

[Table of Contents](#)

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2011

or

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

For the transition period from _____ to _____

Commission File Number: 000-53209

Adelpia Recovery Trust

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

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

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

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

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

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

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

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

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

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

[Table of Contents](#)ADELPHIA RECOVERY TRUST
FORM 10-Q
INDEX

PART I — FINANCIAL INFORMATION	3
ITEM 1. FINANCIAL STATEMENTS (unaudited)	3
Condensed Balance Sheets as of March 31, 2011 and December 31, 2010	3
Condensed Statements of Operations for the three months ended March 31, 2011 and 2010	4
Condensed Statements of Cash Flows for the three months ended March 31, 2011 and 2010	5
Notes to Condensed Financial Statements	6
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	10
ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	16
ITEM 4. CONTROLS AND PROCEDURES	16
PART II	17
ITEM 1. LEGAL PROCEEDINGS	17
ITEM 1A. RISK FACTORS	19
ITEM 6. EXHIBITS	20
SIGNATURES	21
CERTIFICATIONS	

[Table of Contents](#)**PART 1 - FINANCIAL INFORMATION**

Item 1 Financial Statements

**Adelpia Recovery Trust
Unaudited Condensed Balance Sheets**

	<u>As of</u> <u>March 31, 2011</u>	<u>As of</u> <u>December 31, 2010</u>
Assets		
Cash and cash equivalents	\$ 81,870,417	\$ 21,887,750
Temporary investments	0	64,808,133
Prepaid assets	1,002,386	68,613
Note and accrued interest receivable	6,266,335	6,168,829
Total assets	<u>\$ 89,139,138</u>	<u>\$ 92,933,325</u>
Liabilities and net assets		
Accrued expenses	<u>\$ 536,847</u>	<u>\$ 1,886,181</u>
Total liabilities	536,847	1,886,181
Contingencies		
Net assets	<u>88,602,291</u>	<u>91,047,144</u>
Total liabilities and net assets	<u>\$ 89,139,138</u>	<u>\$ 92,933,325</u>

See accompanying notes to condensed financial statements.

[Table of Contents](#)

Adelpia Recovery Trust
Unaudited Condensed Statements of Operations

	For the three months ended March 31, 2011	For the three months ended March 31, 2010
Revenues		
Interest income	\$ 136,236	\$ 149,966
Total revenues	<u>136,236</u>	<u>149,966</u>
Operating expenses		
General and administrative expenses	763,578	760,685
Professional expenses - Litigation	1,435,303	7,993,285
Professional expenses – administrative	<u>382,208</u>	<u>162,225</u>
Total operating expenses	<u>2,581,089</u>	<u>8,916,195</u>
Net loss	<u>\$ (2,444,853)</u>	<u>\$ (8,766,229)</u>

See accompanying notes to condensed financial statements.

[Table of Contents](#)

Adelpia Recovery Trust
Unaudited Condensed Statements of Cash Flows

	<u>For the three months ended March 31, 2011</u>	<u>For the three months ended March 31, 2010</u>
Operating activities		
Net loss	\$ (2,444,853)	\$ (8,766,229)
Adjustments to reconcile net loss to net cash used by operating activities consisting of changes in operating assets and liabilities:		
Prepaid assets	(933,773)	111,350
Note and accrued interest receivable	(97,506)	(97,506)
Accrued expenses	(1,349,334)	(611,263)
Net cash used by operating activities	<u>(4,825,466)</u>	<u>(9,363,648)</u>
Investing activities		
Sale/(purchase) of temporary investments and accrued interest	64,808,133	(73,030,706)
Net cash provided (used) by investing activities	<u>64,808,133</u>	<u>(73,030,706)</u>
Net change in cash and cash equivalents	59,982,667	(82,394,354)
Cash and cash equivalents, beginning of period	<u>21,887,750</u>	<u>164,327,745</u>
Cash and cash equivalents, end of period	<u>\$ 81,870,417</u>	<u>\$ 81,933,391</u>

See accompanying notes to condensed financial statements.

[Table of Contents](#)

ADELPHIA RECOVERY TRUST

Notes to Condensed Financial Statements — March 31, 2011 (Unaudited)

1 Background

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

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

2 Basis of Presentation

The accompanying interim unaudited condensed financial statements of the ART have been prepared in accordance with generally accepted accounting principles in the United States of America for interim periods (“US GAAP”) and with the instructions to Form 10-Q. As such, they do not include all of the information and disclosures required by US GAAP for complete financial statements. In the opinion of the Trustees, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the interim unaudited condensed financial statements have been included. These condensed financial statements should be read in conjunction with the ART’s audited financial statements for the year ended December 31, 2010 included in its Form 10-K filed with the Securities and Exchange Commission (“SEC”) on March 4, 2011. Interim results are not necessarily indicative of the results for the complete fiscal year. The unaudited condensed balance sheet as of December 31, 2010 was derived from the audited financial statements for the year then ended.

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

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

4 Causes of Action and Contingent Liabilities

Except as set forth below, there have been no material developments in the legal proceedings described in the ART's Form 10-K as filed on March 4, 2011.

*Causes of Action***Goldman Sachs Litigation**

Goldman Sachs ("Goldman") moved for summary judgment on March 2, 2010. On April 7, 2011, the District Court granted Goldman's summary judgment motion and judgment was entered April 13, 2011. On May 6, 2011, the ART timely filed its notice of appeal.

At this time, the ART cannot predict the outcome of the Goldman Sachs Litigation or estimate the possible financial effect of this proceeding on the ART's financial statements.

Prestige Litigation

On October 27, 2009, Defendants moved for summary judgment on the ART's claims. That motion is pending. After the District Court granted the ART's motion to file a Second Amended Complaint on November 23, 2010, the parties supplemented their summary judgment papers and the motion is under submission to the District Court. No trial date has been set.

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

FPL Litigation

The FPL action seeks to recover an alleged fraudulent transfer arising out of Adelpia's repurchase of certain of its stock from FPL in January 1999 for \$149.5 million. Pursuant to the main Plan, the claims asserted in the FPL Litigation were transferred to the ART. On January 20, 2011, FPL filed a motion to amend its answer to add a new defense. The motion has been briefed and argued and is under submission to the Bankruptcy Court.

The parties currently are engaged in fact discovery. Trial is presently set to begin on September 16, 2011.

[Table of Contents](#)

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

Contingent Liabilities

Litigation Indemnification Fund Litigation

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

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

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

Certain entities (the "JV Claimants") have submitted formal claims that through April 30, 2011 aggregate approximately \$27 million in excess of the \$10 million initially deposited in the JV Litigation Indemnification Fund, and have indicated an intention to submit additional claims in the future. Adelphia and the ART have asserted that the JV LIF claims are 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 Third 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 motions remain pending as to all claimants other than Societe Generale, S.A., which resolved its dispute with Adelphia and the ART, and an evidentiary hearing has been scheduled for May 25, 2011.

On April 16, 2010, Adelphia and the ART filed a motion seeking Bankruptcy Court approval of a Stipulation and Consent Order by and among Adelphia, the ART, and

[Table of Contents](#)

claimant Societe Generale, S.A. resolving both motions as to Societe Generale, S.A. The Bankruptcy Court approved the Stipulation and Consent Order on May 7, 2010. The motions remain pending as to the other claimants.

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

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

5 Fair Value of Financial Instruments

The ART invests in FDIC insured bank certificates of deposit ("CDs"). CD investments held by the ART as of December 31, 2010 matured in the first quarter of 2011. At maturity, the ART elected to re-invest in CDs with a maturity of 90 days or less when purchased. CDs with a maturity of 90 days or less when purchased are classified as cash and cash equivalents and those with a maturity exceeding 90 days are classified as temporary investments. The ART had no temporary investments as of March 31, 2011.

The fair value of the note receivable and accrued interest has been determined using unobservable inputs (i.e. Level 3, as defined in Accounting Standards Codification 820-10) and approximates \$4.5 million as of both March 31, 2011 and December 31, 2010. The fair value was derived by discounting to March 31, 2011 and December 31, 2010 the projected maturity value of the note including accrued interest. The projected maturity values, including interest were calculated using life expectancy tables. The discount rate is based on the yield on the notes issued by the life insurance companies underwriting the life insurance policies and various risk factors associated with the note.

The carrying values were approximately \$6.3 million as of March 31, 2011 and approximately \$6.2 million as of December 31, 2010. The note bears 8% simple interest and is recourse only to the proceeds of various life insurance policies on Mr. and Mrs. Leonard Tow totaling approximately \$28 million.

6 Subsequent Events

Events subsequent to March 31, 2011 have been evaluated through May 13, 2011, the date the accompanying financial statements were issued. Other than as discussed herein, there have been no subsequent events that would be material to the financial statements of

[Table of Contents](#)

the ART, including Cause of Action settlements or judgments or Distributions or decisions concerning future Distributions.

Item 2

**Management's Discussion and Analysis of Financial Condition and
Results of Operations**

Overview

The ART was formed as a Delaware statutory trust pursuant to that certain First Modified Fifth Amended Joint Chapter 11 Plan of Reorganization of Adelphia and certain of its subsidiaries. The purpose of the ART is to prosecute the various Causes of Action transferred to the ART pursuant to the Plan and distribute to the owners of the Interests in the ART the net proceeds of such Causes of Action, according to the relative priorities established pursuant to the Plan, subject to the retention of various amounts to fund the prosecution of those Causes of Action and operations of the ART. Pursuant to the Plan, in addition to the Causes of Action, Adelphia transferred \$25 million in cash to the ART in connection with its formation in 2007 in order to fund the initial expenses of operation.

Adelphia and certain of its subsidiaries 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 various groups of creditors reached agreement on the allocation and distribution of the cash, TWC stock, other proceeds from the sale of estate assets and relative priorities to any Distributions arising from the Causes of Action contributed to the ART. This agreement was embodied in the Plan, which was confirmed in January 2007 and became effective on February 13, 2007 (the "Effective Date"). Under the Plan, the creditors and equity holders of Adelphia and certain of its subsidiaries received one or more of the following: cash, TWC stock, rights to future Distributions up to payment in full and the Interests.

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

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

Distributions

Pursuant to the Plan and the Declaration, Distributions to Holders are net of any costs and expenses incurred by the ART in connection with administering, litigating or otherwise resolving the various Causes of Action. Such costs and expenses may also include fees and

[Table of Contents](#)

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 will be 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 Trust in accordance with the waterfall priority established in the Plan. It is not possible to determine at this time if there will be future Distributions to the Holders of Interests in the Trust. No other Distributions have occurred or are currently planned.

As of March 31, 2011, the number of Interests outstanding in each series eligible to receive a Distribution is as follows:

CVV Series of Interest:	As of March 31, 2011
Series RF	115,000,000
Series Arahova	722,639,681
Series FrontierVision	86,600,001
Series FPL	25,575,129
Series Olympus	17,000,001
Series ACC-1	4,839,988,165
Series ACC-2	339,207,075
Series ACC-3	119,430,302
Series ESL (1)	17
Series ACC-4	1,790,968,272
Series ACC-5 (1)	458
Series ACC-6B	150,000,000
Series ACC-6B1 (1)	3
Series ACC-6D	575,000,000
Series ACC-6D1 (1)	229,004
Series ACC-6E/F	935,812,456
Series ACC-6E/F1 (1)	277,210
Series ACC-7	217,022,640
Series ACC-7A (1)	1,537,766,752

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

A schedule summarizing the Distribution priority waterfall is set forth below.

[Table of Contents](#)

ART DISTRIBUTION WATERFALL (1) March 31, 2011			
Remaining Aggregate Distribution ⁽²⁾	Distribution Description ⁽³⁾	ART Distribution Recipient	
Up to 15,000,000	Until RF holders have received an aggregate \$115 million	Series RF	50.00%
		Series Arahova	22.94%
		Series ACC-1	21.36%
		Series Olympus	2.50%
		Series FrontierVision	1.25%
		Series ACC-2	1.12%
		Series ACC-3	0.45%
		Series FPL	0.38%
15,000,001 - 361,000,000	Until Series Olympus has received aggregate distributions of \$16 million plus the Olympus Fees, plus accrued post-Effective Date dividends	Series Arahova	45.87%
		Series ACC-1	42.73%
		Series Olympus	5.00%
		Series FrontierVision	2.50%
		Series ACC-2	2.25%
		Series ACC-3	0.90%
		Series FPL	0.75%
		361,000,001 - 950,000,000	Until cumulative distribution is \$1,165 million
Series ACC-1	45.06%		
Series FrontierVision	2.50%		
Series ACC-2	2.37%		
Series ACC-3	0.95%		
Series FPL	0.75%		
950,000,001 - 3,840,000,000	Until Series Arahova has received \$625 million plus the Arahova Fees plus accrued post-Effective Date dividends	Series ACC-1	76.60%
		Series Arahova	14.51%
		Series ACC-2	4.03%
		Series FrontierVision	2.50%
		Series ACC-3	1.61%
		Series FPL	0.75%
3,840,000,001 - 4,492,000,000	Until Series FPL has received aggregate distributions of \$6.2 million plus Default Interest, plus accrued post-Effective Date dividends (ACC-1 paid in full)	Series ACC-1	90.11%
		Series ACC-2	4.74%
		Series FrontierVision	2.50%
		Series ACC-3	1.90%
		Series FPL	0.75%
4,492,000,001 - 4,547,000,000	Until Series FPL has received aggregate distributions of \$6.2 million plus Default Interest, plus accrued post-Effective Date dividends	Series ACC-2	69.10%
		Series ACC-3	27.65%
		Series FrontierVision	2.50%
		Series FPL	0.75%
4,547,000,001 - 4,569,000,000	Until Series FrontierVision has received aggregate distributions of \$85 million plus 80% of the FrontierVision Fees, plus accrued post-Effective Date dividends	Series ACC-2	69.63%
		Series ACC-3	27.87%
		Series FrontierVision	2.50%
		Series ACC-2	71.42%
4,569,000,001 - 4,638,000,000	Until the holders of Claims in Class ACC Notes and in Classes ACC Trade and ACC Other Unsecured have been paid in full including Case Contract Interest (ACC Notes) and Case 8% Interest (ACC Trade and ACC Other Unsecured) and accrued post-Effective Date dividends	Series ACC-3	28.58%
		Series Arahova	100.00%
4,638,000,001 - 4,698,000,000	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%
Not Quantifiable	Until ESL holders have received Payment in Full of their Claims and Case 8% interest plus accrued post-Effective Date dividends		
Not Quantifiable	Until ACC-4 holders have received the full amount of their Allowed Claims plus Case Contract Interest plus accrued post-Effective Date dividends		
Not Quantifiable	Until ACC-5 holders have received the full amount of their Allowed Claims plus Case 8% interest plus accrued post-Effective Date dividends		
Not Quantifiable	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		
Not Quantifiable	Each ACC-7 holder is entitled to receive a pro rata share of any distributions remaining		

⁽¹⁾ Capitalized terms used but not otherwise defined have the respective meaning given to them under the Plan. Remaining aggregate distributions and ART distribution percentages are as of March 31, 2011.

⁽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 and the establishment of reserves totaling \$11.7 million for Settlement Party Fee Claims, FPL Fee Claims and Olympus Fee Claims over the Allowed claim amounts pursuant to the Court's directive in its Decision and Order on Estate's Payment of Non-Fiduciary Professional Fees entered November 18, 2010. Such excess reserves shall be distributed to the Class whose Effective Date distributions were reduced by the Settlement Party Fee Claims, FPL Fee Claims and Olympus Fee Claims in accordance with the Plan.

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

[Table of Contents](#)**Results of Operations**

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

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.

First Quarter 2011 vs First Quarter 2010

Total revenues consisting solely of interest decreased to \$136,236 in the first quarter of 2011 from \$149,966 in the first quarter of 2010. The decrease of \$13,730 was caused by a reduction in average invested cash balances partially offset by an increase in investment yields. There were no court approved settlements or related revenues for either the first quarter of 2011 or for the first quarter of 2010.

Total operating expenses for the ART decreased to approximately \$2.6 million in the first quarter of 2011 from approximately \$8.9 million in the first quarter of 2010. The cost decrease of approximately \$6.3 million was caused by a decrease in professional litigation activities of \$6.5 million offset by increased costs of \$0.2 million associated with professional administrative activities in the first quarter of 2011 versus the first quarter of 2010.

Professional litigation costs decreased by approximately \$6.5 million in the first quarter of 2011 compared to the first quarter of 2010 due to decreased professional expenses related to the Bank Cause of Action which was settled in the fourth quarter of 2010. The decrease was partially offset by increased costs for the other Causes of Action as legal activities accelerated.

General and administrative costs increased by \$2,893 in the first quarter of 2011 when compared to the first quarter of 2010. The ART experienced decreased costs of approximately \$50,000 in the first quarter of 2011 for ART bank fees, insurance and SEC filing costs but had offsetting increased costs of approximately \$53,000 for Trustee additional service compensation, auditing activity and tax compliance expenses between the same comparable periods.

Professional administrative costs increased by \$219,983 in the first quarter of 2011 compared to the first quarter of 2010. The increased costs in the first quarter of 2011 relate to increased legal support costs incurred by the ART to manage trust operations, administrative requirements, Cause of Action coordination and regulatory compliance.

As a result of the decrease in total revenues of approximately \$14,000 and the decrease in total operating expenses of approximately \$6.3 million in the first quarter of 2011 compared to the first quarter of 2010, the net loss of approximately \$2.4 million for the quarter ended March 31, 2011 was approximately \$6.3 million lower than the net loss for the quarter ended March 31, 2010.

[Table of Contents](#)**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 and fund the prosecution of the Causes of Action.

Based upon cash and cash equivalent balances as of March 31, 2011 totaling approximately \$81.9 million along with expected expenses and other potential disbursements, the ART expects to meet its obligations as they come due during the next twelve months. Due to the uncertain nature of future revenues and expenses beyond twelve months, it is not possible to be certain that cash will be available to cover all the future financial needs of the ART. Incurring debt, creating contingent obligation agreements and seeking methods to reduce legal professional and administrative costs are all strategies that could be undertaken to address liquidity issues should they arise. These strategies could impact the ART's ability to maximize recoveries from settlements.

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

Cash and cash equivalent balances at March 31, 2011 of approximately \$81.9 million are \$60.0 million higher than as of December 31, 2010. This increase is due to cash and cash equivalents provided from investing activities of \$64.8 million offset by the use of cash and cash equivalents for operating activities of \$4.8 million.

All of the ART's 6 month CDs held as of December 31, 2010 matured in the first quarter of 2011. The value of the CDs including accrued interest at December 31, 2010 was \$64.8 million. The ART invested the proceeds in CDs with a 3 month or shorter maturity, a U.S. Treasury and government agency securities money market fund and a deposit account. All of those investments are considered cash equivalents as of March 31, 2011.

The \$4.8 million use of cash for operating activities included a net loss for the three months ended March 31, 2011 of approximately \$2.4 million and a decrease in accrued expenses of approximately \$1.4 million. The decrease of \$1.4 million in accrued expenses is due to the timing of vendor payments. Operating activities include the accrual of interest on a note receivable during the three months ended March 31, 2011 of approximately \$0.1 million and the payment for prepaid assets of \$0.9 million net of amortization for the quarter.

[Table of Contents](#)

As of March 31, 2011, the ART has a total of \$81.9 million of cash and cash equivalents which include investments in three-month or shorter FDIC fully-insured bank CDs in the amount of \$67.0 million, a U.S. Treasury and government agency securities money market fund in the amount of \$11.1 million and deposit accounts in the amount of \$3.8 million. The ART considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. As such, the three-month CDs have been classified as cash equivalents as of March 31, 2011. All investments during the quarter were fully compliant with the ART investment policy.

As discussed further in Note 4 to the unaudited condensed financial statements, there is an ongoing dispute regarding the Litigation Indemnification Fund created under the Third Modified Fourth Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code for Century-TCI Debtors and Parnassos Debtors (the "JV LIF"). To date, Century-TCI and Parnassos lenders (the "JV Lenders") have submitted formal claims of approximately \$27 million in aggregate ("JV LIF Claims") in excess of the \$10 million initially deposited in the JV LIF and have indicated an intention to submit additional claims in the future. If the Bankruptcy Court finds in favor of the JV Lenders in that dispute, the ART may be required to replenish the JV LIF in an amount that satisfies all pending claims and returns the balance in the fund to \$10 million. In addition, the Bankruptcy Court could determine that the JV LIF must be replenished by the amount of the disputed JV LIF Claims while the dispute is still pending. The ART has adequate liquidity to pay such obligation, if required.

Debt and Other Long-term Obligations

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

Cautionary Statement Regarding Risks and Uncertainties That May Affect Future Results

This report on Form 10-Q contains forward-looking statements about the business, financial condition and prospects of the ART. The actual results of the ART could differ materially from those indicated by the forward-looking statements because of various risks and uncertainties, including, without limitation, the number of and proceeds from litigations and/or settlements which are successful, delays in obtaining proceeds, the amount of funding required for the litigations and other operating expenses, economic conditions, changes in tax and other governmental rules and regulations applicable to the ART, and other risks identified and described in the Form 10-K filed with the SEC on March 4, 2011. These risks and uncertainties are beyond the ability of the ART to control, and in many cases, the ART cannot predict the risks and uncertainties that could cause its actual results to differ materially from those indicated by the forward-looking statements. When used in this report the words "believes," "estimates," "plans," "expects," and "anticipates" and similar expressions as they relate to the ART or its management are intended to identify forward-looking statements.

[Table of Contents](#)

Item 3

Quantitative and Qualitative Disclosures about Market Risk

The ART invests cash in either FDIC insured deposit accounts, FDIC insured bank CDs or a money market fund invested in short-term U.S. Treasury and government agency securities including repurchase agreements collateralized fully by U.S. Treasury and government agency securities. The CDs have 3 month or less maturity terms and as of March 31, 2011 the money market fund has a 49 day weighted average maturity for the underlying securities. Interest income from these investments is subject to interest rate fluctuations.

Item 4

Controls and Procedures*Evaluation of Disclosure Controls and Procedures*

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

The Trustees and the Trust Administrator have completed an evaluation of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2011. Based on their evaluation, the Trustees and the Trust Administrator concluded that as of March 31, 2011, the ART's disclosure controls and procedures were effective.

Limitations on the Effectiveness of Controls

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

[Table of Contents](#)

cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Changes in Internal Control over Financial Reporting

During the quarter ended March 31, 2011, there were no changes in the ART's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the ART's internal control over financial reporting.

PART II

Item 1 Legal Proceedings

Except as set forth below, there have been no material developments in the legal proceedings described in the ART's Form 10-K as filed on March 4, 2011.

Goldman Sachs Litigation

Goldman Sachs ("Goldman") moved for summary judgment on March 2, 2010. On April 7, 2011, the District Court granted Goldman's summary judgment motion and judgment was entered April 13, 2011. On May 6, 2011, the ART timely filed its notice of appeal.

At this time, the ART cannot predict the outcome of the Goldman Sachs Litigation or estimate the possible financial effect of this proceeding on the ART's financial statements.

Prestige Litigation

On October 27, 2009, Defendants moved for summary judgment on the ART's claims. That motion is pending. After the District Court granted the ART's motion to file a Second Amended Complaint on November 23, 2010, the parties supplemented their summary judgment papers and the motion is under submission to the District Court. No trial date has been set.

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

FPL Litigation

The FPL action seeks to recover an alleged fraudulent transfer arising out of Adelpia's repurchase of certain of its stock from FPL in January 1999 for \$149.5 million. Pursuant to the main Plan, the claims asserted in the FPL Litigation were transferred to the ART. On January 20, 2011, FPL filed a motion to amend its answer to add a new defense. The motion has been briefed and argued and is under submission to the Bankruptcy Court.

[Table of Contents](#)

The parties are engaged in fact discovery. Trial is presently set to begin on September 16, 2011.

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

Contingent Liabilities**Litigation Indemnification Fund Litigation**

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

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

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

Certain entities (the "JV Claimants") have submitted formal claims that through April 30, 2011 aggregate approximately \$27 million in excess of the \$10 million initially deposited in the JV Litigation Indemnification Fund, and have indicated an intention to submit additional claims in the future. Adelphia and the ART have asserted that the JV LIF claims are 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 Third 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 motions remain pending as to all claimants other than Societe Generale, S.A.,

[Table of Contents](#)

which resolved its dispute with Adelphia and the ART, and an evidentiary hearing has been scheduled for May 25, 2011.

On April 16, 2010, Adelphia and the ART filed a motion seeking Bankruptcy Court approval of a Stipulation and Consent Order by and among Adelphia, the ART, and claimant Societe Generale, S.A. resolving both motions as to Societe Generale, S.A. The Bankruptcy Court approved the Stipulation and Consent Order on May 7, 2010. The motions remain pending as to the other claimants.

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

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

Item 1A. **Risk Factors**

As of the date of this filing there have been no material changes from the risk factors previously disclosed in our "Risk Factors" in the ART's Form 10-K for the year ended December 31, 2010 as filed with the SEC on March 4, 2011.

[Table of Contents](#)**Item 6 Exhibits**

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

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

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

[Table of Contents](#)

SIGNATURES

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

Date: May 13, 2011

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

/s/ Jeffrey A. Brodsky

Jeffrey A. Brodsky
Member

SECTION 302 CERTIFICATION

I, Ralph J. Takala, certify that:

1. I have reviewed this report for the period ended March 31, 2011 on Form 10-Q of Adelphia Recovery Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 13, 2011

/s/ Ralph J. Takala

Ralph J. Takala

Trustee

SECTION 302 CERTIFICATION

I, Jeffrey A. Brodsky, certify that:

1. I have reviewed this report for the period ended March 31, 2011 on Form 10-Q of Adelpia Recovery Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 13, 2011

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

/s/ Jeffrey A. Brodsky

Jeffrey A. Brodsky
Member

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

In connection with the Quarterly Report of Adelpia Recovery Trust (the "Trust") on Form 10-Q for the period ended March 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ralph J. Takala, Trustee of the Trust, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

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

/s/ Ralph J. Takala

Ralph J. Takala
Trustee

Date: May 13, 2011

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

In connection with the Quarterly Report of Adelphia Recovery Trust (the "Trust") on Form 10-Q for the period ended March 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffrey A. Brodsky, a member of Quest Turnaround Advisors, LLC, Trust Administrator of the Trust, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

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

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

/s/ Jeffrey A. Brodsky

Jeffrey A. Brodsky
Member

Date: May 13, 2011