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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2010

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 000-53209

**Adelpia Recovery Trust**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of incorporation or organization)

**11-6615508**  
(I.R.S. Employer Identification No.)

**919 North Market Street, 17th Floor, PO Box 8705  
Wilmington, Delaware 19899**  
(Address of principal executive offices) (Zip Code)

**302-652-4100 Attn: Dean Ziehl**  
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer   
(Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY  
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15 (d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.  Yes  No

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## Item 1 Financial Statements

**Adelpia Recovery Trust  
Unaudited Condensed Balance Sheets**

	<u>As of September 30, 2010</u>	<u>As of December 31, 2009</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 62,657,150	\$ 164,327,745
Temporary investments	75,040,926	—
Prepaid assets	212,936	611,363
Note and accrued interest receivable	6,071,323	5,778,805
Total assets	<u>\$ 143,982,335</u>	<u>\$ 170,717,913</u>
<b>Liabilities and net assets</b>		
Accrued expenses	\$ 630,607	\$ 3,311,521
Total liabilities	630,607	3,311,521
Net assets	<u>143,351,728</u>	<u>167,406,392</u>
<b>Total liabilities and net assets</b>	<u>\$ 143,982,335</u>	<u>\$ 170,717,913</u>

See accompanying notes to the condensed financial statements.

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**Adelpia Recovery Trust**  
**Unaudited Condensed Statements of Operations**

	For the three months ended September 30, 2010	For the three months ended September 30, 2009	For the nine months ended September 30, 2010	For the nine months ended September 30, 2009
<b>Revenues</b>				
Litigation - court approved settlements	\$ 0	\$ 0	\$ 0	\$ 0
Litigation — other settlements	0	0	0	0
Interest income	165,150	153,123	475,027	681,289
Total revenues	<u>165,150</u>	<u>153,123</u>	<u>475,027</u>	<u>681,289</u>
<b>Operating expenses</b>				
General and administrative expenses	407,107	465,213	1,648,442	1,675,010
Professional expenses - litigation	7,372,630	11,338,780	22,355,306	26,262,289
Professional expenses — administrative	208,456	37,927	525,943	208,595
Total operating expenses	<u>7,988,193</u>	<u>11,841,920</u>	<u>24,529,691</u>	<u>28,145,894</u>
Net loss	<u>\$ (7,823,043)</u>	<u>\$ (11,668,797)</u>	<u>\$ (24,054,664)</u>	<u>\$ (27,464,605)</u>

See accompanying notes to the condensed financial statements.

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**Adelpia Recovery Trust**  
**Unaudited Condensed Statements of Cash Flows**

	For the nine months ended September 30, 2010	For the nine months ended September 30, 2009
<b>Operating activities</b>		
Net loss	\$ (24,054,664)	\$ (27,464,605)
Changes in operating assets and liabilities:		
Prepaid assets	398,427	(386,786)
Note and accrued interest receivable	(292,518)	(292,518)
Accrued expenses	(2,680,914)	4,456,936
Net cash used by operating activities	<u>(26,629,669)</u>	<u>(23,686,973)</u>
<b>Investing activities</b>		
Purchase of temporary investments and accrued interest	(75,040,926)	—
Net cash used by investing activities	<u>(75,040,926)</u>	<u>—</u>
<b>Net change in cash and cash equivalents</b>	<b>(101,670,595)</b>	<b>(23,686,973)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>164,327,745</b>	<b>161,057,351</b>
<b>Cash and cash equivalents, end of period</b>	<b><u>\$ 62,657,150</u></b>	<b><u>\$ 137,370,378</u></b>

See accompanying notes to the condensed financial statements.

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## ADELPHIA RECOVERY TRUST

Notes to the Condensed Financial Statements — September 30, 2010 (Unaudited)

1 Background

The Adelpia Recovery Trust (the “ART”) was formed as a Delaware statutory trust pursuant to that certain First Modified Fifth Amended Joint Chapter 11 Plan of Reorganization (the “Plan”) of Adelpia Communications Corporation (“Adelpia” or “ACC”) and certain of its subsidiaries (collectively the “Debtor”). The purpose of the ART is to prosecute the various causes of action transferred to the ART pursuant to the Plan (the “Causes of Action”) and distribute to the owners (the “Holder”) of the interests in the ART (“Interests”) the net proceeds of such Causes of Action (“Distributions”), according to the relative priorities established pursuant to the Plan, subject to the retention of various amounts to fund the prosecution of those Causes of Action and operations of the ART. Pursuant to the Plan, in addition to the Causes of Action, Adelpia transferred \$25 million in cash to the ART, in connection with its formation, in order to fund the initial expenses of operation.

As set forth in the Plan, the ART is administered by five trustees (the “Trustees”) who are responsible for carrying out the purposes of the ART. Quest Turnaround Advisors, L.L.C. (“Quest”) is the plan administrator (in such capacity, the “Plan Administrator”) of Adelpia. Quest and Adelpia together have agreed to provide certain administrative services to the ART. In order to facilitate the provision of such administrative services, the ART has appointed Quest as the trust administrator of the ART (in such capacity, the “Trust Administrator”).

2 Basis of Presentation

The accompanying interim unaudited condensed financial statements of the ART have been prepared in accordance with generally accepted accounting principles in the United States of America for interim periods (“US GAAP”) and with the instructions to Form 10-Q. As such, they do not include all of the information and disclosures required by US GAAP for complete financial statements. In the opinion of the Trustees, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the interim unaudited condensed financial statements have been included. These condensed financial statements should be read in conjunction with the ART’s audited financial statements for the year ended December 31, 2009 included in its Form 10-K filed with the Securities and Exchange Commission (“SEC”) on March 10, 2010. Interim results are not necessarily indicative of the results for the complete fiscal year. The unaudited condensed balance sheet as of December 31, 2009 was derived from the audited financial statements for the year then ended.

[Table of Contents](#)3 [Related Party Transactions](#)

The Trust Administrator and Adelpia continue to provide administrative support to the ART including maintaining electronic data and paper documents used in prosecuting the Causes of Action, financial reporting and support for Distributions when they might occur (including maintenance of data related to the implementation of Plan provisions). These services have and will continue to be provided at no cost to the ART under the terms of various agreements between the Trust Administrator and Adelpia. The ART financial statements do not reflect any amounts for these services.

4 [Causes of Action and Contingencies](#)

Except as set forth below, there have been no material developments in the legal proceedings described in the ART's Form 10-K as filed on March 10, 2010 or as updated in the ART's Form 10-Qs filed on May 7, 2010 and August 9, 2010.

[Bank Litigation](#)

On September 22, 2010, the ART announced that it had reached an agreement in principle to settle its claims against all but one Defendant in exchange for a payment of \$175 million. The settlement agreement was executed and effective as of October 25, 2010. The ART filed a motion to approve the settlement, which is scheduled to be heard by United States District Court Judge Lawrence M. McKenna on November 18, 2010. If the settlement is approved, it will resolve all claims pending in the Bank Litigation, except the ART's fraudulent conveyance claims against Goldman Sachs arising from Adelpia Communications Corporation's pre-petition repayment of the Rigases' personal margin loans. As to the claim against Goldman Sachs, Goldman Sachs' motion for summary judgment is pending before the Court and is awaiting decision. The settlement also will resolve the ART's petition for writ of *certiorari* filed on October 22, 2010, which seeks review of the Second Circuit's May 26, 2010 order affirming the District Court's dismissal of certain of the ART's bankruptcy claims.

Pursuant to the ART's revenue recognition policy, the ART will not record settlement related revenues or expenses for this matter until the settlement has received court approval. At this time, the ART cannot predict the outcome of these proceedings.

[Sabres Litigation](#)

As part of the Bank Litigation settlement, the ART agreed to resolve its claims against Fleet Bank, N.A. in the *Sabres* Litigation, but not the Trust's claims against Key Bank, N.A. or HSBC Bank USA, N.A. If the settlement of the Bank Litigation is approved by the District Court, the ART will seek the dismissal of its claims against Fleet Bank N.A.

At this time, the ART cannot predict the outcome of these proceedings or estimate the possible financial effect of these proceedings on the ART's financial statements.

[Table of Contents](#)FPL Litigation

On June 24, 2004, the Unsecured Creditors' Committee filed a fraudulent conveyance complaint against FPL Group, Inc. and West Boca Security, Inc. ("FPL") in the Bankruptcy Court for the Southern District of New York relating to pre-petition transactions.

The FPL action seeks to recover an alleged fraudulent transfer arising out of Adelphia's repurchase of certain of its stock from FPL in January 1999 for \$149.5 million. Under the current scheduling order, fact discovery is to be completed by May 12, 2011, expert discovery is to be completed by June 30, 2011, and trial is set to begin on September 16, 2011.

At this time, the ART cannot predict the outcome of these proceedings or estimate the possible financial effect of these proceedings on the ART's financial statements.

Litigation Indemnification Fund Dispute

Pursuant to the Third Modified Fourth Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code for Century-TCI Debtors and Parnassos Debtors (the "JV Plan"), which became effective on July 31, 2006; the First Modified Fifth Amended Joint Chapter 11 Plan for Adelphia Communications Corporation and Certain of Its Affiliated Debtors (the "Main Plan"), which became effective on February 13, 2007; and certain other orders entered by the Bankruptcy Court, litigation indemnification funds (each, a "LIF") were created to provide certain defendants in the Bank Litigation (see above) provisional and conditional reimbursement of legal fees and expenses expected to be incurred in connection with defending litigation involving certain credit facilities.

The LIF created under the JV Plan (the "JV LIF"), established in the initial amount of \$10 million, was created to fund certain allowable claims for indemnification arising under the Parnassos and Century-TCI prepetition credit facilities. Subject to certain conditions, the JV LIF is "evergreen"; in other words, the JV Plan provides the JV LIF will be replenished by the ART under certain conditions, such as "upon the receipt . . . of net proceeds of any Designated Litigation" after first deducting any required distribution to the government.

The LIFs created under the Main Plan (the "Main Plan LIFs") are fixed in amounts and not subject to replenishment. Because the JV LIF is evergreen, whereas the Main Plan LIFs are capped, the allocation of defense costs among the categories of LIFs is a matter of economic significance.

Century-TCI and Parnassos lenders (the "JV Lenders") to date have submitted formal claims of approximately \$25 million in aggregate ("JV LIF Claims") in excess of the \$10 million initially deposited in the JV Litigation Indemnification Fund (the "JV LIF") and have indicated an intention to submit additional claims in the future. Adelphia and the ART have asserted that certain defendants in the Bank Litigation are not entitled to reimbursement from the JV LIF on the basis, among others, that the JV LIF claims are improper. On November 13, 2008, certain of those claimants filed, or subsequently joined in, the *Motion of the Bank of Nova Scotia, Citibank N.A. and The Ad Hoc Committee of Non-Agent Secured Lenders in the Parnassos and Century-TCI*



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*Facilities for Payment of Bank Lender Post Effective Date Fee Claims and to Compel Compliance of the Plan Administrator (defined in the JV Plan as Adelpia) and the Art with the Third Modified Fourth Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code and the Century TCI Stipulation (the "LIF Motion").* Adelpia and the ART moved to disallow Bank Lender Post-Effective Date Fee Claims against the claimants. The Bankruptcy Court has scheduled an evidentiary hearing on the Motion for December 13, 2010.

If the Bankruptcy Court grants the LIF Motion, the JV LIF may need to be replenished in an amount that satisfies all claims that have been submitted and returns the balance in the JV LIF to \$10 million. In addition, the Bankruptcy Court could determine that the JV LIF must be replenished by the amount of the disputed JV LIF Claims while the dispute is still pending.

At this time, the ART cannot predict the outcome of these proceedings or estimate the possible financial effect of these proceedings on the ART.

## 5 Fair Value of Financial Instruments

As of September 30, 2010, the ART had temporary investments in FDIC insured six-month bank certificates of deposit ("CDs") which had a carrying value of \$75,040,926. The carrying value represents the original investment of \$75.0 million, plus accrued interest of \$40,926 through September 30, 2010. The carrying value approximates the fair value for these temporary investments as of September 30, 2010. The six-month CDs will mature on various dates in the fourth quarter of 2010 and the first quarter of 2011.

The fair value of the note receivable and accrued interest has been determined using unobservable inputs (i.e. Level 3, as defined in Accounting Standards Codification 820-10) and approximates \$4.6 million as of September 30, 2010 and \$4.4 million as of December 31, 2009. The fair value was derived by discounting to September 30, 2010 and December 31, 2009 the projected maturity value of the note including accrued interest. The projected maturity values, including interest, were calculated using life expectancy tables. The discount rate is based on the yield on the notes issued by the life insurance companies underwriting the life insurance policies and various risk factors associated with the note.

The carrying values were approximately \$6.1 million as of September 30, 2010 and approximately \$5.8 million as of December 31, 2009. The note bears 8% simple interest and is recourse only to the proceeds of various life insurance policies on Mr. and Mrs. Leonard Tow totaling approximately \$28 million.

## 6 Subsequent Events

Events subsequent to September 30, 2010 have been evaluated through November 12, 2010, the date the accompanying financial statements were issued. Other than as discussed herein, there have been no subsequent events that would be material to the financial statements of the ART, including Cause of Action settlements or judgments or Distributions. The Trustees expect to make a determination regarding a Distribution following court approval of the Bank Litigation settlement but will retain enough cash in reserve to administer the ART and fund the prosecution of the Causes of Action.

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Item 2

**Management Discussion and Analysis**Overview

The Adelpia Recovery Trust was formed as a Delaware statutory trust pursuant to that certain First Modified Fifth Amended Joint Chapter 11 Plan of Reorganization of Adelpia and certain of its subsidiaries. The purpose of the ART is to prosecute the various Causes of Action transferred to the ART pursuant to the Plan and distribute to the owners of the Interests in the ART the net proceeds of such Causes of Action, according to the relative priorities established pursuant to the Plan, subject to the retention of various amounts to fund the prosecution of those Causes of Action and operations of the ART. Pursuant to the Plan, in addition to the Causes of Action, Adelpia transferred \$25 million in cash to the ART in connection with its formation in order to fund the initial expenses of operation.

Adelpia and certain of its subsidiaries filed for Chapter 11 bankruptcy protection in June 2002. During the bankruptcy, on July 31, 2006 the assets of Adelpia were sold for a combination of cash and stock in Time Warner Cable, Inc. (“TWC”). In late 2006, representatives of various groups of creditors reached agreement on the allocation and distribution of the cash, TWC stock, other proceeds from the sale of estate assets and relative priorities to any Distributions arising from the Causes of Action contributed to the ART. This agreement was embodied in the Plan, which was confirmed in January 2007 and became effective on February 13, 2007 (the “Effective Date”). Under the Plan, the creditors and equity holders of Adelpia and certain of its subsidiaries received one or more of the following: cash, TWC stock, rights to future Distributions up to payment in full and the Interests.

The ART will dissolve upon the earlier of the resolution of all Causes of Action and the distribution of all of its assets to the Holders or the fifth anniversary of its creation. However, the Bankruptcy Court may approve an extension of the term if deemed necessary for the purposes of resolving the Causes of Action and distributing the net proceeds to Holders.

As set forth in the Plan and the Declaration of Trust for the ART, as amended (the “Declaration”), the ART is administered by five Trustees. These Trustees are authorized to carry out the purposes of the ART. In particular, the Trustees are responsible for protecting, maintaining, liquidating to cash and maximizing the value of the Causes of Action contributed to the ART, whether by litigation, settlement or otherwise.

Distributions

Pursuant to the Plan and the Declaration, Distributions to Holders are net of any costs and expenses incurred by the ART in connection with administering, litigating or otherwise resolving the various Causes of Action. Such costs and expenses may also include fees and expenses of the Trustees, premiums for directors and officers insurance, and other insurance and fees and expenses of attorneys and consultants. Distributions will be made only from assets of the ART and only to the extent that the ART has sufficient assets (over amounts retained for contingent liabilities and future costs and expenses, among other things) to make such payments in accordance with the Plan and the Declaration. No Distribution is required to be made to any Holder unless such Holder is to receive in such Distribution at

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least \$25.00 or unless such Distribution is the final Distribution to such Holder pursuant to the Plan and the Declaration.

Distributions will be made at the sole discretion of the Trustees in accordance with the provisions of the Plan and the Declaration. The Trustees expect to make a determination regarding a Distribution following court approval of the Bank Litigation settlement but will retain enough cash in reserve to administer the ART and fund the prosecution of the Causes of Action.

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As of September 30, 2010, the number of Interests outstanding in each series eligible to receive a Distribution is as follows:

<b>CVV Series of Interest:</b>	<b>As of September 30, 2010</b>
Series RF	115,000,000
Series Arahova	722,639,681
Series FrontierVision	86,600,001
Series FPL	25,575,129
Series Olympus	17,000,001
Series ACC-1	4,839,988,165
Series ACC-2	339,207,075
Series ACC-3	119,430,302
Series ESL (1)	17
Series ACC-4	1,790,968,272
Series ACC-5 (1)	458
Series ACC-6B	150,000,000
Series ACC-6B1 (1)	3
Series ACC-6D	575,000,000
Series ACC-6D1 (1)	229,004
Series ACC-6E/F	935,812,456
Series ACC-6E/F1 (1)	277,210
Series ACC-7	217,022,640
Series ACC-7A (1)	1,537,766,752

(1) For each of these categories of Interests (which include disputed claims), each holder of a disputed claim was awarded one Interest. The number of Interests is expected to change based on the resolution of disputed claims.

### Results of Operations

The ART operates pursuant to the Plan and the Declaration. The ART was formed as a Delaware statutory trust to prosecute various claims originally owned by Adelpia and, if any of the prosecutions are successful or are settled in a manner which provides economic benefit to the ART, to distribute excess proceeds over amounts retained to fund the prosecution of the Causes of Action and operations of the ART, to the Holders. The Trustees expect to make a determination regarding a Distribution following court approval of the Bank Litigation settlement but will retain enough cash in reserve to administer the ART and fund the prosecution of the Causes of Action.

#### *Third Quarter 2010 vs Third Quarter 2009*

Total revenues consisting solely of interest increased to approximately \$165,000 in the third quarter of 2010 from approximately \$153,000 in the third quarter of 2009. The increase of approximately \$12,000 was caused by an increase in investment yields offset by lower average cash balances in the third quarter of 2010 compared to the third quarter of 2009. The Trust adjusted its investment strategy in the first quarter of 2010 to nominally improve

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yields as more fully described below under “Financial Condition and Cash Flows”. There were no court approved settlements or related revenues for either the third quarter of 2010 or for the third quarter of 2009.

Total operating expenses for the ART decreased to approximately \$8.0 million in the third quarter of 2010 from approximately \$11.8 million in the third quarter of 2009. The decrease of approximately \$3.8 million was caused by decreased costs associated with professional litigation and general and administrative costs offset by an increase in professional administrative costs in the third quarter of 2010 versus the third quarter of 2009.

Professional litigation costs decreased by approximately \$4.0 million in the third quarter of 2010 compared to the third quarter of 2009 due to decreased professional expenses related to the Bank and Prestige Causes of Action.

General and administrative costs decreased by approximately \$58,000 in the third quarter of 2010 when compared to the third quarter of 2009. The ART experienced decreased costs of approximately \$62,000 in the third quarter of 2010 for the ART tax and SEC filings (“Regulatory Costs”) and insurance costs but had offsetting increased costs of approximately \$4,000 for Trustee expenses and other miscellaneous items between the same comparable periods.

Professional administrative costs increased approximately \$171,000 in the third quarter of 2010 compared to the third quarter of 2009. The increased costs in the third quarter of 2010 relate primarily to increased legal support costs incurred by the ART to manage trust operations, administrative requirements, for Cause of Action coordination and for regulatory compliance.

As a result of the increase in total revenues of approximately \$12,000 and the decrease in total operating expenses of approximately \$3.8 million in the third quarter of 2010 compared to the third quarter of 2009, the net loss of approximately \$7.8 million for the quarter ended September 30, 2010 was approximately \$3.8 million lower than the net loss for the quarter ended September 30, 2009.

*Nine months ended September 30, 2010 versus the nine months ended September 30, 2009*

Total revenues consisting solely of interest decreased to approximately \$475,000 for the nine months ended September 30, 2010 from approximately \$681,000 for the nine months ended September 30, 2009. The decrease of approximately \$206,000 was caused by a reduction in investment yields during the nine months ended September 30, 2010 compared to the nine month period ended September 30, 2009 offset by a higher average cash balance in the nine months period ended September 30, 2010 compared to the nine month period ended September 30, 2009. The Trust adjusted its investment strategy in the first quarter of 2010 to improve yields as more fully described below under “Financial Condition and Cash Flows”. There were no court approved settlements or related revenues for the nine months ended September 30, 2010 or for the nine months ended September 30, 2009.

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Total operating expenses for the ART decreased to approximately \$24.5 million for the nine months ended September 30, 2010 compared to \$28.1 million for the nine months ended September 30, 2009. The decrease of approximately \$3.6 million was caused by decreased professional litigation and general and administrative costs offset by increased professional administrative costs between the same comparable periods.

Professional litigation costs decreased approximately \$3.9 million for the nine months ended September 30, 2010 when compared to the nine months ended September 30, 2009. There were decreased costs for the Bank Cause of Action totaling approximately \$3.6 million and for the Prestige Cause of Action totaling approximately \$0.3 million. The changes in costs were caused by reduced activity levels related to the Causes of Action.

General and administrative costs decreased approximately \$27,000 for the nine months ended September 30, 2010 when compared to the nine months ended September 30, 2009. The ART experienced decreased costs of approximately \$102,000 for the nine months ended September 30, 2010 for ART Regulatory Costs and approximately \$36,000 for insurance costs. This was offset by increased bank fees of approximately \$4,000 and Trustee additional service compensation and expenses of approximately \$107,000 between the same timeframes.

Professional administrative costs increased approximately \$317,000 for the nine months ended September 30, 2010 compared to the nine months ended September 30, 2009. The increased costs relate primarily to increased legal support costs incurred by the ART to manage trust operations, administrative requirements, for Cause of Action coordination and for regulatory compliance.

As a result of the decrease in total revenues of approximately \$206,000 and the decrease in total operating expenses of approximately \$3.6 million for the nine months ended September 30, 2010 compared to the nine months ended September 30, 2009, the net loss of approximately \$24.1 million for the nine months ended September 30, 2010 was approximately \$3.4 million lower than the net loss for the nine months ended September 30, 2009.

**Financial Condition and Cash Flows: Liquidity**

The ART's sources of liquidity are from (a) the \$25 million transferred to the ART by Adelpia pursuant to the Plan on the Effective Date, (b) the successful resolution of Causes of Action and (c) earnings on invested cash balances. Receipts from these sources are used to pay professional and operating expenses of the ART and to fund Distributions to the Holders after reserving cash required to pay future professional and operating expenses of the ART. The Trustees regularly evaluate the future financial needs of the ART. The Trustees expect to make a determination regarding a Distribution following court approval of the Bank Litigation settlement but will retain enough cash in reserve to administer the ART and fund the prosecution of the Causes of Action.

Based upon cash and cash equivalent balances as of September 30, 2010 totaling approximately \$62.7 million and temporary investments totaling approximately \$75.0 million

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along with expected expenses and other potential disbursements, the ART expects to meet its obligations as they come due during the next twelve months. Due to the uncertain nature of future revenues and expenses beyond twelve months, it is not possible to be certain that cash will be available to cover all the future financial needs of the ART. Incurring debt, creating contingent obligation agreements and seeking methods to reduce legal professional and administrative costs are all strategies that could be undertaken to address liquidity issues should they arise. These strategies could impact the ART's ability to maximize recoveries from settlements.

The nature of the ART's operations does not give rise to capital expenditures and there are no current or expected commitments for capital expenditures in the next twelve months. Should a need for capital expenditures arise, the ART would fund the requirement from existing assets. Additionally, the ART currently has no long-term contracts or other long-term obligations.

Cash and cash equivalent balances at September 30, 2010 of approximately \$62.7 million are \$101.7 million lower than as of December 31, 2009. This reduction is due to a use of cash and cash equivalents for operating activities of \$26.6 million and for investing activities of \$75.0 million to purchase CDs with six-month maturity dates. Such CDs are classified as temporary investments. The \$26.6 million use of cash for operating activities included a net loss for the nine months ended September 30, 2010 of approximately \$24.1 million and a decrease in accrued expenses of approximately \$2.7 million. The decrease in accrued expenses is due to the timing of vendor payments. Operating activities include the accrual of interest on a note receivable during the nine months ended September 30, 2010 of approximately \$0.3 million and the amortization of prepaid assets of approximately \$0.4 million. Investing activities during the nine months ended September 30, 2010 included the investment of \$75.0 million of available cash and cash equivalents into CDs with a six-month maturity when purchased. These CDs have a carrying value at September 30, 2010 that includes accrued interest of \$40,926.

As of September 30, 2010, the ART has moved a total of \$124.0 million of cash and cash equivalents consisting of U.S. Treasury and government agency securities money market fund to three-month and six-month FDIC fully-insured bank CDs in order to improve the yields on invested cash. The \$124.0 million of CDs is comprised of \$75.0 million of six-month CDs classified as temporary investments and \$49.0 million of three-month CDs that remain classified as cash and cash equivalents. The total of \$62.7 million in cash and cash equivalents at September 30, 2010 includes the \$49.0 million of 3-month CDs and \$13.7 million of other investments and accrued interest. The ART considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. As such, the three-month CDs have been classified as cash equivalents and the six-month CDs are classified as temporary investments. All investments during the quarter were fully compliant with the ART investment policy.

As discussed further in Note 4 to the unaudited Consolidated Financial Statements, there is an ongoing dispute regarding the Litigation Indemnification Fund created under the Third Modified Fourth Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code for Century-TCI Debtors and Parnassos Debtors. To date, Century-TCI and Parnassos lenders (the "JV Lenders") have submitted formal claims of approximately \$25 million in aggregate ("JV LIF Claims") in excess of the \$10 million initially deposited in the JV LIF and have indicated an intention to submit additional claims in the future. If the Bankruptcy Court finds in favor of the JV Lenders in that dispute, the ART may be required to replenish the JV LIF in an amount that satisfies all pending claims and returns the balance in the fund to \$10 million. In addition, the Bankruptcy Court could determine that the JV LIF must be replenished by the amount of the disputed JV LIF Claims while the dispute is still pending. The ART has adequate liquidity to pay such obligation, if required.

#### **Debt and Other Long-term Obligations**

The ART has no debt, capital or operating lease or other long-term obligations and has no current plans to incur such obligations.

[Table of Contents](#)**Cautionary Statement Regarding Risks and Uncertainties That May Affect Future Results**

This report on Form 10-Q contains forward-looking statements about the business, financial condition and prospects of the ART. The actual results of the ART could differ materially from those indicated by the forward-looking statements because of various risks and uncertainties, including, without limitation, the number of and proceeds from litigations and/or settlements which are successful, delays in obtaining proceeds, the amount of funding required for the litigations and other operating expenses, economic conditions, changes in tax and other governmental rules and regulations applicable to the ART, and other risks identified and described in the Form 10-K filed with the SEC on March 10, 2010. These risks and uncertainties are beyond the ability of the ART to control, and in many cases, the ART cannot predict the risks and uncertainties that could cause its actual results to differ materially from those indicated by the forward-looking statements. When used in this report the words “believes,” “estimates,” “plans,” “expects,” and “anticipates” and similar expressions as they relate to the ART or its management are intended to identify forward-looking statements.

**Item 3 Quantitative and Qualitative Disclosures about Market Risk**

The ART invests cash and cash equivalents in either FDIC insured deposit accounts, FDIC insured bank CDs or a money market fund invested in short-term U.S. Treasury and government agency securities including repurchase agreements collateralized fully by U.S. Treasury and government agency securities. The CDs have 3 or 6 month maturity terms and as of September 30, 2010 the money market fund has a 32 day effective maturity for the underlying securities. Interest income from these investments is subject to interest rate fluctuations.

**Item 4 Controls and Procedures***Evaluation of Disclosure Controls and Procedures*

The ART maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in its reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include controls and procedures designed to ensure that such information is accumulated and communicated to ART Trustees and the Trust Administrator as appropriate, to allow timely decisions regarding required financial disclosure.

The Trustees and the Trust Administrator have completed an evaluation of the effectiveness of the design and operation of disclosure controls and procedures as of September 30, 2010. Based on their evaluation, the Trustees and the Trust Administrator



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concluded that as of September 30, 2010, the ART's disclosure controls and procedures were effective.

*Limitations on the Effectiveness of Controls*

The Trustees and the Trust Administrator do not expect that the ART's disclosure controls will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the ART have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with associated policies or procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

*Changes in Internal Control over Financial Reporting*

During the quarter ended September 30, 2010, there were no changes in the ART's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the ART's internal control over financial reporting.

**PART II****Item 1 Legal Proceedings**

Except as set forth below, there have been no material developments in the legal proceedings described in the ART's Form 10-K as filed on March 10, 2010 or as updated in the ART's Form 10-Qs filed on May 7, 2010 and August 9, 2010.

Bank Litigation

On September 22, 2010, the ART announced that it had reached an agreement in principle to settle its claims against all but one Defendant in exchange for a payment of \$175 million. The settlement agreement was executed and effective as of October 25, 2010. The ART filed a motion to approve the settlement, which is scheduled to be heard by United States District Court Judge Lawrence M. McKenna on November 18, 2010. If the settlement is approved,

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it will resolve all claims pending in the Bank Litigation, except the ART's fraudulent conveyance claims against Goldman Sachs arising from Adelphia Communications Corporation's pre-petition repayment of the Rigases' personal margin loans. As to the claim against Goldman Sachs, Goldman Sachs' motion for summary judgment is pending before the Court and is awaiting decision. The settlement also will resolve the ART's petition for writ of *certiorari* filed on October 22, 2010, which seeks review of the Second Circuit's May 26, 2010 order affirming the District Court's dismissal of certain of the ART's bankruptcy claims.

Pursuant to the ART's revenue recognition policy, the ART will not record settlement related revenues or expenses for this matter until the settlement has received court approval. At this time, the ART cannot predict the outcome of these proceedings.

Sabres Litigation

As part of the Bank Litigation settlement, the ART agreed to resolve its claims against Fleet Bank, N.A. in the *Sabres* Litigation, but not the Trust's claims against Key Bank, N.A. or HSBC Bank USA, N.A. If the settlement of the Bank Litigation is approved by the District Court, the ART will seek the dismissal of its claims against Fleet Bank N.A.

At this time, the ART cannot predict the outcome of these proceedings or estimate the possible financial effect of these proceedings on the ART's financial statements.

FPL Litigation

On June 24, 2004, the Unsecured Creditors' Committee filed a fraudulent conveyance complaint against FPL Group, Inc. and West Boca Security, Inc. ("FPL") in the Bankruptcy Court for the Southern District of New York relating to pre-petition transactions.

The FPL action seeks to recover an alleged fraudulent transfer arising out of Adelphia's repurchase of certain of its stock from FPL in January 1999 for \$149.5 million. Under the current scheduling order, fact discovery is to be completed by May 12, 2011, expert discovery is to be completed by June 30, 2011, and trial is set to begin on September 16, 2011.

At this time, the ART cannot predict the outcome of these proceedings or estimate the possible financial effect of these proceedings on the ART's financial statements.

Litigation Indemnification Fund Dispute

Pursuant to the Third Modified Fourth Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code for Century-TCI Debtors and Parnassos Debtors (the "JV Plan"), which became effective on July 31, 2006; the First Modified Fifth Amended Joint Chapter 11 Plan for Adelphia Communications Corporation and Certain of Its

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Affiliated Debtors (the “Main Plan”), which became effective on February 13, 2007; and certain other orders entered by the Bankruptcy Court, litigation indemnification funds (each, a “LIF”) were created to provide certain defendants in the Bank Litigation (see above) provisional and conditional reimbursement of legal fees and expenses expected to be incurred in connection with defending litigation involving certain credit facilities.

The LIF created under the JV Plan (the “JV LIF”), established in the initial amount of \$10 million, was created to fund certain allowable claims for indemnification arising under the Parnassos and Century-TCI prepetition credit facilities. Subject to certain conditions, the JV LIF is “evergreen”; in other words, the JV Plan provides the JV LIF will be replenished by the ART under certain conditions, such as “upon the receipt . . . of net proceeds of any Designated Litigation” after first deducting any required distribution to the government.

The LIFs created under the Main Plan (the “Main Plan LIFs”) are fixed in amounts and not subject to replenishment. Because the JV LIF is evergreen, whereas the Main Plan LIFs are capped, the allocation of defense costs among the categories of LIFs is a matter of economic significance.

Century-TCI and Parnassos lenders (the “JV Lenders”) to date have submitted formal claims of approximately \$25 million in aggregate (“JV LIF Claims”) in excess of the \$10 million initially deposited in the JV Litigation Indemnification Fund (the “JV LIF”) and have indicated an intention to submit additional claims in the future. Adelpia and the ART have asserted that certain defendants in the Bank Litigation are not entitled to reimbursement from the JV LIF on the basis, among others, that the JV LIF claims are improper. On November 13, 2008, certain of those claimants filed, or subsequently joined in, the *Motion of the Bank of Nova Scotia, Citibank N.A. and The Ad Hoc Committee of Non-Agent Secured Lenders in the Parnassos and Century-TCI Facilities for Payment of Bank Lender Post Effective Date Fee Claims and to Compel Compliance of the Plan Administrator (defined in the JV Plan as Adelpia) and the Art with the Third Modified Fourth Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code and the Century TCI Stipulation* (the “LIF Motion”). Adelpia and the ART moved to disallow Bank Lender Post-Effective Date Fee Claims against the claimants. The Bankruptcy Court has scheduled an evidentiary hearing on the Motion for December 13, 2010.

If the Bankruptcy Court grants the LIF Motion, the JV LIF may need to be replenished in an amount that satisfies all claims that have been submitted and returns the balance in the JV LIF to \$10 million. In addition, the Bankruptcy Court could determine that the JV LIF must be replenished by the amount of the disputed JV LIF Claims while the dispute is still pending.

At this time, the ART cannot predict the outcome of these proceedings or estimate the possible financial effect of these proceedings on the ART.

[Table of Contents](#)**Item 1A. Risk Factors**

As of the date of this filing there have been no material changes from the risk factors previously disclosed in our “Risk Factors” in the ART’s Form 10-K for the year ended December 31, 2009 as filed with the SEC on March 10, 2010.

**Item 6 Exhibits**

- 2.1\* First Modified Fifth Amended Joint Chapter 11 Plan of Reorganization of Adelpia Communications Corporation and Certain of its Affiliated Debtors, effective February 13, 2007
- 3.1\* Restated Certificate of Trust, dated February 13, 2007
- 3.2\* Amendment to Restated Certificate of Trust, dated March 15, 2007
- 3.3\* Second Amended and Restated Declaration of Trust, dated June 4, 2008
- 3.4\* Rules and Procedures of Adelpia Recovery Trust
- 4.1\* Form of Certificate Evidencing Undivided Beneficial Interests in the Assets of the Adelpia Recovery Trust (Global Certificate)
- 4.2\* Form of Certificate Evidencing Undivided Beneficial Interests in the Assets of the Adelpia Recovery Trust (Book Entry Certificate)
- 10.1\* Plan Administrator Agreement, dated February 12, 2007
- 10.2\* Trustee Compensation Agreement

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\*Incorporated by reference to the Form 10 of Adelpia Recovery Trust (File No. 000-53209) filed April 30, 2008 and the amended Form 10 filed July 2, 2008.

- 31.1 Section 302 Certification of Trustee
- 31.2 Section 302 Certification of Trust Administrator
- 32.1 Certification of Trustee pursuant to 18 U.S.C. 1350 Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002
- 32.2 Certification Trust Administrator pursuant to 18 U.S.C. 1350 Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002

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### SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: November 12, 2010

By: Quest Turnaround Advisors, LLC  
as Trust Administrator of the Adelpia Recovery Trust

/s/ Jeffrey A. Brodsky

Jeffrey A. Brodsky

Member

## SECTION 302 CERTIFICATION

I, Ralph J Takala, certify that:

1. I have reviewed this report for the period ended September 30, 2010 on Form 10-Q of Adelpia Recovery Trust;
  2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
  3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
  4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
    - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and
    - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    - (d) Disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
  5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
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(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2010

/s/ Ralph J. Takala

Ralph J. Takala

Trustee

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## SECTION 302 CERTIFICATION

I, Jeffrey A. Brodsky, certify that:

1. I have reviewed this report for the period ended September 30, 2010 on Form 10-Q of Adelpia Recovery Trust;
  2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
  3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
  4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
    - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and
    - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    - (d) Disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
  5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
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(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2010

By: Quest Turnaround Advisors, LLC  
as Trust Administrator of the Adelpia Recovery Trust

/s/ Jeffrey A. Brodsky

Jeffrey A. Brodsky  
Member

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Adelpia Recovery Trust (the "Trust") on Form 10-Q for the period ended September 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ralph J. Takala, Trustee of the Trust, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Trust.

/s/ Ralph J. Takala

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Ralph J. Takala  
Trustee

Date: November 12, 2010

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Adelpia Recovery Trust (the "Trust") on Form 10-Q for the period ended September 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffrey A. Brodsky, a member of Quest Turnaround Advisors, LLC, Trust Administrator of the Trust, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Trust.

By: Quest Turnaround Advisors, LLC  
as Trust Administrator of the Adelpia Recovery Trust

/s/ Jeffrey A. Brodsky

Jeffrey A. Brodsky  
Member

Date: November 12, 2010

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