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Adelphia Founder Pays \$530 Million In Fraud Claim

NEW YORK----More than \$530 million in cash and Time Warner Cable stock has been paid to the federal government as a result of its federal forfeiture action in the prosecution of John J. Rigas, Adelphia Communications Corporation founder, and his son, Timothy J. Rigas.

The money was paid as a result of a non-prosecution agreement with Adelphia and a joint settlement of civil fraud claims brought by the U.S. Securities and Exchange Commission. The funds will be used to compensate the victims of the Adelphia fraud.

According to Michael Garcia, U.S. Attorney for the Southern District of New York, the Rigas prosecution arose from one of the largest corporate frauds in American history. In July 2004, the Rigases were convicted of securities fraud and other offenses following a jury trial.

As established by the evidence at trial, from the late 1990s through 2002, the Rigases misappropriated billions of dollars from Adelphia, then the nation's sixth-largest cable television company, for the benefit of themselves and other members of the Rigas family. Certain cable companies that were privately owned by the Rigas family, but managed by Adelphia, were purchased and/or upgraded with funds wrongfully taken from Adelphia. These "Rigas Managed Entities" were so highly leveraged that they did not generate enough cash to pay their own operating expenses and interest charges, and were thus effectively subsidized by cash advances from Adelphia, according to prosecutors.

In March 2002, Adelphia disclosed that it was liable for more than \$2 million in borrowings attributed to certain RMEs that were not reflected in Adelphia's prior SEC filings and financial reports.

Adelphia filed for bankruptcy protection on June 25, 2002.

In April of 2005, the criminal forfeiture proceedings against John and Timothy Rigas were resolved with the signing of an agreement between the U.S. Attorney's Office for the Southern District of New York and John Rigas; his son, Michael Rigas (who pleaded guilty to making a false entry in the books and records of Adelphia) and various uncharged members of the Rigas family. The agreement provided for the forfeiture to the United States of 14 RMEs, securities, and Rigas family real estate.

A non-prosecution agreement between the government and Adelphia, announced the same day, resolved potential corporate criminal charges against Adelphia and its subsidiaries. As part of the non-prosecution agreement, prosecutors agreed to convey to Adelphia the RMEs and certain other assets forfeited to the government by the Rigases in exchange for \$715 million to be used to compensate Adelphia security holders who lost money as a result of the fraud. Adelphia and the Rigases also resolved civil fraud charges as part of a joint settlement with the SEC.

On July 31, 2006, Adelphia sold substantially all of its assets, including the RMEs and associated properties, to Time Warner NY Cable LLC and Comcast Corporation for over \$17 billion. Pursuant to the terms of the non-prosecution agreement, on Jan. 9, Adelphia paid approximately \$200 million in cash to the government.

This week, Adelphia transferred to the government over 9.5 million shares of common stock of Time Warner Cable. Under the plan of reorganization in the Adelphia bankruptcy proceeding, which became effective on Feb. 13, the shares transferred to the government are valued at over \$332 million.

In approximately 60 days, Adelphia will make a second distribution of TWC stock, bringing the total value of the stock transferred to the government to approximately \$400 million. An additional \$115 million will be provided as "an interest in a litigation trust to be funded by recoveries obtained by Adelphia or its designee in certain adversary proceedings in bankruptcy and other claims," according to the non-prosecution agreement.

The over \$700 million to be forfeited will be distributed to the victims of the fraud pursuant to the Attorney General's discretionary authority to restore forfeited property to victims through the petition for remission or mitigation process. An additional \$70 million collected by the SEC in related civil actions will also be distributed to the fraud victims. Due to the large number of potential victims, a Special Master, Richard C. Breeden, chairman of Richard C. Breeden & Co. and former Chairman of the SEC, will identify and notify potential victims, verify and process petitions, and recommend a pro rata distribution to the Attorney General.

Potential victims and other interested persons may obtain further information by calling 1-866-446-4884, or by logging onto the website www.AdelphiaFund.com. Both the hotline and the website have been established exclusively for the Adelphia case. 2-27-07