EXHIBIT A

Post-Closing Motion and Post-Closing Order

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Hearing Date: July 26, 2006 @ 9:45 a.m.
Objection Deadline: July 21, 2006 @ 4:00 p.m.

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re	)	Chapter 11 Cases
Adelphia Communications Corporation, et al.,	)	Case No. 02-41729 (REG)
Debtors.	)	Jointly Administered

DEBTORS' MOTION FOR ORDER PURSUANT TO SECTIONS 105(a) AND 363(b) OF THE BANKRUPTCY CODE AUTHORIZING IMPLEMENTATION OF POST-CLOSING INCENTIVE PROGRAM AND GRANTING RELATED RELIEF

TO: THE HONORABLE ROBERT E. GERBER
UNITED STATES BANKRUPTCY JUDGE

Adelphia Communications Corporation ("Adelphia," or, the "Company") and the other debtors and debtors in possession in the above-captioned cases (collectively, the "Debtors"), by their attorneys, respectfully represent:

PRELIMINARY STATEMENT

1. On June 28, 2006, this Court entered an order approving the sale (the "Sale") of substantially all of the Debtors' assets to Time Warner NY Cable LLC ("Time Warner") and to Comcast Corporation ("Comcast," and, together with Time Warner, the "Buyers"). Subsequently, on June 29, 2006, this Court entered an order (the "JV Confirmation Order") confirming the Third Modified Fourth Amended Joint Plan of Reorganization Under

Chapter 11 of the Bankruptcy Code for Century-TCI Debtors and Parnassos Debtors, as Confirmed (the "JV Plan"). Upon consummation of the Sale, the Debtors' cable operations will largely cease. Accordingly, on the closing date of the Sale (the "Closing Date," or, the "Closing"), the Debtors intend to terminate approximately 98% of their workforce. Notwithstanding this, however, the Debtors will need to retain key personnel in order to continue to administer these estates and preserve value for stakeholders. In all, out of the Debtors' 13,500 employees, approximately 275 employees (the "Key Transition Employees") will be asked to remain with the Company to handle important accounting, tax, administrative, and financial matters.[1] Most of these employees have irreplaceable institutional knowledge of matters and projects within their particular expertise, including, among other things, oversight and assistance with the audit, the restatement, claims reconciliation, compliance with the post-close requirements under the asset purchase agreements, the government settlement, and the completion of certain tax filings. Notably, thousands of employees have continued their employment with the Debtors during the reorganization due, in large part, to their loyalty to senior management.

2. Given that each of the aforementioned tasks are critical, time sensitive, and, for the most part, required by applicable law, the Debtors need to ensure that the Key Transition Employees remain with the Company until these tasks are complete, or, in some cases, until transition can be made to a new administrative team. For a variety of reasons, the retention of Key Transition Employees cannot be assured, even in the short term. Simply put,

[1] Of the 275 Key Transition Employees, 2 are Executive Vice Presidents, approximately 20 are at the Vice President or Senior Vice President level (the "VP Transition Employees," and, including the two Executive Vice Presidents, the "Senior Transition Employees"), and approximately 255 are at the Director level and below (the "Director Transition Employees").

these employees — who have been so critical to the monumental effort that has been required to get these cases to where they stand today — are anxious to move on, and are entitled to do so upon the closing of the Sale. They have been under enormous pressure and strain for extended periods, compounded by the uncertainty inherent in working for years for a company operating in chapter 11 and on the auction block since the spring of 2004. Based on current compensation and benefit entitlements, these employees have little financial incentive to remain in Adelphia's employ after the Closing Date. Specifically, the Key Transition Employees will become entitled to receive substantially all of their retention incentives on the Closing Date. Like their colleagues whose employment will terminate upon the close of the Sale, eligible Key Transition Employees will receive their short term and long term incentive bonuses, the first installment of their Sale Bonus (as defined below) and, to the extent they elect to terminate their employment for "good reason," eligible VP Transition Employees may receive severance.[2] Accordingly, if new incentives are not put in place prior to the Closing Date, the Debtors anticipate that most of the Key Transition Employees will elect to terminate their employment. Such wholesale departures could prove disastrous for these estates. As set forth more fully below, without the Key Transition Employees in place, the Debtors stand to lose an enormous resource pool — a loss that imperils the value the Debtors have worked so hard to preserve. Accordingly, by this motion, the Debtors seek authority to: (a) enter into new employment agreements with certain VP Transition Employees to provide for their day-to-day compensation after the Closing Date (the "New VP/SVP Agreements"); (b) increase the base compensation of EVPs to provide for their day-to-day compensation after the Closing Date pursuant to new letter agreements (the

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[2] Specific entitlements will be discussed in more detail below. Each of the Key Transition Employees is subject to slightly different compensation and severance arrangements. This summary is not intended to describe the extent of participation in the Debtors' compensation programs.

"New Employment Letter" and together with the New VP/SVP Agreements, the "New Employment Agreements"); and (c) implement a post-closing incentive program (the "Post-Closing Incentive Program")[3] to ensure that Key Transition Employees will continue their employment with the Debtors through a transition and wind-down period (the "Transition").[4] Notably, on July 11, 2006, representatives of the Debtors met with all major unsecured creditor groups to review the parameters of the Post-Closing Incentive Program and answer any questions that such groups might have regarding the program. Moreover, as detailed below, the incremental cost of these arrangements is approximately $6.7 million (including incremental PRP Awards (as defined below) of $1.7 million and bonuses under the Post-Closing Incentive Program of $5 million),[5] far less than the cost and inefficiency of deploying a new team of managers and employees to see these cases through to conclusion.

JURISDICTION

3. This Court has jurisdiction to consider this Motion pursuant to 28 U.S.C. §§157 and 1334. Venue is proper pursuant to 28 U.S.C. §§1408 and 1409. This is a core proceeding pursuant to 28 U.S.C. §157(b). The statutory predicates for the relief sought herein are sections 105(a) and 363(b) of the Bankruptcy Code.

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[3] Forms of the New Employment Agreements and Post-Closing Incentive Program will be filed with the Court not later than three (3) business days prior to the last day to file objections to this motion.

[4] The Creditors' Committee may ultimately be responsible for administering many aspects of the estates. The Debtors recognize and appreciate that the Creditors' Committee may seek to designate certain individuals to help manage the wind-down of the estates. As certain tasks must be completed by existing employees before such individuals are selected and phased in, however, the Debtors require the continued dedication of the Key Transition Employees.

[5] This figure excludes the Adjusted Base Salaries (as defined below) to be earned by Key Transition Employees post-Close.

BACKGROUND

A. Compensation Background

4. In the face of startling revelations indicating serious breaches of duty and financial misconduct by the Rigas family, in March 2002, Adelphia's board of directors (the "Board") began a process that resulted in the termination of all of the senior executives of the Company and a departure of all members of the Rigas family from the Board. To fill the void in senior management, Erland E. Kailbourne, a (now former) member of the Board, agreed to assume the position of Interim CEO. In March of 2003, Adelphia retained William Schleyer and Ronald Cooper as its Chief Executive Officer ("CEO") and President and Chief Operating Officer, respectively.

5. After Messrs. Schleyer and Cooper were retained, the Debtors recruited new management talent to sustain and grow the Company's operations and assist in the reorganization. Mindful of the inherent difficulties in recruiting and relocating superior employees who would be able to handle the demands of working for a company in the Debtors' circumstances, in the Spring of 2003, the Debtors supplemented and modified their existing employment plans, including the implementation of: (a) a performance retention plan (the "Initial PRP"); (b) a severance plan (the "Initial Severance Plan"); (c) certain form employment agreements (the "Initial Employment Agreements"); and (d) a short term incentive plan (the "STIP" and, collectively, the "Initial Compensation Programs"). The goal of the Initial Compensation Programs was to bring employees' base compensation closer to market levels to enable the Debtors to recruit and retain qualified employees and guard against attrition.[6]

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[6] The Initial Modifications were approved by the compensation committee of the Board (the "Compensation Committee"). Indeed, other than the STIP, which was approved by the Board and implemented in the ordinary course of the Debtors' businesses, all compensation programs and plans discussed herein have been approved by the Compensation Committee and this Court after notice and a hearing. Moreover, the Debtors advised the

B. Dual-Track Emergence Strategy and the KERP Motion

6. On April 22, 2004, the Debtors, at the urging and with the support of significant constituents, announced that they would simultaneously pursue a stand-alone plan of reorganization and a sale of the Company. With this announcement, the outlook of Adelphia's management employees dramatically changed. Suddenly, notwithstanding the filing of a proposed stand-alone plan of reorganization just two months earlier, the timetable for emergence was extended, their workload significantly increased, their prospects for future equity participation became uncertain and far removed and, most importantly, they risked having their employment terminated for reasons having nothing to do with their job performance. Although, by the Spring of 2004, many employees were aware that the Company would emerge from chapter 11 later than June 2004, until the April announcement, none could have predicted that emergence could be delayed by a year or more.

7. In light of the sea-change in these cases occasioned by the announcement of a dual-track emergence strategy, on June 24, 2004, the Debtors filed a motion (the "KERP Motion") seeking approval of: (a) amendments to (i) the Initial PRP (as amended, the "PRP"), (ii) the initial Severance Plan (as amended, the "Severance Plan"), (iii) the Initial Employment Agreements (as amended, the "Employment Agreements"); and (b) a Key Employee Continuity Program (the "Continuity Program"). After a hearing and deliberations, on September 21, 2004, this Court entered two orders that authorized the KERP Motion (the "KERP Orders").

The PRP

Court that they intended to implement STIP bonuses in the ordinary course of business in their Motion Pursuant to Sections 105(a) and 363(b) of the Bankruptcy Code for an Order (I) Approving Form of Certain Employment Agreements, (II) Authorizing the Debtors to Implement Performance Retention Plan, and (III) Approving Form of Director Indemnification Agreement, filed on April 4, 2003 (See Docket No. 1582).

8. The Initial PRP was designed to provide certain key management employees who held Vice President-level positions or above with performance awards ("PRP Awards") intended to replace the long-term incentive component of the compensation package in the absence of an equity-based compensation plan. Although the Compensation Committee had the authority to vest all Initial PRP grants upon a sale of substantially all of the Debtors' assets, as the Debtors decided to market their assets as a whole and in strategic clusters, the KERP Orders subsequently authorized an amendment to the Initial PRP that gave the Compensation Committee discretion to cause one hundred percent of PRP Awards to vest if an employee is terminated as a result of the sale of less than substantially all of the Debtors' assets. Upon Closing, all eligible VP Transition Employees are entitled to receive their PRP Awards.[7, 8]

Severance

The General Severance Plan

9. Certain Vice Presidents ("VPs") and employees with Director-level positions and below were covered by the Initial Severance Plan, which was approved by this Court on May 5, 2003, and provided severance pay in the event of termination without cause.[9]

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7 On November 3, 2005 the Board met and amended the PRP to bring it into compliance with section 409A of the Internal Revenue Code of 1986, as amended, and regulations thereunder. In connection with such amendments, the Compensation Committee exercised its discretion to provide that benefits under the PRP would vest upon a change of control without further consideration or discretion.

8 Pursuant to the sale agreements with the Buyers (the "Purchase Agreements"), the Debtors are required to make payments under the PRP prior to or on the closing of the Sale. See Time Warner Purchase Agreement, section 5.8(r) ("Seller agrees that, notwithstanding anything in this Agreement to the contrary, the payments of awards under the Amended and Restated Adelphia Communications Corporation Performance Retention Plan. . . shall be satisfied in full by Seller prior to or on the Closing."). See also Comcast Purchase Agreement, section 5.5(r) (identical provision).

9 As discussed more fully *infra*, severance benefits for certain other VPs as well as all Senior Vice Presidents ("SVPs") and Executive Vice Presidents ("EVPs") were governed by the Initial Employment Agreements.

The KERP Orders authorized the Debtors to amend the Initial Severance Plan to: (a) increase Directors' severance benefits; and (b) include commissions in the definition of base salary.[10]

The Employment Agreements

10. The Initial Employment Agreements were initially designed to provide EVPs and SVPs with basic severance protection in the event of a termination without "Cause" or resignation for "Good Reason" (as such terms are defined in the Initial Employment Agreements) and to provide new VPs with severance in the event a termination without "Cause." The KERP Order authorized the expansion of the scope of the Initial Employment Agreements to, among other things, uniformly: (a) apply to all VPs (as opposed to just new hires); (b) provide all VPs with severance benefits upon a resignation for Good Reason; and (c) expand the "Good Reason" definition in VP and SVP agreements to allow employees to terminate their employment in the event of a "diminution of duties."

The Continuity Program

11. Under the terms of the Continuity Program, certain key managers (including many of the Key Transition Employees) become eligible for a bonus (a "Sale Bonus") on the Closing Date.[11] Furthermore, under the terms of the Continuity Program, certain key managers became eligible for a stay bonus (a "Stay Bonus") on the date that was nine months from the date of participation (i.e., July 5, 2005). The Continuity Program was designed to

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[10] This amendment was designed to provide competitive severance pay to commission-based employees who typically have very modest base salaries and rely largely on commissions for their compensation.

[11] 50% of the Sale Bonuses are payable on the Closing Date and 50% on the six month anniversary of the Closing Date, provided the participant in the Continuity Program remains employed by the Debtors or the Buyers on such later date (or separates without cause or for "good reason").

provide risk compensation to motivate and focus select key managers while the Debtors' management pursued a dual-track emergence strategy.[12]

C. Existing Compensation Structure

12. In light of the foregoing, the Debtors currently maintain a compensation structure (collectively, the "Existing Compensation Programs") that is fair to employees, reasonably calculated to preserve, rather than squander, estate assets through the retention of qualified personnel, and comparable to the compensation available to employees in the marketplace. Specifically, the Existing Compensation Programs are comprised of the following:

Nature of Compensation	Rationale
Base Salary	Employees' annual base salaries constitute compensation for the performance of day to day tasks.
STIP	The Short Term Incentive Plan provides employees with the opportunity to earn an annual bonus, which is tied to the satisfaction of certain predetermined targets. Short term incentives are one of 3 elements of an employees' core compensation. For the first 7 months of 2006, most of the Debtors' STIP targets were based on metrics that were intended to comply with provisions of the Asset Purchase Agreements with the Buyers.
PRP	The PRP Awards are intended to replace the long-term incentives provided by the Debtors' competitors (e.g., stock options) and comparable companies not in chapter 11. Together with base salary and the STIP, the PRP Awards are a core component of an executives basic compensation, which is designed to ensure that the Debtors' employees are paid at market rates.
Severance	Severance benefits (whether afforded under the Debtors' Severance Plan or under an employment agreement) are intended to provide compensation in lieu of employment. Severance is not a retention device.
Stay Bonus Sale Bonus[13]	The Stay Bonus and Sale Bonus were designed to reflect the unique circumstances of these cases, and specifically intended to encourage certain key managers to: (a) work diligently through the Debtors' dual-track emergence; and (b) remain with the Debtors until the closing of the Sale.

[12] The Debtors submit that, in light of the value to be realized by the Sale, the Continuity Program was clearly a success.

[13] By order dated April 20, 2005, the Court approved the Debtors' motion for an order, pursuant to sections 105(a) and 363(b) of the Bankruptcy Code approving (I) adjusted base salaries for Executive Vice Presidents, (II) amended short term incentive plan opportunity for General Counsel, (III) Key Employee Continuity Program for Executive Vice Presidents, and (IV) Amended Performance Retention Plan for Executive Vice Presidents (collectively, the "EVP KERP"). Pursuant to the EVP KERP, the EVPs are eligible to receive analogous Stay and Sale Bonuses.

13. The Debtors' Existing Compensation Programs are on par with the compensation available to employees in the marketplace, and have been adjusted accordingly for increased risk where appropriate. As set forth more fully below, however, the occurrence of the Closing in the context of the JV Plan has created a new and somewhat unique set of circumstances imposing risk and uncertainty on a subset of the Debtors' key managers. In the sound exercise of their business judgment, the Debtors have determined that the Existing Compensation Programs are no longer sufficient to retain the Key Transition Employees, who continue to be so essential to maximizing the value of these estates for creditors.

The Debtors' Post-Closing Tasks

14. As noted above, the Sale Order was entered on June 28, 2006, and the Sale will close in the very near term. The Sale will yield approximately $17.6 billion in distributable value for creditors of these estates, and represents a tremendous achievement for the Debtors and their personnel. The job is not yet finished, however, and, as this Court has cautioned, there is still a significant amount of work to be completed. See June 27, 2006 Hr'g Tr. at 83: 5-6.[14]

15. In addition to myriad tasks associated with the proposal and confirmation of a plan of reorganization for the remaining Debtors, the Debtors continue to face significant accounting, legal, reporting, and tax obligations on a go-forward basis. For example, the Debtors are party to numerous ongoing litigations (both as plaintiff and as defendant) that require diligent and active prosecution and defense. Offensive litigation, to the extent it yields a recovery, will

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[14] See also Debtors' Reply to Objections to Motion Pursuant to Sections 105, 363, 365 and 1146(c) of the Bankruptcy Code and Rules 2002, 6004, 6006, and 9014 of the Federal Rules of Bankruptcy Procedure Seeking Approval of: (I) The Sale of Substantially All Assets of Adelphia Communications Corporation and Its Affiliated Debtors to Time Warner NY Cable LLC and Certain Other Assets to Comcast Corporation Free and Clear of Liens, Claims, Encumbrances, and Interests and Exempt from Applicable Transfer Taxes; (II) The Retention, Assumption and/or Assignment of Certain Agreements, Contracts and Leases; and (III) The Granting of Related Relief, Docket No. 11434; Notice of Withdrawal of Limited Objection of Ad Hoc Committee of Arahova Noteholders, Docket No. 11472.

inure to the benefit of the stakeholders. With respect to defensive litigation, to the extent the Debtors are able to thwart meritless claims against the estate, additional funds will be available for distribution to creditors. Successful prosecution and defense of ongoing litigation (including claims litigation) may translate into substantial value for distribution to creditors.

16. Finalizing the Sale will also require the continued attention of Key Transition Employees well after the Closing Date. Issues related to the purchase price, escrow agreements, cash management, and transition have significant implications for the precise value to be realized by the estate as a result of the Sale. Also in connection with the Sale, the Debtors must file certain income tax returns, and analyze and fulfill certain tax obligations. The Debtors estimate that these and other Sale-related issues, if not properly addressed during the Transition, could unnecessarily result in substantial losses to the estate.[15]

17. Nevertheless, the reality is that faced with the looming wind down of the Debtors' operations, Key Transition Employees will seek other employment in their chosen fields. If these employees were to secure such alternate employment prior to the completion of tasks described above, the results for the estate could be dire. Indeed, with substantial distribution proceeds at stake for creditors, it is essential that the Debtors have a team in place that can manage the transition and ensure that value is preserved. In the Debtors' estimation, however, absent considerable incentive to remain, attrition rates among Key Transition Employees could be unsustainable.[16]

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[15] Other continuing obligations of the Debtors include federal/SEC reporting requirements, modifications to the Government Settlement Agreements (as such term is defined in the JV Plan) occasioned by the election to pursue the Sale pursuant to section 363 of the Bankruptcy Code, preparation and filing of monthly operating reports, continued administration of these cases, and ongoing corporate governance issues.

[16] Although only VP Transition Employees may receive severance upon departure for "good reason," the Debtors believe that Director Transition Employees will depart in significant numbers absent significant incentives to remain.

RELIEF REQUESTED[17]

18. In the Debtors' estimation, the closing of the Sale threatens to stimulate significant attrition, as Key Transition Employees begin to investigate and pursue their long-term options, which options necessarily cannot include Adelphia. As set forth above, such attrition would hamper ongoing operations that are critical to maximizing the value of the estates. Given the absence of long-term prospects with the Company, however, senior management has concluded that a significant number of Key Transition Employees will depart on the Closing Date if they are not provided with industry standard levels of compensation and enhanced incentives to account for their willingness to remain with a business that has no future. Such departures could needlessly cost the estates hundreds of millions of dollars.

A. Closing and Post-Closing Compensation

VPs, SVPs and EVPs

19. On the Closing Date, pursuant to the Purchase Agreements, KERP Orders and/or the terms of the plans, all eligible Senior Transition Employees will be paid their 2006 STIP, their PRP Award and 50% of their Sale Bonus. These are not incentives or entitlements which can be altered or utilized as an inducement for the Key Transition Employees to remain with the Company. Rather, these are Board and/or Court-approved entitlements that have been bargained for and earned, and now must be paid.

20. The Debtors anticipate that many, if not all, of the VP Transition Employees will elect to terminate their employment as of the Closing Date for "good reason"

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[17] The summaries provided herein are solely for the convenience of the reader. In the event of a conflict or inconsistency, the terms of the New Employment Agreements and the terms of the individual plans or agreements that comprise the Post-Closing Incentive Program shall govern.

and collect their severance and other entitlements.[18] Accordingly, pursuant to the KERP Orders, the Debtors will become obligated to pay such severance to the VP Transition Employees upon their separation from the Company.[19] Thereafter, by this motion, the Debtors seek authority to rehire the VP Transition Employees pursuant to the terms of the New VP/SVP Agreements, which will provide for such VP Transition Employees participation in the Post-Closing Incentive Program and their Adjusted Base Salary (as defined below).[20] Absent the new agreements proposed herein, as well as the Debtors' decision to refrain from disputing the VP Transition Employee's reasonable contractual entitlement to payment of severance,[21] the Debtors run the risk of alienating these essential employees, who might otherwise feel disadvantaged as compared to their peers who will not be needed on an ongoing basis. For the reasons set forth herein, it is essential that the Debtors neutralize the ability and desire of VP Transition Employees to terminate their employment permanently, and encourage the retention of VP Transition Employees through the Transition.

21. During the Transition, the Debtors will of course need to provide ongoing compensation to those Senior Transition Employees who have not yet separated from the Company. The current components of such employees' compensation include base salary, STIP, and/or PRP. These Existing Compensation Programs, taken together, represent the base level of

[18] The closing of the Sale will effect a diminution in duties for all VP Transition Employees, which diminution arguably gives rise to the right to terminate employment for "good reason" for all VP Transition Employees. Accordingly, under the terms of the Company's standard Employment Agreement (i.e., the agreement governing the relationship with all VPs and SVPs), an executive is entitled to collect his or her severance benefit upon separation with the company for "good reason."

[19] Such payments will total approximately $4.4 million in the aggregate.

[20] The new Employment Agreements proposed herein will not provide for any incremental severance benefits beyond what was already approved by this Court.

[21] See Section 9(c) of the VP and SVP Employment Agreements.

compensation that the Debtors must provide to Senior Transition Employees after the Sale, because such employees would likely receive a base salary, short term incentives and long term incentives from any future employer.

22. Accordingly, in order to ensure that Senior Transition Employees are compensated at market rates during the Transition (a bare minimum in ensuring the retention of such employees), New Employment Agreements will provide that all Senior Transition Employees who remain with the Debtors after the Closing Date will be entitled to earn a base salary (the "Adjusted Base Salary") calculated by adding such employee's Base Salary, STIP opportunity[22] and PRP Award opportunity[23] at their target levels.[24] This Adjusted Base Salary will be paid *pro rata* every two weeks during the course of an employee's post-Sale employment with the Debtors. The Debtors estimate that the Adjusted Base Salaries for Senior Transition Employees during the Transition will be approximately $4 million in the aggregate.

Directors and Below

23. The approximately 35 employees holding a position at the Director level will be entitled to receive their 2006 STIP payment,[25] which represents a pro-rated portion of

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[22] The STIP payments reflect an annual bonus that was calculated on the assumption of a July 31 Closing Date. That is, to avoid over-compensating employees with an annual bonus for only seven months of work, the Board determined to tie 2006 STIP to an assumed seven-month year. Accordingly, inclusion of STIP, on a pro-rated basis, in the Adjusted Base Salary does not amount to double-counting. Rather, it simply allows Key Transition Employees the opportunity to continue to earn an unpaid portion of their annual bonus.

[23] The PRP Award payable on the Closing Date represents several annual awards (i.e., 2003, 2004, 2005 and 2006). Accordingly, the PRP element to be included in Key Transition Employees' Adjusted Base Salary is incremental in that it will include an additional PRP Award for a portion of 2006. In the aggregate, these incremental PRP Awards could cost up to $1.7 million.

[24] For example, a VP who earns $100,000 annually, has a 25% STIP opportunity (i.e., $25,000) and a 50% PRP Award opportunity (i.e., $50,000) would be entitled to an Adjusted Base Salary of $175,000 per year ($100,000 + $25,000 + $50,000 = $175,000). The Adjusted Base Salary will be paid *pro rata* every two weeks during the course of an employee's post-Sale employment with the Debtors.

[25] Director Transition Employees do not participate in the PRP.

their annual bonus (i.e., through 7/31/06).[26] Thus, in order to ensure that Directors are compensated at market rates during the Transition, the Debtors will calculate an Adjusted Base Salary for Directors by adding such employee's Base Salary and annual STIP at target level.[27] This Adjusted Base Salary will be paid *pro rata* every two weeks during the course of an employee's post-Sale employment with the Debtors.[28] The Debtors estimate that the Adjusted Base Salaries for approximately 35 Directors will be approximately $1.5 million in the aggregate.

24. Moreover, while Director Transition Employees will not be entitled to a severance payment on the Closing Date (as the Severance Plan only provides for payment of severance to such employees upon termination without cause), upon their agreement to remain with the Debtors after the Closing, these employees will be given a date certain on which their employment will conclude (the "Guaranteed Severance Date"). If such employees do not voluntarily terminate their employment before the Guaranteed Severance Date, these employees will automatically be entitled to receive payment under the Severance Plan on such date.

B. **Post-Closing Incentive Program**

25. The Adjusted Base Salaries proposed herein are an important aspect of post-Closing compensation, but these adjusted compensation rates do nothing more than bring the Debtors in line with their competition. Given the lack of long-term prospects at the

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[26] Director Transition Employees will be entitled to receive payment under the Severance Plan only upon separation from the Company.

[27] For example, a Director who earns $50,000 annually and has a STIP opportunity equal to 20% of his or her Base Salary (i.e., $10,000) would be entitled to an Adjusted Base Salary equal to a pro-rated portion of $60,000.

[28] Employees below the Director level will continue to receive their Base Salary as of the Closing Date. Post-Closing, such employees will receive salaries of approximately $4 million in the aggregate.

Company, the Debtors need to do more than provide market compensation if they hope to retain talented and highly coveted personnel. Accordingly, in an exercise of their business judgment, the Debtors have determined to implement the Post-Closing Incentive Program in order to provide an incentive to Key Transition Employees to stay on during the Transition above and beyond standard compensation.[29]

26. Virtually all employees who remain with the Debtors after the Closing Date will be entitled to participate in the Post-Closing Incentive Program. Pursuant to the Post-Closing Incentive Program, the Debtors will advise each employee of the length of time that such employee's post-Closing Date assignment is expected to last (the "Assignment Period"). Upon the Key Transition Employee's eligible separation from the Company (regardless of the actual length of the Assignment Period), the employee will be entitled to receive a payment equal to a percentage of such employee's Base Salary (***prior*** to any STIP or PRP additions to such employee's Adjusted Base Salary) pro-rated for the number of days in the Assignment Period. If an eligible employee works until the earlier of the end of the Assignment Period or such earlier date as the employee is mutually separated,[30] the employee will receive their entire bonus under the Post-Closing Incentive Program.[31] To the extent the Debtors require such employee to remain longer than the Assignment Period, the Debtors will need to negotiate a compensation

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[29] As noted above, a copy of the Post-Closing Incentive Program will be filed with the Court not later than three (3) business days prior to the last day to file objections to this motion.

[30] If an employee does not wish to terminate prior to the conclusion of such employee's Assignment Period, the employee may elect to remain employed and continue to receive the benefits outlined herein as well as any other benefits to which such employee is entitled until the conclusion of the employee's Assignment Period.

[31] By way of example, if an employee's Base Salary is $120,000 and such employee is retained for an assignment estimated to last Assignment Period of 120 days, and such employee is required to work 120 days or less after the Closing Date, upon termination, such employee would be entitled to a Post-Closing Incentive Program payment of $20,000. If, however, the employee is needed for 150 days, the employee will receive a Post-Close Incentive Program bonus of $20,000 on the 120th day following the Closing, and then will negotiate a compensation package with the Debtors to cover the period from 121-150 days after the Closing.

package with the employee for the rest of their post-close tenure. The total funding of the Post-Closing Incentive Program is estimated to be approximately $5 million and the average bonus to any one employee will be approximately 50% of base salary (pre post-close adjustment).

APPLICABLE LAW

27. The Debtors seek the approval of the New Employment Agreements and the Post-Closing Incentive Program and authority to implement such programs pursuant to sections 105(a) and 363(b) of the Bankruptcy Code. Section 363(b)(1) of the Bankruptcy Code provides, in relevant part: "The trustee, after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate." 11 U.S.C. §363(b)(1). The proposed use, sale, or lease of property of the estate may be approved under section 363(b) if it is supported by the sound business judgment of a debtor's management. See Comm. of Equity Security Holders v. Lionel Corp. (In re Lionel Corp.), 722 F.2d 1063, 1071 (2d Cir. 1983); In re Del. & Hudson Ry. Co., 124 B.R. 169, 175-76 (D. Del. 1991). Although established in the context of a proposed sale, the "business judgment" standard has been applied in non-sale situations. See, e.g., Institutional Creditors of Cont'l Air Lines v. Cont'l Air Lines (In re Cont'l Airlines), 780 F.2d 1223, 1226 (5th Cir. 1986) (applying "business judgment" standard in context of proposed "use" of estate property); In re Bethlehem Steel Corp., 2003 U.S. Dist. LEXIS 12909, at *37-*44 (S.D.N.Y. July 28, 2003) (applying "business judgment" standard in context of proposed reimbursement of employees under a collective bargaining agreement).

28. "The business judgment rule 'is a presumption that in making a business decision the directors of a corporation acted on an informed basis, in good faith and in the honest belief that the action was in the best interests of the company.'" In re Integrated Res., Inc., 147 B.R. 650, 656 (S.D.N.Y. 1992) (quoting Smith v. Van Gorkom, 488 A.2d 858, 872 (Del. 1985)). Decisions made by a debtor's management in the exercise of its business judgment ordinarily

should not be second guessed by a reviewing court. See In re Curlew Valley Assocs., 14 B.R. 506, 511 (Bankr. Utah 1981).

29. Courts have found that a debtor's use of reasonable retention bonuses and other incentives to retain employees is a valid exercise of the debtor's business judgment. See, e.g., In re Enron Corp., et al., No. 01-16034 (AJG) (Bankr. S.D.N.Y. May 8, 2002); In re Worldcom, Inc., et al., No. 02-13533 (AJG) (Bankr. S.D.N.Y. Oct. 29, 2002); In re America West Airlines, Inc., 171 BR. 674, 678 (Bankr. D. Ariz. 1994) (it is the proper use of a debtor's business judgment to propose bonuses for employees who helped propel the debtor successfully through the bankruptcy process); In re Interco Inc., 128 B.R. 229, 234 (Bankr. E.D. Mo. 1991) ("debtors' business judgment" was controlling in the approval of a "performance/retention program"); see In re APS Holding Corp., No. 98-197 (PJW) (Bankr. D. Del. Sept. 2, 1998) (granting similar relief in chapter 11 case).

30. Section 105(a) of the Bankruptcy Code is the basis for a bankruptcy court's broad exercise of power in the administration of a case under title 11. To that end, section 105(a) provides that "[t]he court may issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of [title 11]." 11 U.S.C. §105(a). Provided that a bankruptcy court does not employ its equitable powers to achieve a result not contemplated by the Bankruptcy Code, the exercise of its section 105(a) power is proper. See In re Fesco Plastics Corp., 996 F.2d 152, 154 (7th Cir. 1993); Pincus v. Graduate Loan Ctr. (In re Pincus), 280 B.R. 303, 312 (Bankr. S.D.N.Y. 2002). Pursuant to section 105(a), a court may fashion an order or decree that helps preserve or protect the value of a debtor's assets. See, e.g., In re Chinichian, 784 F.2d 1440, 1443 (9th Cir. 1986) ("Section 105 sets out the power of the bankruptcy court to fashion orders as necessary pursuant to the purposes of the Bankruptcy

Code."); In re Cooper Props. Liquidating Trust, Inc., 61 B.R. 531, 537 (Bankr. W.D. Tenn. 1986) (noting that bankruptcy court is "one of equity and as such it has a duty to protect whatever equities a debtor may have in property for the benefit of their creditors as long as that protection is implemented in a manner consistent with the bankruptcy laws").

31. Though other options for staffing the Company during the Transition do exist, such options are not attractive here. The Debtors could hire replacement personnel on a short term basis, but such personnel would lack the institutional knowledge of the Debtors' existing employees, and would need to expend time and energy learning the business that they were hired to wind down. Alternatively, the Debtors could contract with an outside crisis management firm to wind down and transition the business. The costs of such a move (economic and otherwise), however, would far exceed the incremental costs to the estates of the measures proposed herein. Furthermore, any such outside consultancy would face the same barriers to entry as replacement personnel: the time and expense related with learning the key aspects of the Debtors' business would come at great cost to creditors.[32] Accordingly, the Debtors have determined that the New Employment Agreements and Post-Closing Incentive Program offer the most efficient and cost-effective means of preserving estate value after the Closing Date and during the Transition.

32. Having considered such alternatives and rejected them, the Compensation Committee has determined that in its business judgment, the Debtors' continuing ability to maximize value in these cases turns on the retention of Key Transition Employees. The

[32] Although the tasks that must be completed within the next several months require the institutional knowledge and experience of the Key Transition Employees, the Debtors do not foreclose the notion that it may be appropriate to bring on a temporary workforce or consultants at some point in the future. One of the many benefits of the relief requested is that the Debtors' existing employees will be able to assist in a transition to just such personnel.

Compensation Committee has further concluded, in an exercise of its business judgment, that implementation of the New Employment Agreements and the Post-Closing Incentive Program represent the surest, most efficient, and most cost-effective means of obtaining this goal.

PROCEDURE

33. Concurrently with the filing of this Motion, the Debtors have filed a motion to seeking shorten notice and schedule an expedited hearing to consider the relief requested herein. Notice of this Motion will be provided to: (a) the United States Trustee for the Southern District of New York; (b) counsel to the agents for the Debtors' prepetition and postpetition lenders; (c) counsel to the official and *ad hoc* committees in these cases; and (d) all parties who have filed a request for service of all pleadings pursuant to Bankruptcy Rule 2002 as of the day prior to the service hereof.

34. Pursuant to Case Management Order #3, dated July 26, 2004, the Court has waived the requirement of Local Bankruptcy Rule 9013-1(b) that a memorandum of law be submitted herewith. No other or prior motion for the relief sought herein has been made to this or any other court.

CONCLUSION

WHEREFORE, the Debtors respectfully request the Court enter an order, substantially in the form of the annexed order, granting the relief requested herein and such other and further relief as the Court deems just or proper.

Dated: New York, New York
July 14, 2006

WILLKIE FARR & GALLAGHER LLP

Attorneys for Debtors and
Debtors in Possession

By: /s/ Shelley C. Chapman
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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re	)	Chapter 11 Cases
Adelphia Communications Corporation, et al.,	)	Case No. 02-41729 (REG)
Debtors.	)	Jointly Administered

ORDER PURSUANT TO SECTIONS 105(a) AND 363(b) OF THE BANKRUPTCY CODE AUTHORIZING IMPLEMENTATION OF POST-CLOSING INCENTIVE PROGRAM AND GRANTING RELATED RELIEF

Upon the motion dated July 14, 2006 (the "Motion") of Adelphia Communications Corporation and the other above-captioned debtors (collectively, the "Debtors"), for an order pursuant to 11 U.S.C. § 105(a) and 363 authorizing and approving: (a) new and amended employment and compensation agreements with certain of the Debtors' employees; and (b) post-sale key employee retention program; and any objections to the Motion having been withdrawn or overruled; and upon that certain order shortening the notice period for the Motion and scheduling an expedited hearing thereon; and due and proper notice of the Motion having been provided, and no other or further notice being required; and it appearing that granting of the relief sought in the Motion is in the best interest of the Debtors, their creditors and all parties in interest and is supported by sound business reasons; and after due deliberation and due and sufficient cause appearing therefor, it is

ORDERED, that the Motion is approved; and it is further

ORDERED, that capitalized terms not otherwise defined herein shall have the meaning ascribed to such terms in the Motion; and it is further

ORDERED, that the Adjusted Base Salaries proposed to be paid to the Key Transition Employees are hereby approved; and it is further

ORDERED, that the Debtors are authorized to notify Director Transition Employees of a Guaranteed Severance Date; and it is further

ORDERED, that the New Employment Agreements are hereby approved; and it is further

ORDERED, that the Post-Closing Incentive Program is hereby approved; and it is further

ORDERED, that the Debtors are authorized to take all actions necessary or appropriate to implement and/or pay each of the Adjusted Base Salaries, Director Transition Employee severance on the applicable Guaranteed Severance Date, the New Employment Agreements and the Post-Closing Incentive Program; and it is further

ORDERED, that this Court shall retain jurisdiction to hear and decide any dispute related to or arising from this Order.

Dated: New York, New York
July *26*, 2006

S/ Robert E. Gerber
HONORABLE ROBERT E. GERBER
UNITED STATES BANKRUPTCY JUDGE