently inflated Adelphia earnings, T. Rigas and Brown caused Adelphia to prepare and file with the Commission various filings, which T. Rigas signed, containing Adelphia's inflated earnings. These included the Registration Statements as well as Adelphia's Forms 10-K for the years ended December 31, 1999 and December 31, 2000 and Forms 10-Q for the quarters ended June 30, 1999, September 30, 1999, March 31, 2000, June 30, 2000, September 30, 2000, March 31, 2001, June 30, 2001, and September 30, 2001.

Misrepresentations and Omissions to Conceal Self-Dealing by the Rigases

114. Between 1998 and March 2002, Adelphia made a number of misrepresentations and omissions of material fact to mislead investors and conceal certain substantial transactions and dealings through which the Rigases engaged in extensive self-dealing at the expense of Adelphia. These transactions and dealings included:

a. Three open market purchases, occurring respectively on October 30, 1999, April 30, 2000, and February 1, 2001, of a total of $59 million of Adelphia securities by Highland using funds that Highland obtained from the Adelphia CMS and for which it never reimbursed or otherwise compensated Adelphia. Although Adelphia disclosed these purchases, Adelphia misrepresented the source of funds for these purchases and necessarily never disclosed that the Rigases obtained the money to effect these purchases from Adelphia. For instance, in a Schedule 13D filed on February 17, 2000, Adelphia stated that "any such [open market purchases] were made on an individual basis for investment purposes in over-the-counter open market transactions and the source of the purchase price paid for each of these acquisitions was the respective personal funds of

each of such persons." (emphasis added).

b. A February 2000 purchase of certain rights to 3,656 acres of land, located in Potter County, Pennsylvania. The Rigases paid $464,930 for the land, while Adelphia paid $26,535,070 for the rights to the timber on the property, purportedly consisting of valuable hardwood cherry. Certain terms of this transaction provided that the timber rights would automatically revert to the owner of the underlying land at either the earlier of twenty years or if the percentage of Adelphia stock held by John Rigas fell below 50% of all the outstanding company stock. Neither the occurrence of this transaction nor its terms were disclosed to Adelphia's investors in Adelphia's public filings or otherwise.

c. Use of approximately $12.8 million in Adelphia funds for the construction of a golf club and golf course on land, located near Coudersport, Pennsylvania, and mostly owned, directly or indirectly, by the Rigases. The use of Adelphia funds for construction of the golf club and golf course was never disclosed to Adelphia investors.

d. Payment of $241,167,006 in personal margin loans and other debt of the Rigas Family, consisting of $177,789,669 paid in 2002. Of that amount, $174,638,151 was paid after Adelphia's March 27, 2002 disclosure of its off-balance sheet liabilities. The use of the Adelphia funds to pay margin loans or other debt on behalf of the Rigases was not disclosed to Adelphia investors in Adelphia's public filings or otherwise.

e. Exclusive use of luxury condominiums in Colorado and Mexico, and at least two New York City apartments, all of which were paid for by Adelphia. The Rigases exclusive use of the condominiums and apartments was never disclosed to Adelphia investors.

115. Through the transactions and dealings set forth in Paragraph 114(a) through (e),

above, the Rigases were enriched by at least $300 million at the expense of Adelphia and its shareholders.

116 Under the relevant provisions of GAAP governing disclosure of related party transactions, including FAS 57, Adelphia was required to have disclosed to its investors the transactions and dealings set forth in Paragraph 114(a) through (e), above, including disclosing a description of the nature of the relationship, a description of the transaction for each of the relevant periods, the dollar amount of the transaction for each period, and the amount due to/from a related party as of the date of each balance sheet. Adelphia failed to make such disclosures on its financial statements for December 31, 1999, December 31, 2000, and December 31, 2001.

117. Defendants J. Rigas, T. Rigas, M. Rigas and J.P. Rigas were individually responsible for the failure to disclose the transactions and dealings set forth in Paragraphs 114(a) through (e). Among other things, these Defendants, individually or through the Rigas Entities, had: (i) effected the three open market purchases, (ii) taken title to the timber land and the timber rights, (iii) directed the construction of a golf course and clubhouse on land they predominantly owned, (iv) caused Adelphia to repay their margin loans, and (v) enjoyed the unfettered use of company real estate and company aircraft. Nevertheless, with Brown's assistance, the Rigases never disclosed the above transactions and dealings and caused to be prepared and signed, various Commission filings, including but not limited to, Forms 10-Ks, Forms 10-Qs, and Registration Statements, as alleged above, which similarly did not disclose the above transactions and dealings.

Continued Fraud on and After March 27, 2002

118. At the time of, and following, Adelphia's March 27, 2002 acknowledgment of its off-balance sheet debt, Adelphia made further misrepresentations to mislead investors concerning the origin of Co-Borrowing Credit Facility Debt and the scope of Adelphia's wrongdoing.

119. For instance, in the March 27, 2002 press release ("March 27 press release") describing its off-balance sheet debt, Adelphia stated that:

> 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.

120. Adelphia's description of its off-balance sheet debt in the March 27, 2002 press release was blatantly false. As set forth, above, almost all Co-Borrowing Credit Facility Debt excluded from Adelphia's balance sheet and recorded on the books of the Rigas Entities had been Adelphia Co-Borrowing Credit Facility Debt that had been reclassified, or transferred, to the books of the Rigas Entities or assumed by the Rigas Entities as consideration in sham stock transactions.

121. Adelphia made further misleading statements in an April 15, 2002 press release ("April 15 press release") in which it reported on the progress and possible results of Deloitte's then underway, extended audit procedures. In the April 15, 2002 press release, Adelphia stated:

> In conjunction with the review of these co-borrowing agreements, there are a number of possible outcomes with respect to the Company's consolidated financial statements for 2001 and certain prior years regarding amounts recorded by Rigas family owned

> entities under these co-borrowing agreements. However, with the exception of any changes in the treatment of the obligations under these co-borrowing agreements, the Company does not believe this review will result in any other material changes to historical amounts that were reported in its press release on March 27, 2002 titled "Adelphia Communications Announces Fourth Quarter and Full Year 2001 Results." (Emphasis added)

122. Adelphia's description of the possible results of Deloitte's review was entirely false because the misrepresentations about co-borrowing liabilities were just one aspect of the fraud perpetrated by Adelphia and its management, as set forth above. Beyond that, Adephia's statement in the April 15 press release was misleading because, given that much of the Co-Borrowing Credit Facility Debt had been transferred off of Adelphia's books in sham stock transactions, a proper accounting of Adelphia liabilities would have affected shareholders' equity.

123. J. Rigas, T. Rigas, M. Rigas, J.P. Rigas, and Brown were responsible for the misrepresentations in Adelphia's March 27th press release and misleading statements in Adelphia's April 15th press release. Specifically, as discussed above, each served as senior executive officers of Adelphia, and were involved in the fraud that concealed the debt of Adelphia through the fraudulent reclassification of debt and sham stock transactions. Moreover, J. Rigas, T. Rigas, M. Rigas, and J.P. Rigas had ownership interests in the Rigas Entities that participated in the fraudulent stock transactions while Brown oversaw the books and records of those same Rigas Entities. As such, J. Rigas, T. Rigas, M. Rigas, J.P. Rigas, and Brown knew, or were reckless in not knowing, that the statements contained in the March 27 press release and the April 15 press releases were false or misleading.

FIRST CLAIM FOR RELIEF

Violations of Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5

(Against Adelphia, J. Rigas, T. Rigas, M. Rigas, J.P. Rigas, and Brown)

124. The Commission realleges and incorporates by reference herein each and every allegation contained in Paragraphs 1 through 123.

125. Adelphia, J. Rigas, T. Rigas, M. Rigas, J.P. Rigas, and Brown, directly or indirectly, singly or in concert, by use of the means or instruments of transportation or communication in, and the means or instrumentalities of interstate commerce, or of the mails, or of the facilities of a national securities exchange, in the offer or sale, and in connection with the purchase or sale of Adelphia securities, knowingly or recklessly, have: (a) employed, are employing or about to employ, devices, schemes and artifices to defraud; (b) made untrue statements of material fact, or have omitted to state material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading; and/or (c) engaged, are engaging and are about to engage in transactions, acts, practices and courses of business which operated or would have operated as a fraud or deceit upon purchasers of Adelphia securities and upon other persons. The Defendants made untrue statements of material fact in, among other things, Commission filings including Form 10-Ks, Form 10-Qs, the Registration Statements, and other public statements. In addition, the false or misleading statements or omissions made by Defendants to Adelphia's Indenture Trustees and its auditors resulted in the dissemination of misrepresentations and omissions to Adelphia's investors.

126. By reason of the foregoing, Adelphia, T. Rigas, J. Rigas, M. Rigas, J.P. Rigas, and Brown, singly or in concert, directly or indirectly, have violated, and unless enjoined will

again violate Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act, Rule 10b-5 promulgated under the Exchange Act.

SECOND CLAIM FOR RELIEF

Violations of Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5

(Against Mulcahey)

127. The Commission realleges and incorporates by reference herein each and every allegation contained in Paragraphs 1 through 126.

128. Mulcahey, directly or indirectly, singly or in concert, by use of the means or instruments of transportation or communication in, and the means or instrumentalities of interstate commerce, or of the mails, or of the facilities of a national securities exchange, in the offer or sale, and in connection with the purchase or sale of Adelphia securities, knowingly or recklessly, has: (a) employed, is employing or about to employ, devices, schemes and artifices to defraud; (b) made untrue statements of material fact, or has omitted to state material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading; and/or (c) engaged, is engaging and is about to engage in transactions, acts, practices and courses of business which operated or would have operated as a fraud or deceit upon purchasers of Adelphia securities and upon other persons. Mulcahey made untrue statements of material fact in, among other things, the Debt Compliance Certificates, and the Management Representation Letters that resulted in the dissemination of misrepresentations and omissions to Adelphia's investors.

129. By reason of the foregoing, Mulcahey, singly or in concert, directly or indirectly,

has violated, and unless enjoined will again violate Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act, and Rule 10b-5 promulgated under the Exchange Act.

THIRD CLAIM FOR RELIEF

Violations of Section 13(a) of the Exchange Act and Rules 12b-20, 13a-1, and 13a-13

(Against Adelphia)

130. The Commission realleges and incorporates by reference herein each and every allegation contained in Paragraphs 1 through 129.

131. Section 13(a) of the Exchange Act and Rules 13a-1 and 13a-13 thereunder require issuers of registered securities to file with the Commission factually accurate annual and quarterly reports. Exchange Act Rule 12b-20 provides that in addition to the information expressly required to be included in a statement or report, there shall be added such further material information, if any, as may be necessary to make the required statements, in the light of the circumstances under which they are made not misleading.

132. By reason of the foregoing, Adelphia violated Section 13(a) of the Exchange Act and Rules 12b-20, Rule 13a-1, and 13a-13; and unless it is enjoined, Adelphia will again engage in conduct that would render it liable for violations of Section 13(a) of the Exchange Act and Rules 12b-20, 13a-1, and 13a-13.

FOURTH CLAIM FOR RELIEF

Violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act

(Against Adelphia)

133. The Commission realleges and incorporates by reference herein each and every allegation contained in Paragraphs 1 through 132.

134. Section 13(b)(2)(A) of the Exchange Act requires that issuers make and keep books, records, and accounts which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets of the issuer. Section 13(b)(2)(B) of the Exchange Act requires, among other things, that issuers maintain a system of internal accounting controls that permit the preparation of financial statements in conformity with GAAP.

135. By reason of the foregoing, Adelphia has violated Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act, and unless it is enjoined, it will again engage in conduct that violate Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act.

FIFTH CLAIM FOR RELIEF

Violations of Section 13(b)(5) of The Exchange Act and Rule 13b2-1

(Against T. Rigas, Brown, and Mulcahey)

136. The Commission realleges and incorporates by reference herein each and every allegation contained in Paragraphs 1 through 135.

137. Exchange Act Section 13(b)(5) states that no person shall knowingly circumvent or knowingly fail to implement a system of internal accounting controls or knowingly falsify any

book, record, or account described in Exchange Act Section 13(b)(2). Exchange Act Rule 13b2-1 prohibits any person from directly or indirectly, falsifying or causing to be falsified, an issuer's books and records.

138. By reason of the foregoing, T. Rigas, Brown, and Mulcahey have violated, and unless enjoined, will again violate Section 13(b)(5) of the Exchange Act and Rule 13b2-1.

SIXTH CLAIM FOR RELIEF

Violations of Exchange Act Rule 13b2-2

(Against T. Rigas, Brown, and Mulcahey)

139. The Commission realleges and incorporates by reference herein each and every allegation contained in Paragraphs 1 through 138.

140. T. Rigas, Brown, and Mulcahey made, or caused to be made, materially false and misleading statements or omissions to Adelphia's auditor, Deloitte.

141. By reason of the foregoing, T. Rigas, Brown and Mulcahey have violated, and unless enjoined, will again violate Rule 13b2-2 of the Exchange Act.

SEVENTH CLAIM FOR RELIEF

Controlling Person Liability for Adelphia's Violations of Sections 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act and Rules 12b-20, 13a-1, and 13a-13 thereunder

(Against J. Rigas, T. Rigas, M. Rigas, J.P. Rigas, and Brown)

142. The Commission realleges and incorporates by reference herein each and every allegation contained in Paragraphs 1 through 141.

143. J. Rigas, T. Rigas, M. Rigas, J.P. Rigas, and Brown possessed, directly or indirectly, the power to direct or control Adelphia's management and policies, including Adelphia's management of and policies surrounding its financial reporting and compliance with the Commission's filing requirements. J. Rigas, T. Rigas, M. Rigas, J.P. Rigas, and Brown were therefore controlling persons of Adelphia pursuant to Section 20(a) of the Exchange Act.

144. As described above, each Form 10-Q quarterly report filed by Adelphia from 1999 through the third quarter of 2001, and the Form 10-K annual reports filed by Adelphia for the years ended December 31, 1999 and December 31, 2000, were materially false and misleading.

145. By reason of the foregoing, J. Rigas, T. Rigas, M. Rigas, J.P. Rigas, and Brown are liable as controlling persons pursuant to Section 20(a) of the Exchange Act for Adelphia's violations of Sections 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act and Rules 12b-20, 13a-1, and 13a-13, and unless enjoined, will again violate these provisions of the Exchange Act and Rules thereunder.

EIGHTH CLAIM FOR RELIEF

Aiding and Abetting of Adelphia's Violations of Sections 10(b), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act and Rule 10b-5

(Against Mulcahey)

146. The Commission realleges and incorporates by reference herein each and every allegation contained in Paragraphs 1 through 145.

147. Mulcahey aided and abetted Adelphia's violations of Sections 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act. Mulcahey's (a) preparation of the false Debt Compliance

Certificates and transmittal of them to the Indenture Trustees and Adelphia's investors; (b) preparation of the phony draw-down and pay off notices and cross receipts in connection with the October 2001 private placement of Adelphia securities that he caused to be furnished to the auditors; and (c) signature on the misleading Management Representation letters provided to the auditors, constituted knowing, substantial assistance to Adelphia in its violations of Sections 10(b), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act and Rule 10b-5 thereunder.

148. As an officer of Adelphia, and one specifically authorized by the board to sign and distribute the Debt Compliance Certificates to Adelphia's public debt Indenture Trustees, Mulcahey owed a fiduciary duty to Adelphia's noteholders.

149. In executing the false Debt Compliance Certificates, Mulcahey intentionally or recklessly misrepresented that he had reviewed the calculations that attested to Adelphia's compliance and misrepresented that anyone had performed such calculations.

150. In assuming the duty to prepare the Debt Compliance Certificates, the draw-down and pay off notices and cross receipts in connection with the 2001 private placement of Adelphia securities that Mulcahey caused to be furnished to the auditors, and the Management Representation letters provided to the auditors, Mulcahey assumed the duty to represent all matters therein accurately. Because each of those documents was false, Mulcahey breached that duty and intentionally or recklessly, and publicly, misrepresented material information. Such misrepresentations substantially assisted the other Defendants in their fraudulent acts and practices and violations of the anti-fraud provisions of the securities laws.

ENTRY OF CONSENT JUDGMENT AGAINST CERTAIN DEFENDANTS

151. On June 2, 2005, this Court entered Judgments on Consent against Defendant Adelphia, and, respectively, T. Rigas, J.P. Rigas, J. Rigas and M. Rigas (collectively the "Rigas

Settling Defendants"), by which it permanently restrained and enjoined Adelphia and the Rigas Settling Defendants from violating Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder; Section 17(a) the Securities Act; Section 13(a) of the Exchange Act and Rules 12b-20, 13a-1 and 13a-13 promulgated thereunder; and Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act. The Consent Judgments additionally entered a permanent bar against each of the Rigas Settling Defendants from acting as an officer or director of any issuer whose securities are registered with the Commission pursuant to Section 12 of the Exchange Act, or which is required to file reports with the Commission pursuant to Section 15(d) of the Exchange Act. The Consent Judgments against Adelphia and the Rigas Settling Defendants did not impose disgorgement or civil money penalties on condition that, in the case of Adelphia, it make payment of $715 million to a victim's restitution fund in accordance with the non-prosecution agreement, dated April 25, 2005, between Adelphia and the United States Attorney's Office for the Southern District of New York the ("USAO"); and, in the case of the Rigas Settling Defendants, they forfeit $1.5 billion to a victim's restitution fund in accordance with agreements dated April 24, 2005 between the USAO and each of the Rigas Settling Defendants. The Consent Judgments resolved all claims asserted by Plaintiff against Adelphia and the Rigas Settling Defendants asserted in the original complaint herein.

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests a Final Judgment:

I.

Permanently enjoining Brown, his agents, servants, employees and attorneys and all

persons in active concert or participation with him who receive actual notice of the injunction by personal service or otherwise, and each of them, from future violations of Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a), Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b) and Rule 10b-5, 17 C.F.R. §§ 240.10b-5.

II.

Permanently enjoining Brown, his agents, servants, employees and attorneys and all persons in active concert or participation with him who receive actual notice of the injunction by personal service or otherwise, and each of them, from future violations of Sections 13(a) and 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act, 15 U.S.C. §§ 78m(a), 78m(b)(2)(A) and 78m(b)(2)(B), and Rules 12b-20, 13a-1 and 13a-13, 17 C.F.R. §§ 240.12b-20, 240.13a-1 and 240.13a-13, thereunder.

III.

Permanently enjoining Mulcahey, his agents, servants, employees and attorneys and all persons in active concert or participation with him who receive actual notice of the injunction by personal service or otherwise, and each of them, from future violations of Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a), Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b) and Rule 10b-5, 17 C.F.R. §§ 240.10b-5.

IV.

Permanently enjoining Brown, and Mulcahey, their agents, servants, employees and attorneys and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, and each of them, from future violations of Section 13(b)(5) of the Exchange Act, 15 U.S.C. § 78m(b)(5), and Rules 13b2-1 and 13b2-2, 17 C.F.R. §§ 240.13b2-1 and 240.13b2-2, thereunder.

V.

Permanently enjoining Mulcahey, his agents, servants, employees and attorneys and all persons in active concert or participation with him who receive actual notice of the injunction by personal service or otherwise, and each of them, from future violations of Section 10(b), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act, 15 U.S.C. §§ 78j(b), 78m(b)(2)(A), and 78m(b)(2)(B), and Rule 10b-5, 17 C.F.R. § 240.10b-5, thereunder.

VI.

Ordering Brown and Mulcahey each to file with this Court and serve upon the Commission verified written accountings, signed by each under penalty of perjury, of:

a. All assets, liabilities, and property of each currently held, directly or indirectly, by, or for the benefit of Brown and Mulcahey, including but not limited to, bank accounts, brokerage accounts, investments, business interests, loans, lines of credit, and real and personal property wherever situated, describing each asset and liability, and its current location and amount;

b. All money, property, assets, and other income received by Brown and Mulcahey, or for their direct or indirect benefit, in or at any time from January 1, 1998 to the date of the accounting, describing the source, amount, disposition, and current location of each of the items listed;

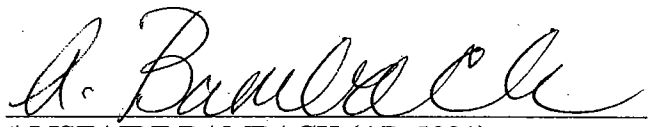
c. The names and last known addresses of all bailees, debtors, and other persons and entities which are currently holding the assets, funds, or property of Brown and Mulcahey; and

d. All assets, funds, securities, real or personal property received by Brown

X.

Granting such other and further relief as the Court may deem just and proper.

Dated: New York, New York
September 22, 2005



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CERTIFICATE OF SERVICE

I hereby certify that I served the foregoing Plaintiff Securities and Exchange Commission's Second Amended Complaint by transmitting a copy of same via Federal Express on this 22nd day of September, 2005 to:

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