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146=I N D E X

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148= DIRECT CROSS REDIRECT RECROSS

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150=WITNESSES FOR THE

151= ACC SENIOR NOTEHOLDERS:

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153=TERENCE DONOVAN

154= By Mr. Bennett 5

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159=EXHIBITS: Marked Received

160=

161=ACC-449 Document. 42

162=

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163= (Sealed portion of proceedings commences at 4 p.m.)

164= THE COURT: Okay. Thank you.

165=TERENCE DONOVAN, WITNESS FOR THE ACC SENIOR NOTEHOLDERS

166=DIRECT EXAMINATION

167=BY MR. BENNETT: (Continued)

168=Q Did you have a role -- well, first of all, is this the

169=chart that you prepared to analyze the change in those

170=balances?

171=A Yes, this is a chart or the T account, as we would put

172=it, to help explain the makeup of that 1.9 billion affiliate

173=balance. It was in response to one of the constituents from

174=the October presentations.

175=Q Do you remember which constituent?

176=A I don't.

177=Q What exactly was your role in preparing the document?

178=Were you the principal author? Tell me as much as you

179=remember about what you did.

180=A Yeah, I think it's fair to say I was the principal

181=author. I worked with some of the staff that were familiar

182=with Arahova and we went through a process of trying to go

183=into adequate detail. We tried to go and tried to summarize

184=the activities as succinctly as we could to roll the balances

185=forward, looking at various work papers and whatnot.

186=Q Okay. For purposes of the following questions, I'm going

fmt=pb

187=to refer to the companies that are in the consolidated group

188=that is the subject of this 10Q as the Arahova Companies. Is

189=that okay?

190=A That's fine.

191=Q Now is the balance that you're tracking here called an

192="affiliate balance"? I'm looking at the top. You see the

193=title, "Arahova affiliate balances"?

194=A Yes.

195=Q Is the reason that this is called an "affiliate balance"

196=rather than an inter-company balance is because this is a

197=balance that relates to related parties outside the

198=consolidated group?

199=A The reason why we chose affiliate balances is because

200=it's not the same scope of accounts as inter-companies. For

201=example, in here you may have balances for Century ML, which

202=-- and/or say A-Biz. Both of those entities were not

203=included in our scope of inter-company balances, so hence we

204=chose the term "affiliate balances," which is broader than

205=our inter-company definition.

206=Q Okay. And just so I can understand this chart, what does

207=the term "effective quarter" mean? I'm also at the very top

208=on the --

209=A I see it. The effective quarter is that due to the --

210=what I'm going to call the various financings that occurred

fmt=pb

211=which resulted in either contributions of cable systems or

212=distribution of cable systems, you had, under the accounting

213=guidance APB-20, which would require you to recast your

214=financials and so that effective quarter is when the

215=associated balance to the right was effective for and -- but

216=it may have been booked in a subsequent month. That make

217=sense?

218=Q To me it does, but -- now, is that why the chart actually

219=starts with dates before the -- it starts with dates before

220=the December 30 date that was on the 10Q we looked at a

221=minute or two ago?

222=A That's correct.

223=Q So the accounting rules required that a transaction that

224=might have happened between the end of '00 and September of

225='01, it might have had to have been -- the booking for some

226=of them might have had to relate to an earlier date because

227=of APB-20. Is that right?

228=A Yes, more or less. The -- what APB-20 requires you do,

229=generally speaking, is entities that are under common control

230=need to be recast as if those entities were always there in

231=your earliest reporting period, so hence, you need to adjust

232=your financials or recast them as if, for example, the cable

233=systems that were brought into Arahova were there from the

234=initial reporting period, your opening balance sheet, if you

fmt=pb

235=will.

236=Q Is another way to say that is that entities, when they're

237=moved between related parties, have to move with their

238=history?

239=A Yeah.

240=Q Okay. Can you tell me what the term "transaction month"

241=refers to there?

242=A If memory serves me right, it's -- I'm fairly certain

243=that's when the actual entry was booked.

244=Q So in the case of the second line, we have a transaction

245=described as the contribution of companies with approximately

246=460,000 subscribers. You see that?

247=A No, I'm sorry. I'm sorry. Changed something. Yeah,

248=it's coming back to me now. The transaction month is

249=consistent with the activity to the right, so as you point

250=out, the transaction month of April 2000 is consistent or is

251=-- relates to the transaction for the CCH credit facility
252=which occurred in April of 2000. So what I said before was
253=wrong. It's not when it was booked. That transaction month
254=pertains to the activity to the right.

255=Q And then because that activity to the right involved a
256=transfer with a related party, you had to make entries that
257=related back as far as December '99. Is that what that's
258=signifying?

fmt=pb

259=A Yes.

260=Q Okay. And the next two columns, the receivable and the
261=payable, those represent the impact of particular
262=transactions on the affiliated balance of the Arahova --
263=excuse me -- on the affiliate balance of the Arahova
264=companies for the relevant entries, correct?

265=A Yes.

266=Q And then there's periodic balances that are in the middle
267=as you go down the page, right?

268=A Yes. Or -- well, balances for the associated activity,
269=as we've described it there.

270=Q Okay. Now the comments are descriptive of the
271=transactions. Did you prepare those?

272=A Yes.

273=Q And what was the source of the numbers that you used to
274=build this chart?

275=A I can't recall specifically. I think generally, we may
276=have looked at supporting work papers, perhaps prior filings.
277=It could have been a number of things. I can't recall
278=specifically.

279=Q Do ultimately all the numbers come from the general
280=ledger?

281=A Yes.

282=Q And in this instance, were the numbers used restated
fmt=pb

283=numbers?

284=A In part. You'll see -- you want me to use the WDC

285=numbers?

286=Q Sure.

287=A Well, the one at 1372, you can see that there's really
288=two totals for September. You have the September '01,
289=that's, I guess it would be the third line from the bottom,
290=where you have the billing in nine twelve, four fifty eight.
291=That's what ties out the balance sheet and then, as of this
292=point in time, which would have been, you know, somewhere I
293=think in the October 2003 time frame, we had restatement
294=entries that totaled 115 million, two eighty nine, so again,
295=on or around October 2003 when we did this, the then-restated
296=balance would have been two billion, oh two seven, seven
297=forty seven.

298=Q So the numbers above the one-point-nine-billion balance
299=detracts the number on the 10Q, those are un-restated
300=numbers, correct?

301=A That's correct.

302=Q And the one -- and, of course, the one-billion-nine-one-
303=two-four-fifty-eight number, that's an un-restated number,
304=too?

305=A Isn't that what you just asked me?
306=Q Well, I asked you if all the numbers above it were un-
fmt=pb
307=restated numbers. All the numbers leading up to the one nine
308=one two four fifty eight. Those are all un-restated numbers,
309=correct?
310=A Yes, that's correct.
311=Q Okay. And that makes sense because the one-billion-nine-
312=one-two-four-fifty-eight number is also an un-restated
313=number, correct?
314=A That's correct.
315=Q And in the pre-petition period, that's all anyone could
316=have looked at, right? Those restatement numbers were done
317=post-petition?
318=A Right.
319=Q Okay. The first number -- let's go back to the very top
320=of the -- which is on Page WDC 001101371. You see that?
321=A I do.
322=Q And the starting number, the four-forty-two-million-
323=dollar net affiliate receivable due to the Arahova companies,
324=do you see that?
325=A I do.
326=Q Okay. That was the balance on the December 1999
327=consolidated financial statements for Arahova, correct?
328=A It should have been, yes.
329=Q Okay. Now --
330=A Before recast adjustments, right?
fmt=pb
331=Q Correct. That would be the one that would actually show
332=up in the relevant 10K or 10Q, right?
333=A Yeah. Before we had to make the recast adjustments, yes.
334=That should have been what was in there.
335=Q All right. Okay. Now you -- now you already testified
336=that they -- all of the numbers in the first block, I think,
337=they relate to APP-20 requirements to, in my words, bring
338=history across as a result of transactions that occurred
339=later, correct?
340=A Yes.
341=Q All right. So the April 2000, January 2001 and September
342=2001, all in that block, they show earlier impact because of
343=the requirements of that rule?
344=A Yes.
345=Q Okay. Why don't we take a look at, for a second, ACC
346=Exhibit 16 and I want to talk a little bit about the
347=contribution transaction involving the 460,000 subscribers.
348=Now this is a document that has no page numbers at all and
349=where I want you to go is six pages in and I want -- and if
350=you go six pages in, that's the beginning of some footnotes.
351=If you can look at the carryover paragraph at the very bottom
352=of the page and the very top, just the carryover paragraph.
353=It doesn't matter. You have plenty of room. And is this the
354=transaction that's described with the -- as the April '00
fmt=pb
355=transaction that generates two entries? One is the billion
356=oh six three and one is the four million five?
357=A Yes, this is the same.

358=Q Okay. Now, you did some work on that one-billion-oh-six-
359=three-seven-eighty-one number, didn't you?
360=A When you say I did some work -- we did some work on that?
361=Q Well, why don't you take a look at Page 1734 of Exhibit
362=140?
363=A I'm sorry. What page?
364=Q 1730 -- the WDC number, the little ones. If you go to
365=Page 1734.
366=A I'm sorry. Which one am I on?
367=Q The one forty. The one with the table that we're working
368=with.
369=A 1374?
370=Q I'm sorry. 1734. Way in the back.
371=A Yeah. These -- this was our -- these are more pertinent,
372=more papers that we had in our binder to support, you know,
373=the schedules for the October presentations.
374=Q Okay. Are the entities listed under legal entity silo,
375=the entities that were transferred into Arahova in April of
376=2000?
377=A Yes.
378=Q Okay. And you confirm that the affiliate balance that
fmt=pb
379=was transferred with them was the one-billion-oh-six-eighty-
380=three number, correct?
381=A Yeah. If by confirming, you mean we agreed it to this --
382=or got close to this supporting schedule, that's what we did.
383=Q Okay. Now based on your work in connection with this,
384=did the April transfers actually transfer entities servicing
385=approximately 460,000 subscribers, along with the liabilities
386=associated with those entities, to Arahova in April of 2000?
387=A That's my understanding.
388=Q So, based on your understanding, was that a real
389=transaction?
390=A Yes.
391=Q Okay. Can you explain -- let's go back to Page WDC, the
392=1371 again, at the -- which is the table that -- your master
393=table. And I'm referring to the four-million-five-sixty-five
394=line.
395=A Uh-huh.
396=Q Okay. Is that tied out on Page 1735?
397=A Three four or three five?
398=Q On three five. Or which -- well, actually, you're in a
399=better position to tell me. Which of the two pages --
400=A Three four.
401=Q That's on three four also?
402=A Well, I think if you add the billion sixty three, plus
fmt=pb
403=the four point five eight, you should get pretty close to
404=that billion sixty eight.
405= THE COURT: I couldn't hear you then, Mr. Donovan.
406= THE WITNESS: I'm sorry. If you -- I think if you
407=were to add the billion sixty -- the one billion, zero six
408=three, seven eight one, plus the four million five six --
409=excuse me. Four million, five six five, some of those two
410=should be pretty close to what's on one seven three four in
411=the affiliate receivable line.

412=BY MR. BENNETT:

413=Q Okay. So let's go down to the next line on your table,
414=on your main table, which is the December '99, January '01
415=transaction. I think this relates to a swap with Comcast
416=Corporation. Do you see that?

417=A I do.

418=Q Okay. Now, is 1735 your workup of that particular entry?

419=A Yes. This is the -- this is our supporting work paper,
420=yes.

421=Q And are those your notes in the boxes, with your name on
422=them?

423=A I guess so. Yes, they are.

424=Q Now in this particular instance, I'm trying to find out a
425=little more about this transaction. This involved a swap of
426=subscribers with Comcast, right?

fmt=pb

427=A That's correct.

428= THE COURT: Pause, please, Mr. Bennett. I lost you
429=on what this transaction is.

430= MR. BENNETT: I asked whether this was -- this
431=transaction was a swap of subscribers with Comcast.

432= THE COURT: Okay.

433=BY MR. BENNETT:

434=Q I'm sorry, Mr. Donovan. Perhaps you should answer again.

435=Is this a swap?

436=A Well, I would say it was probably a swap of cable
437=systems, which included subscribers.

438=Q Okay. And so, Adelphia got some subscribers and Comcast
439=-- excuse me -- Adelphia got some cable systems and Comcast
440=got some cable systems in this transaction. Is that right?

441=A That's correct.

442=Q And the forty-million-oh-sixty-seven number arose how?

443=A Well, what happens is, is basically, these systems, these
444=cable systems that went out to Comcast carried an affiliate
445=receivable or payable balance. In this case, it was an
446=affiliate receivable account and so, when you remove those
447=balances, the loss of a receivable will increase the net
448=affiliate payable, which is what we show in the T account.

449=Q Okay. And what is the issue that you're identifying with
450=your box in the lower right-hand corner of this?

fmt=pb

451=A (No verbal response.)

452=Q I think it's blown up on the screen. It might be a
453=little bit easier to read it there.

454=A Yeah. What the issue was is that the disclosure said
455=that there were 178,000 subscribers involved in the swap.

456=I'm not sure. I can't recall which disclosure we were
457=looking at, but as you can see, our retrieval only has
458=130,349, so we had a forty-seven-thousand-six-fifty-one
459=disconnect as to what was disclosed versus what our
460=supporting schedule had said.

461=Q Okay. But was there any problem reconciling the
462=affiliate receivable balance that was transferred to Comcast?

463=The forty-oh-sixty-seven. That reconciled perfectly, didn't
464=it?

465=A Well, I don't know if reconcile is the right word, but

466=that's the amount that -- what the balance sheet showed for
467=those entities that were swapped out.

468=Q Okay. And were you also able to confirm the non-
469=affiliate debt amount that was transferred to Comcast?

470=A I'm sorry. Can you repeat that, please?

471=Q Do you -- there's the one thirty two, six sixty-six, two
472=sixty-one. Is that third-party debt that was transferred, or
473=is it third-party debt that had to be assumed? What was that
474=entry about?

fmt=pb

475=A That would have been the third-party debt that was
476=sitting on those cable systems. It's going back a ways, but
477=I think when we were preparing the schedule, we were also
478=look -- I seem to recall not only looking at the affiliate
479=balances, but the movement in the third-party debt and that's
480=probably why you see the comment there for the one thirty
481=two.

482=Q But that doesn't affect the affiliate payables or
483=receivables at the Arahova level, does it?

484=A No, it wasn't part of the support for what comprised the
485=1.9 billion.

486=Q Okay. As far as you know, this Comcast transaction was a
487=real transaction?

488=A Yes.

489=Q All right. Why don't we turn -- let's just stay with
490=your support for a second and turn the page to 1736. Now, is
491=this your support for the forty or approximately forty-one-
492=million-dollar increase in affiliate balances for the Arahova
493=companies, related to the January 2001 transfers?

494=A (No verbal response.)

495=Q Can you show the T account one, please? Could you put
496=back the earlier page just to -- there you go.

497=A That's hard to read. Can I just ask a favor? Can we
498=just like put a Post-It on this T account, so I don't have to

fmt=pb

499=flip through it all the time?

500= (Pause in proceedings)

501=BY MR. BENNETT:

502=A Thank you. Okay. Can you repeat your question again for
503=me, please?

504=Q Okay. Does this schedule support the forty-point-eight-
505=million-dollar number on Example 7, your main chart, as the
506=additional affiliate receivables that came in as a result of
507=the transfer of subscribers -- excuse me -- entities
508=servicing subscribers in the January '01 time frame?

509=A Yes.

510=Q And that transaction, it was very much like the
511=transaction in April -- in April of 2000, wasn't it, where
512=entities with subscribers came across and they had in them
513=intercompany payables and receivables, correct?

514=A Affiliate balances and receivables, yes.

515=Q And the rules require that they move over with them,
516=right?

517=A Yes.

518=Q Okay. Why don't we go to the next page of your support?

519=Now, this relates to the September '01 transfers, which is --

520=it's another similar transaction. Does this provide support
521=for the hundred-and-thirty-point-three-million increase in
522=the affiliate receivable balance for the Arahova companies
fmt=pb

523=associated with the September '01 transfers?

524=A Can you go to the bottom of this sheet for me, please?

525=Q Sure.

526=A Yes. That's supporting -- that's the supporting work

527=paper.

528=Q And it's the same -- this is another example of the same
529=kind of adjustments that you need to make when, in this
530=instance, some entity servicing subscribers moved away from
531=Arahova. The history has to go with it. It's going to have
532=an effect on the intercompany balances at Arahova, correct?

533=A Right. And then, in this particular case, the systems
534=that were transferred out of Arahova had a payable balance
535=so, therefore, it would reduce the affiliate payable balance
536=when they came out.

537=Q Okay. Now, based upon these adjustments, if you take
538=away the support, in fact, if I can go back to the original
539=table, the net of all of these leads you to the four hundred
540=and seventy -- the four-hundred-ninety-five-million payable
541=balance as of December '99, correct?

542=A Yes. That would be the recasted amount on an unadjusted
543=basis.

544=Q Okay. And then we roll forward from there -- now that
545=one -- okay. And we roll forward from there. The next one
546=is the March 2000 quarter and it shows a six hundred and two
fmt=pb

547=--- six-hundred-and-three-million-dollar net debt repayment,
548=correct?

549=A Yes.

550=Q Now, was the pre-petition general ledger the source of
551=the net repayment of debt figures for this chart?

552=A Yeah. That would have been the underlying source, yes.

553=Q Okay. And this schedule, it treats net repayments of
554=debt as increasing the affiliate payable balance. Is that
555=right?

556=A Well, what would have happened here is, you may have said
557=this, but what happened here, for this particular time
558=period, there was -- there may have been borrowings and
559=repayments, but in this particular case, there was a net
560=repayment, vis-a-vis the bank, which then increased the
561=affiliate payable by the six oh two, eight forty-six.

562=Q Okay. And I misspoke. I called it 602 million. This is
563=just 602,000, right?

564=A Yes. These are whole dollars.

565=Q These are real dollars, not thousands?

566=A Yes.

567=Q Okay. Now is the reason that a net repayment of debt has
568=a -- shows a payable is because the -- when the Arahova
569=companies have their debt reduced, the funds for the
570=reduction are expended by the Bank of Adelpia in this time
fmt=pb

571=period?

572=A Yes.

573= MR. SHORE: I had an objection, but the witness
574=already answered and I'll clear it up on cross-examination,
575=Your Honor --
576= THE COURT: Okay.
577= MR. SHORE: -- about whether funds transferred.
578=BY MR. BENNETT:
579=Q Now let's go down to the next box. Do you see the one-
580=point-one-billion increase in affiliate receivable recorded
581=in the June 2000 quarter?
582=A I see it, yes.
583=Q Okay. And was that increase created as a result of net
584=borrowings by the Arahova companies during the June 2000
585=quarter?
586=A Yes.
587=Q And is the reason why this shows up as a receivable
588=because the borrowed money is deposited at the Bank of
589=Adelphia and a payable -- excuse me -- and a receivable is
590=given to the Arahova company that is the borrower?
591=A Yes.
592=Q And what was the source of the information that generated
593=the net borrowings number of this chart? Is this also from
594=the general ledger, or did you go back to bank accounts?
fmt=pb
595=A It would have been from the general ledger. I don't
596=think we drilled down any farther.
597=Q Now, the net borrowings here would include the initial
598=attribution entries for the CCH, LLC credit facility to CCH,
599=LLC. Is that right?
600=A Yes.
601=Q All right. And in the same way, net repayment of
602=borrowings would include attribution entries of CCH, LLC co-
603=borrowing debt to Highland Prestige Georgia. That would show
604=as a net repayment, even though it doesn't necessarily
605=involve a movement of cash, correct?
606=A (No verbal response.)
607=Q Again, if you know.
608=A When it comes to how the pre-petition debt was handled
609=for the Rigas entities, it gets a bit complicated and I don't
610=know if I can answer that.
611=Q Okay. Do you know if both kinds of attributions would be
612=included in the number, both the initial attribution and the
613=-- and a subsequent re-attribution?
614=A I can't say.
615=Q Okay. Now, the amounts owed to the -- the actual amounts
616=owed to the bank lenders are disclosed in a -- not disclosed
617=in these numbers. That's in a separate line in a balance
618=sheet, correct?
fmt=pb
619=A I think should be disclosed is the operative word, yes.
620=Q Right. Okay. So total debt to the third party is not in
621=these numbers. That's someplace else on the balance sheet,
622=correct?
623=A It should be.
624=Q Okay. And you do remember that in the pre-petition,
625=there was definitely a problem with those numbers, right?
626=A Just a small one.

627=Q Okay. In the March 2000 quarter, there's also a net
628=change in affiliate balances number. You see that one?
629=That's underneath the six-hundred-two-thousand-dollar number.
630=I just skipped over it by accident. Do you see that one?
631=A What's the amount? I'm sorry.
632=Q Forty-five million, seven fourteen, oh forty eight.
633=A Yes, I see it now.
634=Q All right. And what is behind that number?
635=A Generally, what would be behind that number would be the
636=net of, you know, just subscriber deposits, any allocations
637=that would have been made, you know, say for payroll or what
638=have you, offset by accounts payable transactions, so in
639=this, since the payable is going up by forty five dot seven,
640=this would tell me that the Bank of Adelpia, for this
641=period, provided more funding for the Arahova entities than
642=the cash provided by the Arahova entities.
fmt=pb
643=Q Okay. Let's go to the thirty-five seven -- thirty-five
644=million, I think it says seven thirty, but I'm not sure I can
645=read it particularly clearly. That's in the June 2000
646=quarter. Is that a similar kind of a number?
647=A Yes. That's similar to the forty five.
648=Q And here again, Arahova is getting benefit from other
649=entities in the Adelpia universe, correct?
650=A Yes.
651=Q And this would be in the form of funds coming from the
652=Bank of Adelpia, correct?
653=A Yes. That is our -- the funding from the Bank of
654=Adelpia is our theory or our standard, if you will.
655=Q Okay. And now, how else could that number be impacted,
656=for example?
657=A I don't know if I understand.
658=Q Well, you indicated that under the Bank of Adelpia
659=theory, we regard all of it as coming from the Bank of
660=Adelpia. Is there any other way that, if there were other
661=entity counter-parties, what would that mean in that number,
662=if anything? Or would those just be errors that you have to
663=reappoint to get the number right?
664=A It shouldn't make a difference, no, in the number.
665=Q So if there's a number between some legal entity under
666=the Bank of Adelpia and Arahova directly, in reality, that
fmt=pb
667=transaction should be viewed as going through the Bank of
668=Adelpia because it's some side of a transaction that results
669=in value moving to Arahova, but it's never going to be
670=settled in real cash dollars because of the consolidated cash
671=management account. Is that right?
672=A Yes.
673=Q All right. Now let's go to the seven-hundred-million-
674=dollar acquisition of Prestige. Do you see that?
675=A I do.
676=Q Okay. Now, why would the acquisition of assets from
677=Prestige result in an increase in the affiliate payable of
678=the Arahova companies?
679=A The Prestige acquisition, that was a portion -- at least
680=a portion of that Prestige acquisition was booked using the

681=intercompany method, so when the assets were booked on the
682=Arahova entities, the offsetting credit to those assets was
683=an intercompany payable for the seven hundred thousand.
684=Q Now, did you do any work concerning evaluating the
685=accounting for the Prestige acquisition, both the part -- let
686=me ask first, did you do any work for the accounting of the
687=Prestige acquisition relating to the asset part of the deal
688=that related to the seven hundred in the restatement process?
689= MR. SHORE: Again, same objection on time, Your
690=Honor, as beforehand.

fmt=pb

691= THE COURT: Sustained.

692= MR. BENNETT: I apologize.

693=BY MR. BENNETT:

694=Q Did you do any work on the accounting for the Prestige
695=acquisition during the restatement process and before the
696=filing of the May schedules and I want to first relate to the
697=asset side of the transaction, the seven-hundred-million
698=piece.

699=A I would describe my involvement as indirectly. My main
700=area under the restatement was fixed assets, so I would have
701=-- my team would have accepted the restatement work performed
702=by the acquisition team and, therefore, by default I would
703=have touched it.

704=Q Okay. And would your answer be the same with respect to
705=the stock portion of the Prestige acquisition, which was
706=ultimately acquired by Highland Prestige of Georgia?

707=A Yes. I mean, however it was funded, whatever, when you
708=go through the valuation process or the appraisal process,
709=whatever was deemed fixed assets, you know, I would have
710=taken it from that point.

711=Q Okay. So do you remember that the purchase price for
712=both pieces was a little over a billion dollars?

713=A That sounds about right.

714=Q And do you remember that, at least as an initial matter,
fmt=pb

715=it was accounted for as entirely an acquisition by Prestige
716=Communications of North Carolina, that the entire billion one
717=was booked there?

718=A I don't remember that, no.

719=Q Okay. But at this point, you reached a net seven-
720=hundred-million-dollar number. Is that right?

721=A Yes.

722=Q Do you know if you got to the net \$700 million because
723=there was some debt re-attribution that covered the other
724=part, the Highland Prestige part?

725=A I don't remember.

726=Q Do you remember anything about how you got to the net
727=seven-hundred-million-dollar number?

728=A (Witness reviews exhibit.)

729= I can't specifically recall. I would have thought we
730=would have had a work paper on it, but I guess I'm not
731=finding it.

732=Q I don't think we saw it, either. The two hundred and two
733=-- the two hundred and one -- excuse me. The two-hundred-
734=and-three-million-dollar number that's right underneath the

735=seven hundred, do you see that?

736=A Yes.

737=Q It's possible that that number includes the 300 million

738=of re-attribution that enabled Highland Prestige to buy a
fmt=pb

739=piece of the Prestige acquisition.

740= MS. STEINGART: Objection to form.

741= THE COURT: Sustained.

742=BY MR. BENNETT:

743=Q Is it possible that the two-hundred-and-three-million-

744=dollar number includes re-attribution of debt used by

745=Highland Prestige Georgia to acquire a Prestige asset?

746= THE COURT: Sustained.

747=BY MR. BENNETT:

748=Q Take a look at the 219 million underneath that, the 220

749=million number.

750=A Okay.

751=Q Is that similar to the kinds of numbers we saw before,

752=the thirty five and the forty five, that this is additional

753=value being provided by mainly the Bank of Adelpia or

754=through the Bank of Adelpia, for the benefit of Arahova?

755=A Yes.

756= MS. STEINGART: Objection, Your Honor.

757= THE COURT: That's overruled. Let me clarify the

758=earlier ruling. Questions that begin "is it possible" tend

759=to give unreliable answers and they also ask the witness to

760=speculate. If you want to get an actual recollection that

761=the witness has with respect to any of the last three

762=questions, that's okay, as far as I'm concerned. Ms.

fmt=pb

763=Steingart?

764= MS. STEINGART: In my last objection, I was

765=objeeting to the word "value," Your Honor.

766= THE COURT: Let me hear the question again.

767= MR. BENNETT: Okay. Let's go back --

768= THE COURT: I guess I misunderstood the question.

769=BY MR. BENNETT:

770=Q Go back to the two-hundred-and-three-million-dollar

771=question, the question about the 203 million. Do you know if

772=that number includes an re-attribution related to the

773=Highland Prestige acquisition of the stock portion of the

774=Prestige deal?

775=A I do not know if it does or doesn't.

776=Q Okay. But the two-hundred-and-twenty-million-dollar

777=number in September '00, that does represent value -- it does

778=represent money or money's worth that went into Arahova

779=Communications as a result of other transactions from the

780=rest of the Adelpia universe?

781= MS. STEINGART: Objection, Your Honor.

782= THE COURT: Overruled.

783=BY MR. BENNETT:

784=A You used the -- I think you said money is going into.

785=It's really the net change in the intercompanies. I mean,

786=the Bank of Adelpia could make payments on behalf of the

fmt=pb

787=Arahova companies, which would cause the payable to go up,

788=but again, it would be the net change in those affiliate
789=balances.

790=Q And that's because these affiliate balances never settle
791=in cash, correct?

792=A Not in the pre-petition period.

793=Q Okay. And then why don't we turn the page to the next --

794=to the next piece of Exhibit 7. And here's another, in the
795=upper right-hand corner, this is another acquisition that
796=affected the intercompany balance. Is that correct?

797=A The affiliate balance, yes.

798=Q And this relates to an acquisition of entities servicing
799=subscribers from Cablevision of Cleveland. Is that right?

800=A Yes. The Cablevision acquisition.

801=Q Now first of all, what work did you do in evaluating the
802=accounting for the Cablevision acquisition during the
803=restatement process, but before the filing of the May
804=schedules?

805=A It was similar to what I described earlier. My main area
806=was fixed assets, so whatever the acquisition team came up
807=with, I would take it from there.

808=Q Did you examine the accounting at all for the -- relating
809=to the payment of the purchase price for these assets?

810=A I did not.

fmt=pb

811=Q And could you explain why the acquisition of these assets
812=would result in an increase in the payable balance of the
813=Arahova affiliate companies?

814=A Cablevision was another acquisition that the company
815=opted to book on the purchase price, using the intercompany
816=method, so when they booked the assets, whether it be fixed
817=assets or intangible assets, the offset to those debits would
818=have been an intercompany or affiliate payable.

819=Q Now let me ask you about this acquisition, just for a
820=second. Did you ever look at the acquisition documents
821=related to the Cablevision acquisition by the Adelphia side?

822=A No.

823=Q Do you know whether the -- did you know that the
824=acquisition was consummated directly by Adelphia Cleveland,
825=L.L.C., with Cablevision of Cleveland?

826=A Can you say that again, please?

827=Q Did you know that Adelphia Cleveland, L.L.C. was the
828=entity that directly consummated the acquisition with
829=Cablevision of Cleveland?

830=A I don't know that.

831=Q Did you look at the Prestige documents, the Prestige
832=acquisition documents in connection with your evaluation of
833=any aspect of the Prestige acquisition?

834=A I did not.

fmt=pb

835=Q Did you know that Adelphia Prestige Cablevision, L.L.C.
836=was, in fact, the party that consummated the acquisition with
837=Prestige of North Carolina?

838=A I don't know that.

839=Q When you refer to the intercompany method, what are you
840=referring to?

841=A The intercompany method was one method that the company

842=employed to push the assets down or record the purchase price
843=on the legal entities that acquired the assets. So
844=generally, there's -- actually, the company used three
845=methods. We termed those, and you would see this in the
846=presentations that we did back in October and April, October
847=of '03 and April of '05, where the push down of the purchase
848=price or the assets, they could have gone -- if we take the
849=intercompany route, you know, let's say that the only thing
850=that was purchased was a plant and that was \$10 million.
851=Well, when that got pushed down to, say, Legal Entity ABC,
852=ABC would have that \$10 million book to plant and the way
853=that was funded, if you will, from whatever parent it came
854=from, would have been a ten thousand or, excuse me, ten-
855=million-dollar intercompany payable.

856= The other method would have been the equity method, where
857=instead of having -- you would still have the 10 million that
858=was booked to plant, but instead of hitting intercompany, it
fmt=pb

859=would have been recorded as part of equity.

860=Q Okay. Let's just take a brief digression here. When you
861=refer to push down, are you referring to a situation where an
862=entity higher in the chain, higher in the ownership,
863=transfers the asset to an entity lower in the chain?

864=A It's my understanding that typically, ACC Operations,
865=Inc. was the legal entity where all the acquisition should
866=have flowed through and so typically, it would start with ACC
867=Operations and then, as that purchase price got pushed down
868=to the lower -- the entities lower than ACC Operations, you
869=know, that's where it could have been pushed down. For those
870=assets that were pushed down to those lower entities, they
871=could have taken those three paths, one being intercompany,
872=one being equity, the third being a combination of the two,
873=which we call hybrid.

874=Q Now, in a transaction where one entity, in this instance,
875=under -- in the Arahova consolidated group, say Adelpia
876=Cleveland, L.L.C., directly purchases an asset, that's not a
877=push down transaction, is it?

878=A I'm not familiar enough with that transaction to answer
879=your question. If the company booked -- started with ACC
880=Operations and then pushed it down, then it would have. I'm
881=just not familiar enough to answer your question.

882=Q Well, what if the company did it? I mean, what if
fmt=pb

883=Adelpia Prestige -- excuse me -- Adelpia Cleveland. What
884=if Adelpia Cleveland itself went out and bought an asset?
885=Does push down have any application to that?

886=A Yeah. I mean, I guess hypothetically, if Adelpia
887=Cleveland did the acquisition, there would be no further push
888=down because you wouldn't have to push it down any lower.

889=Q And if Cablevision -- if Adelpia Prestige Cablevision,
890=L.L.C. was the direct purchaser of an asset, that wouldn't be
891=a push-down transaction either, would it?

892=A No.

893=Q Okay. Let's go back to our chart. Now, here we have
894=another net borrowings number and again, you don't know
895=whether that net borrowings number is just borrowings or

896=whether there's classifications or reclassifications involved
897=in that, correct?

898=A That's correct. I do not know.

899=Q Okay. And in this particular quarter, the net change in
900=affiliate balances shows that Arahova gave money or money's
901=worth the Adelphia side of the equation -- strike that.

902=Couldn't give money, right?

903=A Yeah. What this would say, for December 2000, for the 32
904=million, that would mean that the cash receipts that the Bank
905=of Adelphia received from the Arahova entities exceeded what
906=the Bank of Adelphia had to pay on behalf of the Arahova
fmt=pb

907=entities.

908=Q Okay. Now let's go to the next box, March '01. We have
909=a net repayment of debt again. Do you see that?

910=A I do.

911=Q Okay. And again, you don't know what the precise back up
912=is for that number, correct?

913=A I do not.

914=Q And then, here we have a two-hundred-and-sixty-six-
915=million net change in affiliate balances and that, again, is
916=payments made by the Bank of Adelphia on behalf of Arahova
917=exceeding the other way around?

918=A Yes. This --

919= MS. STEINGART: Objection as to form.

920= MR. BENNETT: Well, why don't you --

921= THE COURT: Overruled, but I think -- it's
922=technically proper, Mr. Bennett, but maybe you can do better.

923=BY MR. BENNETT:

924=Q Why don't you explain to us what the two-hundred-and-
925=sixty-six-million-dollar net change in affiliate balances
926=payable represents in March of '01?

927=A Again, what that would say is that the amount of -- the
928=amount that -- what that two sixty six represents is the
929=change in the affiliate balances from the prior quarter,
930=other than what was influenced by the debt, so generally
fmt=pb

931=speaking, it would say that the Bank of Adelphia paid out, on
932=behalf of Arahova, 265.7 million more than what cash was
933=contributed by Arahova into the Bank of Adelphia.

934=Q Okay. Let's go to the next box. We have another net-
935=repayment-of-debt number. I just want to conform that you
936=don't know what the components of that are, sitting here
937=today?

938=A If we can just go back, I just -- the two sixty five is a
939=large number. It's possible that you may have other
940=acquisition activity flowing through that, that perhaps we
941=didn't opt to show, so I'd just like to state that.

942=Q And if there was acquisition activity, that would be
943=situations where someone in the Arahova group would be
944=getting assets as a result of an acquisition?

945=A Yes.

946=Q Okay. Back to the June '01 box, the six twenty nine,
947=five sixty. That's a number that you don't have, sitting
948=here today, a recollection of what the components of that
949=are. Is that right?

950=A No. That's just the change in, you know, in this
951=particular quarter, more debt was paid down than what was
952=borrowed.

953=Q Okay. And the net change in affiliate balances number,
954=could you describe in your own words what that would mean in
fmt=pb

955=this quarter?

956=A Yes. In this quarter, this would be all the intercompany
957=changes. We had an increase in affiliate payables of 55.5
958=million, which would say, generally, that the bank paid out
959=more on behalf of Arahova than it received from Arahova.

960=Q Okay. Let's go to the September '01 box and I'm going to
961=skip over net borrowings on debt because we discussed that
962=before. There's a fifty-million-dollar number that relates
963=to a purchase price adjustment on Prestige Communications.
964=Do you see that?

965=A I do.

966=Q Okay. Wasn't this particular entry reversed in the
967=restatement process?

968=A I believe it was, but I don't -- I wasn't involved in
969=that, but I'm fairly certain it was.

970=Q And if it was reversed in the restatement process, fifty
971=of the -- that 50 million would be on the other side of the
972=one fifteen, two eighty nine, so it's buried in the one
973=fifteen, two eighty nine balance somewhere, correct?

974=A That's possible.

975=Q Do you know if it is or isn't?

976=A I don't.

977=Q You don't know?

978=A It's possible that it got reversed subsequent to when
fmt=pb

979=this was prepared. I just don't know.

980=Q So it would be dependent on when that restatement entry
981=was made?

982=A Yes.

983=Q Okay. And you don't remember?

984=A I don't.

985=Q Okay. I think we're done with this chart and I've lost
986=track of time. I don't know where we are.

987= THE COURT: It's a little after five. I made the
988=offer available to work later if you folks find that
989=productive. On the other hand, I know it's hard on the
990=witness and on the questioner and I guess I'd like to know
991=what the practical implications of deciding to go longer or
992=quitting for the day are in terms of how it would impact on
993=your schedule, Mr. Bennett, and also on your opponent's.

994= MR. BENNETT: Well, I'm okay. The most -- paramount
995=to me is the witness, who has been here for a while, but if
996=the witness is prepared to go on for another, I am, you know,
997=either with or without a break I could do it, too.

998= THE COURT: Well, we won't plow on without a break,
999=but I'm willing to plow on with a break. Mr. O'Connor, do
1000=you have a sense as to how -- may I should ask you, yourself,
1001=Mr. Donovan. How are you holding up?

1002= THE WITNESS: Thanks for your concern, Your Honor,
fmt=pb

1003=but I'm used to working a lot later hours than this, so I
1004=think I can do it.

1005= (Laughter.)

1006= THE COURT: No doubt you are, but probably not under
1007=this kind of pressure or attention to detail. Given the
1008=amount we need to do, I think on balance I want to take a
1009=ten-minute break and keep going until roughly six or six-
1010=fifteen.

1011= THE WITNESS: Okay. Thanks, Your Honor.

1012= THE COURT: So we'll take a break.

1013= (Recess taken at 5:02 p.m.)

1014= (Proceedings resume at 5:17 p.m.)

1015= THE COURT: Go ahead, Mr. Bennett.

1016=BY MR. BENNETT:

1017=Q Were you involved in the intercompany mapping process
1018=that assigned transaction types to roughly seven million
1019=lines of intercompany transactions?

1020=A I didn't do the mapping itself, but I was certainly
1021=involved in, you know, establishing the process, the game
1022=plan and helping to review how certain transactions should be
1023=categorized.

1024=Q Were you the supervisor or one of the supervisors of the
1025=project?

1026=A Yes.

fmt=pb

1027=Q Were you the supervisor of the project or were there
1028=others involved, too?

1029=A I would describe myself as like -- as the project lead
1030=with respect to the mapping project that occurred back in,
1031=you know, the summer of 2003, when we were trying to prepare
1032=the October 2003 intercompany presentations, but -- and I
1033=would say probably Teri McMullen and I were the primaries as
1034=far as trying to execute the mapping of the transactions and
1035=the coordination of that effort, as well as discussing with
1036=folks higher than me as to how certain transactions should be
1037=categorized.

1038=Q Now --

1039= THE COURT: Pause, please, Mr. Bennett. Who do you
1040=report to, sir?

1041= THE WITNESS: I report to Bob DeLucia (phonetic).

1042= THE COURT: Okay.

1043=BY MR. BENNETT:

1044=Q Now in that -- was one of the results of the mapping
1045=process reports that showed legal entity intercompany
1046=balances broken down by the different transaction types that
1047=were assigned?

1048=A In what time period?

1049=Q Let's say before the May schedules were produced and any
1050=time after the petition date.

fmt=pb

1051=A Yeah, I guess the reason I asked is that initially, it
1052=was difficult for us to be able to run schedules at a legal-
1053=entity level, but we eventually were able to make it more
1054=mechanical and we improved upon the process, so yes, we can
1055=now run intercompany balances by transaction type, by legal
1056=entity.

1057=Q And could you do that before the schedules were actually
1058=produced?

1059=A The May schedules? Yes.

1060=Q Okay. I'm going to hand you a couple of things. First,
1061=you already have, somewhere around there, Arahova Exhibit 88
1062=and I'm going to mark a new exhibit, ACC-449.

1063= MR. BENNETT: May I approach?

1064= THE COURT: Yes.

1065= (Document marked ACC-449 for identification.)

1066=BY MR. BENNETT:

1067=Q Okay. First of all, Arahova-88, there's two kinds of
1068=balances shown on this. This was prepared by Arahova's
1069=counsel. On the left-hand side that maybe we'll talk about
1070=later, are balances between legal entities, balances found in
1071=the middle of the chart that we called Arahova-3. Do you
1072=remember those?

1073=A I do.

1074=Q Okay. And on the right-hand side, where it says

fmt=pb

1075=aggregated Bank of Adelpia, these have been represented to
1076=be the legal entity balances. So for Arahova, it's net
1077=balance with all other legal entities would be the one-point-
1078=four-four-three-billion-dollar number and the only other
1079=thing I wanted to tell you about this chart is that this one
1080=is based upon numbers that include the so-called historical
1081=entries. Do you know what historical entries are, or what I
1082=refer to as -- by the historical entries?

1083=A I do.

1084=Q Okay. Why don't we take a little digression about the
1085=historical entities for a second -- entries for a second.

1086=Were you involved in the evaluation of the historical
1087=entries?

1088=A I'm not exactly sure what you mean by evaluation, but the
1089=-- my understanding of the historical entries is the -- these
1090=were the pre-existing intercompany balances that existed on
1091=two of our acquisitions, one being Century or the company's
1092=acquisition, Century and FrontierVision. FrontierVision was
1093=much smaller than the Century, so when you say evaluation,
1094=when we were preparing the May schedules, this question came
1095=up in one of our discussions as to, do we have these types of
1096=balances out there? We researched it and we said yes, we do.
1097=And so, if that qualifies as evaluation, you know, that's
1098=basically what we did.

fmt=pb

1099=Q Now did there come a time where you tried to figure out
1100=what both sides of the particular entries were that were part
1101=of the historical balances?

1102=A I believe we were asked to see if we had anything in the
1103=-- our work papers from the acquisition that would say, you
1104=know, to whom -- what legal entities, say in Century or
1105=FrontierVision, you know, whether there was a -- was there a
1106=bank per se for Century. But we couldn't -- we only could
1107=hypothesize on to whom that may be, that we really didn't
1108=have a lot of detail. We didn't have a lot of detail that
1109=really showed us what made up those balance -- those
1110=historical balances, other than what was on the ledger when

1111=we booked the acquisition.
1112=Q And so one of the things that was not on the ledger in
1113=the case of a receivable -- a net receivable balance that
1114=showed up, was it on the ledger who that receivable was from
1115=or whether that receivable was comprised of five receivables
1116=or whether that receivable was comprised of five receivables
1117=and five payables. Is that correct?
1118=A Yes, that's my understanding.
1119=Q And there was no information at all as to who the net
1120=receivable was from?
1121=A Nothing that we could point to, no.
1122=Q And there was no evidence that you could tell that there
fmt=pb
1123=was a centralized cash management system like there was in
1124=Adelphia?
1125=A There was nothing that we could really find that we could
1126=say, yes, this legal entity in Century was the so-called
1127=bank.
1128=Q So you have account -- basically, you have kind of half
1129=of a general ledger basically with respect to these historic
1130=entries? Or how would you describe the information that you
1131=had?
1132=A Well, the intercompanies that we recorded from Century or
1133=FrontierVision netted to zero. It's just that we didn't have
1134=a lot of detail as to what made up those intercompany
1135=balances that we brought over.
1136= We had ideas as to what entity might be the so-called
1137=bank for Century. But, again, it wasn't anything conclusive.
1138=Q Back to Arahova 88, as I said before, the balances on the
1139=right do include the historic entries. But I think for our
1140=purposes we can work with them.
1141= Why don't we take a look at the new Exhibit 449 that I
1142=gave you, which is the multiple pages stapled together?
1143=A Okay.
1144=Q And I'm going to represent to you that this exhibit --
1145=well, let's start with just the Cleveland one. It's going to
1146=be the same for all of them. That this exhibit contains data
fmt=pb
1147=extracted from the intercompany database and it shows each of
1148=the -- it takes the intercompany balance for Adelphia
1149=Cleveland, which is the eight twenty-six six twenty-one three
1150=seventy-three, and it breaks down the entries comprising it
1151=by transaction type.
1152= Have you seen a report like this before for legal
1153=entities in the Adelphia universe?
1154=A Yes.
1155=Q Okay. Now let's first take a look at this material,
1156=Arahova debtor balances, and turn to the second page. We'll
1157=start with Adelphia Cleveland. And you see the balance of
1158=826 million over there? Aggregated Adelphia Cleveland?
1159=A (Witness reviews document.)
1160=Q It's on the second page at the top of Arahova 88.
1161=A I'm sorry.
1162=Q That's okay.
1163=A Okay. I see the two numbers now.
1164=Q Okay. Now, before we go on, just a -- you see the

1165=balances in the middle column with the desegregated balances
1166=where you have, for example, a balance with Adelphia of the
1167=Midwest, a balance with CCH, LLC, you see those numbers?

1168=A I do.

1169=Q Did you ever prepare a breakdown by transaction type for
1170=those individual balances or not?

fmt=pb

1171= MR. SHORE: Objection, Your Honor. Just to the
1172=timeframe. I'm not --

1173= MR. BENNETT: I apologize. I'll --

1174= MR. SHORE: Let me make clear. I don't have a
1175=problem -- I would quite frankly like to know what happened
1176=after May, but I think we just need to have a clear record as
1177=to when we're talking about looking at these, prior to the
1178=May schedules or after.

1179= THE COURT: All right. I'll sustain that. Go ahead
1180=and make it clearer in your question, Mr. Bennett.

1181=BY MR. BENNETT:

1182=Q I'm now just asking you about work done prior to the
1183=publication of the May schedules.

1184= Did you ever look at the individual balance between
1185=Adelphia Cleveland and Adelphia of the Midwest and break it
1186=out by transaction type? Or did you not look at these
1187=individual balances that way?

1188=A If I understand your question correctly, two things.

1189=One, I can't recall which legal entity we would have looked
1190=at prior to the publication of the May schedules and which
1191=ones we looked at after the preparation of the May schedules.
1192=It's possible that we looked at Adelphia Cleveland before and
1193=after. I don't remember.

1194= But I -- we would have looked at Adelphia Cleveland or

fmt=pb

1195=any legal entity in the format of ACC 449. We wouldn't have
1196=segmented it in as Arahova 88 because, again, we would have
1197=deemed that entire eighty twenty-six six seventy-one as being
1198=with the Bank of Adelphia.

1199=Q Okay. Now I want to -- without asking you about analysis
1200=you did before, but taking a look at Exhibit 449 now, first
1201=of all, this summarizes some significant portion of seven
1202=million separate lines of data, doesn't it?

1203=A It does.

1204=Q And if we were to try to look at every single entry
1205=behind every single account here, we would have a lot of
1206=data, wouldn't we?

1207=A Yes.

1208=Q And it's not really practical to do that in a courtroom
1209=this afternoon, would it?

1210=A No.

1211=Q Okay. But this was the -- these categories were the
1212=categories you broke journal entries in for purposes of --
1213=journal entries into for purposes of analysis. Is that
1214=right?

1215=A Yes. These are the categories that we came up with to
1216=help provide everyone with an idea of what created these
1217=balances.

1218=Q Okay. Now, looking at the transaction types that make up

fmt=pb

1219=the total for Adelphia Cleveland, do you see that those --

1220=that significant impact on the balance comes from the

1221=acquisition swaps line?

1222=A It does.

1223=Q Okay. And it's also significantly impacted by accounts

1224=payable, significantly impacted by accounts receivable too,

1225=correct?

1226=A Yes.

1227=Q Okay. And intercompany interest is significant, correct?

1228=A It is.

1229=Q And that's the intercompany interest that's the interest

1230=put on as a result of the restatement process. Is that

1231=right?

1232=A Yes. This is the restated intercompany interest.

1233=Q It's not -- that number would not be influenced by the

1234=pre-petition interest calculations that were done by the pre-

1235=petition management, would it?

1236=A No, no. This is the -- that would be the restated

1237=intercompany interest that was charged.

1238=Q Okay. Did the acquisition swaps balance arise in

1239=connection with the initial acquisition of Cablevision of

1240=Cleveland assets in November of 2002? I'm sorry, 2000.

1241=A You're asking me some specifics like November of 2000 and

1242=what not that --

fmt=pb

1243=Q Well, why don't I ask the question differently?

1244= Tell me what you know about the -- where the acquisition

1245=swaps total would have come from.

1246=A I would believe that that's generally attributable to the

1247=acquisition of Cablevision of which a portion of it was

1248=booked to Adelphia Cleveland, LLC, or booked on Adelphia

1249=Cleveland, LLC.

1250=Q Okay. Now the acquisitions swap balance is less than the

1251=nine-hundred-and-ninety-million-dollar number that we saw

1252=before that was initially attributable to Adelphia

1253=Cleveland's acquisition, right?

1254=A Uh-huh.

1255=Q Now do you recall or did you -- in connection with the

1256=work you did on fixed assets, do you recall that there were

1257=transfers of assets between Adelphia Cleveland and Adelphia

1258=of the Midwest following the Adelphia Cleveland and Adelphia

1259=of Midwest acquisitions?

1260=A I'm sorry, I don't.

1261=Q Okay. If there were transfers, could they have affected

1262=intercompany balances on both Adelphia Cleveland and Adelphia

1263=of the Midwest?

1264= MS. STEINGART: Objection as to form, Your Honor.

1265=If the witness knows he can answer as a fact witness.

1266= THE COURT: I'm going to overrule the objection but

fmt=pb

1267=just tell you, Mr. Donovan, that I'm looking for any actual

1268=knowledge you have or belief that's not speculation. I don't

1269=want you to speculate on it.

1270= THE WITNESS: Can you say the question again for me

1271=again, please?

1272=BY MR. BENNETT:

1273=Q With respect to the acquisition -- well, if there were

1274=transfers of assets between Adelphia of the Midwest and

1275=Adelphia Cleveland, would that impact -- or could that have

1276=impacted the intercompany balances between -- the

1277=intercompany balances of each of them?

1278=A What do you mean by transfer of assets?

1279=Q Movement of -- conveyance of equipment and subscribers

1280=and related intangibles from one to the other.

1281=A So you're saying that if we initially booked assets,

1282=acquisition assets, on Adelphia Cleveland and then we

1283=subsequently moved those assets to another legal entity,

1284=could that impact intercompany balances?

1285=Q Well, actually, I don't know which direction it

1286=necessarily happened, but I'm interested in whether transfers

1287=of assets could have affected intercompany balances, if you

1288=know.

1289=A Well, it's a difficult question to answer. Generally

1290=speaking, if the -- if we -- for instance, a very simple

fmt=pb

1291=example is if you transferred -- what happens a lot is

1292=vehicles will be transferred amongst cable systems. And when

1293=those vehicles get transferred, an intercompany transaction

1294=results.

1295=Q Okay. And so when cable systems are transferred, could

1296=an intercompany transaction result?

1297=A I need to ask another question to understand your

1298=question.

1299=Q That's okay. Let's move on.

1300= Take a look at Adelphia Midwest for a second, which is

1301=the very next page.

1302=A (Witness reviews document.)

1303=Q Now when Adelphia Midwest was acquired, it had an

1304=operating business, didn't it?

1305=A Operating cable systems? Yes.

1306=Q Okay. Now this -- the transaction types affecting

1307=Adelphia of the Midwest is a lot smaller number than the

1308=transaction types affecting Adelphia Cleveland, LLC.

1309= Do you know why?

1310=A Unfortunately, I do not.

1311=Q Do you know if Adelphia of the Midwest continued to

1312=operate a business after it was acquired?

1313=A I do not.

1314=Q Does this data suggest that it did or didn't operate a

fmt=pb

1315=business after it was acquired?

1316=A It would suggest that very little business happened

1317=afterwards -- after it was acquired.

1318=Q Okay. I'm not going to test your arithmetic, but could

1319=you, you know, add roughly the six ninety-one million six

1320=ninety-nine acquisition swap balance for Adelphia Cleveland

1321=to the eight-hundred-and-twenty-three-million acquisition and

1322=swap balance for Adelphia of the Midwest? Could you add

1323=those numbers roughly and I want to ask if you come up with a

1324=number pretty close to 1.5 billion.

1325=A 1.5.

1326=Q Do you remember that the total stock merger and asset
1327=portions of the Adelphia Cablevision transaction was also
1328=about 1.5 billion?
1329=A Yes.
1330=Q So does it make sense to you that that's where -- that
1331=that total purchase price was somehow allocated between these
1332=two entities on some basis?
1333= MS. STEINGART: Object as to form, Your Honor. He
1334=can ask him if he knows.
1335= THE COURT: Sustained.
1336=BY MR. BENNETT:
1337=Q Does that information and this information -- and Exhibit
1338=449 allow you to form any conclusions concerning the
fmt=pb
1339=allocation of the 1.493-billion purchase price that was paid
1340=for Adelphia -- for the Cablevision assets and for the
1341=Midwest stock?
1342=A I guess the reason why I'm hesitating is I know I have
1343=work papers that would give me this answer. But these work
1344=papers were prepared after May. So what do I do?
1345=Q I think we should move on.
1346= The next item in Arahova -- Page 2 of Arahova 88 is
1347=Adelphia Prestige Cablevision, LLC. Do you see that? After
1348=Midwest.
1349=A I do. But can we go back? I think I may have jumped to
1350=the wrong conclusion. You asked me if Adelphia of the
1351=Midwest had operating systems and I think I answered yes.
1352= But as I think more about it, I think -- can I change
1353=that to say I guess I'm not sure anymore?
1354=Q Okay. Let's go to Adelphia Prestige Cablevision. Do you
1355=see the eight-hundred-nineteen-million-dollar number on
1356=Arahova 88?
1357=A I do.
1358=Q Okay. And does that correspond with the eight-hundred-
1359=and-nineteen-oh-forty-one balance on the third page, and I
1360=apologized for forgetting to number them, of ACC 449?
1361=A Yeah. The eight nineteen off of ACC 449 shows up on
1362=Adelphia Prestige Cablevision on Arahova 88.
fmt=pb
1363=Q Okay. And, again, these are -- your transaction codes
1364=summarize many, many, many journal entries. Is that right?
1365=A Yes.
1366=Q All right. And can you identify the important components
1367=of this intercompany balance using your transaction codes?
1368=A It's primarily driven very similar to Adelphia Cleveland.
1369=The largest driver is acquisition swaps followed by cash
1370=receipts, accounts payable, and intercompany interest. And
1371=then if you sum the -- all the allocations, that would be the
1372=other driver.
1373=Q Okay. And, again, in this instance as before, the
1374=interest is the restated interest, correct, not the pre-
1375=petition general ledger interest?
1376=A That's correct.
1377=Q And the allocations are also restated allocations, not
1378=original pre-petition allocations?
1379=A That's correct.

1380=Q Okay. The next entity on Arahova 88 is Century New
1381=Mexico Cable Television. Do you see that one?
1382=A I do.
1383=Q Okay. And here we don't -- I don't think we have
1384=separate balances. But if you turn the page I think we have
1385=Century New Mexico Cable Television's transaction-by-
1386=transaction types. Do you see that?
fmt=pb
1387=A Totalling the two forty-six, correct?
1388=Q Correct. Okay.
1389= And I want to mark a new document for this one, if I
1390=could. ACC 450.
1391= MR. BENNETT: May I approach?
1392= THE COURT: Yes, you may.
1393=BY MR. BENNETT:
1394=Q Now it's probably a good idea to get your bearings to
1395=take a look at ACC Exhibit 431 which I think is also a chart
1396=that you'll recognize. And that's the derivation of the
1397=historical balances by legal entity.
1398=A (Witness reviews document.)
1399=Q And the reason I wanted you to take a look at this one is
1400=I want you to -- I should ask some foundation questions.
1401= Have you seen ACC 431 before?
1402=A Yes.
1403=Q Okay. And do you know what it is?
1404=A I do.
1405=Q And do you recognize it as the spreadsheet of the
1406=historical balances by legal entity and those numbers being
1407=in the middle of the chart?
1408=A Yes.
1409=Q Okay. Why don't we go down to Century New Mexico, which
1410=I think is right on Page 1. Do you see that one?
fmt=pb
1411=A I do.
1412=Q Okay. And do you see the historic payable balance of
1413=ninety-four nine eighty-four out there?
1414=A I do.
1415=Q Okay. Now the exhibit I just gave you, and I didn't keep
1416=a copy for myself, if I could get my bearings, what I think
1417=we tried to do was to find the historic balances in the
1418=general ledger. And I think the second item you'll see UG
1419=085. Do you see that one?
1420=A I do.
1421=Q Okay. And we found the Century opening balance numbers.
1422=Is that the historic entries?
1423=A Yes. It -- UG 085, which is the ninety-four nine eighty-
1424=four, was probably the journal entry that was booked in
1425=conjunction with the Century acquisition to record those
1426=historic intercompany balances.
1427=Q Okay. So now to take the historic balances out of
1428=Century New Mexico Cable Television, would we be extracting
1429=the ninety-four or ninety-five-million-dollar number from the
1430=one ninety-six in the acquisition swaps? Or would we go
1431=somewhere else?
1432=A No, you're right. The ninety-four nine eighty-four is
1433=included within the acquisition swap category.

1434=Q Okay. Now was the acquisition swap that was relevant to
fmt=pb
1435=Century New Mexico Cable Television the ComCast swap that's
1436=indicated on the top -- the journal entry at the top, the
1437=eighty-seven two ten five oh six?
1438=A I'm sorry. You lost me a little bit on there. Can you
1439=say that again?
1440=Q Well, I'm trying to find based upon new Exhibit 450 the
1441=backup for the rest of that one ninety-six seven-forty
1442=balance.
1443=A Yes. The eighty-seven two ten should be in the
1444=acquisition swap category.
1445=Q And that's a ComCast swap transaction, correct?
1446=A Yes. I mean, based on the transaction description,
1447=that's what it looks to be, yes.
1448=Q So this was an asset -- an acquisition of real assets by
1449=Century New Mexico Cable Television, was it not?
1450=A Well, it was involved in the swap transaction.
1451=Q It was in the swap transaction?
1452=A Yes.
1453=Q Okay. And the -- now go down to the URY 20 JID.
1454=A Okay.
1455=Q Is that part of the swap transaction, too?
1456=A I'm not sure.
1457=Q Okay. So let's now -- taking a look at Century New
1458=Mexico as a whole, we have a significant impact from
fmt=pb
1459=historical balances -- from the historical balances, correct?
1460=A Yes.
1461=Q That -- and also a significant impact from the ComCast
1462=swap?
1463=A Yes.
1464=Q And then the -- and the other ones are normal business
1465=activities, correct?
1466=A I'm sorry. The other ones being the thirty-three, the --
1467=Q Well, what do you see as the other important components
1468=of this balance?
1469=A Well, it seems to be the other larger one here is the
1470=affiliate interest, right? Or the intercompany interest.
1471=Q And that would also be a post-filing allocation?
1472=A Yes. It looks to be the restated amount. Yes.
1473=Q Now in connection with the historic balances, was there -
1474=- was interest charged on the historic balances in the
1475=restatement process?
1476=A It was.
1477=Q And so we'd have to back out some of the interest charged
1478=here if we're going to eliminate the historic balances,
1479=correct?
1480=A Yes. If you wanted to remove the historic balance, you'd
1481=want to also take away the interest on those historic
1482=balances.
fmt=pb
1483=Q Okay. Why don't we turn the page to Scranton
1484=Cablevision? Well, again, we don't have a balance to match
1485=up with Arahova 88, but let me first ask you if you remember
1486=-- do you remember if Scranton Cablevision was one of the

1487=entities transferred to Arahova in April 2002?
1488=A April 2000?
1489=Q I'm sorry, April 2000, you're right. April 2000.
1490=A I don't remember specifically.
1491=Q Well, why don't we go back to ACC Exhibit 140? I'm now
1492=regretting I let you put it away. And I want to go to Page
1493=1734 and see if that will help us.
1494=A (Witness reviews document.)
1495= THE COURT: What page did you say, Mr. Bennett?
1496= MR. BENNETT: WDC Number, Your Honor, last four
1497=digits 1734. It's some of his backup schedules.
1498= THE WITNESS: Okay. Your question again, please?
1499=BY MR. BENNETT:
1500=Q Whether Scranton Cablevision was one of the entities
1501=transferred to Arahova in April 2000 -- in the April 2000
1502=transfers we talked about earlier.
1503=A Yes. It appears that way.
1504=Q Okay. So the affiliate payable balance as of the April
1505=transaction for Scranton was approximately 176 million
1506=according to Exhibit 140, right?
fmt=pb
1507=A Yep. Yes.
1508=Q Okay. And that's going to be an ingredient in the
1509=accounts payable balance as of June 30, 2002 for Scranton
1510=Cablevision on our new Exhibit 449, right?
1511=A You said accounts payable. You meant intercompany,
1512=right?
1513=Q Right. I meant the -- I'm sorry, the code accounts
1514=payable for the intercompany. Or let me ask it this way.
1515= Where would the 176 million -- which balance on ACC 449
1516=would be affected by this \$176 million of intercompany
1517=payables that came over?
1518=A I would say that the one seventy-five or one seventy-six,
1519=that's -- I'm sorry. Which one is this?
1520=Q The loose-leaf book is 140. The new one is 449.
1521=A The one that's on 140 would probably have multiple
1522=transaction categories.
1523=Q So it's scattered throughout these numbers?
1524=A Yes.
1525=Q Are you familiar with something called the "Verto
1526=acquisition" (phonetic)?
1527=A I've heard of it, but I don't know much about it.
1528=Q Do you know if it was a acquisition that was done by
1529=Scranton?
1530=A I don't.
fmt=pb
1531=Q Why don't we turn to the next page on -- I'll put this
1532=down for a second.
1533= Why don't we turn to the next page of 449, which is TMC
1534=Holdings Corp.? And TMC Holdings Corp. is the last one in
1535=the box on Arahova 88, Page 2. Do you see that?
1536=A I see the TMC Corp. there on 88, yes. I see it.
1537=Q Okay. And -- but we don't have a number to match up,
1538=right?
1539=A No.
1540=Q Okay. Now on this -- on this -- on the 449 page relating

1541=to TMC Holdings Corp., significant driver looks like accounts
1542=payable, right?
1543=A Yes.
1544=Q Okay. Was TMC Holdings Corp. another entity transferred
1545=to Arahova in April 2000?
1546=A I'm not sure.
1547=Q Okay. As long as you've got it, same page, open in your
1548=loose-leaf book, let's see if we can find it.
1549=A (Witness reviews document.)
1550= Okay.
1551=Q And it had -- according to this schedule, it had
1552=unaffiliated debt, didn't it?
1553=A Yeah. It looks like about a 1.5 million of affiliate
1554=payables.
fmt=pb
1555=Q Say that -- I don't think you were close enough to the
1556=microphone for that one.
1557=A I'm sorry. It looked like -- it looks like it had in
1558=April 2000 1.5 million in affiliate payables.
1559=Q Okay. And how about third-party debt? Can you find the
1560=third-party debt in one of the schedules here for that
1561=entity?
1562=A I'm having a hard time reading it. It looks like fifty-
1563=five or 65 million.
1564=Q Okay. And would the third-party debt of 55 million show
1565=up here as part of those accounts payable?
1566= MR. SHORE: I hesitate to rise. We are dealing with
1567=data that's two years different. So I don't know that it's a
1568=fair question to be saying does it -- where would it sit two
1569=years later.
1570= MR. BENNETT: I'll rephrase the question.
1571=BY MR. BENNETT:
1572=Q Would the 55 million of unaffiliated -- of debt to
1573=unaffiliated parties be an entry that rolls up into an
1574=accounts payable balance as at June 30, 2002 for TMC Holdings
1575=Corp.?
1576=A I'm not sure.
1577=Q Okay. Would it roll up someplace into the TMC Holdings
1578=Corp. intercompanies in one way or another?
fmt=pb
1579=A I'm not sure.
1580= MR. BENNETT: Okay. Your Honor, this is a good
1581=place to stop for the night.
1582= THE COURT: All right. 9:45 tomorrow morning,
1583=folks.
1584= (Proceedings concluded at 5:57 p.m.)
1585=CERTIFICATION
1586= I certify that the foregoing is a correct transcript
1587=from the electronic sound recording of the proceedings in the
1588=above-entitled matter to the best of my knowledge and ability.
1589=
1590=_____ March 2, 2006
1591=Coleen Rand
1592=Certified Court Transcriptionist/Agency Director
1593=
fmt=pb

end=Text