

Office of the United States Trustee
33 Whitehall Street
New York, New York 10004
212 510-0500

Deirdre A. Martini, United States Trustee
Elizabeth Austin, Assistant United States Trustee
Tracy Hope Davis, Esq.

HEARING DATE: February 6, 2006
HEARING TIME: 5:00 p.m.
OBJECTIONS BY: January 26, 2006 @ 5:00 p.m.
RESPONSES BY: January 31, 2006

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

_____/

In re:

Adelphia Communications Corp., et al.,

Debtors.

_____ /

Chapter 11 Cases
Case No. 02 B 41729 (REG)

(Jointly Administered)

**NOTICE OF HEARING ON STIPULATION AND ORDER BY AND
AMONG THE UNITED STATES TRUSTEE, THE DEBTORS, THE
OFFICIAL COMMITTEE OF UNSECURED CREDITORS, THE OFFICIAL
COMMITTEE OF EQUITY SECURITY HOLDERS AND THE FEE
COMMITTEE FOR THE APPOINTMENT OF AN EXAMINER**

PLEASE TAKE NOTICE that the United States Trustee for the Southern District of New York will move this Court before the Honorable Robert E. Gerber, Bankruptcy Judge, in the United States Bankruptcy Court, Alexander Hamilton Custom House, One Bowling Green, New York, New York 10004 on February 6, 2006 at 5:00 p.m., or as soon thereafter as counsel can be heard, why the annexed Stipulation and Order by and Among the United States Trustee, the Debtors, the Official Committee of Unsecured Creditors, the Official Committee of Equity Security Holders and the Fee Committee for the Appointment of an Examiner should not be entered, and for such other and further relief as this Court may deem just and proper.

PLEASE TAKE FURTHER NOTICE that any objections to the Stipulation and Order (i) must be made in writing, state with particularity the grounds therefor, (ii) shall conform to the Federal Rules of Bankruptcy Procedure and the Local Rules of the Bankruptcy Court, (iii) shall be filed with the Bankruptcy Court electronically in accordance with General Order M-182 (General Order M-182 and the User's Manual for the Electronic Case Filing System can be found at 111.nysb.uscourts.gov, the official website for the Bankruptcy Court), by registered users of the Bankruptcy Court's case filing system and by, all other parties in interest, on a 3.5 inch disk, preferably in Portable Document Format (PDF), Microsoft Word or any other Windows-based

word processing format (with a hard-copy delivered directly to Chambers), and (iv) must be served in accordance with General Order M-182, and upon the United States Trustee, Attn: Tracy Hope Davis, Esq.; the Official Committee of Unsecured Creditors, Kasowitz Benson Torres & Friedman, LLP, Attn: David Friedman, Esq. and Adam Shiff, Esq.; Adelpia Communications Corp., Foley & Lardner, LLP, Attn: Peter N. Wang, Esq. and Robert Scher, Esq.; the Fee Committee, Kronish Lieb Weiner & Hellman, LLP, Attn: James M. Beldner, Esq., the Official Committee of Unsecured Creditors, Morgenstern Jacobs & Blue, LLP, Attn: Peter D. Morgenstern, Esq., so as to be received no later than 5:00 p.m. on January 26, 2006.

PLEASE TAKE FURTHER NOTICE that any responsive papers shall be filed with the Bankruptcy Court and served in the manner set forth above, so as to be received no later than 5:00 p.m. on January 31, 2006.

Dated: January 24, 2006

DEIRDRE A. MARTINI
United States Trustee

/s/ Tracy Hope Davis
Tracy Hope Davis (THD-8154)
Attorney

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**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re:

Adelphia Communications Corp., et al.,

Debtors.

**Chapter 11 Cases
Case No. 02 B 41729 (REG)**

(Jointly Administered)

**STIPULATION AND ORDER BY AND AMONG THE UNITED STATES TRUSTEE,
THE DEBTORS, THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS, THE
OFFICIAL COMMITTEE OF EQUITY SECURITY HOLDERS AND THE FEE
COMMITTEE FOR THE APPOINTMENT OF AN EXAMINER**

WHEREAS, on June 10, 2002, Century Communications Corporation commenced a case under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"). On June 25, 2002, Adelphia Communications Corporation ("ACC") and the balance of the debtors (each a "Debtor" and collectively, the "Debtors") each filed a voluntary petition for relief under the Bankruptcy Code with the United States Bankruptcy Court for the Southern District of New York (the "Court"); and

WHEREAS, by application, dated June 26, 2002, the Debtors sought to retain Boies, Schiller & Flexner, LLP ("BS&F") as special litigation counsel pursuant to 11 U.S.C. § 327(e) of the Bankruptcy Code (the "Retention Application"); and

WHEREAS, Philip C. Korologos (“Korologos”), a member of BS&F filed an affidavit sworn to on June 20, 2002 (the “Initial Affidavit”), in connection with the Retention Application to provide disclosures under 11 U.S.C. § 329 of the Bankruptcy Code, the local rules of the Court and Rules 2014(a) and 2016(b) of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”); and

WHEREAS, the Court entered an interim order dated June 28, 2002 and, thereafter, the Court entered a final order dated August 9, 2002, authorizing the Debtors to retain BS&F as special litigation counsel, pursuant to 11 U.S.C. § 327(e) of the Bankruptcy Code to represent the Debtors with respect to the matters set forth in the Retention Application; and

WHEREAS, Korologos filed a supplemental disclosure affidavit sworn to on August 7, 2002 (the “Supplemental Affidavit”), in further support of the Retention Application to provide disclosures under 11 U.S.C. § 329 of the Bankruptcy Code, the local rules of the Court and Rules 2014(a) and 2016(b) of the Bankruptcy Rules; and

WHEREAS, Korologos filed a second supplemental disclosure affidavit sworn to on August 11, 2005 (the “Second Supplemental Affidavit”) to supplement disclosures under 11 U.S.C. § 329 of the Bankruptcy Code, the local rules of the Court and Rules 2014(a) and 2016(b) of the Bankruptcy Rules and to supplement his earlier affidavits and to respond “to certain statements made “to the Court by counsel of the Bank of Montreal at a hearing on July 26, 2005” and disclosed certain economic interests in Amici LLC (“Amici”) and The Echelon Group LLC (“Echelon”), document management companies that may be partially owned by certain partners and associates of BS&F and their relatives, which had not been previously disclosed by BS&F in the Initial Affidavit; and

WHEREAS, on August 11, 2005, BS&F resigned as counsel, at the Debtors' request; and by order dated October 11, 2005, the Court authorized the withdrawal of BS&F as special counsel to the Debtors; and

WHEREAS, Korologos filed a third supplemental disclosure affidavit sworn to on August 15, 2005 (the "Third Supplemental Affidavit") to supplement disclosures under 11 U.S.C. § 329 of the Bankruptcy Code, the local rules of the Court and Rules 2014(a) and 2016(b) of the Bankruptcy Rules and to supplement disclosures made in his earlier affidavits with respect to Amici and Echelon; and

WHEREAS, Korologos filed a fourth supplemental disclosure affidavit sworn to on August 31, 2005 (the "Fourth Supplemental Affidavit") to supplement disclosures under 11 U.S.C. § 329 of the Bankruptcy Code, the local rules of the Court and Rules 2014(a) and 2016(b) of the Bankruptcy Rules and, according to Korologos, in response to the Court's inquiries raised during a chambers conference on August 11, 2005 with respect to Amici and Echelon; and

WHEREAS, allegations have been made that Legal Scientific Analysis Group ("LSAG") may be owned by partners of BS&F and their relatives and may have performed services for the Debtors, which, if true, has not been disclosed by BS&F in the Initial Affidavit, the Supplemental Affidavit, the First Supplemental Affidavit, the Second Supplemental Affidavit, the Third Supplemental Affidavit and the Fourth Supplemental Affidavit; and

WHEREAS, the Debtors, creditors and parties-in-interest in these cases have used Amici and Echelon and may have used LSAG in connection with litigation and non-litigation matters in the Debtors' cases; and

WHEREAS, the Debtors have been billed and paid invoices submitted by Amici, Echelon and LSAG for document management services provided to the Debtors, creditors and parties-in-

interest between June 26, 2002 and August 12, 2005; and

WHEREAS, on October 3, 2005, BS&F filed an application for allowance of final and interim fees in the amount of \$29,800,291.50 and for the reimbursement of out-of-pocket expenses in the amount of \$1,975,818.65 incurred for the period June 26, 2002 through August 12, 2005 (the “Final Fee Application”); and

WHEREAS, Bankruptcy Code Section 1104(c) authorizes the appointment of an examiner at any time before the confirmation of a plan, on request of a party in interest or the United States Trustee, after notice and a hearing, “if the court does not order the appointment of a trustee,” if, (1) such appointment is in the interests of creditors, any equity security holders, and other interests of the estate; or (2) the debtor’s fixed, liquidated, unsecured debts, other than debts for goods, services, or taxes, or owing to an insider, exceed \$5,000,000; and

WHEREAS, Bankruptcy Code Section 105(a) authorized the Court “issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of [the Bankruptcy Code]”; and

WHEREAS, the United States Trustee, in consultation with the parties, consisting of the Debtors, the Official Committee of Unsecured Creditors, the Fee Committee and the Equity Committee (collectively, the “Parties”), determined that the appointment of an Examiner was necessary to investigate, inter alia, (1) whether BS&F, former counsel to the Debtors, met its responsibilities under Bankruptcy Rule 2014(a) and 2016(b), when during the retention process, it did not disclose the financial ties of several of its attorneys to Amici, Echelon and LSAG and (2) whether the fees charged to the estate by the Amici, Echelon and LSAG for the period from June 26, 2002 through August 12, 2005 to determine, inter alia, were “reasonable” under 11 U.S.C. §§ 330 and 331; and

WHEREAS, the Debtors' fixed, liquidated, unsecured debts, other than debts for goods, services, or taxes, or owing to an insider, exceed \$5,000,000;

NOW, THEREFORE, it is hereby stipulated and agreed that:

1. The request of the United States Trustee to appoint an examiner pursuant to 11 U.S.C. §§ 105 and 1104(c) is granted.

2. The United States Trustee is directed to appoint one examiner pursuant to 11 U.S.C. §§ 105 and 1104(c) to conduct a factual investigation concerning the issues set forth below (the "Investigation"):

(a) Did BS&F, former counsel to the Debtors, comply with its responsibilities under Bankruptcy Rule 2014(a) and 2016(b) and obtain the requisite consents?

(b) Were BS&F's disclosures in the Bankruptcy Court relating to Amici, Echelon and LSAG, including, but not limited to, the identity and backgrounds of the management of and investors in Amici, Echelon and LSAG, sufficient to meet the requirements of the Bankruptcy Code?

(c) Were the fees charged to the estate by Amici, Echelon and LSAG for the period from June 26, 2002 through August 12, 2005 "reasonable and appropriate," under 11 U.S.C. §§ 330 and 331, and were the estates charged market rates?

(d) What role, if any, did BS&F play in the Debtors' hiring of Amici, Echelon and LSAG, and what were the underlying circumstances related to the retention of Amici, Echelon and LSAG?

(e) If any BS&F attorney had a relationship to Amici, Echelon and LSAG, then what role, if any, did such attorney play in BS&F's representation of the Debtors? Did BS&F have special access to the Amici document management system?

(f) Did the work performed by Amici, Echelon and LSAG benefit the Debtors' estate, creditors and parties in interest?

(g) What are the total fees paid by the estate for the services of Amici, Echelon and LSAG to date?

(h) What are the total professional fees paid, held back and outstanding to BS&F to date?

(i) What was the role of the Debtors and any other parties' in interest with respect to the approvals of the rates and consideration paid to Amici, Echelon and LSAG?

3. The Investigation shall result in the issuance of a written report (the "Report") by the Examiner which shall contain, inter alia, a summary of the findings and conclusions of the Investigation concerning issues in paragraph 2(a) through (l) above. If the Examiner's findings and conclusions in the Report are that BS&F, Amici, Echelon and LSAG failed to comply with § 327 of the Bankruptcy Code, Bankruptcy Rules 2014(a) and 2016(b) and any other applicable provisions of the Bankruptcy Code and the Bankruptcy Rules, then the Examiner may make a recommendation to the Court of the potential sanctions that may be imposed against BS&F, Amici, Echelon and LSAG. The Report, which will be filed with the Court and served upon the United States Trustee and counsel to the Parties by no later than March 7, 2006, may be filed under seal at the discretion of the United States Trustee and/or the Parties. The Examiner (along with Foley & Lardner ("Foley & Lardner"), special counsel to the Debtors, and Kasowitz Benson Torres & Friedman ("Kasowitz"), counsel to the Creditors' Committee,) will use his or her best efforts to take all steps necessary to protect the estate's privileges and confidential information in connection with the investigation.

4. The Examiner shall have authority to retain professionals to assist in conducting the Investigation.

5. The Examiner shall have the authority, in connection with the Investigation, (i) to take informal and formal discovery as appropriate, including Rule 2004 and/or discovery in connection with the Final Application of BS&F As Special Counsel For Debtors and Debtors-In-Possession For Allowance Of Compensation For Services Rendered And Reimbursement Of Expenses Incurred From June 26, 2002 Through August 12, 2005 and (ii) to review and analyze documents and conduct oral examinations in the investigation. Foley & Lardner and Kasowitz may participate in the informal discovery, document review and oral examinations set forth above.

6. The costs to be incurred by the Examiner and his professionals shall not exceed \$350,000, plus out-of-pocket expenses (the "Fee Cap"). The Fee Cap may be enlarged at the request of the Examiner to the Court, after notice to the United States Trustee and the Parties and hearing, upon a showing of cause by the Examiner.

7. The Investigation shall be concluded by March 7, 2006 (the "Deadline"). The Deadline may be extended upon request of the Examiner to the Court, after notice to the United States Trustee and the Parties and hearing, upon a showing of cause by the Examiner.

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DEIRDRE A. MARTINI
UNITED STATES TRUSTEE

By: /s/ Tracy Hope Davis
Tracy Hope Davis, Esq. (THD-8154)

FOLEY & LARDNER, LLP
Attorneys for Adelfia Communications Corp. et al.

By: _____

KASOWITZ BENSON TORRES & FRIEDMAN, LLP
Attorneys for the Official Committee of Unsecured Creditors

By: _____

MORGENSTERN, JACOBS & BLUE, LLP
Attorneys for the Official Committee of Equity Security Holders

By: _____

KRONISH LIEB WEINER & HELLMAN, LLP
Attorneys for the Fee Committee

By: /s/ James A. Beldner
James A. Beldner, Esq. (JAB-)

SO ORDERED:

THE HONORABLE ROBERT E. GERBER
UNITED STATES BANKRUPTCY JUDGE

Dated: _____, 2006
New York, New York