

THE SAGA CONTINUES
Remarks by Ron Cooper, President & COO, Adelphia Communications
April 20,2004 Cleveland City Club

Thank you for inviting me to join you today. When I received the City Club's Invitation, I have to admit I swallowed hard. You've had a lot of newsmakers at this podium. And while my company has been in the media spotlight a lot lately, the light hasn't necessarily been flattering.

My company, Adelphia Communications, is in Chapter 11. We owe \$20 billion to our creditors. The company's founder and former CEO, along with three former senior executives, are under indictment and on trial for bank fraud and security fraud. And you think you have problems!

We're trying to repair a seriously damaged reputation, and that's not an easy job, especially now. This is a time when hype is king, and promises are received – justifiably --with a healthy dose of skepticism. But as Benjamin Franklin said, "well done is better than well said." So I've told everyone what I'm telling you: Adelphia is under new management. Judge us by what we do.

The same goes for the cable industry. Try to set aside the noise and hype and look at what cable is doing. And what it's already done.

CABLE: CONNECTING AMERICA

I've been involved in the cable business for more than 20 years, and I'm proud to be a part of an industry whose actions have had such a strong, positive, and lasting impact on society. We're the folks that brought you:

- C-SPAN and MTV
- CNN and Comedy Central
- Sponge Bob Square Pants, and Beavis & Butthead
- Steroidal aliens on the Sci-Fi Channel, and steroidal aliens on ESPN
- and life everlasting for Andy Griffith, I Love Lucy, and the gang at Cheers.

If you can remember back that far, think about life before cable. Your sources for news and information were pretty limited: if you were lucky enough to live in a big city like Cleveland with a top-notch daily newspaper, you could get a good account of what happened yesterday. Your local radio and TV stations gave you a few minutes of more current information every few hours. And that was it. Outside of the metro areas, the pickings were even slimmer. You weren't connected. Your best source for breaking news was the neighborhood grapevine, and you know how reliable that can be.

Now consider the informational riches at your fingertips today. Worldwide, CNN is considered THE source for U.S. and international news, 24 hours a day. It's come a long way since Ted Turner launched it in 1980 — back then, nobody took CNN seriously. They said the initials stood for "Chicken Noodle News." Tune in to C-SPAN to see what your elected officials in Washington are doing to earn their keep. Flip over to the Weather Channel to find out what's coming your way.

These services that we've all come to depend on were made possible by cable technology. Our multichannel delivery system is responsible for today's smorgasbord of niche channels. Cable operators wired this country, connecting everyone to the same information, whether they lived in a major metropolis or a tiny town. And perhaps most important: it was all done without government subsidy... by entrepreneurs who had a vision of a better way to inform and entertain America.

Their notion of specialized programming that wouldn't appeal to a mass audience -- "narrowcasting" instead of broadcasting -- was ridiculed when it was first introduced. I mean,

come on — who was going to watch a channel about nothing but weather? Even when ESPN was introduced, people were skeptical about 24 hours of sports. Now we have five times that, at least. But those cable pioneers stuck with it. Their legacy is a medium that delivers diversity by the truckload: diversity of subject matter, of opinion, of language and culture. If you want to spend time with channels that reflect your values, interests, and beliefs, whatever they may be... you've got 'em. Thanks to cable's investment in technology and programming.

THE DIGITAL REVOLUTION

Starting in the late 90s, America was going digital. Spurred by optical fiber, digital technology, and a regulatory environment that ranged from benign to supportive, cable operators began their transformation into broadband providers. Competition and opportunity encouraged cable operators to go digital. That involved a massive new outlay of capital, as companies upgraded their infrastructure. Between 1996 and 2003, the cable industry spent more than 84 billion dollars - about 12 hundred dollars per customer -- to rebuild more than a million miles of cable plant. Last year alone, the industry invested \$10.6 billion. And once again, that investment involved no government subsidy whatsoever.

Because the industry took a chance, took action and made that huge investment, cable today is — without question — the best platform for delivering the widest possible range of video and data services. In the near future, we'll offer voice service as well. The capacity and flexibility of the cable industry's broadband network are simply unmatched.

At Adelphia, we've been playing an extreme version of catch-up with our industry. When the company entered Chapter 11 in June of '02, Adelphia's network was only 70% upgraded. Lack of access to capital had brought the process to a standstill. When our management team came on board a year ago, we quickly realized that we had to kick the effort into high gear.

We worked closely with a consortium of banks to put together a \$1.5 billion post-petition line of credit, and used those funds to complete our upgrade. Our Ohio network is now fully upgraded. Nationally, we're 88% upgraded, and heading for 95% by year-end.

What does that investment mean for our communities and customers? It means that cable is now delivering video services that would be at home on the deck of the Starship Enterprise. We have launched high definition television - with truly astonishing video and sound. We've also introduced digital video recorders that allow you to pause and fast-forward live TV, among other interactive functions. Under the company's previous management, video on demand got off to a less-than-brilliant start in Cleveland. But we're fixing the problems and will re-introduce VOD, a service that essentially gives you your own personal video store without leaving the house. We don't offer Star Trek transporters yet, but stay tuned.

Our digital technology also makes it possible for our customers to control the programming that comes into their homes. If you don't want your children exposed to PG-13 or R-rated content, you can block it through your set-top box. And by the way, the entire industry, including Adelphia, is committed to helping customers control their video programming.

Consider what a tremendous value cable service represents. More choices, better picture quality, better reliability, and better programming than ever. In addition to our investment in infrastructure, cable programmers have invested more than \$69 billion in programming since 1996, increasing both quality and quantity. That's why cable continues to win awards for programming excellence, and why more people regularly watch basic cable than broadcast TV. From 1980 to 2003, the number of cable program networks has grown from 28 to 339, while the array of innovative, original programming on existing networks has increased dramatically. And a month of our basic service ~ \$42 in Cleveland - still costs less than taking a family of four out for McDonald's and a movie - at least if you go for popcorn.

That's just video. Our network upgrade has also made it possible for our customers to experience the full potential of the worldwide web through our high-speed Internet service. As Federal Communications Commission Chairman Michael Powell observed, "no amount of regulation (or wishful thinking, for that matter) will bring consumers the benefits of high-speed Internet if the networks are not in place to serve them," With no public funds or guaranteed return, cable operators led the charge for a ubiquitous, affordable high-speed network. It's a logical extension of our legacy - a new way to deliver the universe of news, information and entertainment.

There is absolutely no question that a broadband Internet connection is better than dial-up, better than DSL, better than any other option out there. And as digital photography, gaming and music downloading become more popular, our unmatched speed and reliability will be even more valuable to customers. If there's a teenage gamer in your house, or a photo-addicted grandparent miles away, you can make them both happy with one high-speed cable connection. How often does that happen?

We've also started to lay the foundation for the deployment of telephone service, which we'll deliver over our broadband network using a technology called Voice over Internet Protocol, or VOIP. Adelphia expects to launch VOIP in 2005. Some of our industry peers have already introduced this service. VOIP inspires competition, giving customers greater choice, more features, and lower prices - another benefit of our network upgrade.

All these exciting developments have been nurtured by a light-touch regulatory environment - the most fertile soil for cable growth and investment. And job creation, too: our industry accounts from more than a million jobs. From time to time, politicians get the itch to introduce cable legislation, and that can have far-reaching, unintended consequences. Even small changes can scare off investment in a capital-intensive industry like ours. Let's be sure we maintain an environment that allows my industry to keep doing what we do best: connecting our customers to the expanding universe of information, entertainment, and communication.

THE NEW WORLD: COMPETITION

Today, broadband service providers like Adelphia operate in a highly competitive environment. For every service we provide, there's a well-capitalized, aggressive competitor. That's an enormous change, and it happened over just the past five years. In Ohio, at the end of 2003, more than 15% of all homes in the state subscribed to a direct broadcast satellite provider - Dish Network and DirecTV are aggressively going after our customers.

Typically, cable companies haven't spent a lot of time talking about this situation, or seeking protection from our competitors - we've been too busy adapting and enhancing our own competitiveness. The new competitive landscape encourages us to do even more to win, and keep, customers' loyalty. That's great news for all concerned.

LOCALISM

Beyond the technological and product advantages, there's another, less obvious advantage we bring to our customers: our localism.

Consider our local Cable in the Classroom initiatives. Cable in the Classroom is yet another example of the cable industry taking action instead of spouting hype: a national, industry-wide initiative that began in 1989 and is still going strong. Did you know that Adelphia has wired every K-12 school in our Cleveland service area free of charge, and that we deliver free video and high-speed internet service to each school?

Thanks to our cable network partners, Cleveland kids and their teachers have access to high-quality, commercial-free educational programming and online resources. In March, Adelphia helped students at Charles Mooney and Empire elementary schools take part in a unique

celebration of Dr. Seuss's 100th birthday. We linked them via webcam with schools in Michigan and Pennsylvania for a "Read Across America" event. Our area VP, Pam Mackenzie, was planning to go, but her staff wouldn't let her. They said she was going overboard with the Dr. Seuss spirit. Everywhere she went, she kept saying, "I am Pam, Pam I am. Do you like our cool webcam?"

Outside of the classroom, you'll see Adelphia TV crews covering the St. Patrick's Day and Julio de Burgos Parades, as well as Lake County Captains baseball, one of the few single-A teams telecast anywhere. And you'll see Adelphia employees pitching in at community events all year long.

You'll never see a satellite dish provider making that kind of local contribution, because they have no local presence or commitment.

Cable companies don't just make money in our host communities; we spend it there, too. In Cleveland, Adelphia generates more than 10 million dollars a year in franchise fees, and pays nearly \$7 million in local sales and property taxes. Our employees live here, pay taxes here and send their kids to school here. Our infrastructure and network upgrade in Cleveland cost more than \$100 million, much of it spent locally in the form of wages, supplies and services. We're a real part of the communities in which we operate. That's meaningful to our customers and our host communities.

ADELPHIA TODAY

As I mentioned earlier, and as I'm sure you already knew, success was in short supply at Adelphia for several years. But we're making terrific progress. On February 25, we submitted our proposed Plan of Reorganization and draft Disclosure Statement to the US Bankruptcy Court. The plan is a major step on Adelphia's path to emergence from bankruptcy.

At the same time, we announced that four of the world's leading financial institutions had committed to arrange \$8.8 billion in financing. That's a strong vote of confidence in our proposed plan, our company and our progress.

As the proposed plan is reviewed and evaluated by our many constituents, there will inevitably be a good deal of jockeying for position. Some of this jockeying will be done in the press, so let me assure you in advance that this is a routine and anticipated part of the bankruptcy process.

Next steps include approval of the draft disclosure statement and proposed Plan, and then the confirmation process. Although we're not in full control of the schedule, we anticipate emerging from Chapter 11 protection by the end of this year. When we do, we expect to have a strong balance sheet with superb assets, and the scale needed to operate as an independent company.

REBUILDING TRUST

We're out in front in another important area: Adelphia is setting a standard for corporate responsibility and governance. We know very well that we have to regain the trust of our key constituents, including customers, regulators, and investors. And we can't do that with words - our actions must speak for us. Here's what we've done so far:

We recruited a new, independent Board of Directors. They include former Commissioners from the Securities Exchange and Federal Communications Commissions, the former CEO of Hershey Foods, and the Dean of Yale Law School. That Board has re-written the company's by-laws and committee charters. And they've embraced a number of best practices in corporate governance.

We've instituted a company-wide ethics program with involvement and participation by all 15,000 of our employees. The goal of this program is to create an honest, positive and ethical workplace.

Our code of conduct, signed as a condition of employment by every Adelphia employee, includes a strong "whistle-blower" component. We want to make sure the kind of misconduct that so badly damaged the company's reputation will never occur again.

We've set forth a new corporate mission aimed at becoming a broadband industry leader known for customer orientation, competitiveness, performance, and integrity.

Accompanying this mission are new corporate values: urgency; accountability; integrity; respect; ethical conduct; teamwork and communication; and recognition and celebration. All of our leaders committed themselves to these values, and are managing the business accordingly.

We're reaching out to our local franchising authorities to repair relationships damaged by the actions -- and inactions — of previous management. We have committed to accept all of our franchise agreements... to meeting the terms, conditions and obligations of those agreements, in word and in spirit. To the extent there are material outstanding issues, we will work with our communities to get them resolved.

Customer service, one of Adelphia's historic strengths, is being greatly improved. We're realigning our call centers, installing the right leaders at each one, adding staff, improving training, and investing in new technology that will help our customer care representatives be more responsive.

Our expanded call center here in Cleveland is one of eleven state-of-the-art centers nationally. We'll eventually employ 460 people there, in addition to our Cleveland cable and ad sales operations, where we employ 645.

Because we believe in the importance of that local connection, Adelphia intends to keep jobs in-house and on-shore.

CONCLUSION

We still have much work ahead, but I'm very optimistic about Adelphia's future. I'm confident Adelphia will emerge from bankruptcy. Given the caliber of the team we've assembled, the quality of our assets, and the support and talent of our people, we have great things ahead of us — accomplishments that will earn great admiration and respect. We're working every day to earn a place of honor in this industry that has achieved so much.

I know a number of local community regulators are here today. As we go forward, we want to build a stronger partnership with you. If Adelphia's relationship with you suffered in the past, I hope our actions over the last year have shown you that we intend to make that right and move forward together. Together, we can make a real difference in Cleveland and in the lives of our customers and your constituents.

I thank you for your support as we strive to make Adelphia the kind of company we know it can be:

- A company our employees are proud to work for
- A company our customers want to do business with
- A company that is a constructive and contributing part of the communities we serve.

Thank you.

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