

ADELPHIA RECOVERY TRUST

Quarterly Update

October 1, 2016 through December 31, 2016
(Unaudited)

ADELPHIA RECOVERY TRUST
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Adelphia Recovery Trust
Condensed Balance Sheets
Unaudited

| | As of December 31, 2016 | As of December 31, 2015 |
|---|----------------------------|----------------------------|
| Assets | | |
| Cash and cash equivalents | \$ 4,789,736 | \$ 14,234,777 |
| Prepaid assets | 409,205 | 639,120 |
| Note and accrued interest receivable | 6,170,613 | 5,887,015 |
| Total assets | \$ 11,369,554 | \$ 20,760,912 |
| Liabilities and net assets | | |
| Accrued expenses | \$ 11,635 | \$ 77,898 |
| Deferred holder distributions | 128,054 | 101,123 |
| Total liabilities | 139,689 | 179,021 |
| Net assets | 11,229,865 | 20,581,891 |
| Total liabilities and net assets | \$ 11,369,554 | \$ 20,760,912 |

Adelphia Recovery Trust
Condensed Statements of Operations and Changes in Net Assets
Unaudited

| | For the three months ended December 31, 2016 | For the three months ended December 31, 2015 | For the twelve months ended December 31, 2016 | For the twelve months ended December 31, 2015 |
|-------------------------------------|--|--|---|---|
| Revenues | | | | |
| Interest income | \$ 73,702 | \$ 79,985 | \$ 311,401 | \$ 320,703 |
| Total revenues | 73,702 | 79,985 | 311,401 | 320,703 |
| Operating expenses | | | | |
| General and administrative expenses | 294,558 | 310,376 | 1,461,560 | 1,637,902 |
| Professional expenses | (2,527) | 78,412 | 201,867 | 426,077 |
| Total operating expenses | 292,031 | 388,788 | 1,663,427 | 2,063,979 |
| Net loss | (218,329) | (308,803) | (1,352,026) | (1,743,276) |
| Net assets, beginning of year | 19,448,194 | 40,890,694 | 20,581,891 | 42,325,167 |
| Interest holder distributions | (8,000,000) | (20,000,000) | (8,000,000) | (20,000,000) |
| Net assets, end of year | \$ 11,229,865 | \$ 20,581,891 | \$ 11,229,865 | \$ 20,581,891 |

Adelphia Recovery Trust
Condensed Statements of Cash Flows
Unaudited

| | For the twelve months ended <u>December 31, 2016</u> | For the twelve months ended <u>December 31, 2015</u> |
|--|--|--|
| Operating activities | | |
| Net loss | \$ (1,352,026) | \$ (1,743,276) |
| Adjustments to reconcile net loss to net cash used by operating activities: | | |
| Changes in operating assets and liabilities: | | |
| Prepaid assets | 229,915 | (57,796) |
| Note and accrued interest receivable | (283,598) | (282,049) |
| Deferred holder distribution | 26,931 | - |
| Accrued expenses | (66,263) | (5,514) |
| Net cash used in operating activities | <u>(1,445,041)</u> | <u>(2,088,635)</u> |
| Financing activities | | |
| Interest holder distributions | <u>(8,000,000)</u> | <u>(20,000,000)</u> |
| Net cash used in financing activities | <u>(8,000,000)</u> | <u>(20,000,000)</u> |
| Net change in cash and cash equivalents | (9,445,041) | (22,088,635) |
| Cash and cash equivalents, beginning of year | 14,234,777 | 36,323,412 |
| Cash and cash equivalents, end of year | \$ 4,789,736 | \$ 14,234,777 |

ADELPHIA RECOVERY TRUST

QUARTERLY UPDATE

Background

Adelphia Communications Corporation (“Adelphia” or “ACC”) and certain of its subsidiaries (collectively the “Debtor”) filed for Chapter 11 bankruptcy protection in June 2002. During the bankruptcy, on July 31, 2006 the assets of Adelphia were sold for a combination of cash and stock in Time Warner Cable, Inc. (“TWC”). In late 2006, representatives of the 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 interests (“Interests”) in the Adelphia Recovery Trust or the Adelphia Contingent Value Vehicle (the “ART” or the “CVV”). This agreement was embodied in that certain First Modified Fifth Amended Joint Chapter 11 Plan of Reorganization (the “Plan”) of Adelphia, 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 Adelphia and certain of its subsidiaries received one or more of the following: cash, TWC stock, rights to future distributions from Adelphia up to payment in full, and the Interests in the ART.

The ART was formed as a Delaware statutory trust pursuant to the Plan. 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, 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, Adelphia 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, and the Declaration of Trust for the ART, as amended (the “Declaration”), the ART is administered by five trustees (the “Trustees”) who are authorized to carry out the purposes of the ART. Quest Turnaround Advisors, L.L.C. (“Quest”) is the plan administrator (in such capacity, the “Plan Administrator”) of Adelphia. Quest and Adelphia 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”).

The Trust Administrator and Adelphia 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 ART, the Trust Administrator, and Adelphia. The ART financial statements do not reflect any amounts for these services.

The ART maintains internal controls, disclosure controls and procedures. These controls and procedures are designed to ensure that information is accumulated and communicated to ART Trustees and the Trust Administrator as appropriate, to allow timely decisions regarding financial disclosures. During the quarter ended December 31, 2016 there were no changes to these internal controls, disclosure controls or procedures for the ART. Additionally, during the quarter there were no new accounting standards that the ART is required to adopt which will likely have a material effect on its financial statements.

The ART is not subject to federal or state income taxes. The ART is not aware of any transactions or events up to and including December 31, 2016 that would subject it to federal or state income taxes. Further, the ART has no unrecognized income tax benefits as of December 31, 2016 nor are there any amounts required to be included in the financial statements for interest or penalties on unrecognized income tax benefits. Items of income, gain, loss, deduction and other tax items have been and will be allocated to the Holders that would be entitled to receive such items if they constituted cash distributions or reductions therefrom. The Holders are responsible for the payment of taxes on a current basis that result from such allocations whether or not cash is distributed.

The Plan provides that the ART shall dissolve upon the earlier of the distribution of all of its assets to the Holders or the fifth anniversary of its creation, which was on February 13, 2012, subject to the right of the Trustees to extend the ART's term with the approval of the Bankruptcy Court. In November 2011, the ART filed a motion to extend the term of the ART through December 31, 2014 because several Causes of Action were unlikely to be resolved prior to February 13, 2012. In December 2011 the motion was granted by the Bankruptcy Court. In July 2014, the ART filed a second motion to extend the term of the ART in light of the current status of the Causes of Action and the administrative tasks to be performed after the Causes of Action are resolved. On September 23, 2014 the Bankruptcy Court extended the term of the ART through September 23, 2015.

The ART filed a further motion in August 2015 with the Bankruptcy Court to extend the term of the ART to December 31, 2016 in light of the then current status of the Causes of Action. The motion also sought the cancellation of certain Series of CVV Interests as part of a staged wind-down process. The Bankruptcy Court granted the motion on September 22, 2015. Following the cancellation of certain CVV Interests, the ART discontinued SEC reporting, as disclosed in a Form 15 filed on September 28, 2015. The Form 15 is available on the ART Website at Adelphiarestructuring.com.

The ART was dissolved on December 31, 2016 (the "Dissolution Date") pursuant to the Plan, Declaration, and the September 22, 2015 court order. After the Dissolution Date, for purpose of liquidating and winding up the affairs of the ART, the Trustees shall continue, pursuant to the Declaration and the Plan, to act until the Trustees' duties under the Declaration and the Plan have been fully performed. All funds remaining after the ART's obligations have been paid (and the winding up process completed) shall be distributed to the ART Interest Holders. Upon completion of the winding up activities, the Institutional Trustee shall file a Certification of Cancellation with the Delaware Secretary of State, thereby terminating the ART.

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

Distributions are made at the sole discretion of the Trustees in accordance with the provisions of the Plan and the Declaration. On December 21, 2010 the ART made a Distribution of \$215 million in cash payable to Holders of Interests in the ART in accordance with the waterfall priority established in the Plan. A record date of December 13, 2010 was established by the Trust for purposes of this Distribution. The ART made no Distributions in 2011.

In 2012 the Trustees approved two Distributions. The Trustees announced an approved Distribution on February 16, 2012 in the amount of \$30 million in cash. The record date for the Distribution was February 23, 2012 and the Distribution was completed on March 1, 2012. The Distribution fully resolved the Series RF claims. The Trustees announced a second 2012 approved Distribution on December 3, 2012 in the amount of \$30 million in cash. The record date for the Distribution was December 10, 2012 and the Distribution was completed on December 18, 2012. The per-Interest and the total series amount of each of the prior year Distributions were set forth in the applicable ART 10-K for each of the respective periods.

The ART made no Distributions in 2013 or 2014. On December 8, 2015, the ART made a distribution of \$20 million in cash. A record date of December 1, 2015 was established by the Trust for purposes of this distribution. On October 25, 2016, the Trust made a Distribution of \$8.0 million in cash. A record date of October 18, 2016 was established by the Trust for purposes of this Distribution.

Previously issued ART Distributions reverted to the ART in the amounts of approximately \$101,000 and \$27,000 in 2013 and 2016 respectively. These funds were returned to the ART in accordance with Plan provisions regarding unclaimed Distributions and have been recorded as a deferred holder distributions liability on the ART balance sheet. Such funds have reverted to the ART for the benefit of Interest Holders in the class of the forfeiting Holders and will be distributed to such Interest Holders at a time determined by the Trustees.

Below is a summary of ART Distributions by year:

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | Total |
|-----------------------------------|--------|------|-------|------|------|-------|------|--------|
| Distribution Amount (\$ millions) | \$ 215 | \$ - | \$ 60 | \$ - | \$ - | \$ 20 | \$ 8 | \$ 303 |

Future Distributions will be made according to the waterfall priority established in the Plan and discussed herein. Any assets not previously distributed by the ART, and that are not required for remaining costs and expenses, will be distributed in accordance with the Declaration after the wind up process of the ART has been completed.

As of December 31, 2016, the number of Interests outstanding in each series eligible to receive a Distribution is as follows:

| CVV Series of Interest: | As of December 31, 2016 |
|------------------------------------|--------------------------------|
| Series RF ⁽¹⁾ | 115,000,000 |
| Series Arahova | 722,580,866 |
| Series Frontier Vision | 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 |
| Interests Cancelled ⁽²⁾ | |
| Series ESL ⁽²⁾ | - |
| Series ACC-4 ⁽²⁾ | - |
| Series ACC-5 ⁽²⁾ | - |
| Series ACC-6B ⁽²⁾ | - |
| Series ACC-6B1 ⁽²⁾ | - |
| Series ACC-6D ⁽²⁾ | - |
| Series ACC-6D1 ⁽²⁾ | - |
| Series ACC-6E/F ⁽²⁾ | - |
| Series ACC-6E/F1 ⁽²⁾ | - |
| Series ACC-7 ⁽²⁾ | - |
| Series ACC-7A ⁽²⁾ | - |

⁽¹⁾ Series RF Interests are outstanding but were paid in full with the March 1, 2012 Distribution and are not eligible for future Distributions.

⁽²⁾ These Interests were cancelled in accordance with the Order Further Extending the Term of the Adelpia Recovery Trust and Authorizing Certain Wind-Down Steps dated September 22, 2015.

A schedule summarizing the Distribution priority waterfall as of December 31, 2016 is set forth below:

ART Distribution Waterfall Chart
December 31, 2016⁽¹⁾

| Remaining Aggregate Distribution ⁽²⁾ | Distribution Description ⁽³⁾ | ART Distribution Recipient ⁽⁴⁾ | |
|--|---|---|---------|
| | | RF | 0.00% |
| | | Arahova | 0.00% |
| | | ACC-1 | 0.00% |
| | | Olympus | 0.00% |
| | | FrontierVision | 0.00% |
| | | ACC-2 | 0.00% |
| | | ACC-3 | 0.00% |
| 0 | RF Holders Paid In Full | FPL | 0.00% |
| | | Arahova | 45.87% |
| | | ACC-1 | 42.73% |
| | | Olympus | 5.00% |
| | | FrontierVision | 2.50% |
| | Until Series Olympus has received aggregate distributions of \$16 million plus the Olympus Fees, plus accrued post-Effective Date dividends | ACC-2 | 2.25% |
| | | ACC-3 | 0.90% |
| 0 - 368,000,000 | | FPL | 0.75% |
| | | Arahova | 48.37% |
| | | ACC-1 | 45.06% |
| | | FrontierVision | 2.50% |
| | | ACC-2 | 2.37% |
| | | ACC-3 | 0.95% |
| 368,000,001 - 862,000,000 | Until cumulative distribution is \$1,165 million | FPL | 0.75% |
| | | ACC-1 | 76.60% |
| | | Arahova | 14.51% |
| | | ACC-2 | 4.03% |
| | | FrontierVision | 2.50% |
| | Until Series Arahova has received \$625 million plus the Arahova Fees plus accrued post-Effective Date dividends | ACC-3 | 1.61% |
| 862,000,001 - 5,835,000,000 | | FPL | 0.75% |
| | | ACC-1 | 90.11% |
| | | ACC-2 | 4.74% |
| | | FrontierVision | 2.50% |
| | Until Series FPL has received aggregate distributions of \$6.2 million plus Default Interest, plus accrued post-Effective Date dividends (ACC-1, ACC-2 and ACC-3 paid in full) | ACC-3 | 1.90% |
| 5,835,000,001 - 6,076,000,000 | | FPL | 0.75% |
| | | Series Arahova | 96.75% |
| | | FrontierVision | 2.50% |
| 6,076,000,001 - 6,123,000,000 | Until Series FPL has received aggregate distributions of \$6.2 million plus Default Interest, plus accrued post-Effective Date dividends | FPL | 0.75% |
| | | Series Arahova | 97.50% |
| | Until Series FrontierVision has received aggregate distributions of \$85 million plus 80% of the FrontierVision Fees, plus accrued post-Effective Date dividends | FrontierVision | 2.50% |
| 6,123,000,001 - 6,145,000,000 | | | |
| | Until the additional distribution to the Series Arahova Interests equals \$50 million plus accrued post-Effective Date dividends at a rate of 5% per annum | Series Arahova | 100.00% |
| 6,145,000,001 - 6,153,000,000 | | | |
| Below Interests Cancelled per Order Dated September 22, 2015 ⁽⁵⁾ | | | |
| | Until ESL holders have received Payment in Full of their Claims and Case 8% interest plus accrued post-Effective Date dividends | | |
| | Until ACC-4 holders have received the full amount of their Allowed Claims plus Case Contract Interest plus accrued post-Effective Date dividends | | |
| | Until ACC-5 holders have received the full amount of their Allowed Claims plus Case 8% interest plus accrued post-Effective Date dividends | | |
| | Until ACC-6 holders receive distributions in accordance with the relative priorities established by the Liquidation Preferences governing the shares of ACC Preferred Stock and the Bankruptcy Code | | |
| | Each ACC-7 holder is entitled to receive a pro rata share of any distributions remaining | | |

Capitalized terms used in this chart but not otherwise defined have the respective meaning given to them under the Plan.

⁽¹⁾ Remaining aggregate distributions and ART distribution percentages are as of December 31, 2016.

⁽²⁾ Pursuant to the terms of the Plan, certain series of Interests are entitled to post-Effective Date dividends on certain amounts due to the corresponding class of claims. For purposes of calculating the reference amount on which post-Effective Date dividends accrue, the distribution of the True-Up Holdback is treated as if it occurred on the Effective Date. Remaining aggregate distributions have been reduced as a result of the \$215 million cash distribution to certain CVV Holders as of December 21, 2010, the \$30 million cash distribution on March 1, 2012, the \$30 million cash distribution on December 18, 2012, the \$20 million cash distribution on December 8, 2015, the \$8 million cash distribution on October 25, 2016 as well as distributions made by Adelpia for excess reserves and for refunds of reserves established for Settlement Party Fee Claims.

⁽³⁾ Unless otherwise stated, post-Effective Date dividends accrue at a rate of 8.9% per annum.

⁽⁴⁾ This chart is adjusted in accordance with Plan sections 5.1 and 5.2 with regard to pay-off priorities between the ACC Senior Notes, Trade and Other Unsecured Classes and the Subsidiary Notes Classes due to the magnitude of distributions by Adelpia to the ACC Senior Notes, Trade and Other Unsecured Classes as a result of the release of escrows, reserves and holdbacks. Sharing percentages portrayed reflect sharing relationships at the entry point of the individual breakpoints illustrated and do not reflect all changes in sharing relationships when multiple classes have concurrent pay-offs.

⁽⁵⁾ These Interests were cancelled in accordance with the Order Further Extending the Term of the Adelpia Recovery Trust and Authorizing Certain Wind-Down Steps on September 22, 2015.

Results of Operations (The 2015 audited financial statements for the ART are available at Adelphiarestructuring.com)

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.

Due to the nature of the ART's operations, both revenue and operating expenses may fluctuate between and among reporting periods caused by activities and results related to the Causes of Action.

Three months ended December 31, 2016 versus three months ended December 31, 2015

Total revenues consisting solely of interest, decreased to approximately \$74,000 in the fourth quarter of 2016 from approximately \$80,000 in the fourth quarter of 2015. The revenue decrease of approximately \$6,000 was caused by a reduction in average cash balances from the fourth quarter of 2015 to the fourth quarter of 2016 offset by an increase in investment yields for the same comparable periods. There were no court-approved settlements for the fourth quarter of 2016 or 2015.

Total operating expenses for the ART decreased to approximately \$292,000 in the fourth quarter of 2016 from approximately \$389,000 in the fourth quarter of 2015. The operating expense decrease of approximately \$97,000 was caused by a decrease in general and administrative expenses of approximately \$16,000 and a decrease in professional expenses of approximately \$81,000.

General and administrative expenses decreased in the fourth quarter of 2016 compared to the fourth quarter of 2015 primarily due to decreased Trustee expenses and bank fees.

Professional expenses decreased in the fourth quarter of 2016 compared to the fourth quarter of 2015 due to reduced professional activity for general advice and regulatory compliance for the ART and due to the reversal of previously accrued expenses that will not be realized.

As a result of the decrease in total revenues of approximately \$6,000 and the decrease in total operating expenses of approximately \$97,000 in the fourth quarter of 2016 compared to the fourth quarter of 2015, the net loss of approximately \$218,000 for the quarter ended December 31, 2016 was approximately \$91,000 less than the net loss of approximately \$309,000 for the quarter ended December 31, 2015.

Twelve months ended December 31, 2016 versus Twelve months ended December 31, 2015

Total revenues consisting solely of interest decreased to approximately \$312,000 for the twelve months ended December 31, 2016 from approximately \$321,000 for the twelve months ended December 31, 2015. The revenue decrease of approximately \$9,000 was caused by the decrease in average invested cash balances for the twelve months ended December 31, 2016 when compared to the twelve months ended December 31, 2015 partially offset by an increase in the interest income rates over that same time-period. There were no court approved settlements for the twelve months December 31, 2016 or December 31, 2015.

Total operating expenses for the ART decreased to approximately \$1,664,000 for the twelve months ended December 31, 2016 from approximately \$2,064,000 for the twelve months ended December 31, 2015. The operating expense decrease of approximately \$400,000 was caused by a decrease in general and administrative expenses of approximately \$176,000 and a decrease in professional expenses of approximately \$224,000.

General and administrative expenses decreased for the twelve months ended December 31, 2016 compared to the twelve months ended December 31, 2015 primarily due to decreased Trustee additional service compensation paid in the first quarter of 2016 compared to the first quarter of 2015. The Trustees agreed to discontinue additional service compensation related to periods after September 23, 2015 unless the Trust obtains a recovery in the FPL Cause of Action. Additionally, bank fees decreased and audit expenses and SEC filing expenses decreased after the discontinuation of SEC reporting as disclosed in the Form 15 filed on September 28, 2015.

Professional expenses decreased for the twelve months ended December 31, 2016 compared to the twelve months ended December 31, 2015 due to reduced professional activity for general advice and regulatory compliance for the ART.

As a result of the decrease in total revenues of approximately \$9,000 and the decrease in total operating expenses of approximately \$400,000 for the twelve months ended December 31, 2016 compared to the twelve months ended December 31, 2015, the net loss of approximately \$1,352,000 for the twelve months ended December 31, 2016 was approximately \$391,000 less than the net loss of approximately \$1,743,000 for twelve months ended December 31, 2015.

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 will retain sufficient cash to administer the ART.

Based upon cash and cash equivalent balances as of December 31, 2016 totaling approximately \$4,790,000 along with expected expenses and other potential disbursements, the ART expects to meet its obligations as they come due through the Dissolution Date.

The nature of the ART's operation does not give rise to capital expenditures and there are no current or expected commitments for capital expenditures.

Cash and cash equivalent balances at December 31, 2016 of approximately \$4,790,000 are approximately \$9,445,000 less than as of December 31, 2015. This decrease is due to the uses of cash and cash equivalents by operating activities of approximately \$1,445,000, and the use of cash in financing activities of \$8,000,000.

The approximately \$1,445,000 use of cash by operating activities included a net loss for the twelve months ended December 31, 2016 of approximately \$1,352,000. Other uses of cash by operating activities included the accrual of interest on a note receivable of approximately \$284,000, and a decrease in accrued expenses of approximately \$66,000. The uses of cash from operating activities were partially offset by cash provided from

operating activities including a decrease in prepaid assets of approximately \$230,000, and the increase of deferred holders distribution of approximately \$27,000 during the twelve months ended December 31, 2016.

As of December 31, 2016, the ART has a total of \$4,790,000 of cash and cash equivalents which include a U.S. Treasury and government agency securities money market fund in the amount of approximately \$911,000, and deposit accounts in the amount of \$3,879,000 million. The ART considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. All investments during the quarter were fully compliant with the ART investment policy.

The ART has adequate liquidity to meet its obligations as of December 31, 2016.

LEGAL PROCEEDINGS UPDATE

Causes of Action

The material aspects of the ART's causes of action through the date of this report are set forth below.

FPL

On June 24, 2004, the Creditors' Committee filed a fraudulent conveyance complaint against FPL Group, Inc. and West Boca Security, Inc. (collectively, "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. Pursuant to the Plan, the claims asserted in the FPL Litigation were transferred to the ART.

On July 13, 2011, the Bankruptcy Court denied FPL's motion for leave to amend its answer to add a new defense. FPL filed an appeal of the Bankruptcy Court's July 13, 2011 decision, which was denied September 18, 2012. On September 28, 2011, FPL moved to withdraw the reference to Bankruptcy Court. The District Court denied FPL's motion to withdraw the reference on January 30, 2012. Trial began April 30, 2012 and testimony concluded on May 3, 2012. The parties submitted post-trial briefs on June 22, 2012. The Bankruptcy Court heard closing arguments on July 25, 2012. On May 6, 2014, the Bankruptcy Court issued proposed Findings of Fact and Conclusions of Law (the "Proposed Findings"), which recommend that the District Court enter judgment in favor of FPL. The District Court for the Southern District of New York accepted the Bankruptcy Court's recommendations over the objections filed by the ART, and entered judgment in favor of FPL on March 20, 2015. On June 15, 2016, the Second Circuit Court of Appeals affirmed the decision of the District Court in a summary order.

The ART determined not to seek a rehearing before the Second Circuit or file a petition for writ of certiorari with the United States Supreme Court.

Avoidance Actions

On July 31, 2003, Adelphia and its debtor affiliates filed with the Bankruptcy Court their Statements of Financial Affairs, which included a schedule of payments to insider entities made within one year prior to Adelphia's filing for bankruptcy and payments to non-insider entities made within ninety days prior to Adelphia's filing for bankruptcy. Subsequently, Adelphia engaged in extensive analysis of all such payments to determine if they could be avoided pursuant to certain provisions of the Code.

On April 20, 2004, Adelphia filed a motion seeking to abandon most of the potential actions to avoid the pre-petition payments because, among other reasons, (i) Adelphia believed that pursuing certain of such actions against parties with whom Adelphia was continuing to do business could have a significant adverse impact on important, ongoing business relationships, and (ii) the costs associated with pursuing such actions far outweighed any potential benefit to the Adelphia Debtors' estates that might otherwise result from bringing such actions. In response to certain objections to Adelphia's motion, Adelphia amended its initial motion.

On May 27, 2004, the Bankruptcy Court entered an order tolling all claims to avoid inter-Debtor payments and authorizing the abandonment of potential actions to avoid (i) transfers to taxing authorities; (ii) transfers to

human resource providers engaged in business with Adelphia; (iii) transfers determined to have been made in the ordinary course of business; and (iv) certain transfers deemed *de minimis*. As to the remainder of the transfers made by Adelphia during the relevant one-year and ninety-day periods prior to the bankruptcy filing, Adelphia either (i) entered into tolling agreements with the transferee extending Adelphia's time to initiate an action, or (ii) filed a complaint and initiated an adversary proceeding against the transferee.

As of June 25, 2004, Adelphia secured approximately 250 tolling agreements with various transferees, including members of the Rigas family, the Rigas family entities, former executives James Brown and Michael Mulcahey, and former directors Erland Kailbourne, Dennis Coyle, Leslie Gelber, and Peter Metros, among others. Certain of these tolling agreements have been amended from time to time. With respect to the approximately 150 complaints filed by Adelphia in the Bankruptcy Court to commence actions to avoid certain pre-petition transfers and payments, those complaints have since been dismissed or resolved after further investigation. The remaining tolled Causes of Action will extinguish on the Dissolution Date, pursuant to the Plan and Declaration of Trust.

Goldman Sachs Litigation

On July 6, 2003, the Creditors Committee filed a complaint in the Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") against Adelphia's pre-petition commercial banks and lenders, Adelphia's former investment bankers and financial advisors, and assignees of Adelphia's pre-petition bank debt (the "Bank Litigation"). On February 9, 2006, the United States District Court for the Southern District of New York (the "District Court") granted a motion filed by certain defendants to withdraw the reference to the Bankruptcy Court. Pursuant to the Plan, the claims asserted in the Goldman Sachs Litigation were transferred to the ART.

The complaint included a claim for intentional fraudulent transfer against Goldman Sachs, Inc. arising from Adelphia's pre-petition repayment of the Rigases' personal margin loans in an amount of approximately \$63.0 million. On May 6, 2009, the Court denied Goldman Sachs' motion to dismiss. Goldman moved for summary judgment on March 2, 2010. Following argument in August 2010, Goldman supplemented its motion on November 12, 2010. On April 7, 2011, the District Court granted Goldman's summary judgment motion and judgment was entered on April 13, 2011. On May 6, 2011, the ART timely filed its notice of appeal to the Court of Appeals for the Second Circuit and subsequently filed an appeal. On April 25, 2012, the Second Circuit Court of Appeals heard oral argument on the appeal and took the case under advisement. On April 4, 2014, the Second Circuit affirmed the District Court's summary judgment in favor of Goldman Sachs.

The ART determined not to seek a rehearing before the Second Circuit or file a petition for writ of certiorari with the United States Supreme Court.

Prestige Litigation

On June 24, 2004, the Creditors' Committee filed an adversary action against Prestige Communications of NC, Inc., Jonathan J. Oscher, Lorraine Oscher McClain, Robert F. Buckfelder, Buckfelder Investment Trust, and Anverse, Inc. in the Bankruptcy Court for the Southern District of New York. In a decision dated January 8, 2008, the District Court withdrew the reference to the Bankruptcy Court in the Prestige action and transferred the case to the District Court.

The Prestige action seeks to recover fraudulent transfers in connection with Adelphia's purchase of the assets of Prestige Communications of N.C., Inc., an acquisition that closed on July 5, 2000, as well as a claim that the owners of the Prestige Cable Systems aided and abetted breaches of fiduciary duty on the part of the Rigas family in connection with the transaction. Pursuant to the Plan, which became effective on February 13, 2007, the claims asserted in the Prestige Litigation were transferred to the ART.

On October 27, 2009, Defendants moved for summary judgment on the ART's claims. On June 27, 2011, the District Court granted Defendants' summary judgment motion and judgment was entered on June 28, 2011. The ART timely filed its notice of appeal to the Court of Appeals for the Second Circuit. Following the Second Circuit's decision in the Goldman Sachs Litigation, the parties reached a settlement that involved no financial payment to either party. The appeal was dismissed on October 1, 2014.

Buchanan Ingersoll

Buchanan Ingersoll & Rooney PC (“Buchanan”) served as Adelphia’s primary outside legal counsel prior to June 2002, when Adelphia filed for bankruptcy protection. On June 27, 2012, the ART announced that it had reached a settlement with Buchanan, subject to the approval of the United States Bankruptcy Court. On July 18, 2012, the Bankruptcy Court entered an order approving the settlement. No objections or appeals were filed in the period allowed for appeals, and on August 1, 2012 the settlement became final. Under the terms of the settlement, Buchanan made an initial payment of \$20.0 million to the ART, and the ART agreed to participate with other parties that had asserted claims against Buchanan in a binding Alternate Dispute Resolution proceeding (the “ADR Proceeding”). The ART was awarded an additional \$14 million in the ADR Proceeding on November 20, 2012.

Bank Litigation

The complaint in the Bank Litigation, as subsequently amended, asserted claims seeking (a) recovery as fraudulent transfers of the principal and interest paid by Adelphia to defendants, (b) avoidance as fraudulent obligations of Adelphia’s obligations, if any, to repay the defendants, (c) recovery of damages for fraud and breaches of fiduciary duties to Adelphia and for aiding and abetting fraud and breaches of fiduciary duties by members of the Rigas family relating to Adelphia’s credit facilities, (d) equitable disallowance, subordination or recharacterization of each of the defendants’ claims in Adelphia’s bankruptcy cases, (e) avoidance and recovery of preferential transfers made to certain defendants shortly prior to Adelphia’s bankruptcy filing, and (f) recovery of damages for violations of the Bank Holding Company Act (“BHCA”). Claims against several Defendants were dismissed in a June 18, 2008 ruling by the District Court that was affirmed by the Second Circuit on May 26, 2010.

On November 18, 2010, the District Court approved a settlement pursuant to which the ART’s claims against the Agent Bank and Investment Bank Defendants were released in exchange for a payment of \$175 million. On February 14, 2011, the District Court approved a settlement agreement between the ART and the Non-Agent Lenders and Additional Non-Agent Lenders.

Motorola Litigation

On June 22, 2006, Adelphia filed an adversary complaint against Motorola, Inc. and certain of its subsidiaries (“Motorola”), as well as transferees of claims filed by Motorola in the Adelphia bankruptcy cases in the Bankruptcy Court for the Southern District of New York. The complaint sought recovery for (a) Motorola’s aiding and abetting breaches of fiduciary duty by members of the Rigas family in manipulating Adelphia’s financial statements and performance results for the fiscal years 2000 and 2001; (b) avoidance and recovery of preferential and fraudulent transfers made to Motorola of more than \$60 million; (c) avoidance of purported (but unperfected) liens asserted by Motorola; and (d) equitable disallowance or subordination of Motorola’s claims in the Adelphia bankruptcy cases (the total face amount of which is approximately \$66.6 million). The ART was added as a co-plaintiff with Adelphia after February 13, 2007.

On October 26-30, 2009, the Bankruptcy Court conducted a trial on the sole issue of Adelphia’s claim to equitably subordinate or disallow the Motorola claim against the estate. Before the Bankruptcy Court issued its decision, a settlement was reached among ART, Adelphia, and Motorola. The Bankruptcy Court entered an order approving the settlement on December 14, 2009. Pursuant to the settlement, Motorola made a payment of \$40 million to the ART on December 29, 2009. In connection with the settlement with Motorola, the ART issued a total of 57,274,499 ACC-2 Interests to Bear, Stearns & Co. Inc., DK Acquisition Partners L.P. and Varde Investment Partners, L.P. on December 30, 2009.

Deloitte & Touche Litigation

On November 6, 2002, Adelphia filed a lawsuit against Deloitte & Touche LLP (“Deloitte”), Adelphia’s former independent auditor, for accounting malpractice in Pennsylvania state court. Adelphia alleged that Deloitte (i) failed to conduct an audit in accordance with generally accepted auditing standards and (ii) provided

an opinion that Adelphia's financial statements conformed with generally accepted accounting principles when Deloitte allegedly knew or should have known that those financial statements did not so conform.

On August 3, 2007, the ART announced that it had reached a settlement with Deloitte to resolve the claims between Adelphia, the ART, and Deloitte in exchange for a payment of \$167.5 million, subject to the approval of the Bankruptcy Court. The Bankruptcy Court entered an order approving the settlement on August 16, 2007.

Rosensweig and Tow Litigation

On August 3, 2007, the ART announced the settlement of various pending adversary actions and bankruptcy claims pending in the Bankruptcy Court for the Southern District of New York involving Leonard Tow, Claire Tow, and David Rosensweig, the Trustee of two trusts created in connection with Tow's exercise of his right to terminate his employment as the Chief Executive Officer of Century Communications Corporation when Adelphia acquired Century in 1999. The Bankruptcy Court entered an order approving the settlement on September 6, 2007. The settlement provided for a cash payment to the ART of approximately \$15.8 million and an interest-bearing note in the principal amount of approximately \$4.9 million issued by Adelphia with simple, non-compounding, interest thereon at the rate of 8%. That note is recourse only to Adelphia's proceeds from life insurance policies on the lives of Leonard Tow and Claire Tow, the total proceeds of which policies shall not be paid until the death of the last to die of Leonard Tow and Claire Tow. A partial payment of the note in the amount of \$2.1 million was paid in October 2014, upon the death of Claire Tow in accordance with the first to die rider and the terms of the note.

Litigation Indemnification Fund Litigation

Pursuant to the Fourth 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 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 and held by Adelphia 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 Plan (the "Plan LIFs") are fixed in amounts and not subject to replenishment. Because the JV LIF is evergreen, whereas the Plan LIFs are capped, the allocation of defense costs among the categories of LIFs is a matter of economic significance.

Certain entities (the "JV Claimants") submitted formal claims that through September 30, 2011 aggregated approximately \$26.9 million in excess of the \$10.0 million initially deposited in the JV Litigation Indemnification Fund by Adelphia. Thus, claims against the JV LIF totaled approximately \$36.9 million and certain of the JV Claimants indicated an intention to submit additional claims in the future. Adelphia and the ART asserted that the JV LIF claims were improper.

On November 13, 2008, certain of the JV 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 Adelphia) and the Art with the Fourth Modified Fourth Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code and the Century TCI Stipulation* (the "LIF Motion"). Adelphia and the ART moved to disallow Bank Lender Post-Effective Date Fee Claims against the claimants.

The JV LIF claims involving Societe Generale, S.A. were resolved by settlement in 2010. The claims of the remaining JV LIF Claimants were resolved by settlement in 2011. The ART contributed \$1.2 million to the JV evergreen LIF in connection with the final settlement of the JV LIF claims. Those settlements fully resolved all claims asserted against the JV LIF.

Sabres Litigation

The Sabres action involves claims for fraudulent conveyance, aiding and abetting breach of fiduciary duty, and equitable subordination or disallowance against Key Bank, N.A. (“Key Bank”), Fleet National Bank (“Fleet”), and HSBC Bank USA, N.A. (“HSBC”) (collectively, the “Sabres Banks”) arising from (i) Adelpia’s purchase of and payments on certain loans made by the Sabres Banks to a Rigas Family partnership that owned the Buffalo Sabres hockey team and (ii) John Rigas’ purchase of the team using Adelpia financing. HSBC has asserted counterclaims against Adelpia for “post-petition tort,” contribution and indemnification.

The District Court for the Western District of New York granted a permanent injunction against the ART’s prosecution of the fraudulent conveyance claims against the Sabres Banks and the Second Circuit affirmed that decision. The ART’s claims against Fleet were resolved as part of the settlement between the ART and Fleet and other defendants in the Bank Litigation.

The remaining Sabres Banks cross-moved to dismiss the ART’s claims for aiding and abetting breach of fiduciary duty and equitable subordination or disallowance. The ART moved to dismiss HSBC’s counterclaims.

On May 18, 2012, the Court dismissed the Trust’s claims for aiding and abetting breach of fiduciary duty and equitable subordination or disallowance and HSBC’s counterclaims. The Court entered judgment and dismissed the case on May 22, 2012. The ART determined to not appeal the decision.