

# **EXHIBIT 1**

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UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

IN RE: . Case No. 02-41729  
. .  
ADELPHIA COMMUNICATIONS, . New York, New York  
. Friday, October 28, 2005  
Debtors. . 10:50 a.m.  
. . . . .

VOLUME II  
TRANSCRIPT OF MOTION FOR APPROVAL OF DISCLOSURE STATEMENT  
BEFORE THE HONORABLE ROBERT E. GERBER  
UNITED STATES BANKRUPTCY JUDGE

APPEARANCES: (On the Record)

For the Debtors: Marc Abrams, Esq.  
Paul V. Shalhoub, Esq.  
Rachel C. Strickland, Esq.  
WILLKIE, FARR & GALLAGHER, LLP  
787 Seventh Avenue  
New York, New York 10014  
(212) 728-8000

For the Official Unsecured  
Creditors' Committee: Adam Shiff, Esq.  
KASOWITZ, BENSON, TORRES &  
FRIEDMAN, LLP  
1533 Broadway  
New York, New York 10010  
(292) 576-1700

(Appearances continued)

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(973) 383-6977

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1 reassemble?

2 THE COURT: Well, for sure, you don't have to come  
3 back before 2:30.

4 MR. ABRAMS: Because it takes twenty minutes to get  
5 down the elevator.

6 THE COURT: Well, I don't know what other hearings we  
7 are competing with today. I know a bunch of you folks were  
8 competing with matters before Judges Drain and perhaps others.

9 MR. ABRAMS: All right. So 2:30 it is.

10 THE COURT: But you don't have to come back before  
11 2:30. I'm not sure if I can look you guys in the eye and tell  
12 you I'll be ready to go at 2:30, but at the least we can do  
13 that.

14 MR. ABRAMS: All right. Thank you.

15 THE COURT: Thank you.

16 COUNSEL: Thank you, Your Honor.

17 (Luncheon recess taken at 1:16 p.m.)

18 AFTERNOON SESSION

19 (Proceedings resume after recess at 3:35 p.m.)

20 THE COURT: Have seats, everybody. I apologize for  
21 keeping you all waiting. Some parts of the matter before me  
22 are relatively easy; others are materially harder.

23 The debtors are to provide, in either textual or  
24 tabular form, range of recovery information of two types:

25 For each claims -- for each class of claims and

1 interests affected by the inter-creditor dispute, first, bottom  
2 line, in terms of the range of outcomes, high and low; and,  
3 insofar as practical, as a function of the determination of any  
4 given issue to be litigated as part of the inter-creditor  
5 dispute.

6           If, as is possible, that isn't wholly practical, as  
7 the number of combinations and permutations would make the  
8 presentation of that data unwieldy or misleading, the debtors  
9 are authorized to substitute for the latter what I will call  
10 "impact statements," describing in some numeric way the impact  
11 on stakeholder recoveries of the determination of any of the  
12 inter-creditor issues to the degree of specificity that the  
13 issue permits, which may permit simply laying out the extremes,  
14 or which may also include information in between, based on data  
15 points or sub-issues relevant to the range of outcomes. I'm  
16 intentionally being somewhat general in this guidance.

17           The debtors are to prepare the supplemental disclosure  
18 in consultation with the creditors' committee's professionals  
19 and with the input of, not the veto power of individual  
20 stakeholders or stakeholder groups. The debtors are to act  
21 with a view toward balancing the need for as extensive  
22 disclosure as practical, without undue burden; and, equally  
23 importantly, avoiding a presentation that's unduly lengthy,  
24 complex, or confusing.

25           After they do so, they are to circulate their

1 proposals for the presentation of that information. And  
2 anybody who has objections as to that presentation will have  
3 the opportunity to be heard.

4           The more difficult issue is the extent to which I  
5 should require or permit the debtors or their counsel to  
6 express views as to how they would decide any of the inter-  
7 creditor issues, if any of them, instead of me, were the judge.  
8 Though the matter is close, I conclude in the exercise of my  
9 discretion that I will neither require or permit the debtors to  
10 express their views as to outcome in the disclosure statement  
11 at this time; and that, in the absence of a material change in  
12 circumstances, will not permit such disclosure in the absence  
13 of agreement on the part of all of the parties to the inter-  
14 creditor disputes, that such is appropriate.

15           I emphasize that I'm talking about disclosure of such  
16 opinions or views in the disclosure statement, and that I'm  
17 imposing no restrictions on views the debtors might express  
18 privately to the feuding creditor groups in efforts to bring  
19 those antagonists together.

20           The following are the bases for the exercise of my  
21 discretion and disregard:

22           First is materiality. Ultimately, we're talking about  
23 matters that will engender disputes of both fact and law. It  
24 is possible, and perhaps likely, that the debtors have a head  
25 start on learning facts that will be relevant to the dispute.

1 But to a substantial extent, the outcome of the inter-creditor  
2 disputes will turn on disputes of law, mixed questions of fact  
3 and law, and opinion as to which, frankly, my view will matter,  
4 and the views of others materially less so.

5 Any views the debtors might form would be without the  
6 benefit of cross-examination; and, as you know is important to  
7 me, the back-and-forth on matters that are of concern to me  
8 that we see in every oral argument in this court. That is not  
9 to say that any debtor views are worthless or would have not  
10 materially whatever -- materiality whatever, as I'm confident  
11 that the debtors have thought about these issues a lot, and  
12 that any reasoning they bring to the table might well be  
13 persuasive. But the debtors' views ultimately remain  
14 subjective and lacking in the precision of the facts to be  
15 disclosed that typifies the other aspects of the disclosure  
16 statement.

17 Second is my concern that the inclusion of any such  
18 issues would, or at least could be misleading. Of course, I  
19 assume that any disclosure of this character would, if  
20 authorized, be accompanied by a bundle of disclaimers and  
21 qualifications, such as that any views expressed would only  
22 represent the debtors' views, and that the decisions would  
23 ultimately be made by the Judge.

24 But there remains the risk, if not also the certainty,  
25 that many readers, particularly those less sophisticated, might

1 reason that the debtors, being as close to the situation as  
2 they have been for so long, have some kind of inside track or  
3 special insight on the ability to gauge the outcome, and that  
4 their views -- that is, the debtors' views -- should be  
5 regarded as a proxy for how I would rule. That would have the  
6 potential of overstating the significance of those views,  
7 particularly on issues of law.

8           Third is my concern with respect to trading and the  
9 effect any such disclosure might have on the marketplace. I  
10 didn't note it on the record, as I didn't stop to require  
11 identification of all of the paper listening in on the phone,  
12 but my chambers today got an inquiry before this hearing as to  
13 whether traders would be allowed to listen on the phone in  
14 today's proceedings. I told my courtroom to answer yes. This  
15 is a public proceeding, and traders have the right to that  
16 access, just as they'd have the right to come into the  
17 courtroom to view any public proceedings if they desired.

18           I don't now make a factual finding on the accuracy of  
19 what Mr. Abrams told us all about, about the effect on bond-  
20 trading prices of recent developments in this case. But I  
21 think it's reasonable to expect that anything publicly  
22 disclosed in these cases affects the trading of bonds and  
23 claims.

24           But the standards applicable to what's adequate  
25 disclosure under Sections 1125(a) and (b) of the Code are not

1 congruent with those applicable to disclosure under the 34 Act.  
2 And while the analogy isn't a perfect one, I'm nervous about  
3 people making and, more importantly, losing money based on  
4 information that's so subjective and potentially confusing and  
5 misleading, and which inherently lacks the protections that one  
6 would find in a 10K, 10Q, 8K, or a document more suitable for  
7 disclosure under the federal securities laws, and analogous  
8 regulatory provisions. I'm concerned about information of an  
9 inherently subjective quality going out into the marketplace.

10 Fourth is my concern about fairness and avoiding a  
11 situation in which the debtors would have the appearance, if  
12 not also the reality of taking sides in the inter-creditor  
13 debate. Most or all of us agree that the debtors' management  
14 and board members and their counsel have fiduciary duties to  
15 the enterprise as a whole and derivatively to its creditors and  
16 equity-holders, and that they also have duties to the 230  
17 separate debtors that collectively constitute the Adelpia  
18 family.

19 Some would argue, though it's more debatable, that the  
20 existence of such duties would require the appointment of  
21 different or new fiduciaries in any circumstance where the  
22 interests of any of the 230 debtors might be contrary to the  
23 interests of any of the other 230 debtors. Though others might  
24 argue that fiduciaries for the whole and I, as the Court,  
25 should focus on the means for protecting everybody's needs and

1 concerns in the most sensible way possible, especially on  
2 matters for the common good, with the minimum resulting damage  
3 to the individual entities and the enterprise as a whole.

4 I'm not deciding those issues today. Those issues  
5 aren't before me today. But I do note, and necessarily must  
6 observe, that it's one thing to say that the alternate means  
7 that I've established to protect the needs and concerns of  
8 individual debtors and debtor silos aren't good enough to  
9 address their needs, and it's quite another thing to say that  
10 fiduciaries might be acting affirmatively adversely to entities  
11 to whom they owe fiduciary duties.

12 The former doesn't bother me, as I'm confident that  
13 the mechanisms we've established provide vigorous advocacy for  
14 the needs and concerns of the creditors and other stakeholders  
15 in each of the Arahova and ACC parent groups; and, to the  
16 extent their impacted, the Frontier Vision Group. And there's  
17 no reason to believe that any prejudice at all, much less  
18 materially, by the mechanisms that we've created, which we all  
19 should remember avoided the draconian consequences that  
20 everyone in this room would suffer if certain groups had their  
21 way to advance their own parochial needs and concerns.

22 But if a fiduciary were to act contrary to the  
23 interests of an entity to whom it owes the fiduciary duty, that  
24 could be materially prejudicial, and I think we need to avoid  
25 that, absent consent from those who might be hurt thereby. I

1 don't know whose ox would be gored by the debtors' expression  
2 of views, but one or the other, and likely both of the  
3 stakeholders in the Arahova and parent groups might well be  
4 troubled, prejudiced, and/or damaged by aspects of what the  
5 debtors or their counsel might say. And that might be regarded  
6 or alleged by some as inconsistent with the fiduciary duties  
7 the debtors' management board and professionals hold to  
8 individual debtors, one or more of the 230 of them.

9           That is a road upon which I don't want to embark,  
10 especially since the present status quo -- which status quo I  
11 manifestly disagree is tantamount to having ships without  
12 captains -- presents no apparent prejudice to anyone, much less  
13 material prejudice to anyone, and would be plainly nothing in  
14 comparison to the prejudice that might be alleged if anyone on  
15 the debtors' side seemingly acted adversely to the interests of  
16 a particular debtor or debtor group.

17           In other words, based on the facts presented in this  
18 hearing and in previous proceedings before me, there's no  
19 reason to believe now that the debtors or their counsel, in  
20 declining to take sides in the inter-creditor disputes, have in  
21 any way dealt with actual or perceived conflicts  
22 inappropriately, but they would be put in an arguably different  
23 and much more difficult position if they were then asked or did  
24 act in a way that could be argued to be -- to be argued to be  
25 contrary to the interests of one or another of the creditor

1 groups.

2 I agree strongly with Mr. Kaplan that the present  
3 inter-creditor disputes represent an extraordinary expenditure  
4 of time and money that would be far better spent if the money  
5 went into the pockets of creditors and other stakeholders, and  
6 not to lawyers or other litigation costs. But, ultimately,  
7 that's the consequence of the existence of the underlying  
8 inter-creditor dispute and not the failure of the debtors to  
9 express views publicly in a disclosure statement, especially  
10 since those views have been expressed, and properly so,  
11 privately to the feuding creditor groups themselves, in efforts  
12 to bring about a settlement.

13 I also agree, once more, strongly with Mr. Kaplan that  
14 anyone with half a brain would recognize there's a huge  
15 interest in resolving this dispute and getting huge amounts  
16 that would otherwise have to be reserved out and into the  
17 pockets of creditors, and agree that there's a huge cost in  
18 both the time value of money and in litigation costs in  
19 allowing the litigation of the inter-creditor disputes to  
20 continue. But that's not a disclosure issue.

21 The last sentence on Page 161, first paragraph above  
22 (1), "Intercompany Claims," that now begins, "Whether or not  
23 the debtors determine to seek to compromise the inter-creditor  
24 dispute, the debtors currently intend to continue to analyze  
25 and evaluate the components of the inter-creditor dispute,

1 provide additional information and analyses to the affected  
2 parties, and incorporate the debtors' positions on these issues  
3 in the disclosure statement prior to the commencement of the  
4 hearing, to consider approval of the disclosure statement," is  
5 to be deleted.

6 That's my ruling on these issues, folks.

7 To what extent do we have open issues remaining?

8 MR. ABRAMS: I think, at this juncture, Your Honor,  
9 we're prepared to close our business before the Court today.

10 THE COURT: Fair enough. Anybody have a contrary  
11 view? All right. We're adjourned. Have a good weekend.

12 COUNSEL: Thank you. Thank you, Your Honor.

13 (Proceedings concluded at 3:52 p.m.)

14 CERTIFICATION

15 I certify that the foregoing is a correct transcript from the  
16 electronic sound recording of the proceedings in the above-  
17 entitled matter to the best of my knowledge and ability.

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November 1, 2005

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Coleen Rand  
24 Certified Court Transcriptionist  
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