LEBOEUF, LAMB, GREENE & MACRAE
L.L.P.

A LIMITED LIABILITY PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

980038-TX

NEW YORK
WASHINGTON
ALBANY
BOSTON
DENVER
HARRISBURG
HARTFORD
JACKSONVILLE

ONE COMMERCE PLAZA
SUITE 2020
99 WASHINGTON AVENUE
ALBANY, NY 12210-2820
(518) 465-1500
FACSIMILE (518) 465-1585

LOS ANGELES
NEWARK
PITTSBURGH
PORTLAND, OR
SALT LAKE CITY
SAN FRANCISCO
BRUSSELS
MOSCOW
ALMATY
LONDON
(A LONDON-BASED MULTINATIONAL PARTNERSHIP)

DEPOSIT DATE
D684 · JAN 0 8 1998

January 6, 1998

Check received with filing and forwarded to Fiscal for deposit. Fiscal to forward a copy of check to RAR with proof of deposit.

Initials of person who forwarded check: ___

VIA FEDERAL EXPRESS

Florida Public Service Commission
Division of Communications
Certification & Compliance Section
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0866

Re: Application of Adelphia Telecommunications of Florida, Inc. for Authority to Provide Alternative Local Exchange (ALEC) Service Within the State of Florida

Dear Sir or Madam:

On behalf of Adelphia Telecommunications of Florida, Inc., enclosed please find an original and six (6) copies of an application for authority to provide alternative local exchange service (ALEC) within the State of Florida. Also enclosed is a $250.00 check made payable to the Florida Public Service Commission for the filing fee.

Please acknowledge receipt of this filing by returning a date-stamped copy of this letter in the self-addressed, stamped envelope provided for that purpose.

Given that Adelphia's entry into the local exchange market would lead to increased competition, which is in the public interest, we respectfully request expedited treatment of Adelphia's application.

If you have any questions regarding this filing, please contact us.

Sincerely,

Noelle M. Kinsch

Noelle M. Kinsch

MAILROOM
98 JAN -7 PM 3:12

Enclosures
cc: John B. Glicksman, Esq.
Brian T. FitzGerald, Esq.

AL 39976.1

DOCUMENT NUMBER-DATE
00153 JAN-7 98
FPSC-RECORDS/REPORTING

LEBOEUF, LAMB, GREENE & MACRAE

L.L.P.

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Please acknowledge receipt of this filing by returning a date-stamped copy of this letter in the self-addressed, stamped envelope provided for that purpose.

Given that Adelphia's entry into the local exchange

ADELPHIA CABLE COMMUNICATIONS

ADELPHIA COMMUNICATIONS CORPORATION
P.O. BOX 472
COUDERSPORT, PA 16915

02819

63-1012
632

JAN. 2 1998

PAY TO THE ORDER OF FLORIDA PUBLIC SERVICE COMMISSION $250.00

TWO HUNDRED FIFTY DOLLARS AND--00/100 DOLLARS

FIRST UNION NATIONAL BANK OF FLORIDA
PENSACOLA, FL 32534

[redacted]

APPLICATION FORM

1. This is an application for √ (check one):

   (X) Original authority (new company)

   ( ) Approval of transfer (to another certificated company)
   <u>Example</u>, a certificated company purchases an existing company and desires to retain the original certificate authority.

   ( ) Approval of assignment of existing certificate (to a noncertificated company)
   <u>Example</u>, a non-certificated company purchases an existing company and desires to retain the certificate of authority rather than apply for a new certificate.

   ( ) Approval for transfer of control (to another certificated company)
   <u>Example</u>, a company purchases 51% of a certificated company. The Commission must approve the new controlling entity.

2. Name of applicant:

   Adelphia Telecommunications of Florida, Inc.

3. Name under which the applicant will do business (d/b/a):

   N/A

4. If applicable, please provide proof of fictitious name (d/b/a) registration.

   Fictitious name registration number: ___________

APPLICATION FORM

5. A. National mailing address including street name, number, post office box, city, state, zip code, and phone number.

5 West Third Street

Coudersport, PA 16915

B. Florida mailing address including street name, number, post office box, city, state, zip code, and phone number.

2001 West Blue Heron Boulevard

Riviera Beach, FL 33404

6. Structure of organization: √ Check appropriate box(s)

( ) Individual
(x) Foreign Corporation
( ) General Partnership
( ) Joint Venture
( ) Corporation
( ) Foreign Partnership
( ) Limited Partnership
( ) Other, Please explain______________

7. If applicant is an individual, partnership, or joint venture, please give name, title and address of each legal entity.

N/A

APPLICATION FORM

8. State whether any of the officers, directors, or any of the ten largest stockholders have previously been adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings. If so, please explain.

No officer, director or any of the ten largest stockholders has previously been adjudged bankrupt, mentally incompetent or guilty of any felony or crime and there are no such pending proceedings.

9. If incorporated, please provide proof from the Florida Secretary of State that the applicant has authority to operate in Florida.

Corporate charter number: F97000002517

10. Please provide the name, title, address, telephone number, Internet address, and facsimile number for the person serving as ongoing liaison with the Commission, and if different, the liaison responsible for this application.

John B. Glickman, Esq., Deputy General Counsel, 5 West Third Street, Coudersport, PA 16915; (814) (274-6222); (FAX) (814) (274-7782); and Brian T. FitzGerald, Esq., LeBoeuf, Lamb, Greene & MacRae, L.L.P., 99 Washington Ave., Albany, NY 12210; (518) (465-1500) (FAX) (518) (465-1585)

11. Please list other states in which the applicant is currently providing or has applied to provide local exchange or alternative local exchange service.

In New York, an affiliate (Adelphia Telecommunications, Inc.) provides local exchange service.

APPLICATION FORM

12. Has the applicant been denied certification in any other state? If so, please list the state and reason for denial.

N/A

13. Have penalties been imposed against the applicant in any other state? If so, please list the state and reason for penalty.

N/A

14. Please indicate how a customer can file a service complaint with your company.

Writing to the address listed above or calling the toll-free customer service number (1-888-472-6222), 7:00 A.M. to 1:00 A.M., Monday through Sunday.

15. Please complete and file a price list in accordance with Commission Rule 25-24.825.(Rule attached)

16. Please provide all available documentation demonstrating that the applicant has the following capabilities to provide alternative local exchange service in Florida.

A. Financial capability.

Regarding the showing of financial capability, the following applies:

The application <u>should contain</u> the applicant's financial statements for the most recent 3 years, including:

APPLICATION FORM

1. the balance sheet

2. income statement

3. statement of retained earnings.

Further, a written explanation, which can include supporting documentation, regarding the following should be provided to show financial capability.

1. Please provide documentation that the applicant has sufficient financial capability to provide the requested service in the geographic area proposed to be served.

2. Please provide documentation that the applicant has sufficient financial capability to maintain the requested service.

3. Please provide documentation that the applicant has sufficient financial capability to meet its lease or ownership obligations.

   NOTE: This documentation may include, but is not limited to, financial statements, a projected profit and loss statement, credit references, credit bureau reports, and descriptions of business relationships with financial institutions.

If available, the financial statements should be audited financial statements.

If the applicant does not have audited financial statements, it shall be so stated. The unaudited financial statements should then be signed by the applicant's chief executive officer and chief financial officer. The signatures should attest that the financial statements are true and correct.

B. Managerial capability.

C. Technical capability.

(If you will be providing local intra-exchange switched telecommunications service, then state how you will provide access to 911 emergency service. If the nature of the emergency 911 service access and funding mechanism is not equivalent to that provided by the local exchange companies in the areas to be served, described in detail the difference.)

APPLICATION FORM

AFFIDAVIT

By my signature below, I, the undersigned officer, attest to the accuracy of the information contained in this application and attached documents and that the applicant has the technical expertise, managerial ability, and financial capability to provide alternative local exchange service in the State of Florida. I have read the foregoing and declare that to the best of my knowledge and belief, the information is true and correct. I attest that I have the authority to sign on behalf of my company and agree to comply, now and in the future, with all applicable Commission rules and orders.

Further, I am aware that pursuant to Chapter 837.06, Florida Statutes, "Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082 and s. 775.083".

Official: James P. Ryan
Signature

1/6/98
Date

Title: VICE PRESIDENT

(814) 274-6222
Telephone Number

Address: 5 WEST THIRD STREET

COUDERSPORT, PA 16915

FORM PSC/CMU 8 (11/95)
Required by Chapter 364.337 F.S.

ADELPHIA COMMUNICATIONS CORPORATION AND SUBSIDIARIES

INDEX

Page Number

ADELPHIA COMMUNICATIONS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)
(Dollars in thousands, except per share amounts)

	Three Months Ended June 30, 1996	Three Months Ended June 30, 1997
Revenues	$ 111,011	$ 122,644
Operating expenses:		
Direct operating and programming	33,597	39,673
Selling, general and administrative	18,638	22,259
Depreciation and amortization	28,477	33,733
Total	80,712	95,665
Operating income	30,299	26,979
Other income (expense):		
Interest income from affiliates	2,049	2,151
Priority investment income from Olympus	9,817	11,765
Interest expense	(60,496)	(63,888)
Equity in loss of Olympus and other joint ventures	(13,011)	(19,198)
Equity in loss of Hyperion nonconsolidated joint ventures	(1,636)	(2,540)
Gain on sale of investment	8,405	--
Total	(54,872)	(71,710)
Loss before income taxes and extraordinary (loss) gain	(24,573)	(44,731)
Income tax (expense) benefit	(166)	70
Loss before extraordinary (loss) gain	(24,739)	(44,661)
Extraordinary (loss) gain on early retirement of debt	(2,079)	2,300
Net loss	$ (26,818)	$ (42,361)
Loss per weighted average share of common stock before extraordinary (loss) gain	$ (0.94)	$ (1.62)
Extraordinary (loss) gain per weighted average share on early retirement of debt	(0.08)	0.08
Net loss per weighted average share of common stock	$ (1.02)	$ (1.54)
Weighted average shares of common stock outstanding (in thousands)	26,308	27,468

See notes to condensed consolidated financial statements.

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

__X__ Quarterly Report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 1997

____ 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: 0-16014

ADELPHIA COMMUNICATIONS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	***23-2417713***
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.
Main at Water Street	
Coudersport, PA	***16915***
(Address of principal executive offices)	(Zip code)

814-274-9830
(Registrant's telephone number including area code)

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 X No _____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

At August 13, 1997, 19,702,308 shares of Class A Common Stock, par value $.01, and 10,944,476 shares of Class B Common Stock, par value $.01 per share, of the registrant were outstanding.

ADELPHIA COMMUNICATIONS CORPORATION AND SUBSIDIARIES

INDEX

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

ADELPHIA COMMUNICATIONS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)
(Dollars in thousands, except share amounts)

	March 31, 1997	June 30, 1997
ASSETS:		
Cable television systems, at cost, net of accumulated depreciation and amortization:		
Property, plant and equipment	$ 659,575	$ 688,027
Intangible assets	650,533	690,570
Total	1,310,108	1,378,597
Cash and cash equivalents	61,539	25,010
Investments	117,996	139,077
Preferred equity investment in Managed Partnership	18,338	18,338
Subscriber receivables - net	24,692	27,413
Prepaid expenses and other assets - net	80,355	75,884
Related party receivables - net	30,798	44,476
Total	$ 1,643,826	$ 1,708,795
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY):		
Notes payable of subsidiaries to banks and institutions	$ 1,159,500	$ 1,270,700
12 1/2% Senior Notes due 2002	277,385	277,385
10 1/4% Senior Notes due 2000	99,322	99,366
9 7/8% Senior Notes due 2007	347,274	347,316
11 7/8% Senior Debentures due 2004	124,539	124,548
9 7/8% Senior Debentures due 2005	128,255	128,291
9 1/2% Senior Pay-In-Kind Notes due 2004	197,897	177,897
13% Senior Discount Notes of Unrestricted Subsidiary due 2003	187,173	193,900
Other debt	22,694	18,493
Accounts payable	56,961	53,565
Subscriber advance payments and deposits	16,004	15,138
Accrued interest and other liabilities	127,938	120,096
Deferred income taxes	110,097	110,013
Total liabilities	2,855,039	2,936,708
Cumulative equity in loss in excess of investment in and amounts due from Olympus	42,668	46,032
Commitments and contingencies (Note 7)		
Stockholders' equity (deficiency):		
Class A Common Stock, $.01 par value, 200,000,000 shares authorized, 16,130,880 and 19,702,308 shares outstanding, respectively	161	197
Class B Common Stock, $.01 par value, 25,000,000 shares authorized and 10,944,476 shares outstanding	109	109
Additional paid-in capital	219,408	241,669
Accumulated deficit	(1,473,559)	(1,515,920)
Total stockholders' equity (deficiency)	(1,253,881)	(1,273,945)
Total	$ 1,643,826	$ 1,708,795

See notes to condensed consolidated financial statements.

ADELPHIA COMMUNICATIONS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)
(Dollars in thousands, except per share amounts)

	Three Months Ended June 30, 1996	Three Months Ended June 30, 1997
Revenues	$ 111,011	$ 122,644
Operating expenses:		
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Interest expense	(60,496)	(63,888)
Equity in loss of Olympus and other joint ventures	(13,011)	(19,198)
Equity in loss of Hyperion nonconsolidated joint ventures	(1,636)	(2,540)
Gain on sale of investment	8,405	--
Total	(54,872)	(71,710)
Loss before income taxes and extraordinary (loss) gain	(24,573)	(44,731)
Income tax (expense) benefit	(166)	70
Loss before extraordinary (loss) gain	(24,739)	(44,661)
Extraordinary (loss) gain on early retirement of debt	(2,079)	2,300
Net loss	$ (26,818)	$ (42,361)
Loss per weighted average share of common stock before extraordinary (loss) gain	$ (0.94)	$ (1.62)
Extraordinary (loss) gain per weighted average share on early retirement of debt	(0.08)	0.08
Net loss per weighted average share of common stock	$ (1.02)	$ (1.54)
Weighted average shares of common stock outstanding (in thousands)	26,308	27,468

See notes to condensed consolidated financial statements.

ADELPHIA COMMUNICATIONS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(Dollars in thousands)

	Three Months Ended June 30,	
	1996	1997
Cash flows from operating activities:		
Net loss	$ (26,818)	$ (42,361)
Adjustments to reconcile net loss to net cash (used for) provided by operating activities:		
Depreciation	18,144	20,842
Amortization	10,333	12,891
Noncash interest expense	4,996	6,858
Equity in loss of Olympus and other joint ventures	13,011	19,198
Equity in loss of Hyperion non-consolidated joint ventures	1,636	2,540
Gain on sale of investment	(8,405)	--
Extraordinary loss (gain) on early retirement of debt	2,079	(2,300)
Decrease in deferred income taxes, net of effect of acquisitions	--	(84)
Change in operating assets and liabilities, net of effects of acquisitions:		
Subscriber receivables	(1,181)	(2,721)
Prepaid expenses and other assets	(4,714)	1,110
Accounts payable	(11,758)	(3,396)
Subscriber advance payments and deposits	(1,299)	(866)
Accrued interest and other liabilities	2,136	(8,177)
Net cash (used for) provided by operating activities	(1,840)	3,534
Cash flows used for investing activities:		
Cable television systems acquired	(84,267)	(29,509)
Expenditures for property, plant and equipment	(24,944)	(43,534)
Investments in Hyperion nonconsolidated joint ventures	(4,750)	(18,031)
Investments in other joint ventures	(9,379)	(10,828)
Amounts invested in and advanced from (to) Olympus and related parties	17,854	(26,872)
Proceeds from sale of investment	11,618	--
Net cash used for investing activities	(93,868)	(128,774)
Cash flows from financing activities:		
Proceeds from debt	741,771	115,400
Repayments of debt	(512,957)	(26,689)
Costs associated with debt financing	(14,702)	--
Proceeds from subsidiary's issuance of warrants	11,087	--
Net cash provided by financing activities	225,199	88,711
Increase (decrease) in cash and cash equivalents	129,491	(36,529)
Cash and cash equivalents, beginning of period	10,809	61,539
Cash and cash equivalents, end of period	$ 140,300	$ 25,010

See notes to condensed consolidated financial statements.

The accompanying unaudited condensed consolidated financial statements of Adelphia Communications Corporation and its majority owned subsidiaries ("Adelphia" or the "Company") have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission.

In the opinion of management, all adjustments, consisting of only normal recurring accruals necessary for a fair presentation of the financial position of Adelphia at June 30, 1997, and the results of operations for the three months ended June 30, 1996 and 1997, have been included. These condensed consolidated financial statements should be read in conjunction with Adelphia's consolidated financial statements included in its Annual Report on Form 10-K for the fiscal year ended March 31, 1997 ("Annual Report"). The results of operations for the three months ended June 30, 1997 are not necessarily indicative of the results to be expected for the year ending March 31, 1998. Certain prior period balances have been reclassified to conform with the June 30, 1997 presentation.

1. Significant Events Subsequent to the Annual Report:

On July 7, 1997, Adelphia announced the sale of $150,000 in 10 1/2% Senior Notes due 2004 (the "Notes") to institutional investors and 13% Series A Cumulative Exchangeable Preferred Stock (the "Exchangeable Preferred Stock") with an aggregate liquidation preference of $150,000 of which $95,000 was sold to institutional investors and the remainder was sold to an affiliate of the family of John Rigas, Chairman of Adelphia. These offerings were accomplished in reliance on Rule 144A of the Securities Act of 1933, as amended. The terms of the Notes are similar to those of Adelphia's existing publicly held senior debt. Interest on the Notes is payable semi-annually commencing January 15, 1998. The Exchangeable Preferred Stock will accrue dividends from the date of issuance at a rate per annum of 13% of the liquidation preference per share and are payable semi-annually in arrears, commencing January 15, 1998. The shares of Exchangeable Preferred Stock are redeemable at the option of the Company, on or after July 15, 2002. The Company is required, subject to certain conditions, to redeem all of the Exchangeable Preferred Stock outstanding on July 15, 2009, at a redemption price equal to 100% of the liquidation preference thereof, plus accumulated and unpaid dividends to the date of redemption.

On July 7, 1997, Adelphia also announced the sale of perpetual Series C Convertible Preferred Stock with an aggregate liquidation preference of $100,000 in a private placement of which $80,000 was sold to a Rigas family affiliate and the remainder was sold to Telesat Cablevision, Inc., a wholly owned subsidiary of FPL Group, Inc., a New York Stock Exchange company and a 50% partner of Olympus Communications, L.P. ("Olympus"). The Series C Convertible Preferred Stock will accrue dividends at the rate of 8 1/8% of the liquidation preference per annum, and is convertible at $8.48 per share into an aggregate of 11,792,450 shares of Class A Common Stock of Adelphia. The Series C Convertible Preferred Stock is redeemable at the option of Adelphia after three years from the date of issuance at a premium declining to par.

On June 20, 1997, Adelphia acquired cable systems from Booth Communications Company. These systems served approximately 25,800 subscribers at the date of acquisition in the Virginia cities of Blacksburg and Salem and were purchased for an aggregate price of $54,500 comprised of 3,571,428 shares of Adelphia's Class A Common Stock and $29,500 cash. The acquisition was accounted for under the purchase method of accounting. Accordingly, the financial results of the acquired systems are included in the consolidated results of Adelphia effective with the date acquired.

ADELPHIA COMMUNICATIONS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(Dollars in thousands)

2. Notes Payable of Subsidiaries to Banks and Institutions:

The following updates to June 30, 1997 certain disclosures included in Note 3 to Adelphia's consolidated financial statements contained in the Annual Report:

Commitments for additional borrowings	$95,654
Weighted average interest rate payable by subsidiaries under credit agreements with banks	7.51%
Percentage of subsidiary debt that bears interest at fixed rates for at least one year	39.82%

3. Investments:

Adelphia's nonconsolidated investments are as follows:

	March 31, 1997	June 30, 1997
Investments accounted for using the equity method:		
Gross investment:		
Hyperion investment in joint ventures	$ 57,497	$ 74,726
Page Call, Inc.	14,990	15,536
Mobile Communications	2,470	11,448
Other	1,751	2,053
Total	76,708	103,763
Investments accounted for using the cost method:		
Niagara Frontier Hockey, L.P.	35,270	36,511
SuperCable ALK International	3,172	3,172
Programming ventures	2,945	2,960
Mobile Communications	1,832	2,329
Other	763	813
Total	43,982	45,785
Available for sale investments recorded at fair market value:		
Republic Industries, Inc.	9,315	6,613
Total investments before cumulative equity in net losses	130,005	156,161
Cumulative equity in net losses	(12,009)	(17,084)
Total investments	$ 117,996	$ 139,077

(Dollars in thousands)

At June 30, 1997, the Company recorded, as a component of additional paid-in capital, an unrealized holding loss on its investment in Republic Industries, Inc. common stock in the amount of $2,703.

4. Related Party Investments and Receivables:

Related party receivables - net represent advances to managed partnerships, the Rigas Family (principal shareholders and officers of Adelphia) and Rigas Family controlled entities. No related party advances are collateralized.

Cumulative equity in loss in excess of investment in and amounts due from Olympus is comprised of the following:

	March 31, 1997	June 30, 1997
Cumulative equity in loss over investment in Olympus	$ (95,771)	$ (98,914)
Amounts due from Olympus	53,103	52,882
	$ (42,668)	$ (46,032)

The investment in Olympus represents a 50% voting interest in such partnership and is being accounted for using the equity method. Summarized unaudited results of operations of Olympus are as follows:

	Six Months Ended June 30, 1996	Six Months Ended June 30, 1997
Revenues	$ 78,422	$ 83,584
Net loss	(5,534)	(9,931)
Net loss of general partners after priority return requirements	(38,306)	(46,410)

5. Income Taxes:

Income tax benefit for the three months ended June 30, 1997 was $70, which is comprised of current tax expense of $14 and deferred tax benefit of $84.

6. Supplemental Cash Flow Information:

Cash payments for interest were $50,804 and $44,212 for the three months ended June 30, 1996 and 1997, respectively.

7. Commitments and Contingencies:

Reference is made to Management's Discussion and Analysis of Financial Condition and Results of Operations for a discussion of material commitments and contingencies.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements. Certain information included in this Form 10-Q, including Management's Discussion and Analysis of Financial Condition and Results of Operations, is forward-looking, such as information relating to the effect of future regulation, future capital commitments and the effects of competition. Such forward-looking information involves important risks and uncertainties that could significantly affect expected results in the future from those expressed in any forward-looking statements made by, or on behalf of, the Company. These risks and uncertainties include, but are not limited to, uncertainties relating to economic conditions, acquisitions and divestitures, government and regulatory policies, the pricing and availability of equipment, materials inventories and programming, technological developments and changes in the competitive environment in which the Company operates. Unless otherwise stated, the information contained in this Form 10-Q is as of and for the three months ended June 30, 1997.

Adelphia Communications Corporation and its subsidiaries ("Adelphia" or the "Company") earned substantially all of its revenues in the three months ended June 30, 1996 and 1997 from monthly subscriber fees for basic, satellite, premium and ancillary services (such as installations and equipment rentals), local and national advertising sales, pay-per-view programming, home shopping networks and competitive local exchange carrier ("CLEC") telecommunications services.

The changes in Adelphia's operating results for the quarter ended June 30, 1997 compared to the same period of the prior year, were primarily the result of acquisitions, rate increases, and expanding existing cable television operations.

The high level of depreciation and amortization associated with the significant number of acquisitions in recent years, the recent upgrading and expansion of systems and interest costs associated with financing activities will continue to have a negative impact on the reported results of operations. Also, significant charges for depreciation, amortization and interest are expected to be incurred in the future by Olympus, which will also adversely impact Adelphia's future results of operations. Adelphia expects to report net losses for the next several years.

The following tables set forth certain cable television system data at the dates indicated for Company Owned, Olympus and Managed Systems. The "Olympus Systems" are systems currently owned by Olympus. The "Managed Systems" are affiliated systems managed by Adelphia.

ADELPHIA COMMUNICATIONS CORPORATION AND SUBSIDIARIES
(Dollars in thousands)

	June 30,		Percent Increase
	1996	1997	(Decrease)
Homes Passed by Cable			
Company Owned Systems	1,488,447	1,610,384	8.2%
Olympus Systems	637,154	670,712	5.3%
Managed Systems	427,559	426,529	(0.2%)
Total Systems	2,553,160	2,707,625	6.0%
Basic Subscribers			
Company Owned Systems	1,090,181	1,176,846	7.9%
Olympus Systems	400,718	427,441	6.7%
Managed Systems	305,366	303,428	(0.6%)
Total Systems	1,796,265	1,907,715	6.2%

Managed Systems' data, as of June 30, 1997, reflects the sale of a system consisting of approximately 7,900 homes passed and approximately 5,800 basic subscribers.

Exclusive of acquisitions and dispositions, basic subscribers grew 2.1%, 3.9% and 1.3% for Company Owned, Olympus and Managed Systems, respectively, during the twelve months ended June 30, 1997.

ADELPHIA COMMUNICATIONS CORPORATION AND SUBSIDIARIES
(Dollars in thousands)

The following table is derived from Adelphia's Condensed Consolidated Financial Statements that are included in this Form 10-Q and sets forth the historical percentage relationship to revenues of the components of operating income contained in such financial statements for the periods indicated.

	Three Months Ended June 30,	
	1996	1997
Revenues	100.0%	100.0%
Operating expenses:		
Direct operating and programming	30.3%	32.3%
Selling, general and administrative	16.8%	18.1%
Depreciation and amortization	25.7%	27.5%
Operating income	27.2%	22.1%

Revenues. The primary revenue sources reflected as a percentage of total revenues were as follows:

	Three Months Ended June 30,	
	1996	1997
Regulated service and equipment fees	74%	75%
Premium programming fees	12%	12%
Advertising sales and other services	14%	13%

Revenues increased approximately 10.5% for the quarter ended June 30, 1997 compared with the quarter ended June 30, 1996. The increase was attributable to the following:

Acquisitions	29%
Basic subscriber growth	7%
Rate increases	56%
Other	8%

Effective August 1, 1996, certain rate increases related to regulated cable services were implemented in substantially all of the Company's Systems. Other non-cable revenues including strategic service offerings such as paging and CLEC services also had a positive impact on revenues for the quarter ended

June 30, 1997. Future rate increases related to certain regulated cable services will become effective in substantially all of the Company's Systems during the quarter ending September 30, 1997.

Direct Operating and Programming Expenses. Direct operating and programming expenses, which are mainly basic and premium programming costs and technical expenses, increased 18.1% for the quarter ended June 30, 1997 compared with the same quarter of the prior year. Such increase was primarily due to increased operating expenses from acquired systems, increased programming costs and incremental costs associated with increased subscribers. Because of regulatory limitations on the timing and extent to which cost increases may be passed on to customers, operating and programming expenses during the quarter ended June 30, 1997 have increased at a greater magnitude than corresponding revenue increases. As a result of recent FCC regulatory rulemaking decisions, the Company is implementing a systematic program of rate increases to reverse this trend. Consistent with such a program, the Company will increase rates in most markets, in accordance with FCC guidelines, during the quarter ending September 30, 1997.

Selling, General and Administrative Expenses. These expenses, which are mainly comprised of costs related to system offices, customer service representatives, and sales and administrative employees, increased 19.4% for the quarter ended June 30, 1997 compared with the same quarter of the prior year. The increase was primarily due to incremental costs associated with acquisitions, subscriber growth and Hyperion Corporate and Network Operating and Control Center cost increases to accommodate the growth in the number of operating companies managed and monitored. Such expenses increased as a percentage of revenues compared to the quarter ended June 30, 1996 primarily due to acquisitions and Hyperion overhead increases.

Depreciation and Amortization. Depreciation and amortization was higher for the quarter ended June 30, 1997 compared with the same quarter of the prior year primarily due to increased depreciation and amortization related to acquisitions consummated during the years ended March 31, 1996 and 1997 as well as increased capital expenditures made during the past several years.

Priority Investment Income. Priority investment income is comprised of payments received from Olympus of accrued priority return on the Company's investment in 16.5% preferred limited partner ("PLP") interests in Olympus. Priority investment income increased during the quarter ended June 30, 1997 due to increased payments by Olympus.

EBITDA. EBITDA (earnings before interest expense, income taxes, depreciation and amortization, equity in loss of joint ventures and other noncash charges) amounted to $74,628 during the quarter ended June 30, 1997 compared with $70,642 for the same quarter of the prior year. The increase of 5.6% is primarily due to the impact of the acquisition of cable systems, subscriber rate increases, and increased priority investment income from Olympus. The impact of acquisitions increased revenues and operating expenses for the quarter ended June 30, 1997 compared with the same quarter of the prior year. While EBITDA is not an alternative to operating income or an alternative to cash flows from operating activities as a measure of liquidity, as defined by generally accepted accounting principles, and, while EBITDA may not be comparable to other similarly titled measures of other companies, management believes EBITDA is a meaningful measure of performance as substantially all of the Company's financing agreements contain financial covenants based on EBITDA.

Interest Expense. Interest expense increased 5.6% for the quarter ended June 30, 1997 compared with the same quarter of the prior year. Interest expense increased due to incremental debt outstanding during the current period and accretion of original issue discount, partially offset by a decrease in the average interest rate on outstanding debt during the quarter ended June 30, 1997 compared with the quarter ended June 30,

1996. Approximately 45.9% of the increase in interest expense in the quarter ended June 30, 1997 as compared with the same quarter of the prior year was attributable to incremental debt related to acquisitions. Interest expense includes noncash accretion of original issue discount and noncash interest expense totaling $4,996 and $6,858 for the quarters ended June 30, 1996 and 1997, respectively. The increase in noncash interest for the quarter ended June 30, 1997 compared with the same quarter of the prior year is primarily due to the accretion of the original issue discount related to the Hyperion 13% Senior Discount Notes which were issued April 15, 1996 (see "Liquidity and Capital Resources").

Equity in Loss of Joint Ventures. The equity in loss of joint ventures represents primarily (i) the Company's pro rata share of Olympus' losses and the accretion requirements of Olympus' PLP interests, and (ii) Hyperion's pro-rata share of its less than majority owned partnerships' operating losses. The increase in the loss during the quarter ended June 30, 1997, compared with the same quarter of the prior year, is due to an increase in the Olympus priority return payment and an increase in the losses of certain investments in the CLEC business in which the Company is a less than majority partner.

Gain on Sale of Investment. The gain on sale of investment for the three months ended June 30, 1996 was due to the sale of Hyperion's 15.7% partnership interest in TCG of South Florida to Teleport Communications Group, Inc. on May 16, 1996 for an aggregate sale price of $11,618. This sale resulted in a gain of $8,405. There were no such similar transactions in the three months ended June 30, 1997.

Extraordinary (Loss) Gain on Early Retirement of Debt. During the quarter ended June 30, 1996, certain indebtedness was repaid resulting in an extraordinary loss on retirement of debt of $2,079, which primarily represents the write off of the remaining deferred debt financing costs associated with the debt retired. During the quarter ended June 30, 1997, $20,000 of 9 1/2% Senior Pay-In-Kind Notes due 2004 were reacquired through open market purchases. As a result, Adelphia recognized an extraordinary gain of $2,300, which represents the excess of the net carrying value of the debt over the reacquisition cost.

Net Loss. The Company reported net losses of $26,818 and $42,361 for the quarters ended June 30, 1996 and 1997, respectively. The increase in net loss was due to decreased operating income, increased interest expense and equity in loss of joint ventures combined with no gain on sale of investment, partially offset by an increase in priority investment income from Olympus.

Hyperion Telecommunications, Inc.

An 88% owned unrestricted subsidiary of the Company, Hyperion, together with its subsidiaries owns certain investments in CLEC joint ventures and manages those ventures. Hyperion is an unrestricted subsidiary for purposes of the Company's indentures. For further information regarding Hyperion, which also files reports pursuant to the Securities Exchange Act of 1934, see Hyperion's Form 10-Q for the quarterly period ended June 30, 1997.

ADELPHIA COMMUNICATIONS CORPORATION AND SUBSIDIARIES
(Dollars in thousands)

Summarized unaudited financial information of Adelphia, Hyperion and Adelphia excluding Hyperion is as follows:

	As of and for the Three Months Ended June 30, 1996			As of and for the Three Months Ended June 30, 1997		
	Adelphia	Hyperion	Adelphia excluding Hyperion	Adelphia	Hyperion	Adelphia excluding Hyperion
Investments before cumulative equity in net loss (b)	$ 84,399	$ 27,923	$ 56,476	$ 156,161	$ 74,726	$ 81,435
Cumulative equity in net loss (b)	(6,935)	(6,935)	–	(17,084)	(14,574)	(2,510)
Total investments (b)	$ 77,464	$ 20,988	$ 56,476	$ 139,077	$ 60,152	$ 78,925
Total debt	$ 2,409,456	$ 194,475	$ 2,214,981	$ 2,637,896	$ 222,251	$ 2,415,645
Revenues	$ 111,011	$ 1,102	$ 109,909	$ 122,644	$ 1,520	$ 121,124
Operating expenses:						
Direct operating and programming	33,997	859	32,738	39,673	1,180	38,493
Selling, general and administrative	18,638	1,027	17,611	22,259	2,380	19,879
Affiliate interest and priority investment income	11,866	–	11,866	13,916	–	13,916
EBITDA (a)	$ 70,642	$ (784)	$ 71,426	$ 74,628	$ (2,040)	$ 76,668
Interest expense	(60,496)	(6,169)	(54,327)	(63,888)	(8,077)	(55,811)
Capital expenditures	(24,944)	(1,618)	(23,126)	(43,534)	(18,766)	(24,768)
Cash paid for acquisitions	(84,267)	–	(84,267)	(29,509)	–	(29,509)
Cash used for investments	(14,129)	(4,750)	(9,379)	(28,859)	(18,031)	(10,828)

(a) Earnings before interest expense, income taxes, depreciation and amortization, equity in loss of joint ventures and other non-cash charges ("EBITDA"). While EBITDA is not an alternative indicator of operating performance to operating income or an alternative to cash flows from operating activities as a measure of liquidity, as defined by generally accepted accounting principles, and, while EBITDA may not be comparable to other similarly titled measures of other companies, the Company's management believes EBITDA is a meaningful measure of performance as substantially all of the Company's financing agreements contain financial covenants based on EBITDA.

(b) Excluding Adelphia's investment in Olympus.

Liquidity and Capital Resources

The cable television and other telecommunication businesses are capital intensive and typically require continual financing for the construction, modernization, maintenance, expansion and acquisition of cable and other telecommunication systems. The Company historically has committed significant capital resources for these purposes and for investments in Olympus and other affiliates and entities. These expenditures were funded through long-term borrowings and, to a lesser extent, internally generated funds. The Company's ability to generate cash to meet its future needs will depend generally on its results of operations and the continued availability of external financing.

In most of its recent upgrades, the Company has utilized a Modified Passive Network Architecture ("MPNA") which utilizes fiber optic cable as an alternative to the coaxial cable that historically has been used to distribute cable signals to the subscriber's home. The MPNA design deploys on average one fiber node for every two miles of fiber optic cable, or approximately one fiber node for every 180 homes passed. The Company believes this compares favorably with current industry averages. This deep penetration of fiber optic cable into the Systems' networks has the advantages of providing increased reliability to customers, improved bandwidth and easier implementation of the return path plant capabilities. This will position the Company to offer additional video programming services, to utilize the expanded bandwidth potential of digital compression technology and to meet the anticipated transmission requirements for high-definition television, digital television, high-speed data and telephone services.

Capital expenditures for Adelphia without Hyperion for the quarters ended June 30, 1996 and 1997 were $23,126 and $24,768, respectively. Capital expenditures, including Hyperion, for the quarters ended June 30, 1996 and 1997 were $24,944 and $43,534, respectively. Capital expenditures for Hyperion for the quarter ended June 30, 1997 compared with the quarter ended June 30, 1996, increased primarily due to the commencement of switching services. The Company expects capital expenditures without Hyperion for fiscal 1998 to be approximately the same as fiscal 1997. Hyperion expects that it will continue to have substantial capital expenditures for fiscal 1998.

The Company generally has funded its working capital requirements, capital expenditures and investments in Olympus and other affiliates and entities through long-term borrowings, primarily from banks and insurance companies, short-term borrowings, internally generated funds and the issuance of parent company public debt and equity and Hyperion public debt. The Company generally has funded the principal and interest obligations on its long-term borrowings from banks and insurance companies by refinancing the principal with new loans or through the issuance of parent company debt or equity securities, and by paying the interest out of internally generated funds. Adelphia has funded the interest obligations on its public borrowings from internally generated funds.

The Company's financing strategy has generally been to maintain its public long-term debt at the parent holding company level while the Company's consolidated subsidiaries have their own senior and subordinated credit arrangements with banks and insurance companies. The Company's public indentures and subsidiary credit agreements contain covenants that, among other things, require the maintenance of certain financial ratios (including compliance with certain debt to cash flow ratios in order to incur additional indebtedness); place limitations on borrowings, investments, affiliate transactions, dividends and distributions; and contain certain cross default provisions relating to Adelphia or its subsidiaries.

At June 30, 1997, the Company's total outstanding debt aggregated $2,637,896, which included $1,154,803 of parent debt, $196,396 of Hyperion debt and $1,286,697 of other subsidiary debt. At June 30, 1997, Adelphia's subsidiaries had an aggregate of $95,654 in unused credit lines with banks, which includes $23,000 also available to Olympus and the Managed Partnerships, part of which is subject to achieving certain levels of operating performance. In addition, the Company had an aggregate $25,010 in cash and cash equivalents at June 30, 1997, which combined with the Company's unused credit lines with banks, aggregated $120,664. Additionally, subsequently to June 30, 1997, the Company issued debt and equity with aggregate net proceeds totaling approximately $393,500.

(Dollars in thousands)

At June 30, 1997, the Company's unused credit lines were provided by reducing revolving credit facilities whose revolver periods expire September 30, 2004. The Company's weighted average interest rate on notes payable to banks and institutions was approximately 8.59% at June 30, 1996 compared to 8.39% at June 30, 1997. At June 30, 1997, approximately 40% of such debt was subject to fixed interest rates for at least one year under the terms of such debt or applicable interest rate swap agreements.

The following table sets forth the mandatory reductions in principal under all debt agreements for each of the next four years and nine months based on amounts outstanding at June 30, 1997:

Nine months ending March 31, 1998	$168,176
Year ending March 31, 1999	163,791
Year ending March 31, 2000	129,483
Year ending March 31, 2001	243,881
Year ending March 31, 2002	195,314

On July 7, 1997, Adelphia announced the sale of $150,000 in 10 1/2% Senior Notes due 2004 (the "Notes") to institutional investors and 13% Series A Cumulative Exchangeable Preferred Stock (the "Exchangeable Preferred Stock") with an aggregate liquidation preference of $150,000 of which $95,000 was sold to institutional investors and the remainder was sold to an affiliate of the family of John Rigas, Chairman of Adelphia. These offerings were accomplished in reliance on Rule 144A of the Securities Act of 1933, as amended. The terms of the Notes are similar to those of Adelphia's existing publicly held senior debt. Interest on the Notes is payable semi-annually commencing January 15, 1998. The Exchangeable Preferred Stock will accrue dividends from the date of issuance at a rate per annum of 13% of the liquidation preference per share and are payable semi-annually in arrears, commencing January 15, 1998. The shares of Exchangeable Preferred Stock are redeemable at the option of the Company, on or after July 15, 2002. The Company is required, subject to certain conditions, to redeem all of the Exchangeable Preferred Stock outstanding on July 15, 2009, at a redemption price equal to 100% of the liquidation preference thereof, plus accumulated and unpaid dividends and liquidated damages, if any, to the date of redemption.

On July 7, 1997, Adelphia also announced the sale of perpetual Series C Convertible Preferred Stock with an aggregate liquidation preference of $100,000 in a private placement of which $80,000 was sold to a Rigas family affiliate and the remainder was sold to Telesat Cablevision, Inc., a wholly owned subsidiary of FPL Group, Inc., a New York Stock Exchange company and a 50% partner of Olympus. The Series C Convertible Preferred Stock will accrue dividends at the rate of 8 1/8% of the liquidation preference per annum, and is convertible at $8.48 per share into an aggregate of 11,792,450 shares of Class A Common Stock of Adelphia. The Series C Convertible Preferred Stock is redeemable at the option of Adelphia after three years from the date of issuance at a premium declining to par.

The proceeds from the sale of the Exchangeable Preferred Stock, the Notes and from the Series C Convertible Preferred Stock were used to repay subsidiaries' senior notes and revolving credit facilities.

On June 20, 1997, Adelphia acquired cable systems from Booth Communications Company. These systems served approximately 25,800 subscribers at the date of acquisition in the Virginia cities of Blacksburg and Salem and were purchased for an aggregate price of $54,500 comprised of 3,571,428 shares of Adelphia's Class A Common Stock and $29,500 cash. The acquisition was accounted for under the purchase method of accounting. Accordingly, the financial results of the acquired systems are included in the consolidated results of Adelphia effective with the date acquired.

The Company plans to continue to explore and consider new commitments, arrangements or transactions to refinance existing debt, increase the Company's liquidity or decrease the Company's leverage. These could include, among other things, the future issuance by Adelphia, or its subsidiaries, of public or private equity or debt and the negotiation of new or amended credit facilities. These could also include entering into acquisitions, joint ventures or other investment or financing activities, although no assurance can be given that any such transactions will be consummated. The Company's ability to borrow under current credit facilities and to enter into refinancings and new financings is limited by covenants contained in Adelphia's indentures and its subsidiaries' credit agreements, including covenants under which the ability to incur indebtedness is, in part, a function of applicable ratios of total debt to cash flow.

The Company believes that cash and cash equivalents, internally generated funds, borrowings under the existing credit facilities, and future financing sources will be sufficient to meet its short-term and long-term liquidity and capital requirements. Although in the past the Company has been able to refinance its indebtedness or obtain new financing, there can be no assurance that the Company will be able to do so in the future or that the terms of such financings would be favorable.

Management believes that the telecommunications industry, including the cable television and telephone industries, continues to be in a period of consolidation characterized by mergers, joint ventures, acquisitions, sales of all or part of cable companies or their assets, and other partnering and investment transactions of various structures and sizes involving cable or other telecommunications companies. The Company continues to evaluate new opportunities that allow for the expansion of its business through the acquisition of additional cable television systems in geographic proximity to its existing regional markets or in locations that can serve as a basis for new market areas. The Company, like other cable television companies, has participated from time to time and is participating in preliminary discussions with third parties regarding a variety of potential transactions, and the Company has considered and expects to continue to consider and explore potential transactions of various types with other cable and telecommunications companies. However, no assurances can be given as to whether any such transaction may be consummated or, if so, when.

Recent Accounting Pronouncements

Statement of Financial Accounting Standards ("SFAS") No. 130, "Reporting Comprehensive Income," and SFAS No. 131 "Disclosures about Segments of an Enterprise and Related Information" have been issued and are effective for fiscal years beginning after December 15, 1997. SFAS No. 130 defines comprehensive income and outlines certain reporting and disclosure requirements related to comprehensive income. SFAS No. 131 requires certain disclosures about business segments of an enterprise, if applicable. The adoption of SFAS No. 130 and SFAS No. 131 is not expected to have a material impact on the Company's financial statements or disclosures.

Regulatory and Competitive Matters

The cable television operations of the Company may be adversely affected by changes and developments in governmental regulation, competitive forces and technology. The cable television industry and the Company are subject to extensive regulation at the federal, state and local levels. The 1992 Cable Act significantly expanded the scope of regulation of certain subscriber rates and a number of other matters in the cable industry, such as mandatory carriage of local broadcast stations and retransmission consent, and increased the administrative costs of complying with such regulations. The FCC has adopted rate regulations that establish, on a system-by-system basis, maximum allowable rates for (i) basic and cable programming services (other than programming offered on a per-channel or per-program basis), based upon a benchmark methodology, and (ii) associated equipment and installation services based upon cost plus a reasonable profit. Under the FCC rules, franchising authorities are authorized to regulate rates for basic services and associated equipment and installation services, and the FCC will regulate rates for regulated cable programming services in response to complaints filed with the agency. The Telecommunications Act of 1996 (the "1996 Act") ends FCC regulation of cable programming service tier rates on March 31, 1999.

Rates for basic and cable programming services are set pursuant to a benchmark formula. Alternatively, a cable operator may elect to use a cost-of-service methodology to show that rates for basic and cable programming services are reasonable. Refunds with interest will be required to be paid by cable operators who are required to reduce regulated rates. The FCC has reserved the right to reduce or increase the benchmarks it has established. The rate regulations also limit increases in regulated rates to an inflation indexed amount plus increases in certain costs such as taxes, franchise fees, costs associated with specific franchise requirements and increased programming costs. Cost-based adjustments to these capped rates can also be made in the event a cable operator adds or deletes channels or completes a significant system rebuild or upgrade. On November 10, 1994, the FCC adopted an alternative method for adjusting the rates charged for a cable programming services tier when new services are added. This has allowed cable operators to increase rates by as much as $1.40 plus programming costs, over a three year period ending December 31, 1997 to reflect the addition of up to seven new channels of service on cable programming service tiers. In addition, a new programming tier can be created, the rate for which would not be regulated as long as certain conditions are met, such as not moving services from existing tiers to the new one. Because of the limitation on rate increases for regulated services, future revenue growth from cable services will rely to a much greater extent than has been true in the past on increased revenues from unregulated services and new subscribers than from increases in previously unregulated rates.

The FCC has adopted regulations implementing all of the requirements of the 1992 Cable Act. The FCC is also likely to continue to modify, clarify or refine the rate regulations. Adelphia cannot predict the effect of the 1996 Act on future rulemaking proceedings or changes to the rate regulations.

Effective September 1, 1993, as a result of the 1992 Cable Act, Adelphia repackaged certain existing cable services by adjusting rates for basic service and introducing a new method of offering certain cable services. Adelphia adjusted the basic service rates and related equipment and installation rates in all of its systems in order for such rates to be in compliance with the applicable benchmark or equipment and installation cost levels. Adelphia also implemented a program in all of its systems called "CableSelect" under which most of Adelphia's satellite-delivered programming services were offered individually on a per channel basis, or as a group at a price of approximately 15% to 20% below the sum of the per channel prices of all such services. For subscribers who elected to customize their channel lineup, Adelphia provided, for a monthly rental fee, an electronic device located on the cable line outside the home, enabling a subscriber's television to receive only those channels selected by the subscriber. These basic service rate adjustments and the CableSelect program were also implemented in all systems managed by Adelphia. Adelphia believes CableSelect provided increased programming choices to its subscribers while providing flexibility to Adelphia to respond to future changes in areas such as customer demand and programming. Adelphia no longer offers the CableSelect program in any of its systems.

On November 18, 1994, the Cable Services Bureau of the FCC issued a decision holding that the "CableSelect" program was an evasion of the rate regulations and ordered this package to be treated as a regulated tier. This decision, and all other letters of inquiry decisions, were principally decided on the number of programming services moved from regulated tiers to "a la carte" packages. Adelphia appealed this decision to the full Commission which affirmed the Cable Service Bureau's decision. On November 18, 1994, the FCC released amended rules under which, on a prospective basis, any a la carte package will be treated as a regulated tier, except for packages involving premium services. An appeal of this decision to the U.S. Court of Appeals for the D.C. Circuit was unsuccessful.

In fiscal 1996, Adelphia recorded a $5,300 charge representing management's estimate of the total costs to be incurred to resolve all of their rate complaints with the FCC. On May 1, 1997, Adelphia reached a settlement of all rate complaints before the FCC on terms and conditions consistent with certain other cable television companies that utilized a la carte packages that have reached settlement/resolution with the FCC on this issue. At June 30, 1997, $3,171 of the $5,300 charge remained in accrued interest and other liabilities, which management believes is adequate to cover the settlement. No assurance can be given as to what other future actions Congress, the FCC or other regulatory authorities may take or the effects thereof on Adelphia. Adelphia is currently unable to predict the effect that the amended regulations, future FCC treatment of a la carte packages or other future FCC rulemaking proceedings will have on their business and results of operations in future periods.

Cable television companies operate under franchises granted by local authorities which are subject to renewal and renegotiation from time to time. Because such franchises are generally non-exclusive, there is a potential for competition with the systems from other operators of cable television systems, including public systems operated by municipal franchising authorities themselves, and from other distribution systems capable of delivering television programming to homes. The 1992 Cable Act and the 1996 Act contain provisions which encourage competition from such other sources. The Company cannot predict the extent to which competition will materialize from other cable television operators, local telephone companies, other distribution systems for delivering television programming to the home, or other potential competitors, or, if such competition materializes, the extent of its effect on the Company.

FCC rules heretofore permitted local telephone companies to offer "video dialtone" service for video programmers, including channel capacity for the carriage of video programming and certain non-common carrier activities such as video processing, billing and collection and joint marketing agreements. New Jersey Bell Telephone Company received authorization on July 18, 1994 to operate a "video dialtone" service in portions of Dover County, New Jersey, in which the Company serves approximately 20,000 subscribers.

The 1996 Act repealed the prohibition on CLECs from providing video programming directly to customers within their local exchange areas other than in rural areas or by specific waiver of FCC rules. The 1996 Act also authorized CLECs to operate "open video systems" ("OVS") without obtaining a local cable franchise, although CLECs operating such a system can be required to make payments to local governmental bodies in lieu of cable franchise fees. Where demand exceeds capacity, up to two-thirds of the channels on an OVS must be available to programmers unaffiliated with the CLEC. The statute states that the OVS scheme supplants the FCC's "video dialtone" rules. The FCC has promulgated rules to implement the OVS concept, and New Jersey Bell has been granted permission to convert its video dialtone authorization to an OVS authorization.

The Company believes that the provision of video programming by telephone companies in competition with the Company's existing operations could have an adverse effect on the Company's financial condition and results of operations. At this time, the impact of any such effect is not known or estimable.

The Company also competes with DBS service providers. DBS has been available to consumers since 1994. A single DBS satellite can provide more than 100 channels of programming. DBS service can be received virtually anywhere in the United States through the installation of a small outdoor antenna. DBS service is being heavily marketed on a nationwide basis by several service providers. At this time, any impact of DBS competition on the Company's future results is not known or estimable.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2. Changes in Securities

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

Exhibit 27.01 Financial Data Schedule (supplied for the information of the Commission).

(b) Reports on Form 8-K:

Form 8-Ks were filed on May 1, June 12, July 11 and July 24, 1997, each of which reported information under items 5 and 7 thereof. No financial statements were filed with any of such Form 8-Ks.

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.

ADELPHIA COMMUNICATIONS CORPORATION
(Registrant)

Date: August 14, 1997

By: /s/ Timothy J. Rigas
Timothy J. Rigas
Executive Vice President (authorized officer), Chief Financial Officer, Chief Accounting Officer and Treasurer

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

_X_ Annual Report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended March 31, 1997

___ 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: 0-16014

ADELPHIA COMMUNICATIONS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	***23-2417713***
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
Main at Water Street ***Coudersport, PA***	***16915-1141***
(Address of principal executive offices)	(Zip code)

814-274-9830
(Registrant's telephone number including area code)

Securities registered pursuant to Section 12(b) of the Act: None.
Securities registered pursuant to Section 12(g) of the Act:
Class A Common Stock, $.01 par value.

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 _X_ No ___

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of the Form 10-K or any amendment to the Form 10-K. X

Aggregate market value of outstanding Class A Common Stock $.01 par value, held by non-affiliates of the Registrant at June 18, 1997 was $68.1 million based on the closing sale price as computed by the NASDAQ National Market system as of that date. For purposes of this calculation only, affiliates are deemed to be directors and executive officers of the Registrant.

At June 18, 1997, 16,130,880 shares of Class A Common Stock, par value $0.01, and 10,944,476 shares of Class B Common Stock, par value $0.01 per share, of the registrant were outstanding.

<u>Documents Incorporated by Reference</u>
Portions of Amendment No. 2 to Registration Statement No. 333-19327 of Olympus Communications, L.P. and Olympus Capital Corporation on Form S-4 are incorporated by reference into Part II hereof. Portions of the Proxy Statement for the 1997 Annual Meeting of Stockholders are incorporated by reference into Part III hereof.

ADELPHIA COMMUNICATIONS CORPORATION

TABLE OF CONTENTS

PART I

ITEM 1. BUSINESS

(Dollars in thousands, except per share amounts)

Introduction

Adelphia Communications Corporation ("Adelphia" and, collectively with its subsidiaries, the "Company") is the seventh largest cable television operator in the United States. As of March 31, 1997, cable systems owned or managed by the Company (the "Systems") in the aggregate passed 2,653,422 homes and served 1,868,440 basic subscribers.

The Company's owned cable systems (the "Company Systems") are located in ten states and are organized into seven regional clusters: Western New York, Virginia, Western Pennsylvania, New England, Eastern Pennsylvania, Ohio and Coastal New Jersey. The Company Systems are located primarily in suburban areas of large and medium-sized cities within the 50 largest television markets ("areas of dominant influence" or "ADIs," as measured by The Arbitron Company). At March 31, 1997, the Company Systems passed 1,569,953 homes and served 1,138,414 basic subscribers.

The Company owns a 50% voting interest and non-voting preferred limited partnership interests entitling the Company to a 16.5% priority return in Olympus Communications, L.P. ("Olympus"). Olympus is a joint venture which owns cable systems (the "Olympus Systems") located in some of the fastest growing areas of Florida. The Olympus Systems in Florida form a substantial part of an eighth regional cluster, Southeastern Florida. A wholly-owned subsidiary of the Company is the managing general partner of Olympus. As of March 31, 1997, the Olympus Systems passed 650,742 homes and served 416,760 basic subscribers. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Olympus."

The Company also provides, for a fee, management and consulting services to certain partnerships and corporations (the "Managed Partnerships"). John J. Rigas and certain members of his immediate family, including entities they own or control (collectively, the "Rigas Family") have substantial ownership interests in the Managed Partnerships. As of March 31, 1997, cable systems (the "Managed Systems") owned by the Managed Partnerships passed 432,727 homes and served 313,266 basic subscribers.

John J. Rigas, the Chairman, President, Chief Executive Officer and majority stockholder of Adelphia, is a pioneer in the cable television industry, having built his first system in 1952 in Coudersport, Pennsylvania. Adelphia was incorporated in Delaware on July 1, 1986 for the purpose of reorganizing five cable television companies, then principally owned by the Rigas Family, into a holding company structure in connection with the initial public offering of its Class A Common Stock, $.01 par value. Prior to 1982, the Company grew principally by obtaining municipal cable television franchises to construct new cable television systems. Since 1982, the Company has grown principally by acquiring and developing existing cable systems. The Company's operations consist of providing telecommunications services primarily over its broadband networks. The Company did not have any material foreign operations or foreign sales in the year ended March 31, 1997.

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements. Certain information included in this Annual Report on Form 10-K, including Management's Discussion and Analysis of Financial Condition and Results of Operations, is forward-looking, such as information relating to the effects of future regulation, future capital commitments and the effects of competition. Such forward-looking information involves important risks and uncertainties that could significantly affect expected results in the future from those expressed in any forward-looking statements made by, or on behalf of, the Company. These "forward looking statements" can be identified by the use of forward-looking terminology such as "believes", "expects," "may," "will," "should," "intends" or "anticipates" or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy that involve risks and uncertainties. These risks and uncertainties include, but are not limited to, uncertainties relating to economic conditions, acquisitions and divestitures, government and regulatory policies, the pricing and availability of equipment, materials, inventories and programming, technological developments and changes in the competitive environment in which the Company operates. Persons reading this Annual Report on Form 10-K are cautioned that forward looking statements herein are only predictions, that no assurance can be given that the future results will be achieved, and that actual events or results may differ materially as a result of the risks and uncertainties facing the Company

Video Services

Cable television systems receive a variety of television, radio and data signals transmitted to receiving sites ("headends") by way of off-air antennas, microwave relay systems and satellite earth stations. Signals are then modulated, amplified and distributed primarily through coaxial and fiber optic cable to subscribers, who pay fees for the service. Cable television systems are generally constructed and operated pursuant to non-exclusive franchises awarded by state or local government authorities for specified periods of time.

Cable television systems typically offer subscribers a package of basic video services consisting of local and distant television broadcast signals, satellite-delivered non-broadcast channels (which offer programming such as news, sports, family entertainment, music, weather, shopping, etc.) and public, governmental and educational access channels.

In addition, digital radio and premium service channels, which provide movies, live and taped concerts, sports events and other programming, are offered for an extra monthly charge. At March 31, 1997, over 95% of subscribers of the Systems were also offered pay-per-view programming, which allows the subscriber to order special events or movies and to pay on a per event basis. Local, regional and national advertising time is sold in the majority of the Systems, with commercial advertisements inserted on certain satellite-delivered non-broadcast channels.

Competitive Local Exchange Services

The Company is currently offering competitive local exchange carrier ("CLEC") services through a consolidated unrestricted subsidiary, Hyperion Telecommunications, Inc. ("Hyperion"). Hyperion is a leading provider of local telecommunications services over state-of-the-art fiber optic networks in selected markets within the United States. As of March 31, 1997, Hyperion's 15 operating networks served 33 cities with approximately 3,461 route miles of fiber optic cable connecting 1,270 buildings. Hyperion's 21 networks (which include six currently under construction) have generally been developed by partnering with a local cable operator or utility provider (the "Local Partner"). This approach has allowed Hyperion to rapidly construct high-capacity networks which generally have broader coverage of its markets than those of other CLECs. Hyperion believes that the breadth of its networks will allow it to originate and terminate a significant proportion of its customers' local telephone calls over its own network, instead of relying on the network of the incumbent local exchange carrier ("LEC"). Hyperion also believes that working with a Local Partner significantly reduces the cost of constructing its fiber optic networks through the utilization of existing cable or utility facilities and by sharing construction costs with its Local Partners, who usually upgrade the capacity of their cable or utility infrastructure during construction of the telecommunications network. Hyperion's service offerings include dedicated access, switched local dial tone, long distance and enhanced data services including frame relay, high speed internet access and video conferencing.

In the markets where Hyperion's 21 networks are currently operating or under construction, Hyperion believes it has an addressable market of approximately $5.2 billion annually, substantially all of which is currently provided by the incumbent LECs. This addressable market estimate does not include the markets for enhanced data services, wireless resale, internet access, or long distance services, which Hyperion has the ability to enter at its option.

On April 15, 1996, Hyperion completed a private placement to institutional investors and realized net proceeds of $168.6 million upon issuance of $329 million aggregate principal amount at maturity of 13% Senior Discount Notes and warrants to purchase an aggregate of 613,427 common shares of Hyperion. If all warrants were exercised, the warrants would represent approximately 5.71% of the common stock of Hyperion on a fully diluted basis. The 13% notes will not require payment of interest until October 15, 2001, and may not be redeemed prior to April 15, 2001. Hyperion is using the net proceeds from the offering to expand its existing markets, to complete construction of new networks, to enter additional markets, to repay certain indebtedness owed to Adelphia, and for working capital purposes.

High-Speed Data Services

Power Link, the Company's high-speed data service, which includes residential, institutional, and business service offerings, constitutes an alternative to the traditional slower speed data offerings available through Internet Service

Providers (ISPs). Power Link offers customers speeds greater than those available through a T1 line, at costs that compare to a typical ISP plus a second telephone line.

The Company's full two-way high-speed data service provides customers with Internet access at speeds up to 300 times faster than typical 28.8 Kbps modems. Since the service does not require a telephone line, there is never a busy signal. Additionally, as with traditional cable services, this service is always on, providing instant access to the Internet. In service areas where two-way cable has not been deployed, the Company offers a hybrid data product combining a high-speed downstream path and a telephone return path. The hybrid service allows Adelphia to deploy high-speed data services to all of its service areas.

Residential Telephone Service

Currently, the Company is offering residential telephone services as part of a technical trial in Buffalo, New York. After several months of testing, the Company is now evaluating the mechanisms to deploy telephony services in larger areas, as well as developing the necessary tools and processes for service provisioning and maintenance. The Company expects to continue to evaluate options concerning offering residential service.

Other Services

Adelphia is a 49.9% owner of Page Call, Inc. ("Page Call") which was a successful bidder in November 1994 on three regional narrowband PCS licenses, covering 62% of the country's population. On June 11, 1997, the Company announced that Adelphia has agreed to sell its interest in Page Call to Benbow PCS Ventures, Inc. for a total of $16,500 payable in Series A Convertible Preferred Stock of Arch Communications Group, Inc. and cash. The transaction is subject to normal closing conditions including approval of the Federal Communications Commission.

Adelphia began providing wireless messaging services with the formation of its wholly owned subsidiary, Page Time, Inc. in November 1994. Page Time, Inc. offers one-way messaging services for resale to the Company's systems by establishing its own reselling arrangements with existing paging network operators. The Company, Olympus and Managed Systems currently provide paging services through Page Time to approximately 16,000 customers.

In addition to the activities described above, the Company has made a substantial commitment to technological development as a member of Cable Television Laboratories, Inc., a not-for-profit research and development company serving the cable industry. The Company has also joined other industry members in a partnership venture in Digital Cable Radio, a satellite-delivered, multichannel music service featuring "compact disc" quality sound, which is marketed as a premium service.

Operating Strategy

The Company's strategy has been to provide superior customer service while maximizing operating efficiencies. By acquiring and developing systems in geographic proximity, the Company has been able to realize significant operating efficiencies through the consolidation of many managerial, administrative and technical functions. The Systems have consolidated virtually all of their administrative operations, including customer service, service call dispatching, marketing, human resources, advertising sales and government relations into regional offices. Each regional office has a related technical center which contains the facilities necessary for the Systems' technical functions, including construction, installations and system maintenance and monitoring. Consolidating customer service functions into regional offices allows the Company to provide customer service through better training and staffing of customer service representatives, and by providing more advanced telecommunications and computer equipment and software to its customer service representatives than would otherwise be economically feasible in smaller systems.

The Company considers technological innovation to be an important component of cost-effective improvement of its products and customer satisfaction. Through the use of fiber optic cable and other technological improvements, the Company has increased system reliability, channel capacity and its ability to deliver advanced cable television, data transmission and telephony services. These improvements have enhanced customer service, reduced operating expenses and allowed the Company to introduce additional services, such as cable modems and impulse-ordered pay-per-view programming, which expand customer choices and will increase Company revenues. The Company has developed new cable construction architecture which allows it to readily deploy fiber optic cable in its systems. Management believe that the Company is among the leaders of the cable industry in the deployment of fiber optic cable.

Recent Development of the Systems

The Company has focused on acquiring and developing systems in markets which have favorable historical growth trends. The Company believes that the strong household growth trends in its Systems' market areas are a key factor in positioning itself for future growth in basic subscribers.

On February 10, 1997, Adelphia acquired the assets of Small Cities Cable Television, L.P. and Small Cities Cable Television, Inc. These systems served approximately 6,000 subscribers at the date of acquisition primarily located in Vermont and were purchased for an aggregate price of $12,000 paid in cash and Adelphia Class A Common Stock. On July 12, 1996, Adelphia acquired cable systems serving 32,500 subscribers primarily in Vermont from First Carolina Cable TV, L.P. for $48,500. On April 1, 1996, Adelphia purchased the cable property of Cable TV Fund 11-B, Ltd. from Jones Intercable. This system was acquired for $84,267 and served approximately 39,700 subscribers at the acquisition date in the New York counties of Erie and Niagara. On January 9, 1996, Adelphia completed the acquisition of the cable systems of Eastern Telecom Corporation and Robinson Cable TV, Inc. for $43,000. These systems served approximately 24,000 subscribers at the acquisition date located in western Pennsylvania. On April 12, 1995, Adelphia acquired cable systems from Clear Channels Cable TV Company located in Kittanning, New Bethlehem and Freeport, Pennsylvania, for $17,456. These systems served approximately 10,700 subscribers at the acquisition date. On January 31, 1995, the Company acquired Tele-Media of Martha's Vineyard, L.P. for $11,775, a cable system which served, at the date of acquisition, approximately 7,000 subscribers in Martha's Vineyard, Massachusetts. On January 10, 1995, Adelphia issued 399,087 shares of Class A Common Stock in connection with the merger of a wholly-owned subsidiary of Adelphia into Oxford Cablevision, Inc. ("Oxford"), one of the Benjamin Terry family (the "Terry Family") cable systems. Oxford served approximately 4,200 subscribers, at the acquisition date, located in the North Carolina counties of Granville and Warren. On June 30, 1994, Adelphia acquired from Olympus 85% of the common stock of Northeast Cable, Inc. ("Northeast Cable") for a purchase price of $31,875. Northeast Cable owns cable television systems which served approximately 36,500 subscribers, at the acquisition date, in Eastern Pennsylvania. On June 16, 1994, Adelphia invested $34,000 for a majority equity position in TMC Holdings Corporation ("THC"), the parent of Tele-Media Company of Western Connecticut. THC owns cable television systems which served approximately 43,000 subscribers at the acquisition date in Western Connecticut.

On January 5, 1996, Olympus acquired all of the southeast Florida cable systems of the Leadership Cable division of Fairbanks Communications, Inc., which served approximately 50,000 cable and security monitoring subscribers at the acquisition date for a purchase price of $95,800. On April 3, 1995, Olympus purchased all of the cable and security systems of WB Cable Associates, Ltd. ("WB Cable") which served approximately 44,000 cable and security monitoring subscribers at the date of acquisition, for a purchase price of $82,000. WB Cable provides cable service from one headend and security monitoring services from one location in West Boca Raton, Florida. On February 28, 1995, ACP Holdings, Inc., a wholly owned subsidiary and managing general partner of Olympus, certain shareholders of Adelphia, Olympus and various Telesat Entities ("Telesat"), wholly-owned subsidiaries of FPL Group, Inc., entered into an investment agreement whereby Telesat agreed to contribute to Olympus substantially all of the assets associated with certain cable television systems, which served approximately 50,000 subscribers at February 28, 1995 in southern Florida, in exchange for general and limited partner interests and newly issued preferred limited partner interests in Olympus.

The Company will continue to evaluate new opportunities that allow for the expansion of its business through the acquisition of additional cable television systems in geographic proximity to its existing regional market areas or in locations that can serve as the basis for new market areas, either directly or indirectly through joint ventures, where appropriate.

The following table indicates the growth of the Company Systems and Olympus Systems by summarizing the number of homes passed by cable and the number of basic subscribers for each of the five years in the period ended March 31, 1997. The table also indicates the numerical growth in subscribers attributable to acquisitions and the numerical and percentage growth attributable to internal growth.

	Year Ended March 31,				
	1993	1994	1995	1996	1997
COMPANY SYSTEMS:					
Homes passed (b)					
Beginning of Year	1,145,308	1,172,755	1,207,425	1,340,808	1,422,077
Internal Growth (c)	20,507	10,623	39,012	30,665	35,049
% Internal Growth	1.8%	0.9%	3.2%	2.3%	2.5%
Acquired Homes Passed	6,940	24,047	94,371	50,604	112,827
End of Year	1,172,755	1,207,425	1,340,808	1,422,077	1,569,953
Basic subscribers (d)					
Beginning of Year	825,553	852,335	888,167	975,066	1,039,704
Internal Growth (c)	21,216	17,355	31,651	29,215	20,396
% Internal Growth	2.6%	2.0%	3.6%	3.0%	2.0%
Acquired Subscribers	5,566	18,477	55,248	35,423	78,314
End of Year	852,335	888,167	975,066	1,039,704	1,138,414
Basic Penetration (e)	72.7%	73.6%	72.7%	73.1%	72.5%
OLYMPUS SYSTEMS (a):					
Homes passed (b)					
Beginning of Year	408,616	386,971	406,753	512,052	631,602
Internal Growth (c)	(21,645)	19,782	11,91.	12,050	19,140
% Internal Growth	(5.3%)	5.1%	2.9%	2.4%	3.0%
Acquired Homes Passed	--	--	93,388	107,500	--
End of Year	386,971	406,753	512,052	631,602	650,742
Basic subscribers (d)					
Beginning of Year	237,766	211,025	239,357	306,317	403,901
Internal Growth (c)	(26,741)	28,332	19,198	9,329	12,859
% Internal Growth	(11.2%)	13.4%	8.0%	3.0%	3.2%
Acquired Subscribers	--	--	47,762	88,255	--
End of Year	211,025	239,357	306,317	403,901	416,760
Basic Penetration (e)	54.5%	58.8%	59.8%	63.9%	64.0%

(a) Data included for the South Dade System at March 31, 1993, 1994, 1995, 1996 and 1997 reflects actual homes passed and basic subscribers. At July 31, 1992, prior to Hurricane Andrew, the South Dade system had 157,992 homes passed by cable and 71,193 basic subscribers, respectively. At March 31, 1993, 1994, 1995, 1996 and 1997, the South Dade system served 40,999, 65,398, 74,601, 80,725 and 85,859 basic subscribers, respectively. Data for the Northeast Cable System is included under Company Systems and excluded from the Olympus Systems for all periods presented.

(b) A home is deemed to be "passed" by cable if it can be connected to the distribution system without any further extension of the cable distribution plant.

(c) The number of additional homes passed or additional basic subscribers not attributable to acquisitions of new cable systems.

(d) A home with one or more television sets connected to a cable system is counted as one basic subscriber. Bulk accounts (such as motels or apartments) are included on a "subscriber equivalent" basis in which the total monthly bill for the account is divided by the basic monthly charge for a single outlet in the area.

(e) Basic subscribers as a percentage of homes passed by cable.

Market Areas

The Systems are "clustered" in eight market areas in the eastern portion of the United States as follows.

MARKET AREA	LOCATION OF SYSTEMS
Southeastern Florida	Portions of southern Dade, Citrus, Orange, Hillsborough, Palm Beach, Martin and St. Lucie Counties and Hilton Head, South Carolina
Western New York	Suburbs of Buffalo and the adjacent Niagara Falls area, and Syracuse and adjacent communities
Virginia	Winchester, Charlottesville, Staunton, Richland, Martinsville and surrounding communities in Virginia, and South Boston and Elizabeth City, North Carolina
Western Pennsylvania	Suburbs of Pittsburgh and several small communities in western Pennsylvania
New England	Cape Cod communities, South Shore communities (the area between Boston and Cape Cod, Massachusetts), Martha's Vineyard, Massachusetts; and Bennington, Burlington, Rutland and Montpelier, Vermont and surrounding communities in Vermont, New Hampshire and New York, and Seymour, Connecticut
Eastern Pennsylvania	Suburbs of Philadelphia and suburbs of Scranton
Ohio	Suburbs of Cleveland and the city of Mansfield and surrounding communities, Mt Vernon and portions of Kalamazoo County, Michigan
Coastal New Jersey	Ocean County, New Jersey

The following table summarizes by market area the homes passed by cable, basic subscribers and premium service units for the Systems as of March 31, 1997.

	Homes Passed	Basic Subscribers	Basic Penetration	Premium Units	Premium Penetration
Company Systems:					
Western New York	364,000	255,250	70.12%	128,612	50.39%
New England	323,133	228,649	70.76%	110,303	48.24%
Virginia	233,846	180,285	77.10%	76,285	42.31%
Western Pennsylvania	220,186	159,355	72.37%	62,136	38.99%
Ohio	172,869	123,938	71.69%	62,800	50.67%
Coastal New Jersey	127,544	98,952	77.58%	53,906	54.48%
Eastern Pennsylvania	128,375	91,985	71.65%	58,651	63.76%
Total	1,569,953	1,138,414	72.51%	552,693	48.55%
Olympus Systems:					
Southeastern Florida	650,742	416,760	64.04%	194,125	46.58%
Managed Systems:					
Southeastern Florida	230,755	177,503	76.92%	49,109	27.67%
Virginia	60,436	43,850	72.56%	23,440	53.45%
Western New York	71,064	42,469	59.76%	28,288	66.61%
Western Pennsylvania	35,167	25,231	71.75%	10,773	42.70%
Eastern Pennsylvania	35,305	24,213	68.58%	20,726	85.60%
Total	432,727	313,266	72.39%	132,336	42.24%
Total Systems:					
Southeastern Florida	881,497	594,263	67.42%	243,234	40.93%
Western New York	435,064	297,719	68.43%	156,900	52.70%
Virginia	294,282	224,135	76.16%	99,725	44.49%
New England	323,133	228,649	70.76%	110,303	48.24%
Western Pennsylvania	255,353	184,586	72.29%	72,909	39.50%
Ohio	172,869	123,938	71.69%	62,800	50.67%
Eastern Pennsylvania	163,680	116,198	70.99%	79,377	68.31%
Coastal New Jersey	127,544	98,952	77.[illegible]%	53,906	54.48%
Total	2,653,422	1,868,440	70.42%	879,154	47.05%

Financial Information

The financial data regarding the Company's revenues, results of operations and identifiable assets for each of the Company's last three fiscal years is set forth in, and incorporated herein by reference to, Item 8, Financial Statements and Supplementary Data of this Form 10-K.

Technological Developments

The Company has made a substantial commitment to the technological development of the Systems and has actively sought to upgrade the technical capabilities of its cable plant in a cost efficient manner. This development will allow the Company to further increase the reliability of its services, to increase channel capacity for the delivery of additional programming and to provide new telecommunications services. Currently, all of the Systems have a minimum of 35-channel capacity and are capable of delivering one-way data transmission and digital video services. Further, as of March 31, 1997 over 95.0% of the subscribers to the Systems are served with "addressable capable" technology, which permits the cable operator to remotely activate the cable television services to be delivered to subscribers who are equipped with addressable converters. With addressable converters, the Company can immediately add to or reduce the services provided to a subscriber from the Company's headend site, without the need to dispatch a service technician to the subscriber's home. Addressable technology has allowed the Company to offer pay-per-view programming. This technology has assisted the Company in reducing pay service theft and, by allowing the Company to automatically cut off a subscriber's service, has been effective in collecting delinquent subscriber payments.

In most of its recent upgrades, the Company has utilized a Modified Passive Network Architecture ("MPNA") which utilizes fiber optic cable as an alternative to the coaxial cable that historically has been used to distribute cable signals to the subscriber's home. The MPNA design deploys on average one fiber node for every two miles of fiber optic cable, or approximately one fiber node for every 180 homes passed. The Company believes this compares favorably with current industry averages. This deep penetration of fiber optic cable into the Systems' networks has the advantages of providing increased reliability to customers, improved bandwidth and easier implementation of the return path plant capabilities. This will position the Company to offer additional video programming services, to utilize the expanded bandwidth potential of digital compression technology and to meet the anticipated transmission requirements for high-definition television, digital television, high-speed data and telephone services.

Subscriber Services and Rates

The Company's revenues are derived principally from monthly subscription fees for basic, satellite and premium services. Rates to subscribers vary from market to market and in accordance with the type of service selected. Although services vary from system to system because of differences in channel capacity and viewer interests, each of the Systems typically offers a basic package ranging from $5.75 to $16.85 per month. Most of the Systems also offer satellite services in a separate CableValue package ranging from $7.50 to $23.60 per month. A number of the Systems also offer certain satellite services on an unregulated, individual only basis. These offerings, ranging from 2 to 6 channels, have monthly rates ranging from $.055 to $1.15 per service. The System's rates for premium services range from $7.00 to $13.00 per service per month. An installation fee, which the Company may wholly or partially wave during a promotional period, is usually charged to new subscribers. Subscribers are free to terminate cable service at any time without charge, but often are charged a fee for reconnection or change of service.

The Cable Communications Policy Act of 1984 (the "1984 Cable Act," as amended by the 1992 Cable Act), deregulated basic service rates for systems in communities meeting the FCC's definition of effective competition. Pursuant to the FCC's definition of effective competition adopted following enactment of the 1984 Cable Act, substantially all of the Company's franchises were rate deregulated. However, in June 1991, the FCC amended its effective competition standard, which increased the number of cable systems which could be subject to local rate regulation. The 1992 Cable Act contains a new definition of effective competition under which nearly all cable systems in the United States are subject to regulation of basic service rates. Additionally, the legislation (i) eliminated the 5% annual basic rate increase allowed by the 1984 Cable Act without local approval; (ii) allows the FCC to adjudicate the reasonableness of rates for non-basic service tiers, other than premium services, for cable systems not subject to effective competition in response to complaints filed by franchising authorities and/or cable subscribers; (iii) prohibits cable systems from requiring subscribers to purchase service tiers above basic service in order to purchase premium services if the system is technically capable of doing so; (iv) allows the FCC to impose restrictions on the retiering and rearrangement of cable services under certain circumstances; and (v) permits the FCC and franchising authorities more latitude in controlling rates and rejecting rate increase requests. The Telecommunications Act of 1996 (the "1996 Act") ends FCC regulation on nonbasic tier rates on March 31, 1999. See "Legislation and Regulation."

For a discussion of recent FCC rate regulation and related developments, see "Legislation and Regulation" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Regulatory and Competitive Matters."

Franchises

The 1984 Cable Act provides that cable operators may not offer cable service to a particular community without a franchise unless such operator was lawfully providing service to the community on July 1, 1984 and the franchising authority does not require a franchise. The Systems operate pursuant to franchises or other authorizations issued by governmental authorities, substantially all of which are nonexclusive. Such franchises or authorizations awarded by a governmental authority generally are not transferable without the consent of the authority. As of March 31, 1997, the Company held 488 franchises, Olympus held 118 franchises and the Managed Systems held 125 franchises. Most of these franchises can be terminated prior to their stated expiration by the relevant governmental authority, after due process, for breach of material provisions of the franchise.

Under the terms of most of the Company's franchises, a franchise fee (generally ranging up to 5% of the gross revenues of the cable system) is payable to the governmental authority. For the past three years, franchise fee expense incurred by the Company has averaged approximately 2.5% of gross system revenues.

The franchises issued by the governmental authorities are subject to periodic renewal. In renewal hearings, the authorities generally consider, among other things, whether the franchise holder has provided adequate service and complied with the franchise terms. In connection with a renewal, the authority may impose different and more stringent terms, the impact of which cannot be predicted. To date, all of the Company's material franchises have been renewed or extended, at or effective upon their stated expiration, generally on modified terms. Such modified terms have not been materially adverse to the Company.

The Company believes that all of its material franchises are in good standing. From time to time, the Company notifies the franchising authorities of the Company's intent to seek renewal of the franchise in accordance with the procedures set forth in the 1984 Cable Act. The 1984 Cable Act process requires that the governmental authority consider the franchise holder's renewal proposal on its own merits in light of the franchise holder's past performance and the community's needs and interests, without regard to the presence of competing applications. See "Legislation and Regulation." The 1992 Cable Act alters the administrative process by which operators utilize their 1984 Cable Act franchise renewal rights. Such changes could make it easier in some instances for a franchising authority to deny renewal of a franchise.

Competition

Although the Company and the cable television industry have historically faced modest competition, the competitive landscape is changing and competition will increase. The Company believes that the increase in competition within its communities will occur gradually over a period of time.

At the present time, cable television systems compete with other communications and entertainment media, including off-air television broadcast signals which a viewer is able to receive directly using the viewer's own television set and antenna. The extent to which a cable system competes with over-the-air broadcasting depends upon the quality and quantity of the broadcast signals available by direct antenna reception compared to the quality and quantity of such signals and alternative services offered by a cable system. In many areas, television signals which constitute a substantial part of basic service can be received by viewers who use their own antennas. Local television reception for residents of apartment buildings or other multi-unit dwelling complexes may be aided by use of private master antenna services. Cable systems also face competition from alternative methods of distributing and receiving television signals and from other sources of entertainment such as live sporting events, movie theaters and home video products, including videotape recorders and compact disc players. In recent years, the FCC has adopted policies providing for authorization of new technologies and a more favorable operating environment for certain existing technologies that provide, or may provide, substantial additional competition for cable television systems. The extent to which cable television service is competitive depends in significant part upon the cable television system's ability to provide an even greater variety of programming and other services than that available off-air or through competitive alternative delivery sources. In addition, certain provisions of the 1992 Cable Act and the 1996 Act are expected to increase competition significantly in the cable industry. See "Legislation and Regulation."

The 1992 Cable Act prohibits the award of exclusive franchises, prohibits franchising authorities from unreasonably refusing to award additional franchises and permits them to operate cable systems themselves without franchises.

Individuals presently have the option to purchase earth stations, which allow the direct reception of satellite-delivered program services formerly available only to cable television subscribers. Most satellite-distributed program signals are being electronically scrambled to permit reception only with authorized decoding equipment, generally at a cost to the viewer. From time to time, legislation has been introduced in Congress which, if enacted into law, would prohibit the scrambling of certain satellite-distributed programs or would make satellite services available to private earth stations on terms comparable to those offered to cable systems. Broadcast television signals are being made available to owners of earth stations under the Satellite Home View Copyright Act of 1988, which became effective January 1, 1989 for a six-year period. This Act establishes a statutory compulsory license for certain transmissions made by satellite owners to home satellite dishes for which carriers are required to pay a royalty fee to the Copyright Office. This Act has been extended by Congress until December 31, 1999. The 1992 Cable Act enhances the right of cable competitors to purchase nonbroadcast satellite-delivered programming. See "Legislation and Regulation — Federal Regulation."

Video programming is now being delivered to individuals by high-powered direct broadcast satellites ("DBS") utilizing video compression technology. This technology has the capability of providing more than 100 channels of programming over a single high-powered DBS satellite with significantly higher capacity available if multiple satellites are placed in the same orbital position. Video compression technology may also be used by cable operators in the future to similarly increase their channel capacity. DBS service can be received virtually anywhere in the United States through the installation of a small rooftop or side-mounted antenna, and it is more accessible than cable television service where a cable plant has not been constructed or where it is not cost effective to construct cable television facilities. DBS service is being heavily marketed on a nationwide basis by several service providers. One DBS service provider is proposing to deliver at least some local television stations via satellite, thus lessening the distinction between cable television and DBS service.

Cable communications systems also compete with wireless program distribution services such as multichannel, multipoint distribution service ("MMDS"), commonly called wireless cable systems, which use low-power microwave frequencies to transmit video programming over-the-air to subscribers. There are MMDS operators who are authorized to provide or are providing broadcast and satellite programming to subscribers in areas served by the Company's Systems. MMDS systems are less capital intensive, are not required to obtain local franchises or to pay franchise fees and are subject to fewer regulatory requirements than cable television systems. MMDS systems' ability to compete with cable television systems has previously been limited by channel capacity, the inability to obtain programming and regulatory delays. Recently, however, MMDS systems have developed digital compression technology which provides for more channel capacity and better signal delivery. Although relatively few MMDS systems in the United States are currently in operation or under construction, virtually all markets have been licensed or tentatively licensed. A series of actions taken by the FCC, including reallocating certain frequencies to wireless services, are intended to facilitate the development of wireless cable television spectrum that will be used by wireless operators to provide additional channels of programming over longer distances. Several Regional Bell Operating Companies acquired interests in major MMDS companies. The Company is unable to predict whether wireless video services will have a material impact on its operations.

Additional competition may come from private cable television systems servicing condominiums, apartment complexes and certain other multiple unit residential developments. The operators of these private systems, known as satellite master antenna television ("SMATV") systems, often enter into exclusive agreements with apartment building owners or homeowners' associations which preclude franchised cable television operators from serving residents of such private complexes. However, the 1984 Cable Act gives franchised cable operators the right to use existing compatible easements within their franchise areas upon nondiscriminatory terms and conditions. Accordingly, where there are preexisting compatible easements, cable operators may not be unfairly denied access or discriminated against with respect to the terms and conditions of access to those easements. There have been conflicting judicial decisions interpreting the scope of the access right granted by the 1984 Cable Act, particularly with respect to easements located entirely on private property. Further, while a franchised cable television system typically is obligated to extend service to all areas of a community regardless of population density or economic risk, a SMATV system may confine its operation to small areas that are easy to serve and more likely to be profitable. Under the 1996 Act, SMATV systems can interconnect non-commonly owned buildings without having to comply with local, state and federal regulatory requirements that are imposed upon cable systems providing similar services, as long as they do not use public rights-of-way. The U.S. Copyright Office has concluded that SMATV systems are "cable systems" for purposes of qualifying for the compulsory copyright license established for cable systems by federal law.

The FCC has authorized a new interactive television service which will permit non-video transmission of information between an individual's home and entertainment and information service providers. This service will provide an alternative means for DBS systems and other video programming distributors, including television stations, to initiate the new interactive television services. This service may also be used by the cable television industry.

The FCC also has initiated a new rulemaking proceeding looking toward the allocation of frequencies in the 28 Ghz range for a new multi-channel wireless video service which could make 98 video channels available in a single market. It cannot be predicted at this time whether competitors will emerge utilizing such frequencies or whether such competition would have a material impact on the operations of cable television systems.

The FCC has recently allocated a sizable amount of spectrum in the 31 Ghz band for use by a new wireless service, Local Multipoint Distribution Service ("LMDS"), which among other uses, can deliver over 100 channels of digital programming directly to consumers' homes. The FCC proposes to auction this spectrum to the public this fall, with cable operators and local telephone companies restricted in their participation in this auction. The extent to which the winning licenses in this service will use this spectrum in particular regions of the country to deliver multichannel video programming to subscribers, and therefore provide competition for franchised cable systems, is at this time uncertain.

The 1996 Act eliminates the restriction against ownership and operation of cable systems by local telephone companies within their local exchange service areas. Telephone companies are now free to enter the retail video distribution business through any means, such as DBS, MMDS, SMATV or as traditional franchised cable system operators. Alternatively, the 1996 Act authorizes local telephone companies to operate "open video systems" without obtaining a local cable franchise, although telephone companies operating such systems can be required to make payments to local governmental bodies in lieu of cable franchise fees. Up to two-thirds of the channel capacity of an "open video system" must be available to programmers unaffiliated with the local telephone company. The open video system concept replaces the FCC's video dialtone rules. The 1996 Act also includes numerous provisions designed to make it easier for cable operators and others to compete directly with local exchange telephone carriers. With certain limited exceptions, neither a local exchange carrier nor a cable operator can acquire more than 10% of the other entity operating within its own service area.

Advances in communications technology, as well as changes in the marketplace and the regulatory and legislative environment, are constantly occurring. Thus, it is not possible to predict the effect that ongoing or future developments might have on the cable industry. The ability of cable systems to compete with present, emerging and future distribution media will depend to a great extent on obtaining attractive programming. The availability and exclusive use of a sufficient amount of quality programming may in turn be affected by developments in regulation or copyright law. See "Legislation and Regulation."

The cable television industry competes with radio, television and print media for advertising revenues. As the cable television industry continues to develop programming designed specifically for distribution by cable, advertising revenues may increase. Premium programming provided by cable systems is subject to the same competitive factors which exist for other programming discussed above. The continued profitability of premium services may depend largely upon the continued availability of attractive programming at competitive prices.

Employees

At June 7, 1997, there were 3,154 full-time employees of the Company, Olympus, and the Managed Partnerships, of which 116 employees were covered by collective bargaining agreements at three locations. The Company considers its relations with its employees to be good.

Legislation and Regulation

The Company's existing and anticipated businesses are regulated by the FCC, some state governments and most local governments. In addition, various legislative and regulatory proposals under consideration from time to time by Congress and various federal agencies may materially affect the Company's existing and anticipated businesses. The following is a summary of federal laws and regulations affecting the growth and operation of the Company's existing and anticipated businesses and a description of certain state and local laws.

Cable Television/Federal Laws and Regulations

Cable Communications Policy Act of 1984 (the "1984 Cable Act")

The 1984 Cable Act became effective on December 29, 1984. This federal statute, which amended the Communications Act of 1934 (the "Communications Act"), created uniform national standards and guidelines for the regulation of cable television systems. Violations by a cable television system operator of provisions of the Communications Act, as well as of FCC regulations, can subject the operator to substantial monetary penalties and other sanctions. Among other things, the 1984 Cable Act affirmed the right of franchising authorities (state or local, depending on the practice in individual states) to award one or more franchises within their jurisdictions. It also prohibited non-grandfathered cable television systems from operating without a franchise in such jurisdictions. In connection with new franchises, the 1984 Cable Act provides that in granting or renewing franchises, franchising authorities may establish requirements for cable-related facilities and equipment, but may not establish or enforce requirements for video programming or information services other than in broad categories.

Cable Television Consumer Protection and Competition Act of 1992 (the "1992 Cable Act")

On October 5, 1992, Congress enacted the 1992 Cable Act. This legislation effected significant changes to the legislative and regulatory environment in which the cable industry operates. It amended the 1984 Cable Act in many respects. The 1992 Cable Act became effective on December 4, 1992, although certain provisions, most notably those dealing with rate regulation and retransmission consent, became effective at later dates. The legislation also required the FCC to initiate a number of rulemaking proceedings to implement various provisions of the statute. The 1992 Cable Act allows for a greater degree of regulation on the cable industry with respect to, among other things: (i) cable system rates for both basic and certain nonbasic services, (ii) programming access and exclusivity arrangements, (iii) access to cable channels by unaffiliated programming services, (iv) leased access terms and conditions, (v) horizontal and vertical ownership of cable systems, (vi) customer service requirements, (vii) franchise renewals, (viii) television broadcast signal carriage and retransmission consent, (ix) technical standards, (x) subscriber privacy, (xi) consumer protection issues, (xii) cable equipment compatibility, (xiii) obscene or indecent programming and (xiv) requiring subscribers to subscribe to tiers of service other than basic service as a condition of purchasing premium services. Additionally, the legislation encourages competition with existing cable systems by allowing municipalities to own and operate their own cable systems without having to obtain a franchise, preventing franchising authorities from granting exclusive franchises or unreasonably refusing to award additional franchises covering an existing cable system's service area and prohibiting the common ownership of cable systems and co-located MMDS or SMATV systems. The 1992 Cable Act also precludes video programmers affiliated with cable television companies from favoring cable operators over competitors and requires such programmers to sell their programming to other multichannel video distributors. This provision may limit the ability of cable programming suppliers to offer exclusive programming arrangements to cable television companies. A number of provisions in the 1992 Cable Act relating to, among other things, rate regulation, have had a negative impact on the cable industry and the Company's business.

Telecommunications Act of 1996

The 1996 Act significantly revised the federal regulatory structure. As it pertains to cable television, the 1996 Act, among other things, (i) eliminates the regulation of certain nonbasic programming services in 1999, (ii) expands the definition of effective competition, the existence of which displaces rate regulation, (iii) eliminates the restriction against the ownership and operation of cable systems by telephone companies within their local exchange service areas and (iv) liberalizes certain of the FCC's cross-ownership restrictions. The FCC has been conducting a number of rulemaking proceedings in order to implement many of the provisions of the 1996 Act.

FCC Regulation

The FCC, the principal federal regulatory agency with jurisdiction over cable television, has promulgated regulations covering such areas as the registration of cable systems, cross-ownership between cable systems and other communications businesses, carriage of television broadcast programming, consumer education and lockbox enforcement, origination cablecasting and sponsorship identification, children's programming, the regulation of basic cable service rates in areas where cable systems are not subject to effective competition, signal leakage and frequency use, technical performance, maintenance of various records, equal employment opportunity, and antenna structure notification, marking and lighting. The FCC has the authority to enforce these regulations through the imposition of substantial fines, the issuance of cease and desist orders and/or the imposition of other administrative sanctions, such as the revocation of FCC licenses needed to operate certain transmission facilities often used in connection with cable operations. Furthermore, the 1992 Cable Act required the FCC to adopt regulations covering, among other things, cable rates, signal carriage, consumer protection and customer service, leased access, indecent programming, programmer access to cable television systems, programming agreements, technical standards, consumer electronics equipment compatibility, ownership of home wiring, program exclusivity, equal employment opportunity, and various aspects of direct broadcast satellite system ownership and operation. The 1996 Act requires certain changes to various provisions of these regulations. A brief summary of the most material federal regulations as adopted to date follows.

Rate Regulation

The 1984 Cable Act codified existing FCC preemption of rate regulation for premium channels and optional nonbasic program tiers. The 1984 Cable Act also deregulated basic cable rates for cable television systems determined by the FCC to be subject to effective competition. The 1992 Cable Act substantially changed the statutory and FCC rate regulation standards. The 1992 Cable Act replaced the FCC's old standard for determining effective competition, under which most cable systems were not subject to local rate regulation, with a statutory provision that has resulted in nearly all cable television systems becoming subject to local rate regulation of basic service. Additionally, the 1992 Cable Act eliminated the 5% annual rate increase for basic service previously allowed by the 1984 Cable Act without local approval; required the FCC to adopt a formula, for franchising authorities to enforce, to assure that basic cable rates are reasonable; allows the FCC to review rates for nonbasic service tiers (other than per-channel or per-program services) in response to complaints filed by franchising authorities; prohibits cable television systems from requiring customers to purchase service tiers above basic service in order to purchase premium services if the system is technically capable of doing so; required the FCC to adopt regulations to establish, on the basis of actual costs, the price for installation of cable service, remote controls, converter boxes and additional outlets; and allows the FCC to impose restrictions on the retiering and rearrangement of cable services under certain limited circumstances. The 1996 Act expands the definition of effective competition to cover situations where a local telephone company or its affiliate, or any multichannel video provider using telephone company facilities, offers comparable video service by any means except DBS. Satisfaction of this test deregulates both basic and nonbasic tiers. The 1996 Act ends FCC regulation of nonbasic tier rates on March 31, 1999.

The FCC's regulations set standards for the regulation of basic and nonbasic cable service rates (other than per-channel or per-program services). The FCC's original rules became effective on September 1, 1993. The rules have been amended several times. The rate regulations adopt a benchmark price cap system for measuring the reasonableness of existing basic and nonbasic service rates, and a formula for future rate increases based on inflation and increases in certain costs. Alternatively, cable operators have the opportunity to make cost-of-service showings which, in some cases, may justify rates above the applicable benchmarks. The rules also require that charges for cable-related equipment (e.g., converter boxes and remote control devices) and installation services be unbundled from the provision of cable service and based upon actual costs plus a reasonable profit. Local franchising authorities and/or the FCC are empowered to order a reduction of existing rates which exceed the benchmark level for either basic and/or nonbasic cable services and associated equipment, and refunds could be required. The retroactive refund period for basic cable service rates is limited to one year. A significant number of franchising authorities have become certified by the FCC to regulate the rates charged by the Company for basic cable service and for associated equipment. The Company's ability to implement rate increases consistent with its past practices will likely be limited by the regulations that the FCC has adopted.

Carriage of Broadcast Television Signals

The 1992 Cable Act contains new mandatory carriage requirements. These new rules allow commercial television broadcast stations which are "local" to a cable system (i.e., the system is located in the station's Area of Dominant Influence), to elect every three years whether to require the cable system to carry the station, subject to certain exceptions, or whether the cable system will have to negotiate for "retransmission consent" to carry the station. Local, noncommercial television stations are also given mandatory carriage rights, subject to certain exceptions, within the larger of (i) a 50 mile radius from the station's city of license or (ii) the station's Grade B contour (a measure of signal strength). Unlike commercial stations, noncommercial stations are not given the option to negotiate retransmission consent for the carriage of their signal. In addition, cable systems will have to obtain retransmission consent for the carriage of all "distant" commercial broadcast stations, except for certain "superstations," (i.e., commercial satellite-delivered independent stations such as WTBS). The 1992 Cable Act also eliminated, effective December 4, 1992, the FCC's regulations requiring the provision of input selector switches. The statutory must-carry provisions for noncommercial stations became effective on December 4, 1992. Must-carry rules for both commercial and noncommercial stations and retransmission consent rules for commercial stations were adopted by the FCC on March 11, 1993. The must-carry requirement for commercial stations went into effect on June 2, 1993, and any stations for which retransmission consent had not been obtained (other than must-carry stations, non-commercial stations and superstations) had to be dropped as of October 6, 1993. The most recent election between must-carry and retransmission consent for local commercial television broadcast stations was on October 1, 1996. A number of stations previously carried by the Company's cable television systems elected retransmission consent. The Company was able to reach agreements with broadcasters who elected retransmission consent and has therefore not been required to pay cash compensation to broadcasters for retransmission consent or been required by broadcasters to remove broadcast stations from the cable television channel line-ups. The Company has, however, agreed to carry some services (e.g., ESPN2 and a new service by FOX) in specified markets pursuant to retransmission consent arrangements which it believes are comparable to those entered into by most other large cable operators.

Channel Set-Asides

The 1984 Cable Act permits local franchising authorities to require cable operators to set aside certain channels for public, educational and governmental access programming. The Company believes that none of the Systems' franchises contain unusually onerous access requirements. The 1984 Cable Act further requires cable systems with thirty-six or more activated channels to designate a portion of their channel capacity for commercial leased access by unaffiliated third parties. While the 1984 Cable Act presently allows cable operators substantial latitude in setting leased access rates, the 1992 Cable Act requires leased access rates to be set according to a formula determined by the FCC. The FCC has recently revised the existing rate formula in a way which will significantly lower the rates cable operators have been able to charge. It is possible that such leased access will result in competition to services offered by the Company on the other channels of its cable systems.

Competing Franchises

Questions concerning the ability of municipalities to award a single cable television franchise and to impose certain franchise restrictions upon cable television companies have been considered in several recent federal appellate and district court decisions. These decisions have been somewhat inconsistent and, until the U.S. Supreme Court rules definitively on the scope of cable television's First Amendment protections, the legality of the franchising process and of various specific franchise requirements is likely to be in a state of flux. It is not possible at the present time to predict the constitutionally permissible bounds of cable franchising and particular franchise requirements. However, the 1992 Cable Act, among other things, prohibits franchising authorities from unreasonably refusing to grant franchises to competing cable systems and permits franchising authorities to operate their own cable systems without franchises.

Cross-Ownership

The 1996 Act repealed the 1984 Cable Act's prohibition on LECs providing video programming directly to customers within their local exchange telephone service areas, except in rural areas or by specific waiver of FCC rules. The 1996 Act also authorized LECs to operate "open video systems" without obtaining a local cable franchise, although LECs operating such systems can be required to make payments to local governmental bodies in lieu of cable franchise fees. Where demand exceeds channel capacity, up to two-thirds of the channels on an "open video system" must be available to programmers unaffiliated with the LEC.

The 1996 Act eliminated the FCC rule prohibiting common ownership between a cable system and a national broadcast television network. The 1996 Act also eliminated the statutory ban covering certain common ownership interests, operation or control between a television station and cable system within the station's Grade B signal coverage area. However, the parallel FCC rules against cable/television station cross-ownership remains in place, subject to review by the FCC within two years. Finally, the 1992 Cable Act prohibits common ownership, control or interest in cable television systems and MMDS facilities or SMATV systems having overlapping service areas, except in limited circumstances. The 1996 Act exempts cable systems facing "effective competition" from the MMDS and SMATV cross-ownership restrictions

Pursuant to the 1992 Cable Act, the FCC has imposed limits on the number of cable systems which a single cable operator can own. In general, no cable operator can have an attributable interest in cable systems which pass more than 30% of all homes nationwide. Attributable interests for these purposes include voting interests of 5% or more (unless there is another single holder of more than 50% of the voting stock), officerships, directorships and general partnership interests. The FCC has stayed the effectiveness of these rules pending the outcome of the appeal from the U.S. District Court decision holding the multiple ownership limit provision of the 1992 Cable Act unconstitutional.

The FCC has also adopted rules which limit the number of channels on a cable system which can be occupied by programming in which the cable system's owner has an attributable interest. The limit is 40% of all activated channels.

Franchise Transfers

The 1992 Cable Act requires franchising authorities to act on any franchise transfer request submitted after December 4, 1992 within 120 days after receipt of all information required by FCC regulations and by the franchising authority. Approval is deemed to be granted if the franchising authority fails to act within such period.

Technical Requirements

Historically, the FCC has imposed technical standards applicable to the cable channels on which broadcast stations are carried, and has prohibited franchising authorities from adopting standards which were in conflict with or more restrictive than those established by the FCC. The FCC has recently revised such standards and made them applicable to all classes of channels which carry downstream NTSC video programming. Local franchising authorities are permitted to enforce the FCC's new technical standards. The FCC also has adopted additional standards applicable to cable television systems using frequencies in the 108-137 MHz and 225-400 MHz bands in order to prevent harmful interference with aeronautical navigation and safety radio services, and has also established limits on cable system signal leakage. Periodic testing by cable operators for compliance with these technical standards and signal leakage limits is required. The Company believes that the Systems are in compliance with these standards in all material respects. The 1992 Cable Act requires the FCC to update periodically its technical standards to take into account changes in technology. The FCC has adopted regulations to implement the requirements of the 1992 Cable Act designed to improve the compatibility of cable systems and consumer electronics equipment.

Pole Attachments

The FCC currently regulates the rates and conditions imposed by certain public utilities for use of their poles, unless under the Federal Pole Attachments Act, state public service commissions are able to demonstrate that they regulate rates, terms and conditions of the cable television pole attachments. A number of states (including Massachusetts, Michigan, New Jersey, New York, Ohio and Vermont) and the District of Columbia have certified to the FCC that they regulate the rates, terms and conditions for pole attachments. In the absence of state regulation, the FCC administers such pole attachment rates through use of a formula which it has devised and from time to time revises. The 1996 Act directs the FCC to adopt a new rate formula for any attaching party, including cable systems, which offers telecommunications services. This new formula will result in significantly higher attachment rates for cable systems which choose to offer such services.

Other Matters

FCC regulation also includes matters regarding a cable system's carriage of local sports programming; restrictions on origination and cablecasting by cable system operators; application of the rules governing political broadcasts; customer service; home wiring; and limitations on advertising contained in nonbroadcast children's programming.

Copyright

Cable television systems are subject to federal copyright licensing covering carriage of broadcast signals. In exchange for making semi-annual payments to a federal copyright royalty pool and meeting certain other obligations, cable operators obtain a statutory license to retransmit broadcast signals. The amount of this royalty payment varies, depending on the amount of system revenues from certain sources, the number of distant signals carried, and the location of the cable system with respect to over-the-air television stations.

Various bills have been introduced into Congress over the past several years that would eliminate or modify the cable television compulsory license. At the request of Congress, the Copyright Office has commenced an inquiry into possible revisions of the compulsory license. Without the compulsory license, cable operators might need to negotiate rights from the copyright owners for each program carried on each broadcast station in the channel lineup. Such negotiated agreements could increase the cost to cable operators of carrying broadcast signals. The 1992 Cable Act's retransmission consent provisions expressly provide that retransmission consent agreements between television broadcast stations and cable operators do not obviate the need for cable operators to obtain a copyright license for the programming carried on each broadcaster's signal.

Copyrighted music performed in programming supplied to cable television systems by pay cable networks (such as

HBO) and basic cable networks (such as USA Network) has generally been licensed by the networks through private agreements with the American Society of Composers and Publishers ("ASCAP") and BMI, Inc. ("BMI"), the two major performing rights organizations in the United States. As a result of extensive litigation, ASCAP and BMI are both now required to offer "through to the viewer" licenses to the cable networks which would cover the retransmission of the cable networks' programming by cable systems to their subscribers.

Copyrighted music performed by cable systems themselves on local origination channels, PEG channels, and in locally inserted advertising and cross promotional announcements must also be licensed. A blanket license is available from BMI. Cable industry negotiations with ASCAP are still in progress.

Cable Television/State and Local Regulation

Because a cable television system uses local streets and rights-of-way, cable television systems are subject to state and local regulation, typically imposed through the franchising process. State and/or local officials are usually involved in franchise selection, system design and construction, safety, service rates, consumer relations, billing practices and community related programming and services.

Cable television systems generally are operated pursuant to nonexclusive franchises, permits or licenses granted by a municipality or other state or local government entity. Franchises generally are granted for fixed terms and in many cases are terminable if the franchise operator fails to comply with material provisions. The 1984 Cable Act established renewal procedures and criteria designed to protect incumbent franchises against arbitrary denials of renewal. While these formal procedures are not mandatory unless timely invoked by either the cable operator or the franchising authority, they can provide substantial protection to incumbent franchisees. Even after the formal renewal procedures are invoked, franchising authorities and cable operators remain free to negotiate a renewal outside the formal process. Nevertheless, renewal is by no means assured, as the franchisee must meet certain statutory standards. Even if a franchise is renewed, a franchising authority may impose new and more onerous requirements such as upgrading facilities and equipment, although the municipality must take into account the cost of meeting such requirements. The 1992 Cable Act makes several changes to the process under which a cable operator seeks to enforce its renewal rights which could make it easier in some cases for a franchising authority to deny renewal.

Franchises usually call for the payment of fees, often based on a percentage of the system's gross subscriber revenues, to the granting authority. Although franchising authorities may impose franchise fees under the 1984 Cable Act, such payments cannot exceed 5% of a cable system's annual gross revenues. In those communities in which franchise fees are required, the Company currently pays franchise fees ranging up to 5% of gross revenues. Franchising authorities are also empowered in awarding new franchises or renewing existing franchises to require cable operators to provide cable-related facilities and equipment and to enforce compliance with voluntary commitments. In the case of franchises in effect prior to the effective date of the 1984 Cable Act, franchising authorities may enforce requirements contained in the franchise relating to facilities, equipment and services, whether or not cable-related. The 1984 Cable Act, under certain limited circumstances, permits a cable operator to obtain modifications of franchise obligations.

Upon receipt of a franchise, the cable system owner usually is subject to a broad range of obligations to the issuing authority directly affecting the business of the system. The terms and conditions of franchises vary materially from jurisdiction to jurisdiction, and even from city to city within the same state, historically ranging from reasonable to highly restrictive or burdensome. The 1984 Cable Act places certain limitations on a franchising authority's ability to control the operation of a cable system operator and the courts have from time to time reviewed the constitutionality of several general franchise requirements, including franchise fees and access channel requirements, often with inconsistent results. On the other hand, the 1992 Cable Act prohibits exclusive franchises, and allows franchising authorities to exercise greater control over the operation of franchised cable systems, especially in the area of customer service and rate regulation. The 1992 Cable Act also allows franchising authorities to operate their own multichannel video distribution system without having to obtain a franchise and permits states or local franchising authorities to adopt certain restrictions on the ownership of cable systems. Moreover, franchising authorities are immunized from monetary damage awards arising from regulation of cable systems or decisions made on franchise grants, renewals, transfers and amendments.

The specific terms and conditions of a franchise and the laws and regulations under which it was granted directly affect the profitability of the cable television system. Cable franchises generally contain provisions governing charges for basic cable television services, fees to be paid to the franchising authority, length of the franchise term, renewal, sale or transfer of the franchise, territory of the franchise, design and technical performance of the system, use and occupancy of public streets and number and types of cable services provided. The 1996 Act prohibits a franchising authority from either requiring or limiting a cable operator's provision of telecommunications services.

Various proposals have been introduced at the state and local levels with regard to the regulation of cable television systems, and a number of states have adopted legislation subjecting cable television systems to the jurisdiction of centralized state governmental agencies, even to the exclusion of local community regulation. Some of these states regulate jointly and impose regulation of a character similar to that of a public utility. Attempts in other states to regulate cable television systems are continuing and can be expected to increase. Such proposals and legislation may be preempted by federal statute and/or FCC regulation. To date, the states in which the Company operates that have enacted such state level regulation are New York, New Jersey, Massachusetts and Vermont. The Company cannot predict whether other states in which it currently operates, or in which it may acquire systems, will engage in such regulation in the future.

The foregoing does not purport to describe all present and proposed federal, state and local regulations and legislation relating to the cable television industry. Other existing federal regulations, copyright licensing and, in many jurisdictions, state and local franchise requirements currently are the subject of a variety of judicial proceedings, legislative hearings and administrative and legislative proposals which could change, in varying degrees, the manner in which cable television systems operate. Neither the outcome of these proceedings nor their impact upon the cable television industry or the Company can be predicted at this time.

Telephony and Telecommunications/Federal Laws and Regulations

The 1996 Act also alters federal, state and local laws and regulations regarding telecommunications providers and services, including the Company, and creates a favorable environment in which the Company may provide telephone and other telecommunications services and facilities. The following is a summary of the key provisions of the 1996 Act that could materially affect the telecommunications business of the Company.

The 1996 Act was intended to promote the provision of competitive telephone services and facilities by cable television companies and others. The 1996 Act declares that no state or local laws or regulations may prohibit or have the effect of prohibiting the ability of any entity to provide any interstate or intrastate telecommunications service. States are authorized to impose "competitively neutral" requirements regarding universal service, public safety and welfare, service quality, and consumer protection. The 1996 Act further provides that cable operators and affiliates providing telecommunications services are not required to obtain a separate franchise from local franchising authorities ("LFAs") for such services. An LFA may not order a cable operator or affiliate to discontinue providing telecommunications services or discontinue operating its cable system on the basis that it has failed to obtain a separate franchise or renewal for the provision of telecommunications services. The 1996 Act prohibits LFAs from requiring cable operators to provide telecommunications service or facilities as a condition of the grant of a franchise, franchise renewal, or franchise transfer, except that LFAs may seek "institutional networks" as part of such franchise negotiations.

The 1996 Act provides that, when cable operators provide telecommunications services, LFAs may require reasonable, competitively neutral compensation for management of the public rights-of-way. The LFA must publicly disclose such compensation requirements.

The Company believes that it qualifies as a connecting carrier under federal law and therefore does not need FCC certification to provide intrastate service. In the event that it is determined that the Company must seek FCC certification, the Company believes that such certification will be granted by the FCC in a timely manner. The Company may be required to file certain tariffs and reports with the FCC.

Interconnection and Other Telecommunications Carrier Obligations

To facilitate the entry of new telecommunications providers (including cable operators), the 1996 Act imposes interconnection obligations on all telecommunications carriers. All carriers must interconnect their networks with other carriers and must not deploy network features and functions that interfere with interoperability. LECs also have a set of separate identified obligations beyond those that apply to new entrants: (i) good faith negotiation with those seeking interconnection, (ii) unbundling, equal access and non-discrimination requirements, (iii) resale of services, including "resale at wholesale rates," (iv) notice of changes in the network that would affect interconnection and interoperability and (v) physical collocation unless shown that practical technical reasons, or space limitations, make physical collocation impractical.

Under the 1996 Act, individual interconnection rates must be just and reasonable, based on cost, and may include a reasonable profit. Traffic termination charges shall be "mutual and reciprocal." The 1996 Act permits carriers to agree on a "bill and keep" system, but does not require such a system.

The 1996 Act contemplates that interconnection agreements will be negotiated by the parties and submitted to a state public service commission ("SPSC") for approval. A SPSC may become involved, at the request of either party, if negotiations fail. If the state regulator refuses to act, the FCC may determine the matter. If the SPSC acts, an aggrieved party's remedy is to file a case in federal district court. The 1996 Act provides for a rural exemption to interconnection requests, but also provides that the exception does not apply where a cable operator makes an interconnection request of a rural LEC within the operator's franchise area.

The 1996 Act requires that all telecommunications providers (including cable operators that provide telecommunications services) must contribute equitably to a Universal Service Fund ("USF"), and the FCC may exempt an interstate carrier or class of carriers if their contribution would be minimal under the USF formula. The 1996 Act allows states to determine which intrastate telecommunications providers contribute to the USF. The 1996 Act prohibits geographic and user rate de-averaging to protect rural subscribers' rates.

FCC Interconnection Order

The FCC recently released its First Report and Order to effectuate the interconnection provisions of the 1996 Act. In general, the FCC's First Report and Order appears favorable to the promotion of competition at the local level. To summarize, the FCC first has asserted broad federal jurisdiction over interconnection issues and the power to bind both state and local governments. The FCC also has established procedures for the negotiation, arbitration and resolution of interconnection agreements. It also has stated that new entrants essentially always benefit from the terms of subsequent interconnection agreements entered into by a given LEC with third parties and cannot waive their "most favored nation" rights in this respect. The FCC also has specified the manner in which actual physical interconnection must be made available to new entrants and, in this connection, has specified the manner in which rates charged to new entrants for physical interconnection must be calculated. The FCC also has set forth the manner in which LECs must make essential network elements available to new entrants for resale, again including the manner in which actual rates are to be calculated.

The FCC Report and Order is subject to Petitions for Reconsideration filed at the FCC and Petitions for Review consolidated before the United States Court of Appeals for the Eighth Circuit. Additionally, the Eighth Circuit has granted a stay of the pricing and "most favored nation" provisions of the First Report and Order. The pricing provisions establish price ceilings and default prices for interconnection elements, and the "most favored nation" provision allows carriers to request the LEC to make available to them on the same terms and conditions, any interconnection, service or network element contained in an approved agreement to which the LEC is a party. The stay is limited to certain FCC rules. None of the provisions of the 1996 Act has been stayed. Various parties filed petitions to modify the stay with the Eighth Circuit. On November 1, 1996, the Eighth Circuit modified the stay to exclude certain non-pricing portions of the rules that primarily relate to wireless telecommunications providers. The outcome of these proceedings could affect and impair the Company's ability to provide competitive local exchange services.

Internet Services/Federal Laws and Regulations

Transmitting indecent material via the Internet was made criminal by the 1996 Act. However, on-line access providers are exempted from criminal liability for simply providing interconnection service; they are also granted an affirmative defense from criminal or other action where in "good faith" they restrict access to indecent materials. These provisions have been challenged in federal court. The 1996 Act further exempts on-line access providers from civil liability for actions taken in good faith to restrict access to obscene, excessively violent or otherwise objectionable material.

Telephony and Telecommunications/State Law and Regulation

Adelphia's nonconsolidated joint venture, Olympus Communications, L.P., has systems in Florida. In 1995, the Florida Legislature amended Chapter 362 of Florida Statutes by enacting "An Act Relating to Local Exchange Telecommunications Companies" ("Florida Act") (Chapter 362, Fl. Stat. (1995)). This new law substantially altered Florida law regarding telecommunications providers and services, such as Olympus. The following is a summary of the key provisions of the Florida Act and associated Florida Public Service Commission ("PSC") actions that could materially affect Olympus' telecommunications business.

The Florida Act

The Florida Act vests in the PSC virtually exclusive jurisdiction over intrastate telecommunications matters. The Florida Act limits municipalities to taxation of certain telecommunications services or management of long distance carriers' occupation of local rights-of-way. The Florida Act further directs the PSC to employ flexible regulatory treatment to ensure the widest possible range of telecommunications services, and provides that new entrants such as the Company are subject to a lesser level of regulatory oversight than LECs.

PSC Actions

Pursuant to the Florida Act (and the 1996 Act and the FCC's First Report and Order), the PSC is conducting several proceedings to address competitive issues. To summarize, pursuant to the Florida Act, the PSC has adopted rules requiring certification of CLEC Interexchange Telecommunications Service Providers; Operator Service Providers; Alternative Access Vendor Services; and Shared Tenant Services Providers. The Florida Act provides that the PSC shall grant certification to applicants upon a showing of sufficient technical, financial, and managerial capability to provide service in the geographic area proposed to be served. The Company believes that Olympus meets the statutory requirements for PSC certification for any type of intrastate telecommunications service provider, and that any such application process should be completed expeditiously. In addition, like the 1996 Act, the Florida Act requires LECs to interconnect with certified CLECs. Approximately fourteen interconnection agreements have been reached between LECs and CLECs to date, while approximately five CLECs have requested PSC arbitration of stalled agreements. The PSC is obligated under the Florida Act to arbitrate any disputes in no more than 120 days from date of request. As well, the PSC has ordered BellSouth, the state's largest LEC, to unbundle eight network elements for resale by CLECs, and the PSC has ordered favorable interim rates for these elements. The PSC has not yet adopted an order resolving wholesale discounts associated with local service resale.

Based on the foregoing, the Company believes that the Florida Act and actions of the PSC to date reflect a generally favorable legal and regulatory environment for new entrants, such as Olympus, to intrastate telecommunications in Florida.

ITEM 2. PROPERTIES

The Company's principal physical assets consist of cable television operating plant and equipment, including signal receiving, encoding and decoding devices, headends and distribution systems and subscriber house drop equipment for each of its cable television systems. The signal receiving apparatus typically includes a tower, antenna, ancillary electronic equipment and earth stations for reception of satellite signals. Headends, consisting of associated electronic equipment necessary for the reception, amplification and modulation of signals, are located near the receiving devices. The Company's distribution system consists primarily of coaxial and fiber optic cables and related electronic equipment. Subscriber devices consist of decoding converters. The physical components of cable television systems require maintenance and periodic upgrading to keep pace with technological advances.

The Company's cables and related equipment are generally attached to utility poles under pole rental agreements with local public utilities, although in some areas the distribution cable is buried in underground ducts or trenches. See "Legislation and Regulation-Federal Regulation."

The Company owns or leases parcels of real property for signal reception sites (antenna towers and headends), microwave facilities and business offices in each of its market areas, and owns most of its service vehicles. The Company also leases certain cable, operating and support equipment from a corporation owned by members of the Rigas Family. All leasing transactions between the Company and its officers, directors or principal stockholders, or any of their affiliates, are, in the opinion of management, on terms no less favorable to the Company than could be obtained from unaffiliated thi. ' parties.

Substantially all of the assets of Adelphia's subsidiaries are subject to encumbrances as collateral in connection with the Company's credit arrangements, either directly with a security interest or indirectly through a pledge of the stock in the respective subsidiaries. See Note 3 to the Adelphia Communications Corporation Consolidated Financial Statements. The Company believes that its properties, both owned and leased, are in good operating condition and are suitable and adequate for the Company's business operations.

Hyperion's fiber optic cable, fiber optic telecommunications equipment and other properties and equipment used in its networks, are owned or leased. Fiber optic cable plant used in providing service is primarily on or under public roads, highways or streets, with the remainder being on or under private property. As of March 31, 1997, Hyperion's total telecommunications equipment in service consists of fiber optic telecommunications equipment, fiber optic cable, furniture and fixtures, leasehold improvements and construction in progress. Such properties do not lend themselves to description by character and location of principal units.

ITEM 3. LEGAL PROCEEDINGS

There are no material pending legal proceedings, other than routine litigation incidental to the business, to which the Company or any of its subsidiaries is a part of or to which any of their property is subject.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year 1997.

Executive Officers of the Registrant

The executive officers of the Company, first elected to hold their respective positions on July 1, 1986 following the reorganization of the Company as a holding company, serve at the discretion of the Board of Directors.

The executive officers of the Company are:

NAME	AGE	POSITION
John J. Rigas	72	Chairman, Chief Executive Officer, President and Director
Michael J. Rigas	43	Executive Vice President, Operations and Director
Timothy J. Rigas	40	Executive Vice President, Chief Financial Officer, Chief Accounting Officer, Treasurer and Director
James P. Rigas	39	Executive Vice President, Strategic Planning and Director
Daniel R. Milliard	49	Senior Vice President, Secretary and Director

John J. Rigas is the founder, Chairman, President and Chief Executive Officer of Adelphia and is President of its subsidiaries. Mr. Rigas has served as President or general partner of most of the constituent entities which became wholly-owned subsidiaries of Adelphia upon its formation in 1986, as well as the cable television operating companies acquired by the Company which were wholly or partially owned by members of the Rigas Family. Mr. Rigas has owned and operated cable television systems since 1952. Among his business and community service activities, Mr. Rigas is Chairman of the Board of Directors of Citizens Bancorp., Inc., Coudersport, Pennsylvania, and a member of the Board of Directors of Charles Cole Memorial Hospital. He is a director of the National Cable Television Association and a past President of the Pennsylvania Cable Television Association. He is also a member of the Board of Directors of C-SPAN and the Cable

Advertising Bureau, and is a Trustee of St. Bonaventure University. He graduated from Rensselaer Polytechnic Institute with a B.S. in Management Engineering in 1950

John J. Rigas is the father of Michael J. Rigas, Timothy J. Rigas and James P Rigas, each of whom currently serves as a director and executive officer of the Company.

Michael J. Rigas is Executive Vice President, Operations of Adelphia and is a Vice President of its subsidiaries. Since 1981, Mr. Rigas has served as a Senior Vice President, Vice President, general partner or other officer of the constituent entities which became wholly-owned subsidiaries of Adelphia upon its formation in 1986, as well as the cable television operating companies acquired by the Company which were wholly or partially owned by members of the Rigas Family. From 1979 to 1981, he worked for Webster, Chamberlain & Bean, a Washington, D.C. law firm. Mr. Rigas graduated from Harvard University (magna cum laude) in 1976 and received his Juris Doctor degree from Harvard Law School in 1979.

Timothy J. Rigas is Executive Vice President, Chief Financial Officer, Chief Accounting Officer and Treasurer of Adelphia and its subsidiaries. Since 1979, Mr. Rigas has served as Senior Vice President, Vice President, general partner or other officer of the constituent entities which became wholly-owned subsidiaries of Adelphia upon its formation in 1986, as well as the cable television operating companies acquired by the Company which were wholly or partially owned by members of the Rigas Family. Mr. Rigas graduated from the University of Pennsylvania, Wharton School, with a B.S. degree in Economics (cum laude) in 1978.

James P. Rigas is Executive Vice President, Strategic Planning of Adelphia and is a Vice President of its subsidiaries, and also serves as Chief Executive Officer of Hyperion. Since February 1986, Mr. Rigas has served as a Senior Vice President, Vice President or other officer of the constituent entities which became wholly-owned subsidiaries of Adelphia upon its formation in 1986, as well as the cable television operating companies acquired by the Company which were wholly or partially owned by members of the Rigas Family. Among his business activities, Mr. Rigas is a member of the Board of Directors of Cable Labs. Mr. Rigas graduated from Harvard University (magna cum laude) in 1980 and received a Juris Doctor degree and an M.A. degree in Economics from Stanford University in 1984 From June 1984 to February 1986, he was a consultant with Bain & Co., a management consulting firm.

Daniel R. Milliard is Senior Vice President and Secretary of Adelphia and its subsidiaries, and also serves as President of Hyperion. Since 1982, Mr. Milliard served as Vice President, Secretary and/or General Counsel of Adelphia and the constituent entities which became wholly-owned subsidiaries of Adelphia, as well as the cable television operating companies acquired by the Company which were wholly or partially owned by members of the Rigas Family. He served as outside general counsel to the Company's predecessors from 1979 to 1982. Mr. Milliard graduated from American University in 1970 with a Bachelor of Science degree in Business Administration. He received an M.A. degree in Business from Central Missouri State University in 1971, where he was an instructor in the Department of Finance, School of Business and Economics, from 1971-1973, and received a Juris Doctor degree from the University of Tulsa School of Law in 1976. He is a Director of Citizens Bancorp., Inc. in Coudersport, Pennsylvania and President of the Board of Directors of Charles Cole Memorial Hospital.

Other Principal Employees

Orby G. Kelley, 65, joined the Company in 1986 and currently holds the position of Vice President of Administration/Labor Relations. From 1981 until joining the Company, Mr. Kelley served as Vice President Human Resources--Columbus Operations for Warner Amex Cable Communications, Inc. Prior to that time he served in a similar capacity for Colony Communications, Inc. and Landmark Communications, Inc. Mr. Kelley received his B.A. degree from Old Dominion University in 1958 and his M.B.A. from California Western University in 1980.

Daniel Liberatore, 46, has been Vice President of Engineering since 1986. He is responsible for technical operations, engineering and related supervisory and management functions for the Company Systems. Mr. Liberatore received a B.S. degree in Electrical Engineering from West Virginia University and a Masters Degree in Engineering Management from the University of Massachusetts. He previously served as director of engineering for Warner Amex Cable Communications, Inc. from June 1982 until joining the Company. From December 1980 to June 1982, Mr Liberatore served as a Project Administrator for Warner Amex Cable Communications, Inc.

James R. Brown, 34, joined the Company in 1984 and currently holds the position of Vice President of Finance. Mr. Brown graduated with a B.S. degree in Industrial and Management Engineering from Rensselaer Polytechnic Institute in 1984.

Randall D. Fisher, 45, joined the Company in 1991 and is Vice President, General Counsel and Assistant Corporate Secretary. Previously Mr. Fisher was in private practice with the Washington, D.C. law firm of Baraff, Koerner, Olender & Hochberg, P.C. Mr. Fisher earned his J.D. from Texas Tech University. He received a Masters Degree in Public Administration from Midwestern University in Wichita Falls, Texas, and a B.A. degree in Journalism from the University of Texas at Austin.

Jack A. Olson, 42, joined the Company in 1982 and currently holds the position of Vice President of Media Development. Mr. Olson has held various sales and marketing positions with the Company and is currently responsible for the sale of television advertising and the development and sales of other media related services. Prior to joining the Company, Mr. Olson was a partner in a family owned contract sales and marketing firm consulting to the cable industry.

John B. Glicksman, 37, joined the Company in February 1992 and currently holds the position of Deputy General Counsel for Operations. Previously Mr. Glicksman was in private practice with the Washington, D.C. law firms of Leventhal, Senter & Lerman; Fleischman and Walsh; and Howrey & Simon. Mr. Glicksman received his J.D degree, with honors, from The National Law Center, George Washington University, Washington, D.C. and his B.A. degree, with high honors, from Trinity College, Hartford, Connecticut.

Larry Brett, 44, joined the Company in May 1995 and currently holds the position of Corporate Director of Operations for the Florida cluster. Mr. Brett was employed by TeleCable Corporation, a cable television operator, from 1979 to 1995 and last served as Vice President, Regional Operations, from 1982 to 1995. Mr. Brett received a B.B.A. degree in finance and economics from Emory University in 1974 and an M.B.A. degree from the University of Virginia's Darden School in 1979.

Colin H. Higgin, 36, joined the Company in November 1992 as Deputy General Counsel and Assistant Secretary. Mr. Higgin was an associate at Proskauer Rose Goetz & Mendelsohn from 1991 to 1992 and Latham & Watkins from 1987 to 1991. Mr. Higgin graduated from the University of Pennsylvania, Wharton School, with a B.S. degree in Economics in 1983 and received his J.D. from Indiana University in 1987.

William C. Kent, 46, joined the Company in August 1994 as Corporate Director of Operations for the New England, Ohio and Virginia clusters. From 1993 to 1994, Mr. Kent served as a consultant to the Multi-Media Services Group of Southern New England Telephone. From 1991 to 1992, he served as Director of Operations for the Providence, Rhode Island cable system for Times Mirror. Mr. Kent was also employed by Viacom, Inc., a worldwide entertainment and media concern, for seven years and last served as General Manager of a cable system. He received a B.A. degree in English from Wittenberg University in 1973 and an M.B.A. degree from Cleveland State University in 1981.

Michael C. Mulcahey, CPA, 39, joined the Company in 1991 and currently holds the position of Director of Accounting and Assistant Treasurer. From 1987 to 1991, Mr. Mulcahey held accounting and tax positions with the Syracuse office of Coopers & Lybrand. Mr. Mulcahey received his B.A. in Political Science from State University of New York at Buffalo in 1980 and his M.B.A. from Eastern Washington University in 1985.

James M. Kane, CPA, 34, joined the Company in April 1992 and currently holds the position of Director of Finance From 1989 to 1992, Mr. Kane served in accounting and consulting positions with Price Waterhouse in Pittsburgh. From 1984 to 1987, Mr. Kane served in accounting positions with Coopers & Lybrand in Pittsburgh. Mr. Kane received his B.S. degree in Accounting from Pennsylvania State University in 1984 and his M.B.A. from Carnegie Mellon's Graduate School of Industrial Administration in 1989.

Robert G. Wahl, 55, joined the Company in May 1990 and was appointed to his present position of Corporate Director of Operations for the Western New York, Eastern Pennsylvania, Western Pennsylvania and Coastal New Jersey clusters in June 1994. From 1990 to 1994, Mr. Wahl served as General Manager of the Company's Northeast system and, from 1992 to 1994, he also acted as Pittsburgh Regional Manager. Prior to his employment with the Company, he served as Manager of the Horvitz Newspapers, Inc., in Troy, New York. Mr. Wahl graduated from John Carroll University in Cleveland with a B.S. degree in Business Administration in 1963.

Charles R. Drenning, 51, is Senior Vice President, Engineering Operations of Hyperion. Prior to joining Hyperion, Mr. Drenning was a District Sales Manager for Penn Access Corporation, a competitive access provider in Pittsburgh, Pennsylvania. In addition, he has over 22 years experience with AT&T and the Bell System, where he served in a number of executive level positions in sales and marketing, accounting, data processing, research and development, and strategic planning. Mr. Drenning began his career with AT&T as a member of the technical staff of Bell Laboratories in Columbus, Ohio. His seven years of research work at the laboratories included both hardware and software development for central office switching equipment. Mr. Drenning holds a B.S. in Electrical Engineering and an M.S. in Computer Information Science from Ohio State University. He is a member of the Pennsylvania Technical Institute and IEEE

Paul D. Fajerski, 48, is Senior Vice President, Marketing and Sales of Hyperion. Prior to joining Hyperion, Mr Fajerski was a District Sales Manager for Penn Access Corporation. In addition, he has over 13 years experience with AT&T and the Bell System where he served in a number of executive level positions in sales and marketing. Mr. Fajerski holds a B.S. in Business Administration from the College of Steubenville.

Randolph S. Fowler, 45, is Senior Vice President, Business Development and Regulatory Affairs of Hyperion. Prior to joining Hyperion, Mr. Fowler was Vice President of Marketing for Penn Access Corporation. He previously served for four years as Director of Technology Transfer and Commercial Use of Space in two NASA-sponsored technology transfer programs. In addition, he has over 17 years experience with AT&T and the Bell System, where he served in a number of executive level positions in sales and marketing, operations, human resources, business controls, and strategy development. Mr. Fowler holds a B.S. in Business Administration from the University of Pittsburgh. He has developed and taught courses in Marketing, Network Management, and Regulation for the University of Pittsburgh's Graduate Program in Telecommunications. Mr. Fowler is a contributing author for the Encyclopedia of Telecommunications.

Edward E. Babcock, Jr., CPA, 34, is Vice President, Finance of Hyperion. Mr. Babcock joined Adelphia in May 1995 and previously held the position of Director of Financial Administration and Chief Accounting Officer of Adelphia. Prior to joining Adelphia, Mr. Babcock was the Vice President of Finance and Administration of Pure Industries. Before joining Pure Industries, Mr. Babcock spent eight years with the Pittsburgh office of Deloitte & Touche LLP. Mr. Babcock received his B.S. degree in Accounting from The Pennsylvania State University in 1984.

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's Class A Common Stock is listed for trading on the National Association of Securities Dealers Automated Quotations System National Market System (NASDAQ-NMS). Adelphia's NASDAQ-NMS symbol is "ADLAC."

The following table sets forth the range of high and low closing bid prices of the Class A Common Stock on NASDAQ/NMS. Such bid prices represent inter-dealer quotations, without retail mark-up, mark-down or commission, and may not necessarily represent actual transactions.

CLASS A COMMON STOCK

QUARTER ENDED:	HIGH	LOW
June 30, 1995	$ 10 3/4	$ 7 1/2
September 30, 1995	$ 11 1/4	$ 8 1/4
December 31, 1995	$ 9 3/4	$ 6 1/4
March 31, 1996	$ 8 7/8	$ 6 1/4
June 30, 1996	$ 7 7/8	$ 6 9/16
September 30, 1996	$ 11	$ 6 1/2
December 31, 1996	$ 10 1/4	$ 5 3/4
March 31, 1997	$ 7 1/8	$ 5 3/8

As of June 18, 1997, there were approximately 171 holders of record of Adelphia's Class A Common Stock. As of June 18, 1997, two record holders were registered clearing agencies holding Class A Common Stock on behalf of participants in such clearing agencies.

No established public trading market exists for Adelphia's Class B Common Stock. As of the date hereof, the Class B Common Stock was held of record by seven persons, principally members of the Rigas Family, including a Pennsylvania general partnership all of whose partners are members of the Rigas Family. The Class B Common Stock is convertible into shares of Class A Common Stock on a one-to-one basis. As of June 18, 1997 the Rigas Family owned 99.1% of the outstanding Class B Common Stock.

Adelphia has never paid a cash dividend on its common stock and anticipates that for the foreseeable future any earnings will be retained for use in its business. The ability of Adelphia to pay cash dividends on its common stock is limited by the provisions of its indentures. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources."

On February 10, 1997, the Company issued 766,871 shares of Class A Common Stock to Small Cities Cable of Newport, Inc. and Small Cities Cable Television, L.P., as partial consideration valued at approximately $5,000,000 for the acquisition of certain cable television systems in Vermont by the Company. This issuance was made in reliance upon the exemption from registration contained in Section 4(2) of the Securities Act of 1933.

ITEM 6. SELECTED FINANCIAL DATA

(Dollars in thousands, except per share amounts)

The selected consolidated financial data as of and for each of the five years in the period ended March 31, 1997 have been derived from the audited consolidated financial statements of the Company. This data should be read in conjunction with the consolidated financial statements and related notes thereto as of March 31, 1996 and 1997 and for each of the three years in the period ended March 31, 1997 and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Annual Report on Form 10-K. The statement of operations data with respect to fiscal years ended March 31, 1993 and 1994, and the balance sheet data at March 31, 1993, 1994 and 1995 have been derived from audited consolidated financial statements of the Company not included herein. The statements of operations and balance sheet data as of and for each of the four years ended March 31, 1997 of Hyperion have been derived from audited consolidated financial statements of Hyperion not included herein. The unaudited information of Hyperion for the fiscal year ended March 31, 1993 is derived from other Hyperion information.

	Year Ended March 31,				
	1993	1994	1995	1996	1997
Statements of Operations Data:					
Revenues	$ 305,222	$ 319,045	$ 361,505	$ 403,597	$ 472,778
Direct operating and programming expenses	82,377	90,547	106,993	124,116	148,982
Selling, general and administrative expenses	49,468	52,801	63,487	68,357	81,763
Depreciation and amortization	90,406	89,402	97,602	111,031	124,066
Rate regulation charge	-	-	-	5,300	-
Operating income	82,971	86,295	93,423	94,793	117,967
Interest income from affiliates	5,216	9,188	11,112	10,623	8,367
Other income (expense)	1,447	(299)	1,453	-	-
Priority investment income from Olympus	22,300	22,300	22,300	28,852	42,086
Cash interest expense	(164,695)	(180,456)	(180,942)	(194,403)	(199,332)
Noncash interest expense	(164)	(1,680)	(14,756)	(16,288)	(41,360)
Equity in loss of joint ventures	(46,841)	(30,054)	(44,349)	(46,257)	(59,169)
Gain on sale of investments	-	-	-	-	12,151
Loss before income taxes, extraordinary loss and cumulative effect of change in accounting principle (a)	(99,766)	(94,706)	(111,759)	(122,680)	(119,290)
Income tax (expense) benefit	(3,143)	(2,742)	5,475	2,786	358
Loss before extraordinary loss and cumulative effect of change in accounting principle	(102,909)	(97,448)	(106,284)	(119,894)	(118,932)
Extraordinary loss on early retirement of debt	(14,386)	(752)	-	-	(11,710)
Cumulative effect of change in accounting for income taxes (a)	(59,500)	(89,660)	-	-	-
Net loss	$ (176,795)	$ (187,860)	$ (106,284)	$ (119,894)	$ (130,642)
Loss per weighted average share of common stock before extraordinary loss and cumulative effect of change in accounting principle	(6.80)	(5.66)	(4.32)	(4.56)	(4.50)
Net loss per weighted average share of common stock	(11.68)	(10.91)	(4.32)	(4.36)	(4.94)
Cash dividends declared per common share	$ -	$ -	$ -	$ -	$ -

	March 31,				
	1993	1994	1995	1996	1997
Balance Sheet Data:					
Adelphia excluding Hyperion					
Total Assets	$ 945,277	$ 1,059,081	$ 1,244,079	$ 1,332,310	$ 1,469,225
Total Debt	1,726,285	1,773,743	1,986,069	2,124,618	2,328,364
Hyperion					
Total Assets	4,316	14,765	23,212	35,269	174,601
Total Debt	4,814	19,968	35,541	50,855	215,675
Adelphia					
Total Assets	949,593	1,073,846	1,267,291	1,367,579	1,643,826
Total Debt	1,731,099	1,793,711	2,021,610	2,175,473	2,544,039

	Year Ended March 31,				
	1993	1994	1995	1996	1997
Other Data and Financial Ratios:					
Adelphia excluding Hyperion					
Revenues	$ 305,133	318,628	359,776	400,275	467,690
Affiliate interest and priority investment income	27,516	31,488	33,412	39,475	50,453
EBITDA (b)	203,191	209,894	228,067	250,451	297,610
Interest expense	(164,859)	(179,972)	(192,377)	(204,603)	(212,315)
Capital expenditures	69,025	72,797	89,232	94,005	93,482
Total debt to EBITDA (c)	8.34	8.46	8.51	8.29	7.64
EBITDA to total interest expense (e)	1.23	1.17	1.19	1.22	1.40
EBITDA margin(d)	66.6%	65.9%	63.4%	62.6%	63.6%
Hyperion					
Revenues	$ 89	$ 417	$ 1,729	$ 3,322	$ 5,088
Affiliate interest and priority investment income	-	-	-	-	-
EBITDA (b)	(851)	(1,958)	(2,177)	(2,452)	(5,124)
Interest expense	-	(2,164)	(3,321)	(6,088)	(28,377)
Capital expenditures	1,950	3,097	2,850	6,084	36,127
Total debt to EBITDA (c)	(2.88)	(11.09)	(9.09)	(25.63)	(32.68)
EBITDA to total interest expense (e)	-	(.90)	(.66)	(.40)	(0.18)
EBITDA margin (d)	(956.2%)	(469.5%)	(125.9%)	(73.8%)	(100.7%)
Adelphia					
Revenues	$ 305,222	$ 319,045	$ 361,505	$ 403,597	$ 472,778
Affiliate interest and priority investment income	27,516	31,488	33,412	39,475	50,453
EBITDA (b)	202,340	207,936	225,890	247,999	292,486
Interest expense	(164,859)	(182,136)	(195,698)	(210,691)	(240,692)
Capital expenditures	70,975	75,894	92,082	100,089	129,609
Cash provided by operating activities	1,275	26,952	48,936	64,287	34,794
Cash used for investing activity	(163,425)	(197,088)	(247,275)	(189,462)	(322,047)
Cash provided by financing activities	189,648	205,540	129,309	130,939	337,983
Total debt to EBITDA (c)	8.41	8.53	8.65	8.35	8.53
EBITDA to total interest expense (e)	1.23	1.14	1.15	1.18	1.22
EBITDA margin (d)	66.3%	65.2%	62.5%	61.4%	61.9%

(a) "Cumulative Effect of Change in Accounting Principle" refers to a change in accounting principle for Olympus and the Company. Effective January 1, 1993 and April 1, 1993, respectively, Olympus and the Company adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes," which requires an asset and liability approach for financial accounting and reporting for income taxes. The adoption of SFAS No. 109 resulted in the cumulative recognition of an additional liability by Olympus and the Company of $59,500 and $89,660, respectively

(b) Earnings before interest expense, income taxes, depreciation and amortization, equity in net loss of joint ventures, other noncash charges, extraordinary loss and cumulative effect of change in accounting principle ("EBITDA"). EBITDA includes affiliate interest and priority investment income on the Company's investment in Olympus, although there can be no assurance that such priority investment income will be available to the Company in the future. EBITDA and similar measurements of cash flow are commonly used in the cable television industry to analyze and compare cable television companies on the basis of operating performance, leverage and liquidity. While EBITDA is not an alternative indicator of operating performance to operating income or an alternative to cash flows from operating activities as a measure of liquidity as defined by generally accepted accounting principles, and, while EBITDA may not be comparable to other similarly titled measures of other companies, the Company's management believes EBITDA is a meaningful measure of performance as substantially all of the Company's financing agreements contain financial covenants based on EBITDA.

(c) Based on total debt outstanding at the end of the period, divided by annualized EBITDA for the quarter ending the period presented, the Company believes that this presentation is consistent with covenant tests which limit the incurrance of indebtedness in certain of the Company's loan agreements and that this ratio is commonly used for the cable television industry as a measure of leverage.

(d) Percentage represents EBITDA divided by revenues.

(e) Based on EBITDA for the period presented divided by interest expense recorded for the applicable period.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Dollars in thousands)

Results of Operations

General

Adelphia earned substantially all of its revenues in each of the last three fiscal years from monthly subscriber fees for basic, satellite, premium and ancillary services (such as installations and equipment rentals), local and national advertising sales, pay-per-view programming, home shopping networks and competitive local exchange carrier ("CLEC") services.

The changes in Adelphia's results of operations for the years ended March 31, 1996 and 1997, compared to the respective prior year, were primarily the result of acquisitions, expanding existing cable television operations and the impact of increased advertising sales and other service offerings as well as an increase in cable rates, effective October 1, 1995 and August 1, 1996.

The high level of depreciation and amortization associated with the significant number of acquisitions in recent years, the recent upgrading and expansion of systems, interest costs associated with financing activities and Hyperion Telecommunications, Inc.'s ("Hyperion") continued investment in the CLEC business will continue to have a negative impact on the reported results of operations. Also, significant charges for depreciation, amortization and interest are expected to be incurred in the future by the Olympus joint venture, which will also adversely impact Adelphia's future results of operations. Adelphia expects to report net losses for the next several years.

An 88% owned unrestricted subsidiary of the Company, Hyperion, together with its subsidiaries owns certain investments in CLEC joint ventures and manages those ventures. Hyperion is an unrestricted subsidiary for purposes of the Company's indentures. Excluding the impact of Hyperion's operating results, the Company's EBITDA (see definition below) would increase by $2,177, $2,452 and $5,124 for the years ended March 31, 1995, 1996 and 1997, respectively. On April 15, 1996, Hyperion realized net proceeds of $168,600 upon issuance of notes and warrants (see Liquidity and Capital Resources).

The following table is derived from Adelphia's consolidated financial statements that are included in this Annual Report on Form 10-K and sets forth the historical percentage relationship to revenues of the components of operating income contained in such financial statements for the periods indicated.

	Percentage of Revenues Year Ended March 31,		
	1995	1996	1997
Revenues	100.0%	100.0%	100.0%
Operating Expenses:			
Direct operating and programming	29.6	30.8	31.5
Selling, general and administrative	17.6	16.9	17.3
Depreciation and amortization	27.0	27.5	26.2
Rate regulation	-	1.3	-
Operating Income	25.8%	23.5%	25.0%

Comparison of the Years Ended March 31, 1995, 1996 and 1997

Revenues

The primary revenue sources reflected as a percentage of total revenues were as follows:

	Year Ended March 31,		
	1995	1996	1997
Regulated service and equipment fees	73%	73%	74%
Premium programming fees	12%	12%	12%
Advertising sales and other services	15%	15%	14%

Revenues increased approximately 11.6% for the year ended March 31, 1996 and 17.1% for the year ended March 31, 1997 compared with the respective prior fiscal year. The increases were attributable to the following:

	Year Ended March 31,	
	1996	1997
Acquisitions	36%	41%
Basic subscriber growth	20%	7%
Rate increases	20%	39%
Advertising sales and other services	24%	13%

Effective October 1, 1995 and August 1, 1996, certain rate increases related to regulated cable services were implemented in substantially all of the Company's Systems. No rate increases were implemented during the 1995 fiscal year. Advertising revenues and revenues derived from other strategic service offerings such as paging and CLEC services also had a positive impact on revenues for the year ended March 31, 1997

Direct Operating and Programming Expenses. Direct operating and programming expenses, which are mainly basic and premium programming costs and technical expenses, increased 16.0% and 20.0% for the years ended March 31, 1996 and 1997, respectively, compared with the respective prior year. Such increases were primarily due to increased operating expenses from acquired systems, increased programming costs and incremental costs associated with increased subscribers. Because of regulatory limitations on the timing and extent to which cost increases may be passed on to customers, direct operating and programming expenses have increased at a greater rate than corresponding revenue increases. As a result of recent FCC regulatory rulemaking decisions, the Company intends to continue its systematic program of rate increases to reverse this trend.

Selling, General and Administrative Expenses. These expenses, which are mainly comprised of costs related to system offices, customer service representatives, and sales and administrative employees, increased 7.7% and 19.6% for the years ended March 31, 1996 and 1997, respectively, compared with the respective prior year. The increases were primarily due to incremental costs associated with acquisitions and subscriber growth. For the year ended March 31, 1996, selling, general and administrative expenses decreased as a percentage of revenues compared to the prior year, primarily due to the favorable impact on revenues of the above mentioned October 1, 1995 rate increases. For the year ended March 31, 1997, selling, general and administrative expenses remained relatively flat as a percentage of revenues compared to the prior year.

Depreciation and Amortization. Depreciation and amortization was higher for the years ended March 31, 1996 and 1997, compared with the respective prior year, primarily due to increased depreciation and amortization related to acquisitions consummated during the years ended March 31, 1995, 1996 and 1997 as well as increased capital expenditures made during the past several years.

Rate Regulation Expenses. The fiscal year ended March 31, 1996 includes a $5,300 charge representing management's estimate of the total costs associated with the resolution of subscriber rate disputes. Such costs include (i) an estimate of credits to be extended to customers in future periods of up to $2,700, (ii) legal and other costs incurred during the two fiscal years ended March 31, 1997, and (iii) an estimate of legal and other costs to be incurred associated with the ultimate resolution of this matter. On May 1, 1997, the Company reached a settlement with the FCC regarding such rate disputes. Management expects the amount recorded in the year ended March 31, 1996 to be adequate to cover the settlement.

Priority Investment Income. Priority investment income is comprised of payments received from Olympus of accrued priority return on the Company's investment in PLP Interests in Olympus. Priority investment income increased during the years ended March 31, 1996 and 1997 as compared with the respective prior year due to increased payments by Olympus.

EBITDA. EBITDA (earnings before interest expense, income taxes, depreciation and amortization, equity in net loss of joint ventures, other non-cash charges, extraordinary loss and cumulative effect of change in accounting principle) amounted to $225,890, $247,909 and $292,486 for the years ended March 31, 1995, 1996 and 1997, respectively. The increases of 9.8% and 17.9% for the years ended March 31, 1996 and 1997, compared with the respective prior fiscal year are primarily due to the acquisition of cable systems, subscriber rate increases and increased priority investment income from Olympus. Increased revenues and operating expenses for the years ended March 31, 1996 and 1997, compared with the respective prior year, primarily reflect the impact of acquisitions and rate increases during fiscal 1996 and 1997. While EBITDA is not an alternative to operating income or an alternative to cash flows from operating activities as a measure of liquidity, as defined by generally accepted accounting principles and, while EBITDA may not be comparable to other similarly titled measures of other companies, the Company's management believes EBITDA is a meaningful measure of performance as substantially all of the Company's financing agreements contain financial covenants based on EBITDA.

Interest Expense. Interest expense increased approximately 7.7% and 14.2% for the years ended March 31, 1996 and 1997, respectively, compared with the respective prior year. For the year ended March 31, 1996, interest expense increased due to incremental debt outstanding during the year, partially offset by a decrease in the average interest rate on outstanding debt during fiscal 1996 compared with the prior fiscal year. Approximately 27% of the increase in interest expense in fiscal 1996 as compared with the prior year was attributable to incremental debt related to acquisitions. Approximately 72% of the increase in interest expense in fiscal 1997 as compared with the prior year was attributable to the issuance of the Hyperion 13% Senior Discount Notes. Interest expense includes non-cash accretion of original issue discount and non-cash interest expense totaling $14,756, $16,288 and $41,360 for the years ended March 31, 1995, 1996 and 1997, respectively. The increase in non-cash interest for the year ended March 31, 1997 is primarily due to the accretion of original issue discount related to the Hyperion 13% Senior Discount Notes.

Equity in Loss of Joint Ventures. The equity in loss of joint ventures represents primarily (i) the Company's pro rata share of Olympus' losses and the accretion requirements of Olympus' preferred limited partner interests, and (ii) Hyperion's pro rata share of its less than majority owned partnerships' operating losses. The increase in the loss during the year ended March 31, 1996, compared with the prior year, is due to an increase in the losses of certain investments in the CLEC business in which the Company is a less than majority partner partially offset by improved operating performance in Olympus. The increase in the loss during the year ended March 31, 1997, compared with the prior year, is primarily due to increased priority return payments made by Olympus and an increase in the losses of certain Hyperion CLEC joint ventures, partially offset by improved operating performance by Olympus.

Gain on Sale of Investments. On May 16, 1996, Hyperion completed the sale of its 15.7% partnership interest in TCG South Florida to Teleport Communications Group Inc. for an aggregate sales price of $11,618 resulting in a gain of $8,405. On January 23, 1997, the Company received 284,245 shares of Republic Industries, Inc. Common Stock in exchange for its interest in Commonwealth Security, Inc. ("Commonwealth") for an aggregate sales price of $9,315 resulting in a gain of $3,746.

Extraordinary Loss on Early Retirement of Debt. During the year ended March 31, 1997, certain bank indebtedness was repaid and a portion of the 12 1/2% Senior Notes due 2002 was reacquired resulting in an extraordinary loss on retirement of debt. The amount pertaining to the repayment of bank debt was $2,079, which primarily represents the write-off of the remaining deferred debt financing costs associated with the debt retired. The amount pertaining to the 12 1/2% Senior Notes was $9,631, which represents the excess of reacquisition cost over the net carrying value of the related debt.

Net Loss. The Company reported net losses of $106,284, $119,894 and $130,642 for the years ended March 31, 1995, 1996 and 1997, respectively. The increase in net loss of $13,610 in fiscal 1996 when compared with the prior year was due primarily to an increase in interest expense and the impact of rate regulation expenses, partially offset by increased operating income and priority investment income from Olympus. The increase in net loss of $10,748 in fiscal 1997 when compared with the prior year was due primarily to an increase in interest expense, extraordinary loss on early retirement of debt and equity in net loss of joint ventures, partially offset by increased operating income, priority investment income from Olympus and the gain on sale of investments.

Hyperion Telecommunications, Inc.

An 88% owned unrestricted subsidiary of the Company, Hyperion, together with its subsidiaries, owns certain investments in CLEC joint ventures and manages those ventures. Hyperion is an unrestricted subsidiary for purposes of the Company's indentures. On April 15, 1996, Hyperion realized net proceeds of $168,600 upon the issuance of notes and warrants (see "Liquidity and Capital Resources"). For further information regarding Hyperion, see Hyperion's filings pursuant to the Securities Act of 1933 and the Securities Exchange Act of 1934.

Summarized financial information of Adelphia, Hyperion and Adelphia excluding Hyperion is as follows:

	Adelphia	Hyperion	Adelphia excluding Hyperion	Adelphia	Hyperion	Adelphia excluding Hyperion
	As of and for the Year Ended March 31,					
	1996			1997		
Total debt	$ 2,175,473	$ 50,855	$ 2,124,618	$ 2,544,039	$ 215,675	$ 2,328,364
Revenues	$ 403,597	$ 3,322	$ 400,275	$ 472,778	$ 5,088	$ 467,690
Operating expenses:						
Direct operating and programming	124,116	2,690	121,426	148,982	3,432	145,550
Selling, general, and administrative	68,357	3,084	65,273	81,763	6,780	74,983
Affiliate interest and priority investment income	39,475	-	39,475	50,453	-	50,453
EBITDA (a)	$ 247,999	$ (2,452)	$ 250,451	$ 292,486	$ (5,124)	$ 297,610
Interest expense	(210,691)	(6,088)	(204,603)	(240,692)	(28,377)	(212,315)
Capital expenditures	(100,089)	(6,084)	(94,005)	(129,609)	(36,127)	(93,482)
Cash paid for acquisitions	(60,804)	-	(60,804)	(143,412)	(5,040)	(138,372)
Cash used for investments	(24,333)	(12,815)	(11,518)	(51,415)	(34,769)	(16,646)
	For the Three Months Ended March 31,					
	1996			1997		
Revenues	$ 107,137	$ 826	$ 106,311	$ 122,203	$ 1,477	$ 120,726
Operating expenses:						
Direct operating and programming	33,898	812	33,086	40,516	1,093	39,423
Selling, general, and administrative	17,396	709	16,687	20,631	2,044	18,587
Affiliate interest and priority investment income	11,875	-	11,875	13,511	-	13,511
EBITDA (a)	$ 67,718	$ (695)	$ 68,413	$ 74,567	$ (1,660)	$ 76,227
Interest expense	(51,532)	(1,910)	(49,622)	(59,928)	(7,618)	(52,310)
Capital expenditures	(27,644)	(1,611)	(26,033)	(43,194)	(21,177)	(22,017)
Cash paid for acquisitions	(42,958)	-	(42,958)	(7,042)	-	(7,042)
Cash used for investments	(10,548)	(3,718)	(6,830)	(14,665)	(11,371)	(3,294)

(a) Earnings before interest expense, income taxes, depreciation and amortization, equity in loss of joint ventures and other non-cash charges ("EBITDA"). While EBITDA is not an alternative indicator of operating performance to operating income or an alternative to cash flows from operating activities as a measure of liquidity, as defined by generally accepted accounting principles, and, while EBITDA may not be comparable to other similarly titled measures of other companies, the Company's management believes EBITDA is a meaningful measure of performance as substantially all of the Company's financing agreements contain financial covenants based on EBITDA.

Liquidity and Capital Resources

The cable television business is capital intensive and typically requires continual financing for the construction, modernization, maintenance, expansion and acquisition of cable systems. During the three fiscal years in the period ended March 31, 1997, the Company committed substantial capital resources for these purposes and for investments in Olympus, CLEC joint ventures and other affiliates and entities. These expenditures were funded through long-term borrowings and internally generated funds. The Company's aggregate outstanding borrowings as of March 31, 1997 were $2,544,039. The Company's ability to generate cash to meet its future needs will depend generally on its results of operations and the continued availability of external financing.

Capital Expenditures. The Company has developed an innovative fiber-to-feeder network architecture which is designed to increase channel capacity and minimize future capital expenditures, while positioning the Company to take advantage of future opportunities. Management believes its capital expenditures program has resulted in higher levels of channel capacity and addressability in comparison to other cable television operators.

In most of its recent upgrades, the Company has utilized a Modified Passive Network Architecture ("MPNA") which utilizes fiber optic cable as an alternative to the coaxial cable that historically has been used to distribute cable signals to the subscriber's home. The MPNA design deploys on average one fiber node for every two miles of fiber optic cable or approximately one fiber node for every 180 homes passed. The Company believes this compares favorably with current industry averages. This deep penetration of fiber optic cable into the Systems' networks has the advantages of providing increased reliability to customers, improved bandwidth, and easier implementation of the return path plant capabilities. This will position the Company to offer additional video programming services, to utilize the expanded bandwidth potential of digital compression technology and to meet the anticipated transmission requirements for high-definition television, digital television, high-speed data and telephone services.

Capital expenditures for Adelphia without Hyperion for the years ended March 31, 1995, 1996 and 1997 were $89,232, $94,005 and $93,482, respectively. Capital expenditures including Hyperion for the years ended March 31, 1995, 1996 and 1997 were $92,082, $100,089 and $129,609, respectively. The increase in capital expenditures for fiscal 1995, 1996 and 1997, compared to each respective prior year, was primarily due to the acceleration of the rebuilding of plant using fiber-to-feeder technology. See "Business—Competitive Local Exchange Services." The Company expects the capital expenditures for fiscal 1998 to be in a range similar to fiscal 1997.

Financing Activities. The Company's financing strategy has been to maintain its public long-term debt at the parent holding company level while the Company's consolidated subsidiaries have their own senior and subordinated credit arrangements with banks and insurance companies and Hyperion has also issued public long-term debt. The Company's ability to generate cash adequate to meet its future needs will depend generally on its results of operations and the continued availability of external financing. During the three-year period ended March 31, 1997, the Company generally funded its working capital requirements, capital expenditures, and investments in Olympus, CLEC joint ventures and other affiliates and entities through long-term borrowings primarily from banks, short-term borrowings, internally generated funds and the issuance of public debt and equity and Hyperion public debt. The Company generally has funded the principal and interest obligations on its long-term borrowings from banks and insurance companies by refinancing the principal with new loans or through the issuance of parent and subsidiary company debt securities, and by paying the interest out of internally generated funds. Adelphia has funded the interest obligations on its public borrowings from internally generated funds.

Most of Adelphia's directly-owned subsidiaries have their own senior credit agreements with banks and/or insurance companies. Typically, borrowings under these agreements are collateralized by the stock in and, in some cases, by the assets of the borrowing subsidiary and its subsidiaries and, in some cases, are guaranteed by such subsidiary's subsidiaries. At March 31, 1997, an aggregate of $1,055,500 in borrowings was outstanding under these agreements. These agreements contain certain provisions which, among other things, provide for limitations on borrowings of and investments by the borrowing subsidiaries, transactions between the borrowing subsidiaries and Adelphia and its other subsidiaries and affiliates, and the payment of dividends and fees by the borrowing subsidiaries. Several of these agreements also contain certain cross-default provisions relating to Adelphia or other subsidiaries. These agreements also require the maintenance of certain financial ratios by the borrowing subsidiaries. In addition, at March 31, 1997, an aggregate of $104,000 subordinated and unsecured borrowings by Adelphia's subsidiaries was outstanding under credit agreements containing limitations and restrictions similar to those mentioned above. See Note 3 to the Adelphia Communications Corporation consolidated financial statements. Management believes the Company is in compliance with the financial covenants and related financial ratio requirements contained in its various credit agreements, based on operating results for the three months ended March 31, 1997. In addition, as of March 31, 1997, Hyperion had outstanding $329,000 aggregate principal amount at maturity of 13% Senior Discount Notes due 2003, with a carrying amount of $187,173, which were issued under an indenture dated April 15, 1996.

At March 31, 1997, Adelphia's subsidiaries had an aggregate of $209,154 in unused credit lines with banks, which includes $24,500 also available to Olympus and the Managed Partnerships, part of which is subject to achieving certain levels of operating performance. In addition, the Company had an aggregate $61,539 in cash and cash equivalents at March 31, 1997 which combined with the Company's unused credit lines with banks aggregated to $274,539. The Company has the ability to pay interest on its 9 1/2% Senior Pay-In-Kind Notes by issuing additional notes totaling approximately $40,365 in lieu of cash interest payments from April 1, 1997 through February 15, 1999. Based upon the results of operations of subsidiaries for the quarter ended March 31, 1997, approximately $360,230 of available assets could have been transferred to Adelphia at March 31, 1997, under the most restrictive covenants of the subsidiaries' credit agreements. The subsidiaries also have the ability to sell, dividend or distribute certain assets to other subsidiaries or Adelphia, which would have the net effect of increasing availability. At March 31, 1997, the Company's unused credit lines were provided by reducing revolving credit facilities whose revolver periods expire through September 30, 2004. The Company's scheduled maturities of debt are currently $164,931 for fiscal 1998.

At March 31, 1997, the Company's total outstanding debt aggregated $2,544,039, which included $1,184,209 of parent company debt and $1,359,830 of subsidiary debt. Bank debt interest rates are based upon one or more of the following rates at the option of Adelphia: prime rate plus 0% to 1.5%; certificate of deposit rate plus 1.25% to 2.75%; or Eurodollar (or London Interbank Offered) rate plus 1% to 2.5%. The Company's weighted average interest rate on notes payable to banks and institutions was approximately 8.83% at March 31, 1997, compared to 8.36% at March 31, 1996. At March 31, 1997, approximately 45.5% of subsidiary debt was subject to fixed interest rates for at least one year under the terms of such debt or applicable interest rate swap agreements. Approximately 67.1% of the Company's total indebtedness is at fixed interest rates as of March 31, 1997.

Adelphia has entered into interest rate swap agreements and interest rate cap agreements with banks and affiliates to reduce the impact of changes in interest rates on its debt. Adelphia enters into pay-fixed agreements to effectively convert a portion of its variable-rate debt to fixed-rate debt. Adelphia enters into receive-fixed agreements to effectively convert a portion of its fixed-rate debt to variable-rate debt which is indexed to LIBOR. Interest rate cap agreements are used to reduce the impact of increases in interest rates on variable rate debt. Adelphia is exposed to credit loss in the event of nonperformance by the banks and the affiliates. The Company does not expect any such nonperformance. At March 31, 1997, Adelphia would have had to pay approximately $7,632 to settle its interest rate swap and cap agreements, representing the excess of carrying cost over fair market value of these agreements. During fiscal 1996, the Company received $11,526 upon termination of several interest rate swap agreements having a stated notional principal amount of $270,000. The amount received will be amortized as a reduction of interest expense through November 1998. Also during fiscal 1996, the Company received $4,900 and assumed the obligations as a counterparty under certain interest rate swap agreements with Olympus. These interest rate swap agreements have a notional principal amount of $140,000 and expire through November 1998.

In May 1994, Adelphia purchased on the open market $10,000 of its 10 1/4% Senior Notes due 2000 at a price of 94.5% of face value plus accrued interest.

On February 28, 1995, as a part of the Telesat Investment Agreement, FPL Group Inc. ("FPL") purchased 1,000,000 shares of newly issued Class A Common Stock for $15,000.

On April 12, 1996, certain subsidiaries of the Company (collectively, the "Borrowers") entered into a $690,000 financing arrangement consisting of a $540,000 revolving credit facility maturing December 31, 2003 and a $150,000 term loan facility maturing December 31, 2004. Initial borrowings during April 1996 of $483,000 were used primarily to repay existing indebtedness. Interest rates charged are based upon one or more of the following rates at the option of the

Borrowers: Eurodollar rate or the greater of the prime rate and the Federal funds rate plus 1/2 of 1% plus a margin of from 0% to 2% depending upon the Borrower's senior funded debt ratio. Interest on outstanding borrowings is generally payable on a quarterly basis. The maximum available under the revolving credit facility is reduced, in increasing quarterly amounts, beginning June 30, 1998 through December 31, 2003 The Borrowers pay a commitment fee of either .375% or .250% per annum (depending upon the Borrower's senior funded debt ratio) of the unused revolving credit facility commitments during the term of the agreement. Borrowings under the term loan facility are payable in installments, in increasing quarterly amounts, commencing June 30, 1998 and ending on December 31, 2004.

On April 15, 1996, Hyperion realized proceeds, net of discounts, commissions and other transaction costs, of $168,600 upon issuance of $329,000 aggregate principal amount of 13% Senior Discount Notes (the "Hyperion Senior Notes") due April 15, 2003 and 329,000 warrants to purchase an aggregate of 613,427 shares of common stock of Hyperion expiring April 1, 2001. Proceeds of $11,087 were allocated to the value of the warrants. If all warrants were exercised, the warrants would represent approximately 5.71% of the common stock of Hyperion on a fully diluted basis. Proceeds, net of discounts, commissions, and other transaction costs, were used to repay certain indebtedness to Adelphia, to make loans to certain key Hyperion officers and will be used to fund Hyperion's expansion of its existing markets, to complete construction of new networks and to enter additional markets, including related capital expenditures, working capital requirements, operating losses and investments in joint ventures.

On February 26, 1997, Adelphia issued $350,000 of 9 7/8% Senior Notes (the "Senior Notes") in a private placement. Net proceeds, after payment of transaction costs, of approximately $340,000 were used to reduce amounts outstanding on Adelphia's subsidiaries' notes payable to banks and to purchase, redeem or otherwise retire a portion of Adelphia's 12 1/2% Senior Notes due 2002. Interest is payable semi-annually commencing September 1, 1997. The Senior Notes are unsecured and are due March 1, 2007. Holders of the Senior Notes have the right to require Adelphia to redeem their Senior Notes at 100% upon a Change of Control (as defined in the Indenture). The indenture also provides for payment to the note holders of liquidated damages of up to 2% per annum of the Senior Notes principal if Adelphia does not file a registration statement, or cause such registration statement to become effective within a prescribed time period, with respect to an offer to exchange the Senior Notes for a new issue of debt securities registered under the Securities Act of 1933, with terms substantially the same as those of the Senior Notes. The new issue of debt securities is expected to be recorded at the same carrying value as the Senior Notes and, accordingly, no gain or loss is expected to be recognized.

Acquisitions. On April 12, 1994, Adelphia purchased for $15,000 (i) convertible preferred units in Niagara Frontier Hockey, L.P. (the "Sabres Partnership"), which owns the Buffalo Sabres National Hockey League Franchise, convertible to a 34% equity interest, and (ii) warrants allowing Adelphia to increase its interest to 40%. Adelphia has also advanced $16,000 to the Sabres Partnership in the form of 14% convertible capital funding notes. The Sabres Partnership manages and receives allocations of profits, losses and distributions from the Marine Midland Arena, a new sports and entertainment facility. Adelphia believes this investment will be a competitive advantage in the Buffalo cable television market.

On May 12, 1994, Adelphia invested $3,000 for a 20% interest in SuperCable ALK International, a cable operator in Caracas, Venezuela. In April 1994, Adelphia invested $4,200 in Commonwealth in exchange for an 8.75%, $4,200 convertible note and warrants. Pursuant to a merger of Commonwealth with Republic Industries, Inc. ("Republic") on January 23, 1997, the Company received 284,425 shares of Republic Common Stock in exchange for its interest in Commonwealth resulting in a gain of $3,746.

On June 16, 1994, Adelphia invested $34,000 in TMC Holdings Corporation ("THC"), the parent of Tele-Media Company of Western Connecticut. THC owns cable television systems which, at the acquisition date, served approximately 43,000 subscribers in western Connecticut. The investment in THC provides Adelphia with a $30,000 preferred equity interest in THC and a 75% non-voting common equity interest, with a liquidation preference to the remaining 25% common stock ownership interest in THC. Adelphia has the right to convert such interest to a 75% voting common equity interest, with a liquidation preference to the remaining shareholders' 25% common stock ownership interest, on demand subject to certain regulatory approvals. The acquisition of THC was accounted for using the purchase method of accounting. The consolidated statements of operations and cash flows include the operations of the acquired system from June 16, 1994. Debt assumed, included in notes payable of subsidiaries to banks and institutions, was $52,000 at closing.

On June 30, 1994, Adelphia acquired from Olympus 85% of the common stock of Northeast Cable, Inc. ("Northeast") for a purchase price of $31,875. Northeast owns cable television systems which, at the acquisition date, served approximately 36,500 subscribers in eastern Pennsylvania. Of the purchase price, $16,000 was paid in cash and the remainder resulted in a decrease in Adelphia's receivable from Olympus. The acquisition of Northeast was accounted for using the purchase method of accounting. The consolidated statements of operations and cash flows include the operations of the acquired system since June 30, 1994. Debt assumed, included in notes payable of subsidiaries to banks and institutions, was $42,300 at closing.

On November 8, 1994, Page Call, a company 49.9% owned by Adelphia, was a successful bidder for three regional narrowband PCS licenses, covering 62% of the country's population. Page Call was recently established to develop a nationwide paging service. Page Call's aggregate final bid for the three licenses was $52,900, an amount reduced to $31,800 due to its "designated entity" status. On June 11, 1997, Adelphia announced the sale of its interest in Page Call for a total of $16,500 in cash and Series A Convertible Preferred Stock of Arch Communications Group, Inc. This transaction is subject to normal closing conditions and regulatory approval.

On December 27, 1994, Adelphia exchanged its existing investment in Tele-Media Investment Partnership, L.P. ("TMIP") with a Managed System for a note in the amount of $13,000. No gain or loss was recognized as a result of this exchange.

On January 10, 1995, Adelphia issued 399,087 shares of Class A Common Stock in connection with the merger of a wholly-owned subsidiary of Adelphia into Oxford Cablevision, Inc. ("Oxford"), one of the Terry Family cable systems. Oxford served approximately 4,200 subscribers at the acquisition date, located in the North Carolina counties of Granville and Warren. The acquisition of Oxford was accounted for using the purchase method of accounting. The consolidated statements of operations and cash flows include the operations of the acquired systems since January 10, 1995. Adelphia assigned the rights to purchase the stock of the other Terry Family cable systems to a Managed System.

On January 31, 1995, Adelphia acquired Tele-Media Company of Martha's Vineyard, L.P. ("Martha's Vineyard") for $11,775, a cable system which, at the acquisition date, served approximately 7,000 subscribers located in Martha's Vineyard, Massachusetts. The acquisition of Martha's Vineyard was accounted for using the purchase method of accounting. The consolidated statements of operations and cash flows include the operations of the acquired system since January 31, 1995

On April 12, 1995, Adelphia acquired cable systems from Clear Channels Cable TV Company located in Kittanning, New Bethlehem and Freeport, Pennsylvania, for $17,456. These systems served approximately 10,700 subscribers at the acquisition date. The acquisition of these systems has been accounted for using the purchase method of accounting. The consolidated statements of operations and cash flows include the operations of the acquired systems since April 12, 1995.

On January 9, 1996, Adelphia completed the acquisition of the cable systems of Eastern Telecom Corporation and Robinson Cable TV, Inc. These systems served approximately 24,000 subscribers at the acquisition date located in western Pennsylvania and were purchased for an aggregate price of $43,000. The acquisition of these systems has been accounted for using the purchase method of accounting. The consolidated statements of operations and cash flows include the operations of the acquired systems since January 9, 1996.

On April 1, 1996, Adelphia purchased the cable television operations of Cable TV Fund 11-B, Ltd. This CATV system was acquired for $84,267 and served approximately 39,700 subscribers at the acquisition date in the New York counties of Erie and Niagara. The acquisition was financed through a combination of debt proceeds from a $200,000 credit facility in which an Adelphia subsidiary is a co-borrower with an affiliated entity and funds received through the repayment of amounts previously advanced to related entities. These amounts may be reborrowed by the related entities in future periods.

On July 12, 1996, Adelphia acquired all of the cable systems of First Carolina Cable TV, L.P. These systems served approximately 32,500 subscribers at the date of acquisition primarily located in Vermont and were purchased for an aggregate price of $48,500. The acquisition of these systems has been accounted for using the purchase method of accounting. The consolidated statements of operations and cash flows include the operations of the acquired systems since July 12, 1997.

On February 10, 1997, Adelphia acquired the assets of Small Cities Cable Television, L.P. and Small Cities Cable Television, Inc. These cable systems served approximately 6,000 subscribers at the date of acquisition primarily located in Vermont and were purchased for an aggregate price of $12,000 made up of Class A common stock and cash. The acquisition of these systems has been accounted for using the purchase method of accounting. The consolidated statements of operations and cash flows include the operations of the acquired systems since February 10, 1997.

On November 11, 1996 Adelphia entered into a definitive agreement for the purchase of cable systems from Booth Communications Company. These systems will be acquired for an aggregate of $54,500 comprised of approximately 3.5 million shares of Adelphia's Class A Common Stock and $29,500 cash and serve approximately 25,800 subscribers in the Virginia cities of Blacksburg and Salem. The acquisition, which will be accounted for under the purchase method of accounting, is expected to close in fiscal 1998.

On May 20, 1997, Adelphia and its affiliates and Time Warner Cable companies entered into agreements involving a trade of cable systems in seven states covering approximately 250,000 subscribers, an exchange of interests in four Competitive Local Exchange Carrier ("CLEC") networks in New York state, and cash. Adelphia will exchange its systems serving 67,600 subscribers primarily in the Mansfield, Ohio area for systems owned by Time Warner cable companies serving 72,400 subscribers adjacent to systems owned or managed by Adelphia in Virginia, New England and New York. Also, Hyperion has agreed with a Time Warner company to an exchange of interests in four CLEC networks in New York. In this transaction, Hyperion will increase its interests in its Buffalo and Syracuse CLEC networks to 50% and 100%, respectively, and eliminate its interests in the Albany and Binghamton networks. Certain affiliates managed by Adelphia will exchange systems serving 49,700 subscribers in Syracuse, New York and Henderson, North Carolina for Time Warner cable systems serving 57,900 subscribers adjacent to systems owned or managed by Adelphia in western Pennsylvania and Virginia. Consummation of this transaction is subject to certain closing conditions and regulatory approval.

On June 6, 1997, Adelphia signed a letter of intent to establish a partnership into which Tele-Communications, Inc., ("TCI") will contribute its cable systems in Buffalo, New York; Erie, Pennsylvania; and Ashtabula and Lake County, Ohio totaling 166,000 subscribers, and Adelphia will contribute its Western New York and Lorain, Ohio systems, totaling 298,000 subscribers. Upon closing of the transaction, TCI will hold a minority interest in the partnership. Adelphia will manage the partnership and expects to consolidate the partnership's results for financial reporting purposes. The venture will serve approximately 464,000 customers.

Olympus. During the year ended March 31, 1995, the Company made net investments in and advances to Olympus totaling $1,966. Such investments and advances provided funds to Olympus for capital expenditures, for the repayment of debt and for working capital. During the years ended March 31, 1996 and 1997, the Company received net distributions and advances from Olympus totaling $45,599 and $9,012, respectively. During the years ended March 31, 1995, 1996 and 1997, the Company received priority investment income from Olympus of $22,300, $28,852 and $42,086, respectively

On February 28, 1995, Olympus entered into a Liquidation Agreement with the Gans Family ("Gans"), an Olympus limited partner. Under this Liquidation Agreement, Gans agreed to exchange their redeemable limited partner interests in Olympus for the remaining 15% of the common stock of Northeast held by Olympus. Concurrently with the closing of the Liquidation Agreement, ACP Holdings, Inc. ("ACP," a wholly owned subsidiary of Adelphia and managing general partner of Olympus), Olympus, Telesat and certain shareholders of Adelphia entered into an investment agreement (the "Telesat Investment Agreement") whereby Telesat contributed to Olympus substantially all of the assets associated with certain cable television systems, serving approximately 50,000 subscribers in southern Florida, in exchange for general and limited partner interests of $5, Senior Limited Partner ("SLP") interests of $20,000 and $112,500 of newly issued 16.5% preferred limited partner ("PLP") interests.

Prior to the Telesat Investment Agreement, Olympus had obligations to Adelphia for intercompany advances, redeemable PLP interests and accrued priority return on redeemable PLP interests. In conjunction with the Telesat Investment Agreement, Adelphia contributed $49,974 of the intercompany advances, $51,101 of the existing redeemable PLP interests and all of the then existing accrued priority return on the redeemable PLP interests to general partners' equity (deficiency). Adelphia then exchanged its remaining redeemable PLP interests for $225,000 of new PLP interests. Also, Senior Debt (as defined in the Telesat Investment Agreement) owed by Olympus to Adelphia of $40,000 remained outstanding after consummation of the Telesat Investment Agreement. After this transaction Adelphia holds a 50% voting interest in Olympus with a Telesat subsidiary as its only other voting partner in Olympus.

Managed Partnerships. On September 29, 1993, the Board of Directors of the Company authorized the Company to make loans in the future to the Managed Partnerships up to an amount of $50,000. During the years ended March 31, 1995 and 1996, the Company made advances in the net amount of $10,028 and $14,859, respectively, to these and other related parties, primarily for capital expenditures and working capital purposes. During the year ended March 31, 1997, the Managed Partnerships and other related parties repaid advances in the net amount of $34,250.

During fiscal 1995, the Company sold its investment in TMIP to Syracuse Hilton Head Holdings, L.P. ("SHHH"), an affiliate of the Company, for $13,000. On January 31, 1995, a wholly owned subsidiary of Adelphia received a $20,000 preferred investment from SHHH to facilitate the acquisition of cable properties.

Resources. The Company plans to continue to explore and consider new commitments, arrangements or transactions to refinance existing debt, increase the Company's liquidity or decrease the Company's leverage. These could include, among other things, the future issuance by Adelphia, or its subsidiaries, of public or private equity or debt and the negotiation of new or amended credit facilities. These could also include entering into acquisitions, joint ventures or other investment or financing activities, although no assurance can be given that any such transactions will be consummated. The Company's ability to borrow under current credit facilities and to enter into refinancings and new financings is limited by covenants contained in Adelphia's indentures and its subsidiaries' credit agreements, including covenants under which the ability to incur indebtedness is in part a function of applicable ratios of total debt to cash flow.

The Company believes that cash and cash equivalents, internally generated funds, borrowings under existing credit facilities, and future financing sources will be sufficient to meet its short-term and long-term liquidity and capital requirements. Although in the past the Company has been able to refinance its indebtedness or obtain new financing, there can be no assurance that the Company will be able to do so in the future or that the terms of such financings would be favorable.

Management believes that the telecommunications industry, including the cable television and telephone industries, continues to be in a period of consolidation characterized by mergers, joint ventures, acquisitions, sales of all or part of cable companies or their assets, and other partnering and investment transactions of various structures and sizes involving cable or other telecommunications companies. The Company continues to evaluate new opportunities that allow for the expansion of its business through the acquisition of additional cable television systems in geographic proximity to its existing regional markets or in locations that can serve as a basis for new market areas. The Company, like other cable television companies, has participated from time to time and is participating in preliminary discussions with third parties regarding a variety of potential transactions, and the Company has considered and expects to continue to consider and explore potential transactions of various types with other cable and telecommunications companies. However, no assurances can be given as to whether any such transaction may be consummated or, if so, when.

Recent Accounting Pronouncements

Statement of Financial Accounting Standards No. 128, "Earnings Per Share" ("SFAS No. 128"), has been issued and is effective for periods ending after December 15, 1997, with early application not permitted. The general requirements of SFAS No. 128 are designed to simplify the computation of earnings per share. The new statement requires a calculation of basic and diluted earnings per share. The adoption of this statement is not expected to have any effect on the Company's calculation of earnings per share.

Inflation

In the three fiscal years in the period ended March 31, 1997, inflation did not have a significant effect on the Company. Periods of high inflation could have an adverse effect to the extent that increased borrowing costs for floating-rate debt may not be offset by increases in subscriber rates. At March 31, 1997, after giving effect to interest rate hedging agreements, approximately $631,775 of the Company's total debt was subject to floating interest rates.

Olympus

The Company serves as the managing general partner of Olympus and, as of March 31, 1997, held $5 of voting general partnership interests representing, in the aggregate, 50% of the voting interests of Olympus. The Company also held, as of March 31, 1997, approximately $271,546 aggregate principal amount of nonvoting PLP interests in Olympus, which entitle the Company to a 16.5% per annum priority return. The remaining equity in Olympus consists of voting and non-voting partnership interests held by subsidiaries of FPL.

On February 28, 1995, Olympus entered into a Liquidation Agreement with the Gans family. Under this Liquidation Agreement, Gans agreed to exchange their redeemable limited partner interests in Olympus for the remaining 15% of the common stock of Northeast held by Olympus. Concurrently with the closing of the Liquidation Agreement, ACP, Olympus, Telesat and certain shareholders of Adelphia entered into the Telesat Investment Agreement whereby Telesat contributed to Olympus substantially all of the assets associated with certain cable television systems, serving approximately 50,000 subscribers in southern Florida, in exchange for general and limited partner interests of $5, Special Limited Partner ("SLP") interests of $20,000 and $112,500 of newly issued 16.5% PLP interests.

On March 28, 1996, ACP, Telesat, Olympus, Adelphia and certain shareholders of Adelphia entered into an agreement which amended certain aspects of the Olympus Partnership Agreement. The amendment provides for the repayment of certain amounts owed to Telesat totaling $20,000, the release of certain obligations of Telesat to Olympus and the reduction of Telesat's PLP and accrued priority return balances by $20,000. The amendment further provides for a $40,000 distribution to Adelphia as a reduction of its PLP interests and accrued priority return. These repayments and distributions were made on March 29, 1996 and were funded through internally generated funds and advances from an affiliate.

The Olympus limited partnership agreement requires approval by the holders of 85% of the voting interests for, among other things, significant acquisitions and dispositions of assets, and the issuance of certain partnership interests, and also requires approval by the holders of 75% of the voting interests for, among other things, material amendments to the Olympus partnership agreement, certain financings and refinancings, certain issuances of PLP interests, certain transactions with related parties and the adoption of annual budgets.

On April 3, 1995, Olympus acquired all of the cable and security systems of WB Cable Associates, Ltd. ("WB Cable") which, at the acquisition date, served 44,000 cable and security monitoring subscribers for a purchase price of $82,000. WB Cable provides cable services from one headend and security monitoring services from one location in West Boca Raton, Florida. Of the purchase price, $77,000 was paid in cash and $5,000 was paid in Adelphia Class A Common Stock. The acquisition was accounted for under the purchase method of accounting, and was financed principally through borrowings under an Olympus subsidiary's credit agreement.

On May 12, 1995, certain Olympus subsidiaries entered into a $475,000 revolving credit facility with several banks, maturing December 31, 2003. The proceeds at closing were used to repay existing bank debt. At March 31, 1997, $181,000 of unused commitments were available under this credit facility.

On January 5, 1996, Olympus acquired all of the southeast Florida cable systems of the Leadership Cable division of Fairbanks Communications, Inc., which, at the acquisition date, served approximately 50,000 cable and security monitoring subscribers for a purchase price of $95,800. The purchase price consists of $40,000 in cash and a $70,000 non-interest bearing discount seller note due December 30, 1997. This note was recorded at $55,800 at acquisition and will accrete to the $70,000 face amount. The cash portion of the acquisition price was financed through borrowings under an Olympus credit agreement.

On November 12, 1996, Olympus issued $200,000 of 10 5/8% Senior Notes (the "Olympus Senior Notes") in a private placement. Net proceeds, after payment of transaction costs, of approximately $195,000 were used to reduce amounts outstanding on Olympus' subsidiaries' notes payable to banks. Interest is payable semiannually commencing May 15, 1997. The Olympus Senior Notes are unsecured and are due November 15, 2006. Olympus may redeem up to $70,000 of the Olympus Senior Notes at 110.625% of principal through November 6, 1999. Commencing November 15, 2001, Olympus may redeem the Olympus Senior Notes in whole or in part at 105.3125% of principal declining annually to par on November 15, 2004. Holders of the Olympus Senior Notes have the right to require Olympus to redeem the Olympus Senior Notes at 101% upon a Change of Control (as defined in the Indenture).

The Selected Consolidated Financial and Operating Information and Management's Discussion and Analysis of Financial Condition and Results of Operations for Olympus for each of the three years in the period ended December 31, 1996, which appear on pages 29 and 30 and 31 through 37, respectively, of Amendment No. 2 to Registration Statement No. 333-19327 of Olympus Communications, L.P. and Olympus Capital Corporation on Form S-4, are incorporated by reference in this Annual Report on Form 10-K. The supplemental financial data for Olympus for the three months ended

March 31, 1996 and 1997, which appears on pages 3 through 5 of the Olympus and Olympus Capital Corporation Form 10-Q for the quarterly period ended March 31, 1997, is incorporated by reference in this Annual Report on Form 10-K

Regulatory and Competitive Matters

The cable television operations of the Company may be adversely affected by changes and developments in governmental regulation, competitive forces and technology. The cable television industry and the Company are subject to extensive regulation at the federal, state and local levels. The 1992 Cable Act significantly expanded the scope of regulation of certain subscriber rates and a number of other matters in the cable industry, such as mandatory carriage of local broadcast stations and retransmission consent, and increased the administrative costs of complying with such regulations. The FCC has adopted rate regulations that establish, on a system-by-system basis, maximum allowable rates for (i) basic and cable programming services (other than programming offered on a per-channel or per-program basis), based upon a benchmark methodology, and (ii) associated equipment and installation services based upon cost plus a reasonable profit. Under the FCC rules, franchising authorities are authorized to regulate rates for basic services and associated equipment and installation services, and the FCC will regulate rates for regulated cable programming services in response to complaints filed with the agency. The Telecommunications Act of 1996 (the "1996 Act") ends FCC regulation of cable programming service tier rates on March 31, 1999.

Rates for basic and cable programming services are set pursuant to a benchmark formula. Alternatively, a cable operator may elect to use a cost-of-service methodology to show that rates for basic and cable programming services are reasonable. Refunds with interest will be required to be paid by cable operators who are required to reduce regulated rates. The FCC has reserved the right to reduce or increase the benchmarks it has established. The rate regulations also limit increases in regulated rates to an inflation indexed amount plus increases in certain costs such as taxes, franchise fees, costs associated with specific franchise requirements and increased programming costs. Cost-based adjustments to these capped rates can also be made in the event a cable operator adds or deletes channels or completes a significant system rebuild or upgrade. On November 10, 1994, the FCC adopted an alternative method for adjusting the rates charged for a cable programming services tier when new services are added. This has allowed cable operators to increase rates by as much as $1.40 plus programming costs, over a three year period ending December 31, 1997 to reflect the addition of up to seven new channels of service on cable programming service tiers. In addition, a new programming tier can be created, the rate for which would not be regulated as long as certain conditions are met, such as not moving services from existing tiers to the new one. Because of the limitation on rate increases for regulated services, future revenue growth from cable services will rely to a much greater extent than has been true in the past on increased revenues from unregulated services and new subscribers than from increases in previously unregulated rates.

The FCC has adopted regulations implementing all of the requirements of the 1992 Cable Act. The FCC is also likely to continue to modify, clarify or refine the rate regulations. Adelphia cannot predict the effect of the 1996 Act on future rulemaking proceedings or changes to the rate regulations.

Effective September 1, 1993, as a result of the 1992 Cable Act, Adelphia repackaged certain existing cable services by adjusting rates for basic service and introducing a new method of offering certain cable services. Adelphia adjusted the basic service rates and related equipment and installation rates in all of its systems in order for such rates to be in compliance with the applicable benchmark or equipment and installation cost levels. Adelphia also implemented a program in all of its systems called "CableSelect" under which most of Adelphia's satellite-delivered programming services were offered individually on a per channel basis, or as a group at a price of approximately 15% to 20% below the sum of the per channel prices of all such services. For subscribers who elected to customize their channel lineup, Adelphia provided, for a monthly rental fee, an electronic device located on the cable line outside the home, enabling a subscriber's television to receive only those channels selected by the subscriber. These basic service rate adjustments and the CableSelect program were also implemented in all systems managed by Adelphia. Adelphia believes CableSelect provided increased programming choices to its subscribers while providing flexibility to Adelphia to respond to future changes in areas such as customer demand and programming. Adelphia no longer offers the CableSelect program in any of its systems.

A letter of inquiry was received by an Olympus system regarding the implementation of this new method of offering services. Olympus responded in writing to the FCC's inquiry. On November 18, 1994, the Cable Services Bureau of the FCC issued a decision holding that the "CableSelect" program was an evasion of the rate regulations and ordered this package to be treated as a regulated tier. This decision, and all other letters of inquiry decisions, were principally decided on the number of programming services moved from regulated tiers to "a la carte" packages. Adelphia appealed this decision to the full Commission which affirmed the Cable Service Bureau's decision. Adelphia has sought reconsideration of the decision. On November 18, 1994, the FCC released amended rules under which, on a prospective basis, any a la carte package will be treated as a regulated tier, except for packages involving premium services. An appeal of this decision to the U.S. Court of Appeals for the D.C. Circuit was unsuccessful.

On May 1, 1997, the FCC adopted an order approving a settlement agreement between Adelphia and the FCC that resolves pending rate proceedings in 40 communities served by Adelphia in which a la carte packages were created. Under the terms of the agreement, Adelphia is required to make refunds totaling approximately \$2,400 (including interest through December 31, 1996), plus additional interest from January 1, 1997 through the date of payment. Adelphia also will be required to reduce its rates in certain communities. Results of operations for the fiscal year ended March 31, 1996 included a \$5,300 charge representing management's estimate of the total costs associated with the resolution of this matter. Such costs included, (i) an estimate of credits to be extended to customers in future periods of up to \$2,700, (ii) legal and other costs incurred during the fiscal year ended March 31, 1996, and (iii) an estimate of legal and other costs to be incurred associated with the ultimate resolution of this matter. At March 31, 1997, \$3,382 of the charge to earnings remained in accrued interest and other liabilities which management believes is adequate to cover the settlement and related costs. While Adelphia cannot predict the ultimate outcome or effect of this matter, management of Adelphia does not expect the ultimate outcome of this matter to have a material adverse effect on Adelphia's financial position and results of operations. Also, no assurance can be given as to what other future actions Congress, the FCC or other regulatory authorities may take or the effects thereof on the Company. The Company is currently unable to predict the effect that the amended regulations, future FCC treatment of a la carte packages or other future FCC rulemaking proceedings will have on its business and results of operations in future periods.

Cable television companies operate under franchises granted by local authorities which are subject to renewal and renegotiation from time to time. Because such franchises are generally non-exclusive, there is a potential for competition with the systems from other operators of cable television systems, including public systems operated by municipal franchising authorities themselves, and from other distribution systems capable of delivering television programming to homes. The 1992 Cable Act and the 1996 Act contain provisions which encourage competition from such other sources. The Company cannot predict the extent to which competition will materialize from other cable television operators, local telephone companies, other distribution systems for delivering television programming to the home, or other potential competitors, or, if such competition materializes, the extent of its effect on the Company.

FCC rules heretofore permitted local telephone companies to offer "video dialtone" service for video programmers, including channel capacity for the carriage of video programming and certain non-common carrier activities such as video processing, billing and collection and joint marketing agreements. New Jersey Bell Telephone Company received authorization on July 18, 1994 to operate a "video dialtone" service in portions of Dover County, New Jersey, in which the Company serves approximately 20,000 subscribers.

The 1996 Act repealed the prohibition on LECs from providing video programming directly to customers within their local exchange areas other than in rural areas or by specific waiver of FCC rules. The 1996 Act also authorized LECs to operate "open video systems" ("OVS") without obtaining a local cable franchise, although LECs operating such a system can be required to make payments to local governmental bodies in lieu of cable franchise fees. Where demand exceeds capacity, up to two-thirds of the channels on an OVS must be available to programmers unaffiliated with the LEC. The statute states that the OVS scheme supplants the FCC's "video dialtone" rules. The FCC has promulgated rules to implement the OVS concept, and New Jersey Bell has been granted permission to convert its video dialtone authorization to an OVS authorization.

The Company believes that the provision of video programming by telephone companies in competition with the Company's existing operations could have an adverse effect on the Company's financial condition and results of operations. At this time, the impact of any such effect is not known or estimable.

DBS service became available to consumers during 1994. A single DBS satellite can provide more than 100 channels of programming. DBS service can be received virtually anywhere in the United States through the installation of a small outdoor antenna. DBS service is being heavily marketed on a nationwide basis by several service providers. The extent to which DBS will be competitive with cable systems will depend on the continued availability of reception equipment and programming at reasonable prices to the consumer.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements of Adelphia and related notes thereto and independent auditors' report follow.

The consolidated financial statements of Olympus and related notes thereto and independent auditors' report dated March 26, 1997, appearing on pages F-2 through F-19 of Amendment No. 2 to Registration Statement No. 333-19327 of Olympus Communications, L.P. and Olympus Capital Corporation on Form S-4, are incorporated by reference in this Annual Report on Form 10-K.

INDEX TO FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

Adelphia Communications Corporation:

We have audited the accompanying consolidated balance sheets of Adelphia Communications Corporation and subsidiaries as of March 31, 1996 and 1997, and the related consolidated statements of operations, stockholders' equity (deficiency), and cash flows for each of the three years in the period ended March 31, 1997. Our audits also included the financial statement schedules listed in the Index at Item 14. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Adelphia Communications Corporation and subsidiaries at March 31, 1996 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 1997 in conformity with generally accepted accounting principles. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

DELOITTE & TOUCHE LLP

Pittsburgh, Pennsylvania
June 11, 1997

ADELPHIA COMMUNICATIONS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except per share amounts)

	March 31, 1996	March 31, 1997
ASSETS:		
Cable television systems, at cost, net of accumulated depreciation and amortization:		
Property, plant and equipment	$ 560,376	$ 659,575
Intangible assets	568,898	650,533
Total	1,129,274	1,310,108
Cash and cash equivalents	10,809	61,539
Investments	68,147	117,996
Preferred equity investment in Managed Partnership	18,338	18,338
Subscriber receivables - net	23,803	24,692
Prepaid expenses and other assets - net	52,658	80,355
Related party receivables - net	64,550	30,798
Total	$ 1,367,579	$ 1,643,826
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY):		
Notes payable of subsidiaries to banks and institutions	$ 1,224,675	$ 1,159,500
12 1/2% Senior Notes due 2002	400,000	277,385
10 1/4% Senior Notes due 2000	99,158	99,322
9 7/8% Senior Notes due 2007	-	347,274
11 7/8% Senior Debentures due 2004	124,502	124,539
9 7/8% Senior Debentures due 2005	128,118	128,255
9 1/2% Senior Pay-In-Kind Notes due 2004	180,357	197,897
13% Senior Discount Notes of Unrestricted Subsidiary due 2003	-	187,173
Other debt	18,663	22,694
Accounts payable	66,668	56,961
Subscriber advance payments and deposits	14,706	16,004
Accrued interest and other liabilities	99,106	127,938
Deferred income taxes	106,209	110,097
Total liabilities	2,462,162	2,855,039
Cumulative equity in loss in excess of investment in and amounts due from Olympus	33,656	42,668
Commitments and contingencies (Note 4)		
Stockholders' equity (deficiency):		
Class A Common Stock, $.01 par value, 200,000,000 shares authorized, 15,364,009 and 16,130,880 shares outstanding, respectively	154	161
Class B Common Stock, $.01 par value, 25,000,000 shares authorized and 10,944,476 shares outstanding	109	109
Additional paid-in capital	214,415	219,408
Accumulated deficit	(1,342,917)	(1,473,559)
Total stockholders' equity (deficiency)	(1,128,239)	(1,253,881)
Total	$ 1,367,579	$ 1,643,826

See notes to consolidated financial statements.

ADELPHIA COMMUNICATIONS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except per share amounts)

	Year Ended March 31,		
	1995	1996	1997
Revenues	$ 361,505	$ 403,597	$ 472,778
Operating expenses:			
Direct operating and programming	106,993	124,116	148,982
Selling, general and administrative	63,487	68,357	81,763
Depreciation and amortization	97,602	111,031	124,066
Rate regulation	-	5,300	-
Total	268,082	308,804	354,811
Operating income	93,423	94,793	117,967
Other income (expense):			
Interest income from affiliates	11,112	10,623	8,367
Other income	1,453	-	-
Priority investment income from Olympus	22,300	28,852	42,086
Interest expense	(195,698)	(210,691)	(240,692)
Equity in loss of Olympus and other joint ventures	(42,550)	(41,965)	(51,946)
Equity in loss of Hyperion nonconsolidated joint ventures	(1,799)	(4,292)	(7,223)
Gain on sale of investments	-	-	12,151
Total	(205,182)	(217,473)	(237,257)
Loss before income taxes and extraordinary loss	(111,759)	(122,680)	(119,290)
Income tax benefit	5,475	2,786	358
Loss before extraordinary loss	(106,284)	(119,894)	(118,932)
Extraordinary loss on early retirement of debt	-	-	(11,710)
Net loss	$ (106,284)	$ (119,894)	$ (130,642)
Loss per weighted average share of common stock before extraordinary loss	$ (4.32)	$ (4.56)	$ (4.50)
Extraordinary loss per weighted average share on early retirement of debt	-	-	(.44)
Net loss per weighted average share of common stock	$ (4.32)	$ (4.56)	$ (4.94)
Weighted average shares of common stock outstanding (in thousands)	24,628	26,305	26,411

See notes to consolidated financial statements.

ADELPHIA COMMUNICATIONS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIENCY)
(Dollars in thousands)

	Class A Common Stock	Class B Common Stock	Additional Paid-in Capital	Accumulated Deficit	Stockholders' Equity (Deficiency)
Balance, March 31, 1994	$ 135	$ 109	$ 198,431	$ (1,116,739)	$ (918,064)
Issuance of Class A Common Stock on January 10, 1995	4	-	3,588	-	3,592
Issuance of Class A Common Stock on February 28, 1995	10	-	14,851	-	14,861
Excess of purchase price of acquired assets over predecessor owners' book value	-	-	(5,680)	-	(5,680)
Net loss	-	-	-	(106,284)	(106,284)
Balance, March 31, 1995	149	109	211,190	(1,223,023)	(1,011,575)
Issuance of Class A Common Stock on April 3, 1995	5	-	4,995	-	5,000
Excess of purchase price of acquired assets over predecessor owners' book value	-	-	(1,770)	-	(1,770)
Net loss	-	-	-	(119,894)	(119,894)
Balance, March 31, 1996	154	109	214,415	(1,342,917)	(1,128,239)
Issuance of Class A Common Stock on February 10, 1997	7	-	4,993	-	5,000
Net loss	-	-	-	(130,642)	(130,642)
Balance, March 31, 1997	$ 161	$ 109	$ 219,408	$ (1,473,559)	$ (1,253,881)

See notes to consolidated financial statements.

ADELPHIA COMMUNICATIONS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

	Year Ended March 31,		
	1995	1996	1997
Cash flows from operating activities:			
Net loss	$ (106,284)	$ (119,894)	$ (130,642)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation	66,064	70,890	78,328
Amortization	31,538	40,141	45,738
Noncash interest expense	14,756	16,288	41,360
Equity in loss of Olympus and other joint ventures	42,550	41,965	51,946
Equity in loss of Hyperion nonconsolidated joint ventures	1,799	4,292	7,223
Rate regulation	-	2,700	-
Gain on sale of investments	-	-	(12,151)
Non-cash portion of extraordinary loss on early retirement of debt	-	-	3,503
Decrease in deferred income taxes, net of effects of acquisitions	(5,975)	(3,930)	(500)
Changes in operating assets and liabilities, net of effects of acquisitions and divestitures:			
Subscriber receivables	(478)	(3,370)	(813)
Prepaid expenses and other assets	(21,152)	(14,465)	(27,858)
Accounts payable	14,789	23,796	(9,784)
Subscriber advance payments and deposits	699	(1,788)	1,298
Accrued interest and other liabilities	10,630	7,662	(12,854)
Net cash provided by operating activities	48,936	64,287	34,794
Cash flows from investing activities:			
Cable television systems acquired	(70,256)	(60,804)	(143,412)
Expenditures for property, plant and equipment	(92,082)	(100,089)	(129,609)
Investments in Hyperion nonconsolidated joint ventures	(7,526)	(12,815)	(34,769)
Investments in other joint ventures	(31,365)	(11,518)	(16,646)
Amounts invested in and advanced to Olympus and related parties	(46,046)	(4,236)	(9,229)
Proceeds from sale of investment	-	-	11,618
Net cash used for investing activities	(247,275)	(189,462)	(322,047)
Cash flows from financing activities:			
Proceeds from debt	155,314	273,508	1,280,649
Repayments of debt	(38,107)	(138,694)	(933,517)
Costs associated with debt financing	(2,759)	(3,875)	(20,236)
Issuance of Class A Common Stock	14,861	-	-
Proceeds from Hyperion's issuance of warrants	-	-	11,087
Net cash provided by financing activities	129,309	130,939	337,983
(Decrease) increase in cash and cash equivalents	(69,030)	5,764	50,730
Cash and cash equivalents, beginning of year	74,075	5,045	10,809
Cash and cash equivalents, end of year	$ 5,045	$ 10,809	$ 61,539
Supplemental disclosure of cash flow activity - Cash payments for interest	$ 193,206	$ 198,369	$ 203,939

See notes to consolidated financial statements.

1. The Company and Summary of Significant Accounting Policies:

The Company and Basis for Consolidation

Adelphia Communications Corporation and subsidiaries ("Adelphia") owns, operates and manages cable television systems and other related telecommunications businesses. Adelphia's operations consist primarily of selling video programming which is distributed to subscribers for a monthly fee through a network of fiber optic and coaxial cables. These services are offered in the respective franchise areas under the name Adelphia Cable Communications.

The consolidated financial statements include the accounts of Adelphia and its more than 50% owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

During the years ended March 31, 1995, 1996 and 1997, Adelphia consummated several acquisitions, each of which was accounted for using the purchase method. Accordingly, the financial results of each acquisition have been included in the consolidated results of Adelphia effective with the date acquired. A description of the acquisitions is provided below.

On June 16, 1994, Adelphia invested $34,000 in TMC Holdings Corporation ("THC"), the parent of Tele-Media Company of Western Connecticut. THC owns cable television systems which, at the acquisition date, served approximately 43,000 subscribers in western Connecticut. The investment in THC provides Adelphia with a $30,000 preferred equity interest in THC and a 75% non-voting common equity interest, with a liquidation preference to the remaining 25% common stock ownership interest in THC. Adelphia has the right to convert such interest to a 75% voting common equity interest, with a liquidation preference to the remaining shareholders' 25% common stock ownership interest, on demand subject to certain regulatory approvals. Debt assumed, included in notes payable of subsidiaries to banks and institutions, was $52,000 at closing.

On June 30, 1994, Adelphia acquired from Olympus Communications, L.P. ("Olympus") 85% of the common stock of Northeast Cable, Inc. ("Northeast") for a purchase price of $31,875. Northeast owns cable television systems which, at the acquisition date, served approximately 36,500 subscribers in eastern Pennsylvania. Of the purchase price, $16,000 was paid in cash and the remainder resulted in a decrease in Adelphia's receivable from Olympus. Debt assumed, included in notes payable of subsidiaries to banks and institutions, was $42,300 at closing.

On January 10, 1995, Adelphia issued 399,087 shares of Class A Common Stock in connection with the merger of a wholly-owned subsidiary of Adelphia into Oxford Cablevision, Inc. ("Oxford"), one of the Terry Family cable systems. At the acquisition date, Oxford served approximately 4,200 subscribers located in the North Carolina counties of Granville and Warren.

On January 31, 1995, Adelphia acquired a majority equity position in Tele-Media Company of Martha's Vineyard, L.P. ("TMV") for $11,775, a cable system which, at the acquisition date, served approximately 7,000 subscribers located in Martha's Vineyard, Massachusetts.

On April 12, 1995, Adelphia acquired cable systems from Clear Channels Cable TV Company located in Kittanning, New Bethlehem and Freeport, Pennsylvania, for $17,456. These systems served approximately 10,700 subscribers at the date of acquisition.

On January 9, 1996, Adelphia completed the acquisition of the cable systems of Eastern Telecom Corporation and Robinson Cable TV, Inc. These systems served approximately 24,000 subscribers at the acquisition date located in western Pennsylvania and were purchased for an aggregate price of $43,000.

On April 1, 1996, Adelphia purchased the cable television operations of Cable TV Fund 11-B, Ltd. This CATV system was acquired for $84,267 and served approximately 39,700 subscribers at the acquisition date in the New York counties of Erie and Niagara.

On July 12, 1996, Adelphia acquired all of the cable systems of First Carolina Cable TV, L.P. These systems served approximately 32,500 subscribers at the date of acquisition primarily located in Vermont and were purchased for an aggregate price of $48,500.

(Dollars in thousands, except per share amounts)

On February 10, 1997, Adelphia acquired the assets of Small Cities Cable Television, L.P. and Small Cities Cable Television, Inc. (collectively, "Small Cities"). These systems served approximately 6,000 subscribers at the date of acquisition, primarily located in Vermont and were purchased for an aggregate price of $12,000 in cash and Adelphia Class A Common Stock.

Investment in Olympus Joint Venture Partnership

The investment in the Olympus joint venture partnership comprises both limited and general partner interests. The general partner interest represents a 50% voting interest in Olympus and is being accounted for using the equity method. Under this method, Adelphia's investment, initially recorded at the historical cost of contributed property, is adjusted for subsequent capital contributions and its share of the losses of the partnership as well as its share of the accretion requirements of the partnership's interests. The limited partner interest represents a preferred interest ("PLP interests") entitled to a 16.5% annual return.

The PLP interests are nonvoting, are senior to claims of certain other partner interests, and provide for an annual priority return of 16.5%. Olympus is not required to pay the entire 16.5% return currently and priority return on PLP interests is recognized as income by Adelphia when received. Correspondingly, equity in net loss of Olympus excludes accumulated unpaid priority return (see Note 2).

Subscriber Revenues

Subscriber revenues are recorded in the month the service is provided.

Property, Plant and Equipment

Property, plant and equipment are comprised of the following:

	1996	1997
Operating plant and equipment	$ 863,957	$ 969,900
Real estate and improvements	51,147	68,091
Support equipment	30,076	28,808
Construction in progress	105,158	134,403
	1,050,338	1,201,202
Accumulated depreciation	(489,962)	(541,627)
	$ 560,376	$ 659,575

Depreciation is computed on the straight-line method using estimated useful lives of 5 to 12 years for operating plant and equipment and 3 to 20 years for support equipment and buildings. Additions to property, plant and equipment are recorded at cost which includes amounts for material, applicable labor and overhead, and interest. Capitalized interest amounted to $1,736, $1,766 and $1,727 for the years ended March 31, 1995, 1996 and 1997, respectively.

(Dollars in thousands, except per share amounts)

Intangible Assets

Intangible assets, net of accumulated amortization, are comprised of the following:

	March 31,	
	1996	1997
Purchased franchises	$ 465,983	$ 486,887
Goodwill	58,377	71,263
Non-compete agreements	11,240	12,937
Purchased subscriber lists	33,298	79,446
	$ 568,898	$ 650,533

A portion of the aggregate purchase price of cable television systems acquired has been allocated to purchased franchises, purchased subscriber lists, goodwill and non-compete agreements. Purchased franchises and goodwill are amortized on the straight-line method over 40 years. Purchased subscriber lists are amortized on the straight-line method over periods which range from 5 to 10 years. Non-compete agreements are amortized on the straight-line method over their contractual lives which range from 4 to 12 years. Accumulated amortization of intangible assets amounted to $137,012 and $170,801 at March 31, 1996 and 1997, respectively

Cash and Cash Equivalents

Adelphia considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Interest on liquid investments was $1,230, $1,859 and $5,789 for the years ended March 31, 1995, 1996, and 1997, respectively. A book overdraft of $25,700 existed at March 31, 1997. This book overdraft was reclassified as accrued interest and other liabilities.

Investments

The equity method of accounting is generally used to account for investments in affiliates which are greater than 20% but not more than 50% owned. Under this method, Adelphia's initial investment is recorded at cost and subsequently adjusted for the amount of its equity in the net income or losses of its affiliates. Dividends or other distributions are recorded as a reduction of Adelphia's investment. Investments in affiliates accounted for using the equity method generally reflect Adelphia's equity in their underlying assets.

Investments in entities in which Adelphia's ownership is less than 20% and investments greater than 20% in which Adelphia does not influence the operating or financial decisions of the entity are generally accounted for using the cost method. Under the cost method, Adelphia's initial investment is recorded at cost and subsequently adjusted for the amount of its equity in net income or losses of the investee only to the extent distributed by the investee as dividends or other distributions. Dividends received in excess of earnings subsequent to the date the investment was made are recorded as reductions of the cost of the investment.

(Dollars in thousands, except per share amounts)

The balance of Adelphia's nonconsolidated investments is as follows:

	March 31, 1996	March 31, 1997
Investments accounted for using the equity method:		
Gross investment:		
Hyperion investment in joint ventures	$ 28,754	$ 57,497
Page Call, Inc.	11,187	14,990
Other	800	1,751
Total	40,741	74,238
Investments accounted for using the cost method:		
Niagara Frontier Hockey, L.P.	22,681	35,270
Commonwealth Security, Inc.	4,200	-
Republic Industries, Inc.	-	9,315
SuperCable ALK International	3,171	3,172
Programming ventures	2,806	2,945
Mobile communications	680	4,302
Other	682	763
Total	34,220	55,767
Total investments before cumulative equity in net losses	74,961	130,005
Cumulative equity in net losses	(6,814)	(12,009)
Total investments	$ 68,147	$ 117,996

On May 16, 1996, Hyperion sold its interest in one of its joint ventures for $11,618, resulting in a gain of $8,405. On January 23, 1997, Adelphia received 284,425 shares of Republic Industries, Inc. Common Stock in exchange for its interest in Commonwealth Security, Inc., resulting in a gain of $3,746.

Subscriber Receivables

An allowance for doubtful accounts of $1,216 and $1,345 has been deducted from subscriber receivables at March 31, 1996 and 1997, respectively.

Amortization of Other Assets and Debt Discounts

Deferred debt financing costs, included in prepaid expenses and other assets, and debt discounts, a reduction of the carrying amount of the debt, are amortized over the term of the related debt. The unamortized amounts of deferred debt financing costs included in prepaid expenses and other assets were $25,274 and $35,786 at March 31, 1996 and 1997, respectively.

Franchise Expense

The typical term of Adelphia's franchise agreements upon renewal is 10 years. Franchise fees range from 3% to 5% of subscriber revenues and are expensed currently.

Asset Impairments

Adelphia periodically reviews the carrying value of its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of assets may not be recoverable. Measurement of any impairment would include a comparison of estimated future operating cash flows anticipated to be generated during the remaining life of the assets with their net carrying value. An impairment loss would be recognized as the amount by which the carrying value of the assets exceeds their fair value.

(Dollars in thousands, except per share amounts)

Noncash Financing and Investing Activities

There were no material capital leases entered into during the years ended March 31, 1995 and 1996. Capital leases entered into during the year ended March 31, 1997 totaled $3,307. Reference is made to Notes 1, 2 and 5 for descriptions of additional noncash financing and investing activities.

Interest Rate Swaps

Net settlement amounts under interest rate swap agreements are recorded as adjustments to interest expense during the period incurred.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Earnings Per Share

Statement of Financial Accounting Standards No. 128, "Earnings Per Share" ("SFAS No. 128"), has been issued and is effective for periods ending after December 15, 1997, with early application not permitted. The general requirements of SFAS No. 128 are designed to simplify the computation of earnings per share. The new statement requires a calculation of basic and diluted earnings per share. The adoption of this statement is not expected to have any effect on the Company's calculation of earnings per share.

Reclassifications

Certain 1995 and 1996 amounts have been reclassified to conform with the 1997 presentation.

2. Related Party Investments and Receivables:

Related party receivables—net represent advances to managed partnerships (see Note 9), the Rigas family (principal shareholders and officers of Adelphia) and Rigas family controlled entities. No related party advances are collateralized.

Cumulative equity in loss in excess of investment in and amounts due from Olympus is comprised of the following:

	March 31,	
	1996	1997
Cumulative equity in loss over investment in Olympus	(93,563)	(95,771)
Amounts due from Olympus	59,907	53,103
	$ (33,656)	$ (42,668)

On February 28, 1995, ACP Holdings, Inc., a wholly-owned subsidiary of Adelphia, and the managing general partner of Olympus, certain shareholders of Adelphia, Olympus and various Telesat Entities ("Telesat"), wholly-owned subsidiaries of FPL Group, Inc., entered into an investment agreement whereby Telesat contributed to Olympus substantially all of the assets associated with certain cable television systems, serving approximately 50,000 subscribers in southern Florida, in exchange for general and limited partner interests and newly issued preferred limited partner interests in Olympus. Prior to the Telesat Investment Agreement, Olympus had obligations to Adelphia for intercompany advances, PLP interests, and priority return on PLP interests. In conjunction with the Telesat Investment Agreement, Adelphia converted a portion of the intercompany advances, a portion of the existing PLP interests and all of the existing accrued priority return on the PLP interests, to capital contributions. At March 31, 1995, 1996 and 1997, Adelphia owned $225,000, $222,860 and $271,546 in Olympus PLP Interests, respectively.

(Dollars in thousands, except per share amounts)

On March 28, 1996, ACP, Telesat, Olympus, Adelphia and certain shareholders of Adelphia entered into an agreement which amended certain aspects of the Olympus Partnership Agreement. The amendment provides for the repayment of certain amounts owed to Telesat totaling $20,000, the release of certain obligations of Telesat to Olympus and the reduction of Telesat's PLP and accrued priority return balances by $20,000. The amendment further provides for a $40,000 distribution to Adelphia as a reduction of its PLP interests and accrued priority return. These repayments and distributions were made on March 29, 1996 and were funded through internally generated funds and advances from an affiliate.

The major components of the financial position of Olympus as of March 31, 1996 and 1997, and December 31, 1995 and 1996, and the results of operations for the three months ended March 31, 1996 and 1997, and the years ended December 31, 1995 and 1996 were as follows:

	March 31,		December 31,	
	1996	1997	1995	1996
	(unaudited)			
Balance Sheet Data:				
Property, plant and equipment—net	$ 221,381	$ 229,140	$ 203,129	$ 225,775
Total assets	625,243	627,392	533,909	640,221
Notes payable to banks	514,500	294,000	419,000	309,000
10 5/8% Senior Notes due 2006	—	200,000	—	200,000
Total liabilities	706,239	715,309	552,453	724,420
Limited partners' interests	334,290	427,325	396,630	407,669
General partners' equity (deficiency)	(435,291)	(515,242)	(415,174)	(491,868)
Statement of Operations Data:				
Revenues	$ 39,088	$ 41,411	$ 120,968	$ 159,870
Operating income	7,959	7,735	21,275	13,013
Loss before extraordinary loss	(2,419)	(5,318)	(18,282)	(10,950)
Net loss	(2,419)	(5,318)	(19,391)	(10,950)
Net loss of general and limited partners after priority return and accretion requirements	(19,641)	(23,324)	(82,749)	(76,594)

On October 6, 1993, Adelphia purchased the preferred Class B Limited Partnership Interest in Syracuse Hilton Head Holdings, L.P. ("SHHH"), a managed partnership, for a price of $18,338 from Robin Media Group, an unrelated party. SHHH is a joint venture of the Rigas Family and Tele-Communications, Inc. ("TCI") and owns systems managed by Adelphia. The Class B Limited Partnership Interest has a preferred return annually which is payable on a current basis at the option of SHHH, and is senior in priority to the partnership interests of the Rigas family and TCI. Preferred return on the Class B Limited Partner Interest in SHHH totaled $2,654, $2,645 and $3,066 and is included in revenues for the years ended March 31, 1995, 1996 and 1997, respectively.

In September 1993, the Board of Directors of Adelphia authorized Adelphia to make loans in the future to the Managed Partnerships up to an amount of $50,000. During the year ended March 31, 1994, Adelphia made loans in the net amount of $15,000 to SHHH, to facilitate the acquisition of cable television systems serving Palm Beach County, Florida from unrelated parties. During fiscal year 1995, Adelphia sold its investment in Tele-Media Investment Partnership, L.P. ("TMIP") to SHHH for $13,000. On January 31, 1995, a wholly owned subsidiary of Adelphia received a $20,000 preferred investment from SHHH to facilitate the acquisition of TMV cable properties.

(Dollars in thousands, except per share amounts)

3. Debt:

Notes Payable of Subsidiaries to Banks and Institutions

Notes payable of subsidiaries to banks and institutions are comprised of the following:

	March 31, 1996	March 31, 1997
Credit agreements with banks payable through 2004 (weighted average interest rate 7.51% and 7.94% at March 31, 1996 and 1997, respectively)	$ 758,975	$ 813,200
10.66% Senior Secured Notes due through 1999	245,000	165,000
9.95% Senior Secured Notes due in 1997	3,200	-
10.80% Senior Secured Notes due through 2000	36,000	27,000
10.50% Senior Secured Notes due through 2001	16,000	12,800
9.73% Senior Secured Notes due 1998 through 2001	37,500	37,500
10.25% Senior Subordinated Notes due through 1998	56,000	32,000
11.85% Senior Subordinated Notes due 1998 through 2000	60,000	60,000
11.13% Senior Subordinated Notes due 1999 through 2002	12,000	12,000
	$ 1,224,675	$ 1,159,500

The amount of borrowings available to Adelphia under its revolving credit agreements is generally based upon the subsidiaries achieving certain levels of operating performance. Adelphia had commitments from banks for additional borrowings of up to $209,154, which included $24,500 also available to Olympus and the managed partnerships, at March 31, 1997 which expire through September 30, 2004. Adelphia pays commitment fees of up to .5% of unused principal.

Borrowings under most of these credit arrangements of subsidiaries are collateralized by a pledge of the stock in their respective subsidiaries, and, in some cases, by assets. These agreements limit, among other things, additional borrowings, investments, transactions with affiliates and other subsidiaries, and the payment of dividends and fees by the subsidiaries. The agreements also require maintenance of certain financial ratios by the subsidiaries. Several of the subsidiaries' agreements, along with the notes of the parent company, contain cross default provisions. At March 31, 1997, approximately $360,230 of the net assets of subsidiaries would be permitted to be transferred to the parent company in the form of dividends, priority return and loans without the prior approval of the lenders based upon the results of operations of such subsidiaries for the quarter ended March 31, 1997. The subsidiaries are permitted to pay management fees to the parent company or other subsidiaries. Such fees are limited to a percentage of the subsidiaries' revenues.

A subsidiary of Adelphia is a co-borrower with a managed partnership under a $200,000 credit agreement. Each of the co-borrowers is liable for all borrowings under this credit agreement, although the lenders have no recourse against Adelphia other than against Adelphia's interest in such subsidiary.

Bank debt interest rates are based upon one or more of the following rates at the option of Adelphia: prime rate plus 0% to 1.5%; certificate of deposit rate plus 1.25% to 2.75%; or LIBOR plus 1% to 2.5%. At March 31, 1996 and 1997, the weighted average interest rate on notes payable to banks and institutions was 8.36% and 8.83%, respectively. At March 31, 1997, the rates on 45.5% of Adelphia's notes payable to banks and institutions were fixed for at least one year through the terms of the notes or interest rate swap agreements. During fiscal 1997, as a result of a bank refinancing, Adelphia recognized an extraordinary loss on early retirement of debt of $2,079 representing the write-off of unamortized debt financing costs.

12 1/2% Senior Notes due 2002

On May 14, 1992, Adelphia issued at face value to the public $400,000 aggregate principal amount of unsecured 12 1/2% Senior Notes due May 15, 2002. Interest is due on the notes semi-annually. The notes, which are effectively subordinated to all liabilities of the subsidiaries, contain restrictions on, among other things, the incurrence of indebtedness, mergers and sale of assets, certain restricted payments by Adelphia, investments in affiliates and certain other affiliate transactions. The notes further require that Adelphia maintain a debt to annualized operating cash flow ratio of not greater than 8.75 to 1.00, based on the latest fiscal quarter, exclusive of the incurrence of $50,000 in additional indebtedness which is not subject to the required ratio. Adelphia may redeem the notes in whole or in part on or after May 15, 1997, at 106% of principal, declining to 100% of principal on or after May 15, 1999. During fiscal 1997, $122,615 of notes were reacquired through open market purchases. As a result, Adelphia recognized an extraordinary loss on early retirement of debt of $9,631, which represents the excess of reacquisition cost over the net carrying value of the related debt.

10 1/4% Senior Notes due 2000

On July 28, 1993, Adelphia issued $110,000 aggregate principal amount of unsecured 10 1/4% Senior Notes due July 2000. Interest is due on the notes semi-annually. The notes which are effectively subordinated to all liabilities of the subsidiaries, contain restrictions and covenants similar to the restrictions on the 12 1/2% Senior Notes. The notes are not callable prior to the maturity date of July 15, 2000. During fiscal 1995, $10,000 of notes were reacquired through open market purchases.

9 7/8% Senior Notes due 2007

On February 26, 1997, Adelphia issued $350,000 of 9 7/8% Senior Notes (the "Senior Notes") in a private placement. Net proceeds, after payment of transaction costs, of approximately $340,000 were used to reduce amounts outstanding on Adelphia's subsidiaries' notes payable to banks and to purchase, redeem or otherwise retire a portion of Adelphia's 12 1/2% Senior Notes due 2002. Interest is payable semi-annually commencing September 1, 1997. The Senior Notes are unsecured and are due March 1, 2007. The notes, which are effectively subordinated to all liabilities of the subsidiaries, contain restrictions and covenants similar to the restrictions on the 12 1/2% Senior Notes. The indenture also provides for payment to the note holders of liquidated damages of up to 2% per annum of the Senior Notes principal if Adelphia does not file a registration statement, or cause such registration statement to become effective, within a prescribed time period with respect to an offer to exchange the Senior Notes for a new issue of debt securities registered under the Securities Act of 1933, with terms substantially the same as those of the Senior Notes. The new issue of debt securities is expected to be recorded at the same carrying value as the Senior Notes and, accordingly, no gain or loss is expected to be recognized.

11 7/8% Senior Debentures due 2004

On September 10, 1992, Adelphia issued to the public $125,000 aggregate principal amount of unsecured 11 7/8% Senior Debentures due September 2004. Interest is due on the debentures semi-annually. The debentures, which are effectively subordinated to all liabilities of the subsidiaries, contain restrictions and covenants similar to the restrictions on the 12 1/2% Senior Notes. Adelphia may redeem the debentures in whole or in part on or after September 15, 1999, at 104.5% of principal, declining to 100% of principal on or after September 15, 2002.

9 7/8% Senior Debentures due 2005

On March 11, 1993, Adelphia issued 9 7/8% Senior Debentures due March 2005 in the aggregate principal amount of $130,000. Interest on the debentures is payable semi-annually. The debentures, which are effectively subordinated to all liabilities of the subsidiaries, contain restrictions and covenants similar to the restrictions on the 12 1/2% Senior Notes. The debentures are not redeemable prior to the maturity date of March 1, 2005.

9 1/2% Senior Pay-In-Kind Notes due 2004

On February 15, 1994, Adelphia issued $150,000 aggregate principal amount of unsecured 9 1/2% Senior Pay-In-Kind Notes due February 2004. On or prior to February 1999, all interest on the notes, which is due semi-annually, may at the option of Adelphia be paid in cash or through the issuance of additional notes valued at 100% of their principal amount. The notes will bear cash interest from February 1999 through maturity. The notes, which are effectively subordinated to all liabilities of the subsidiaries, contain restrictions and covenants similar to the 12 1/2% Senior Notes. Adelphia may redeem the notes in whole or in part on or after February 15, 1999, at 103.56% of principal, declining to 100% of principal on or after February 15, 2002.

(Dollars in thousands, except per share amounts)

13% Senior Discount Notes of Unrestricted Subsidiary due 2003

On April 15, 1996, Hyperion Telecommunications, Inc. ("Hyperion"), an 88% owned subsidiary of Adelphia, realized proceeds, net of discounts, commissions and other transaction costs, of $168,600 upon issuance of $329,000 aggregate principal amount of 13% Senior Discount Notes (the "Hyperion Senior Notes") due April 15, 2003 and 329,000 warrants t purchase an aggregate of 613,427 shares of common stock of Hyperion expiring April 1, 2001. Proceeds of $11,087 were allocated to the value of the warrants. If all warrants were exercised, the warrants would represent approximately 5.71% of the common stock of Hyperion on a fully diluted basis. Proceeds, net of discounts, commissions, and other transaction costs were used to repay certain indebtedness to Adelphia, to make loans to certain key Hyperion officers and will be used to fund Hyperion's expansion of its existing markets, to complete construction of new networks and to enter additional markets, including related capital expenditures, working capital requirements, operating losses and investments in joint ventures.

Maturities of Debt

The following table sets forth the mandatory reductions in principal under all debt agreements for each of the next five years based on amounts outstanding at March 31, 1997:

Year Ending March 31:	
1998	$164,931
1999	139,791
2000	79,483
2001	221,781
2002	190,905

The Company intends to fund its requirements for maturities of debt through borrowings under new and existing credit arrangements and internally generated funds. Changing conditions in the financial markets may have an impact on how Adelphia will refinance its debt in the future.

Interest Rate Swaps and Caps

Adelphia has entered into interest rate swap agreements and interest rate cap agreements with banks, Olympus and managed entities to reduce the impact of changes in interest rates on its debt. Several of Adelphia's credit arrangements include provisions which require interest rate protection for a portion of its debt. Adelphia enters into pay-fixed agreements to effectively convert a portion of its variable-rate debt to fixed-rate debt to reduce the risk of incurring higher interest costs due to rising interest rates. Adelphia enters into receive-fixed agreements to effectively convert a portion of its fixed-rate debt to a variable-rate debt which is indexed to LIBOR to reduce the risk of incurring higher interest costs in periods of falling interest rates. Interest rate cap agreements are used to reduce the impact of increases in interest rates on variable rate debt. Adelphia is exposed to credit loss in the event of nonperformance by the banks, by Olympus or by the managed entities. Adelphia does not expect any such nonperformance. The following table summarizes the notional amounts outstanding and weighted average interest rate data, based on variable rates in effect at March 31, 1996 and 1997, for these swaps and caps, all of which expire through 1998.

(Dollars in thousands, except per share amounts)

	March 31,	
	1996	1997
Pay Fixed Swaps:		
Notional amount	$ 416,000	$ 340,000
Average receive rate	5.68%	5.67%
Average pay rate	7.94%	7.64%
Receive Fixed Swaps:		
Notional amount	$ 108,500	$ 35,000
Average receive rate	6.66%	5.68%
Average pay rate	5.74%	5.50%
Interest Rate Caps:		
Notional amount	$ 50,000	$ 165,000
Average cap rate	9.00%	8.30%

During fiscal 1996, Adelphia received $11,526 upon termination of several interest rate swap agreements having a stated notional principal amount of $270,000. The amount received will be amortized as a reduction of interest expense through November 1998. At March 31, 1997, the unamortized balance is $5,645. Also during fiscal 1996, the Company received $4,900 and assumed the obligations as a counterparty under certain interest rate swap agreements with Olympus. These interest rate swap agreements have a notional principal amount of $140,000 and expire through November 1998.

4. Commitments and Contingencies:

Adelphia rents office and studio space, tower sites, and space on utility poles under leases with terms which are generally less than one year or under agreements that are generally cancelable on short notice. Total rental expense under all operating leases aggregated $4,356, $4,687 and $6,232 for the years ended March 31, 1995, 1996 and 1997, respectively.

In connection with certain obligations under franchise agreements, Adelphia obtains surety bonds guaranteeing performance to municipalities and public utilities. Payment is required only in the event of nonperformance. Management believes Adelphia has fulfilled all of its obligations such that no payments under surety bonds have been required.

The cable television industry and Adelphia are subject to extensive regulation at the federal, state and local levels. Pursuant to the 1992 Cable Act, which significantly expanded the scope of regulation of certain subscriber rates and a number of other matters in the cable industry the FCC has adopted rate regulations that establish, on a system-by-system basis, maximum allowable rates for (i) basic and cable programming services other than programming offered on a per-channel or per-program basis), based upon a benchmark methodology, or, in the alternative, a cost of service showing, and (ii) associated equipment and installation services based upon cost plus a reasonable profit. Under the FCC rules, franchising authorities are authorized to regulate rates for basic services and associated equipment and installation services, and the FCC will regulate rates for regulated cable programming services in response to complaints filed with the agency. The original rate regulations became effective on September 1, 1993. Several amendments to the rate regulations have subsequently been added.

The FCC has adopted regulations implementing all of the requirements of the 1992 Cable Act. The FCC is also likely to continue to modify, clarify or refine the rate regulations. The Telecommunications Act of 1996 (the "1996 Act") deregulates the rates for cable programming services on March 31, 1999. Adelphia cannot predict the effect or outcome of the future rulemaking proceedings, changes to the rate regulations, or litigation.

Effective September 1, 1993, as a result of the 1992 Cable Act, Adelphia repackaged certain existing cable services by adjusting rates for basic service and introducing a new method of offering certain cable services. Adelphia adjusted the basic service rates and related equipment and installation rates in all of their systems in order for such rates to be in compliance with the applicable benchmark or equipment and installation cost levels. Adelphia also implemented a program in all of their systems called "CableSelect" under which most of Adelphia's satellite-delivered programming services were offered individually on a per channel basis, or as a group at a price of approximately 15% to 20% below the sum of the per channel prices of all such services. Adelphia believed CableSelect provided increased programming choices to its subscribers while providing flexibility to Adelphia to respond to future changes in areas such as customer demand and programming. Adelphia no longer offers the CableSelect Program in any of its systems.

On November 18, 1994, the Cable Services Bureau of the FCC issued a decision holding that the CableSelect program was an evasion of the rate regulations and ordered this package to be treated as a regulated tier. This decision, and all other letters of inquiry decisions, were principally decided on the number of programming services moved from regulated tiers to "a la carte" packages. Adelphia appealed this decision to the full Commission which affirmed the Cable Service Bureau's decision. On November 18, 1994, the FCC released amended rules under which, on a prospective basis, any a la carte package will be treated as a regulated tier, except for packages involving premium services. An appeal of this decision to the U.S. Court of Appeals for the D.C. Circuit was unsuccessful.

In fiscal 1996, Adelphia recorded a $5,300 charge representing management's estimate of the total costs to be incurred to resolve all of their rate complaints with the FCC. On May 1, 1997, Adelphia reached a settlement of all rate complaints before the FCC on terms and conditions consistent with certain other cable television companies that utilized a la carte packages that have reached settlement/resolution with the FCC on this issue. At March 31, 1997, $3,382 of the $5,300 charge remained in accrued interest and other liabilities, which management believes is adequate to cover the settlement. No assurance can be given as to what other future actions Congress, the FCC or other regulatory authorities may take or the effects thereof on Adelphia. Adelphia is currently unable to predict the effect that the amended regulations, future FCC treatment of a la carte packages or other future FCC rulemaking proceedings will have on their business and results of operations in future periods.

5. Stockholders' Equity (Deficiency):

Adelphia has no convertible securities or other common stock equivalent securities outstanding.

Stock Issued During Fiscal 1995

On January 10, 1995, Adelphia issued 399,087 shares of Class A Common Stock in connection with the acquisition of Oxford (see Note 1). On February 28, 1995, 1,000,000 shares of Class A Common Stock were sold to FPL Group, Inc. for $15.00 per share.

Stock Issued During Fiscal 1996

On April 3, 1995, Olympus purchased from Adelphia, through a charge to its receivable balance with Adelphia, 457,300 shares of Adelphia Class A Common Stock for $5,000. Olympus used the stock in the acquisition of the cable and security systems of WB Cable Associates, Ltd.

Stock Issued During Fiscal 1997

On February 10, 1997, Adelphia issued 766,871 shares of Class A Common Stock in connection with the acquisition of Small Cities (see Note 1).

Preferred Stock

The Certificate of Incorporation of Adelphia authorizes 5,000,000 shares of Preferred Stock, $.01 par value. None have been issued.

Common Stock

The Certificate of Incorporation of Adelphia authorizes two classes of common stock, Class A and Class B. Holders of Class A Common Stock and Class B Common Stock vote as a single class on all matters submitted to a vote of the stockholders, with each share of Class A Common Stock entitled to one vote and each share of Class B Common Stock entitled to ten votes, except (i) for the election of directors and (ii) as otherwise provided by law. In the annual election of directors, the holders of Class A Common Stock voting as a separate class, are entitled to elect one of Adelphia's directors. In addition, each share of Class B Common Stock is automatically convertible into a share of Class A Common Stock upon transfer, subject to certain limited exceptions. In the event a cash dividend is paid, the holders of Class A Common Stock will be paid 105% of the amount payable per share for each share of Class B Common Stock.

Upon liquidation, dissolution or winding up of Adelphia, the holders of Class A Common Stock are entitled to a preference of $1.00 per share. After such amount is paid, holders of Class B Common Stock are entitled to receive $1.00 per share. Any remaining amount would then be shared ratably by both classes.

Restricted Stock Bonus Plan

Adelphia has reserved 500,000 shares of Class A Common Stock for issuance to officers and other key employees at the discretion of the Compensation Committee of the Board of Directors. The bonus shares will be awarded without any cash payment by the recipient unless otherwise determined by the Compensation Committee. Shares awarded under the plan vest over a five year period. No awards have been made under the plan.

Stock Option Plan

Adelphia has a stock option plan, which provides for the granting of options to purchase up to 200,000 shares of Adelphia's Class A Common Stock to officers and other key employees of the Company and its subsidiaries. Options may be granted at an exercise price equal to the fair market value of the shares on the date of grant. The plan permits the granting of tax-qualified incentive stock options, in addition to non-qualified stock options. Options outstanding under the plan may be exercised by paying the exercise price per share through various alternative settlement methods. No stock options have been granted under the plan.

6. Employee Benefit Plans:

Savings Plan

Adelphia has a savings plan (401(k)) which provides that eligible full-time employees may contribute from 2% to 16% of their pre-tax compensation subject to certain limitations. Adelphia makes matching contributions not exceeding 1.5% of each participant's pre-tax compensation. Adelphia's matching contributions amounted to $343, $350 and $638 for the years ended March 31, 1995, 1996 and 1997, respectively.

Hyperion Long-Term Incentive Compensation Plan

On October 3, 1996, Hyperion adopted its 1996 Long-Term Incentive Compensation Plan (the "1996 Plan"). The 1996 Plan provides for the granting of (i) options which qualify as "incentive stock options" within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended, (ii) options which do not so qualify, (iii) share awards (with or without restrictions on vesting), (iv) stock appreciation rights and (v) stock equivalent or phantom units. The number of shares of Hyperion Class A Common Stock available for issuance initially will be 1,750,000. Such number is to increase each year by 1% of outstanding shares of all classes of Hyperion Common Stock, up to a maximum of 2,500,000 shares. Options, awards and units may be granted under the 1996 Plan to directors, officers, employees and consultants. The 1996 Plan provides that incentive stock options must be granted with an exercise price of not less than the fair market value of the underlying Hyperion Common Stock on the date of grant. Options outstanding under the Plan may be exercised by paying the exercise price per share through various alternative settlement methods. On March 4, 1997 and April 1, 1997, Hyperion issued 104,000 shares and 18,000 shares, respectively, of its Class A Common Stock to Daniel R. Milliard pursuant to his employment agreement with Hyperion. No other stock options, stock awards, stock appreciation rights or phantom stock units have been granted under the Plan.

7. Taxes on Income:

Adelphia and its corporate subsidiaries file a consolidated federal income tax return, which includes its share of the subsidiary partnerships and joint venture partnership results. At March 31, 1997, Adelphia had net operating loss carryforwards for federal income tax purposes of approximately $1.1 billion expiring through 2012. Depreciation and amortization expense differs for tax and financial statement purposes due to the use of prescribed periods rather than useful lives for tax purposes and also as a result of differences between tax basis and book basis of certain acquisitions.

(Dollars in thousands, except per share amounts)

The tax effects of significant items comprising Adelphia's net deferred tax liability are as follows:

	1996	1997
Deferred tax liabilities:		
Differences between book and tax basis of property, plant and equipment and intangible assets	$ 234,312	$ 233,998
Deferred tax assets:		
Reserves not currently deductible	14,467	55,786
Operating loss carryforwards	415,121	427,400
	429,588	483,186
Valuation allowance	(301,485)	(359,285)
Subtotal	128,103	123,901
Net deferred tax liability	$ 106,209	$ 110,097

The net change in the valuation allowance for the years ended March 31, 1996 and 1997 was an increase of $42,065 and $57,800, respectively.

Income tax benefit for the years ended March 31, 1995, 1996 and 1997 is as follows:

	Year Ended March 31,		
	1995	1996	1997
Current	$ (500)	$ (1,144)	$ (142)
Deferred	5,975	3,930	500
Total	$ 5,475	$ 2,786	$ 358

A reconciliation of the statutory federal income tax rate and Adelphia's effective income tax rate is as follows:

	Year Ended March 31,		
	1995	1996	1997
Statutory federal income tax rate	35%	35%	35%
Change in valuation allowance	(31%)	(37%)	(41%)
State taxes, net of federal benefit	4%	(1%)	6%
Other	(3%)	5%	-%
Effective income tax benefit rate	5%	2%	-%

8. Disclosures about Fair Value of Financial Instruments:

Included in Adelphia's financial instrument portfolio are cash, notes payable, debentures and interest rate swaps and caps. The carrying values of notes payable approximate their fair values at March 31, 1996 and 1997. The carrying cost of the publicly traded notes and debentures at March 31, 1996 and 1997 of $932,135 and $1,361,845, respectively, exceeded their fair value by $1,420 and $46,828, respectively. At March 31, 1996 and 1997, Adelphia would have been required to pay approximately $14,225 and $7,632, respectively, to settle its interest rate swap and cap agreements, representing the excess of carrying cost over fair value of these agreements. The fair values of the debt and interest rate swaps and caps were based upon quoted market prices of similar instruments or on rates available to Adelphia for instruments of the same remaining maturities.

9. Related Party Transactions:

Adelphia currently manages cable television systems which are principally owned by Olympus and limited partnerships in which certain of Adelphia's principal shareholders who are executive officers have equity interests.

Adelphia has agreements with Olympus and the managed partnerships which provide for the payment of fees to Adelphia. The aggregate fee revenues from Olympus and the managed partnerships amounted to $7,293, $2,700 and $2,939 for the years ended March 31, 1995, 1996 and 1997, respectively. In addition, Adelphia was reimbursed by Olympus and managed partnerships for allocated corporate costs of $4,521, $7,517 and $6,335 for the years ended March 31, 1995, 1996 and 1997, respectively, which have been recorded as a reduction of selling, general and administrative expense.

Adelphia leases from a partnership and a corporation owned by principal shareholders who are executive officers support equipment under agreements which have been accounted for as capital leases. These obligations, which are included in other debt, amounted to $451 and $0 at March 31, 1996 and 1997, respectively. Adelphia also leases from this partnership certain buildings under operating leases. Rent expense under these operating leases aggregated $97, $127 and $133 for the years ended March 31, 1995, 1996 and 1997, respectively.

Net settlement amounts under interest rate swap agreements with Olympus and the managed partnerships, recorded as adjustments to interest expense during the period incurred, decreased Adelphia's interest expense by $173 for the year ended March 31, 1995 and increased interest expense by $826 and $50 for the years ended March 31, 1996 and 1997, respectively.

During the year ended March 31, 1997, Adelphia paid $2,563 to entities owned by certain shareholders of Adelphia primarily for property, plant and equipment.

10. Quarterly Financial Data (Unaudited):

The following tables summarize the financial results of Adelphia for each of the quarters in the years ended March 31, 1996 and 1997:

	Three Months Ended			
	June 30	September 30	December 31	March 31
Year ended March 31, 1996:				
Revenues	$ 96,921	$ 97,082	$ 102,457	$ 107,137
Operating expenses:				
Direct operating and programming	28,522	29,630	32,066	33,898
Selling, general and administrative	16,870	17,110	16,981	17,396
Depreciation and amortization	27,624	26,165	25,679	31,563
Rate regulation	-	-	-	5,300
Total	73,016	72,905	74,726	88,157
Operating income	23,905	24,177	27,731	18,980
Other income (expense):				
Interest income from affiliates	3,410	3,378	2,087	1,748
Priority investment income from Olympus	5,575	6,575	6,575	10,127
Interest expense	(53,124)	(52,754)	(53,281)	(51,532)
Equity in loss of Olympus and other joint ventures	(10,257)	(8,784)	(9,127)	(13,797)
Equity in loss of Hyperion nonconsolidated joint ventures	(797)	(845)	(1,509)	(1,141)
Total	(55,193)	(52,430)	(55,255)	(54,595)
Loss before income taxes	(31,288)	(28,253)	(27,524)	(35,615)
Income tax benefit	1,044	195	1,127	420
Net loss	$ (30,244)	$ (28,058)	$ (26,397)	$ (35,195)
Net loss per weighted average share of common stock	$ (1.15)	$ (1.07)	$ (1.00)	$ (1.34)
Weighted average shares of common stock outstanding (in thousands)	26,294	26,308	26,308	26,308

ADELPHIA COMMUNICATIONS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except per share amounts)

	Three Months Ended			
	June 30	September 30	December 31	March 31
Year ended March 31, 1997:				
Revenues	$ 111,011	$ 117,437	$ 122,127	$ 122,203
Operating expenses:				
Direct operating and programming	33,597	35,864	39,005	40,516
Selling, general and administrative	18,638	20,175	22,319	20,631
Depreciation and amortization	28,477	30,262	30,813	34,514
Total	80,712	86,301	92,137	95,661
Operating income	30,299	31,136	29,990	26,542
Other income (expense):				
Interest income from affiliates	2,049	2,163	2,098	2,057
Priority investment income from Olympus	9,817	10,273	10,542	11,454
Interest expense	(60,496)	(60,969)	(59,299)	(59,928)
Equity in loss of Olympus and other joint ventures	(13,011)	(11,916)	(14,061)	(12,958)
Equity in loss of Hyperion nonconsolidated joint ventures	(1,636)	(1,362)	(2,145)	(2,080)
Gain on sale of investments	8,405	-	-	3,746
Total	(54,872)	(61,811)	(62,865)	(57,709)
Loss before income taxes and extraordinary loss	(24,573)	(30,675)	(32,875)	(31,167)
Income tax (expense) benefit	(166)	175	55	294
Loss before extraordinary loss	(24,739)	(30,500)	(32,820)	(30,873)
Extraordinary loss on early retirement of debt	(2,079)	-	-	(9,631)
Net loss	$ (26,818)	$ (30,500)	$ (32,820)	$ (40,504)
Loss per weighted average share of common stock before extraordinary loss	(.94)	(1.16)	(1.25)	(1.15)
Extraordinary loss per weighted average share on early retirement of debt	(.08)	-	-	(.36)
Net loss per weighted average share of common stock	$ (1.02)	$ (1.16)	$ (1.25)	$ (1.51)
Weighted average shares of common stock outstanding (in thousands)	26,308	26,308	26,308	26,726

11. Subsequent Events:

On May 20, 1997, Adelphia and its affiliates and Time Warner Cable companies entered into agreements involving a trade of cable systems in seven states covering approximately 250,000 subscribers, an exchange of interests in four Competitive Local Exchange Carrier ("CLEC") networks in New York state. Adelphia will exchange its systems serving 67,600 subscribers primarily in the Mansfield, Ohio area and cash for systems owned by Time Warner Cable companies serving 72,400 subscribers adjacent to systems owned or managed by Adelphia in Virginia, New England and New York. Also, Hyperion has agreed with a Time Warner company to an exchange of interests in four CLEC networks in New York. In this transaction, Hyperion will increase its interests in its Buffalo and Syracuse CLEC networks to 50% and 100%, respectively, and eliminate its interests in the Albany and Binghamton networks. Certain affiliates managed by Adelphia will exchange systems serving 49,700 subscribers in Syracuse, New York and Henderson, North Carolina for Time Warner cable systems serving 57,900 subscribers adjacent to systems owned or managed by Adelphia in western Pennsylvania and Virginia. Consummation of this transaction is subject to certain closing conditions and regulatory approval.

On June 6, 1997, Adelphia signed a letter of intent to establish a partnership into which Tele-Communications, Inc., ("TCI") will contribute its cable systems in Buffalo, New York; Erie, Pennsylvania; and Ashtabula and Lake County, Ohio, totaling 166,000 subscribers, and Adelphia will contribute its Western New York and Lorain, Ohio systems, totaling 298,000 subscribers. Upon closing of the transaction, TCI will hold a minority interest in the partnership. Adelphia will manage the partnership and expects to consolidate the partnership's results for financial reporting purposes. The venture will serve approximately 464,000 customers. Consummation of this transaction is subject to certain closing conditions and regulatory approval.

On June 11, 1997, Adelphia announced the sale of its interest in PageCall, Inc. to Benbow PCS Ventures, Inc. for a price of $16,500, payable in Series A Convertible Preferred Stock of Arch Communications Group, Inc. and cash. This transaction is subject to normal closing conditions and regulatory approval.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information set forth above in Part I under the caption "Executive Officers of the Registrant" is incorporated herein by reference. The other information required by this item is incorporated herein by reference to the information set forth under the caption "Election of Directors - Description of Board of Directors"; the information set forth under the caption "Election of Directors - Nominees for Election by Holders of Class A Common Stock"; the information set forth under the caption "Election of Directors - Nominees for Election by Holders of Class A Common Stock and Class B Common Stock"; and the information, if any, under the caption "Section 16 "a" Beneficial Ownership Reporting Compliance," in the Company's definitive proxy statement for the 1997 Annual Meeting of Stockholders filed pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended, or by reference to a filing amending this Annual Report on Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated herein by reference to the information set forth under the caption "Executive Compensation" in the Company's definitive proxy statement for the 1997 Annual Meeting of Stockholders filed pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended, or by reference to a filing amending this Annual Report on Form 10-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item is incorporated herein by reference to the information set forth under the caption "Principal Stockholders" in the Company's definitive proxy statement for the 1997 Annual Meeting of Stockholders filed pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended, or by reference to a filing amending this Annual Report of Form 10-K.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item is incorporated herein by reference to the information set forth under the caption "Certain Transactions" in the Company's definitive proxy statement for the 1997 Annual Meeting of Stockholders filed pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended, or by reference to a filing amending this Annual Report on Form 10-K.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

Financial Statements, schedules and exhibits not listed have been omitted where the required information is included in the consolidated financial statements or notes thereto, or is not applicable or required.

(a)(1) A listing of the consolidated financial statements, notes and independent auditors' report required by Item 8 are listed on page 44 of this Annual Report on Form 10-K.

(2) Financial Statement Schedules:

The following are included in this Report:

Schedule I -- Condensed Financial Information of the Registrant

Schedule II -- Valuation and Qualifying Accounts

(3) Exhibits

Exhibit No.	Description
3.01	Certificate of Incorporation of Adelphia Communications Corporation (Incorporated herein by reference is Exhibit 3.01 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1995.) (File Number 0-16014)
3.02	Bylaws of Adelphia Communications Corporation (Incorporated herein by reference is Exhibit 3.02 to Registrant's Annual Report on Form 10-K for the fiscal year ended March 31, 1994.) (File Number 0-16014)
4.01	Indenture, dated as of February 26, 1997, between the Registrant and Bank of Montreal Trust Company with respect to the Registrant's 9-7/8% Senior Notes Due 2007 (Incorporated herein by reference is Exhibit 4.01 to Registrant's Current Report on Form 8-K dated May 1, 1997.) (File Number 0-16014)
4.02	Form of Note with respect to the Registrant's 9-7/8% Senior Notes Due 2007 (contained in Indenture filed as Exhibit 4.01.)
4.03	Registration Rights Agreement, dated as of February 26, 1997, between the Registrant and the Initial Purchaser with respect to the Registrant's 9-7/8% Senior Notes Due 2007 (Incorporated herein by reference is Exhibit 10.01 to Registrant's Current Report on Form 8-K dated May 1, 1997.) (File Number 0-16014)
4.04	First Supplemental Indenture, dated as of May 4, 1994, with respect to Registrant's 9-1/2% Senior Pay-In-Kind Notes Due 2004 (Incorporated herein by reference is Exhibit 4.01 to Registrant's Current Report on Form 8-K dated May 5, 1994.) (File Number 0-16014)
4.05	Indenture, dated as of February 22, 1994, with respect to Registrant's 9-1/2% Senior Pay-In-Kind Notes Due 2004 (Incorporated herein by reference is Exhibit 4.05 to Registration Statement No. 33-52513 on Form S-4.)
4.06	Indenture, dated as of July 28, 1993, with respect to Registrant's 10-1/4% Senior Notes Due 2000 (Incorporated herein by reference is Exhibit 4.01 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1993.) (File Number 0-16014)
4.07	Amended and Restated Indenture, dated as of May 11, 1993, with respect to Registrant's 9-7/8% Senior Debentures Due 2005 (Incorporated herein by reference is Exhibit 4.01 to Registrant's Annual Report on Form 10-K for the fiscal year ended March 31, 1993.) (File Number 0-16014)
4.08	Indenture, dated as of September 2, 1992, with respect to the Registrant's 11-7/8% Senior Debentures Due 2004 (Incorporated herein by reference is Exhibit 4.03 to Registration Statement No. 33-52630 on Form S-1.)
4.09	Indenture, dated as of May 7, 1992, with respect to the Registrant's 12-1/2% Senior Notes Due 2002 (Incorporated herein by reference is Exhibit 4.03 to Registrant's Annual Report on Form 10-K for the fiscal year ended March 31, 1992.) (File Number 0-16014)
4.10	Indenture, dated as of April 15, 1996, between Hyperion Telecommunications, Inc. and Bank of Montreal Trust Company (Incorporated by reference is Exhibit 4.1 to Registration Statement No. 333-06957 on Form S-4 filed for Hyperion Telecommunications, Inc.)

4.11 Form of 13% Hyperion Telecommunications, Inc. Senior Discount Notes (Incorporated herein by reference is Exhibit 4.3 to Hyperion Telecommunications, Inc.'s Registration Statement No. 333-12619 on Form S-1.)

4.12 First Supplemental Indenture, dated as of September 11, 1996, between Hyperion Telecommunications, Inc. and Bank of Montreal Trust Company (Incorporated herein be reference is Exhibit 4.2 of Hyperion Telecommunications, Inc.'s Registration Statement No. 333-12619 on Form S-1.)

4.13 Indenture, dated as of November 12, 1996, between Olympus Communications, L.P., Olympus Capital Corporation and Bank of Montreal Trust Company (Incorporated herein by reference is Exhibit 10.02 to Registrant's Current Report on Form 8-K dated December 16, 1996.) (File Number 0-16014)

10.01 Class B Common Stockholders Agreement (Incorporated herein by reference is Exhibit 10.01 to Registration Statement No. 33-6974 on Form S-1.)

10.02 Joinder to Class B Common Stockholders Agreement (Incorporated herein by reference is Exhibit 10.02 to Registrant's Annual Report on Form 10-K for the fiscal year ended March 31, 1994.) (File Number 0-16014)

10.03 Registration Rights Agreement and Amendment to Registration Rights Agreement (Incorporated herein by reference are Exhibit 10.02 to Registration Statement No. 33-6974 on Form S-1 and Exhibit 10.35 to Registration Statement No. 33-25121 on Form S-1.)

10.04 Form of Management Agreement for Managed Companies (Incorporated herein by reference is Exhibit 10.04 to the Registrant's Annual Report on Form 10-K for fiscal year ended March 31, 1996.) (File Number 0-16014)

10.05 Management Agreement—Montgomery Cablevision Associates, L.P. (Incorporated herein by reference i Exhibit 10.08 to Registration Statement No. 33-6974 on Form S-1.)

10.06 Management Agreement—Adelphia Cablevision Associates of Radnor, L.P. (Incorporated herein by reference is Exhibit 10.09 to Registration Statement No. 33-6974 on Form S-1.)

10.07* Stock Option Plan of 1986, as amended (Incorporated herein by reference is Exhibit 10.07 to Registration Statement No. 33-46551 on Form S-1.)

10.08* Restricted Stock Bonus Plan, as amended (Incorporated herein by reference is Exhibit 10.08 to Registration Statement No. 33-46551 on Form S-1.)

10.09 Business Opportunity Agreement (Incorporated herein by reference is Exhibit 10.13 to Registration Statement No. 33-3674 on Form S-1.)

10.10* Employment Agreement between the Company and John J. Rigas (Incorporated herein by reference is Exhibit 10.14 to Registration Statement No. 33-6974 on Form S-1.)

10.11* Employment Agreement between the Company and Daniel R. Milliard (Incorporated herein by reference is Exhibit 10.15 to Registration Statement No. 33-6974 on Form S-1.)

10.12* Employment Agreement between the Company and Timothy J. Rigas (Incorporated herein by reference is Exhibit 10.16 to Registration Statement No. 33-6974 on Form S-1.)

10.13* Employment Agreement between the Company and Michael J. Rigas (Incorporated herein by reference is Exhibit 10.17 to Registration Statement No. 33-6974 on Form S-1.)

10.14* Employment Agreement between the Company and James P. Rigas (Incorporated herein by reference is Exhibit 10.18 to Registration Statement No. 33-6974 on Form S-1.)

10.15 Agreement Regarding Management Fees relating to the subsidiaries of Chauncey Communications Corporation (Incorporated herein by reference is Exhibit 10.16 of Registrant's Annual Report on Form 10-K for the fiscal year ended March 31, 1991.) (File Number 0-16014)

10.16 Form of Note Agreement, dated as of August 1, 1990, relating to the 10.66% Senior Secured Notes due August 1, 1998 of Chauncey Communications Corporation (Incorporated herein by reference is Exhibit 10.01 of Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1990.) (File Number 0-16014)

10.17 Amendatory Agreement regarding Chauncey Communications Corporation 10.66% Senior Secured Note Agreement, dated as of August 6, 1991 (Incorporated herein by reference is Exhibit 10.02 of Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1991.) (File Number 0-16014)

10.18 $50,000 Term Note and Pledge Agreement between Adelphia Communications Corporation as lender and Daniel R. Milliard, dated October 1, 1988 (Incorporated herein by reference is Exhibit 10.03 of Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1991.) (File Number 0-16014)

10.19 $205,000 Revolving Term Note and Pledge Agreement among Adelphia Communications Corporation as lender, Daniel R. Milliard and David Acker (Incorporated herein by reference is Exhibit 10.04 of Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1991.) (File Number 0-16014)

10.20 Olympus Communications, L.P. Second Amended and Restated Limited Partnership Agreement, dated as of February 28, 1995 (Incorporated herein by reference is Exhibit 10.32 of the Registrant's Annual Report on Form 10-K for the fiscal year ended March 31, 1995.) (File Number 0-16014)

10.21 Credit, Security and Guaranty Agreement among UCA Corp. and certain of its Affiliates and First Union National Bank of North Carolina as Administrative Agent, dated as of March 15, 1995 (Incorporated herein by reference is Exhibit 10.32 of the Registrant's Annual Report on Form 10-K for the fiscal year ended March 31, 1995.) (File Number 0-16014)

10.22 Revolving Credit Facility among Adelphia Cable partners, L.P., Southwest Florida Cable, Inc., West Boca Acquisition Limited Partnership and Toronto-Dominion (Texas), Inc., as Administrative Agent, dated May 12, 1995 (Incorporated herein by reference is Exhibit 10.03 to Registrant's Current Report on Form 8-K dated June 30, 1995.) (File Number 0-16014)

10.23 Credit Agreement, dated as of October 27, 1995, among Plato Communications, Inc. Northeast Cable, Inc., Robinson/Plum Cablevision L.P., the several other banks and other financial institutions from time to time parties to this agreement and Chemical Bank, as Administrative Agent (Incorporated herein by reference is Exhibit 10.35 to Registrant's Current Report on Form 8-K dated December 7, 1995.) (File Number 0-16014)

10.24 Credit Agreement, dated as of April 12, 1996, among Chelsea Communications, Inc., Kittanning Cablevision Inc., Robinson/Plum Cablevision L.P., the several banks and financial institutions parties thereto, and Toronto Dominion (Texas), Inc. as Administrative Agent (Incorporated herein by reference is Exhibit 10.36 to Registrant's Current Report on Form 8-K dated June 3, 1996.)
(File Number 0-16014)

10.25 Amended Credit ' greement, dated as of March 29, 1996, among Highland Video Associates L.P., Telesat Acquisition Limited Partnership, Global Acquisition Partners, L.P., the various financial institutions as parties thereto, Bank of Montreal as syndication agent, Chemical Bank as documentation agent, and the Bank of Nova Scotia as administrative agent (Incorporated herein by reference is Exhibit 10.37 to Registrant's Current Report on Form 8-K dated June 19, 1996.) (File Number 0-16014)

10.26 Purchase Agreement dated as of April 10, 1996 between Hyperion Telecommunications, Inc. and Bear Stearns & Co. Inc., Chase Securities Inc. and NationsBanc Capital Markets, Inc. (Incorporated by reference is Exhibit 1.1 to Registration Statement No. 333-06957 on Form S-4 filed for Hyperion Telecommunications, Inc.)

10.27 Purchase Agreement dated as of February 21, 1997 between the Registrant and Smith Barney Inc. (Incorporated herein by reference is Exhibit 10.02 to Adelphia Communications Corporation's Current Report on Form 8-K dated May 1, 1997). (File Number 0-16014)

10.28 Registration Rights Agreement dated as of April 15, 1996, between Hyperion Telecommunications, Inc. and the Initial Purchasers (Incorporated by reference is Exhibit 4.3 to Registration Statement No. 333-06957 on Form S-4 filed for Hyperion Telecommunications, Inc.)

10.29 Warrant Agreement dated as of April 15, 1996, by and among Hyperion Telecommunications, Inc. and Bank of Montreal Trust Company (Incorporated by reference is Exhibit 10.13 to Registration Statement No. 333-06957 on Form S-4 filed for Hyperion Telecommunications, Inc.)

10.30 Warrant Registration Rights Agreement dated as of April 15, 1996, by and among Hyperion Telecommunications, Inc. and the Initial Purchasers (Incorporated by reference is Exhibit 10.14 to Registration Statement No. 333-06957 on Form S-4 filed for Hyperion Telecommunications, Inc.)

10.31* Hyperion Telecommunications, Inc. Long-Term Incentive Compensation Plan (Incorporated herein by reference is Exhibit 10.17 to Hyperion Telecommunications, Inc.'s Registration Statement No. 333-13663 on Form S-1.)

10.32 Purchase Agreement, dated as of November 6, 1996, between Olympus Communications, L.P., Olympus Capital Corporation and Goldman, Sachs & Co. (Incorporated herein by reference is Exhibit 10.01 to Registrant's Current Report on Form 8-K dated December 16, 1996.) (File Number 0-16014)

10.33 Registration Rights Agreement among Charles R. Drenning, Paul D. Fajerski, Randolph S. Fowler, Adelphia Communications Corporation and the Company (Incorporated herein by reference is Exhibit 10.18 to Hyperion Telecommunications, Inc.'s Registration Statement No. 333-13663 on Form S-1.)

10.34 Registration Rights Agreement between Adelphia Communications Corporation and the Company (Incorporated herein by reference is Exhibit 10.19 to Hyperion Telecommunications, Inc.'s Registration Statement No. 333-13663 on Form S-1.)

10.35 First Amendment to the Olympus Communications, L.P. Second Amended and Restated Limited Partnership Agreement, dated September 1, 1995 (Incorporated herein by reference is Exhibit 10.33 to the Registrant's Annual Report on Form 10-K/A for the fiscal year ended March 31, 1996.) (File Number 0-16014)

10.36 First Amendment to the Olympus Communications, L.P. Second Amended and Restated Limited Partnership Agreement, dated March 29, 1996 (Incorporated herein by reference is Exhibit 10.34 to the Registrant's Annual Report on Form 10-K/A for the fiscal year ended March 31, 1996.) (File Number 0-16014)

10.37 Second Amendment to the Olympus Communications, L.P. Second Amended and Restated Limited Partnership Agreement, dated June 27, 1996 (Incorporated herein by reference is Exhibit 10.35 to the Registrant's Annual Report on Form 10-K/A for the fiscal year ended March 31, 1996.) (File Number 0-16014)

10.38 Employment Agreement between Hyperion Telecommunications, Inc. and Daniel R. Milliard dated as of March 4, 1997 (Incorporated herein by reference is Exhibit 10.03 to Adelphia Communication Corporation's Current Report on Form 8-K dated May 1, 1997) (File Number 0-16014)

10.39 Extension Agreement dated as of January 8, 1997, among Hyperion Telecommunications, Inc., Adelphia Communications Corporation, Charles R. Drenning, Paul D. Fajerski, Randolph S. Fowler, and six Trusts named therein (Incorporated herein by reference is Exhibit 10.04 to Adelphia Communications Corporation's Current Report on Form 8-K dated May 1, 1997) (File Number 0-16014)

21.01 Subsidiaries of the Registrant (Filed herewith)

23.01 Consent of Deloitte & Touche LLP (Filed herewith)

23.02 Consent of Deloitte & Touche LLP (Filed herewith)

27.01 Financial Data Schedule (Filed herewith)

99.01 Material incorporated by reference into this Form 10-K from pages 29 through 37, and F-2 to F-19 of Amendment No. 2 to Registration Statement No. 333-19327 on Form S-4 of Olympus Communications, L.P. and Olympus Capital Corporation (Filed herewith)

99.02 Material incorporated by reference into this Form 10-K from pages 3 to 6 of Form 10-Q of Olympus Communications, L.P. and Olympus Capital Corporation for the quarter ended March 31, 1997 (Filed herewith)

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* Denotes management contracts and compensatory plans and arrangements required to be identified by Item 14(a)(3).

The Registrant will furnish to the Commission upon request copies of instruments not filed herewith which authorize the issuance of long-term obligations of Registrant not in excess of 10% of the Registrant's total assets on a consolidated basis.

(b) The Registrant filed Form 8-K reports dated January 1, 1997, February 19, 1997, May 1, 1997 and June 12, 1997, all of which reported information under items 5 and 7 thereof. No financial statements were filed with any of such Form 8-K reports.

(c) The Company hereby files as exhibits to this Form 10-K the exhibits set forth in Item 14(a)(3) hereof which are not incorporated by reference.

(d) The Company hereby files as financial statement schedules to this Form 10-K the financial statement schedules set forth in Item 14(a)(2) hereof.

SCHEDULE I (Page 1 of 4)
ADELPHIA COMMUNICATIONS CORPORATION AND SUBSIDIARIES
Condensed Information as to the Financial Position of the Registrant
(Dollars in thousands)

	March 31,	
	1996	1997
ASSETS:		
Investment in and net advances to cable television subsidiaries and related parties	$ 318,345	$ 479,643
Property and equipment - net	27,808	26,258
Cash and cash equivalents	3,097	97
Other assets - net	76,574	81,712
Total	$ 425,824	$ 587,710
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY):		
Losses and distributions in excess of investments in and net advances to cable television subsidiaries	$ 558,143	$ 601,549
12 1/2% Senior Notes due 2002	400,000	277,385
10 1/4% Senior Notes due 2000	99,158	99,322
9 7/8% Senior Notes due 2007	-	347,274
11 7/8% Senior Debentures due 2004	124,502	124,539
9 7/8% Senior Debentures due 2005	128,118	128,255
9 1/2% Senior Pay-In-Kind Notes due 2004	180,357	197,897
Other debt	8,485	9,537
Accrued interest and other liabilities	55,300	55,833
Total liabilities	1,554,063	1,841,591
Stockholders' equity (deficiency) - see consolidated financial statements included herein for details	(1,128,239)	(1,253,881)
Total	$ 425,824	$ 587,710

See notes to condensed financial information of the Registrant.

SCHEDULE I (Page 2 of 4)

ADELPHIA COMMUNICATIONS CORPORATION AND SUBSIDIARIES

Condensed Information as to the Operations of the Registrant

(Dollars in thousands)

	Year Ended March 31, 1995	1996	1997
INCOME:			
Income from subsidiaries and affiliates	$ 72,413	$ 55,277	$ 57,479
EXPENSES:			
Operating expenses and fees to subsidiaries	1,044	2,156	2,044
Depreciation and amortization	5,179	5,942	5,882
Interest expense to subsidiaries and affiliates	4,371	14,645	18,591
Interest expense to others	103,367	107,829	103,735
Total	113,961	130,572	130,252
Loss before gain on investment and equity in net loss of subsidiaries	(41,548)	(75,295)	(72,773)
Gain on sale of investment	-	-	3,746
Equity in net loss of subsidiaries	(64,736)	(44,599)	(49,905)
Loss before extraordinary loss	(106,284)	(119,894)	(118,932)
Extraordinary loss on early retirement of debt	-	-	(11,710)
Net loss	$ (106,284)	$ (119,894)	$ (130,642)

See notes to condensed financial information of the Registrant.

SCHEDULE 1 (Page 3 of 4)

ADELPHIA COMMUNICATIONS CORPORATION AND SUBSIDIARIES

Condensed Information as to the Cash flows of the Registrant

(Dollars in thousands)

	Year Ended March 31,		
	1995	1996	1997
Cash flows from operating activities:			
Net loss	$ (106,284)	$ (119,894)	$ (130,642)
Adjustments to reconcile net loss to net cash used for operating activities:			
Equity in net loss of subsidiaries	64,736	44,599	49,905
Gain on sale of investment	-	-	(3,746)
Non-cash portion of extraordinary loss on early retirement of debt	-	-	3,503
Depreciation and amortization	5,179	5,942	5,882
Noncash interest expense	14,756	16,288	17,893
Change in operating assets and liabilities:			
Other assets	(52,096)	(6,832)	(711)
Accrued interest and other liabilities	12,523	22,107	(2,165)
Net cash used for operating activities	(61,186)	(37,790)	(60,081)
Cash flows from investing activities:			
Investments in and advances (to) from subsidiaries and related parties - net	55,685	43,120	(162,812)
Expenditures for property, plant and equipment	(447)	(161)	(669)
Net cash provided by (used for) investing activities	55,238	42,959	(163,481)
Cash flows from financing activities:			
Proceeds from debt	3,300	1,100	348,312
Repayments of debt	(12,213)	(3,252)	(122,615)
Issuance of Class A Common Stock	14,861	-	-
Debt financing costs	-	-	(5,135)
Net cash provided by (used for) financing activities	5,948	(2,152)	220,562
Increase (decrease) in cash and cash equivalents	-	3,017	(3,000)
Cash and cash equivalents, beginning of year	80	80	3,097
Cash and cash equivalents, and of year	$ 80	$ 3,097	$ 97
Supplemental disclosure of cash flow activity - Cash payments for interest	$ 103,454	$ 103,965	$ 106,746

See notes to condensed financial information of the Registrant.

ADELPHIA COMMUNICATIONS CORPORATION AND SUBSIDIARIES
Notes to Condensed Financial Information of the Registrant
(Dollars in thousands)

1. Amounts advanced between Adelphia and related parties:

Adelphia Communications Corporation ("Adelphia") has periodically advanced to and borrowed funds from subsidiaries and affiliates. Adelphia, its subsidiaries and affiliates charge interest on such amounts at rates ranging from 2% to 11% with principal due upon demand five years after March 31, 1997.

2. Reclassifications:

Certain 1995 and 1996 amounts have been reclassified to conform with 1997 presentation.

SCHEDULE II
ADELPHIA COMMUNICATIONS CORPORATION AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS
(Dollars in thousands)

	Balance at Beginning of Period	Charged to Costs and Expenses	Deductions-Write-Offs	Balance at End of Period
Year Ended March 31, 1995				
Allowance for Doubtful Accounts	$ 3,603	$ 3,846	$ 3,946	$ 3,503
Year Ended March 31, 1996				
Allowance for Doubtful Accounts	$3,503	$5,827	$8,114	$1,216
Year Ended March 31, 1997				
Allowance for Doubtful Accounts	$1,216	$8,398	$8,269	$1,345

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

ADELPHIA COMMUNICATIONS CORPORATION

June 19, 1997

By: /s/ John J. Rigas
John J. Rigas,
Chairman, President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

June 19, 1997	/s/ John J. Rigas John J. Rigas, Director
June 19, 1997	/s/ Timothy J. Rigas Timothy J. Rigas, Executive Vice President, Chief Financial Officer, Chief Accounting Officer, Treasurer and Director
June 19, 1997	/s/ Michael J. Rigas Michael J. Rigas, Executive Vice President, Operations and Director
June 19, 1997	/s/ James P. Rigas James P. Rigas, Executive Vice President, Strategic Planning and Director
June 19, 1997	/s/ Daniel R. Milliard Daniel R. Milliard, Senior Vice President, Secretary and Director
June 19, 1997	/s/ Dennis P. Coyle Dennis P. Coyle, Director
June 19, 1997	/s/ Pete J. Metros Pete J. Metros, Director
June 19, 1997	/s/ Perry S. Patterson Perry S. Patterson, Director

Exhibit 21.01 ***List of Subsidiaries of Adelphia Communications Corporation***[1]

ADELPHIA COMMUNICATIONS CORPORATION (Delaware corporation)

ACP HOLDINGS, INC. (Delaware corporation)[2]

ADELPHIA CABLEVISION, INC. (Pennsylvania corporation)
- Crestwood Holdings, Inc. (Delaware corporation)
- Manchester Cablevision, Inc. (New Jersey corporation)
- Niagara Frontier Cable Television, Inc. (New York corporation)
- Punxsutawney TV Cable Co., Inc. (Pennsylvania corporation)
- Western Reserve TV Co. (Ohio Corporation)

ADELPHIA COMMUNICATIONS INTERNATIONAL, INC. (Delaware corporation)

ADELPHIA INTERNATIONAL II, L.L.C.

ADELPHIA INTERNATIONAL III, L.L.C.

ADELPHIA MOBILE PHONES, INC.

ADELPHIA TELECOMMUNICATIONS, INC.

BRAZAS COMMUNICATIONS, INC. (Delaware corporation)[3]

CENTRAL VIRGINIA CABLE, INC. (Delaware corporation)

CHAUNCEY COMMUNICATIONS CORPORATION (Delaware corporation)
- Clear Cablevision, Inc. (Delaware corporation)
- International Cablevision, Inc. (New York corporation)[4]

CHELSEA COMMUNICATIONS, INC. (Delaware corporation)[5]
- Aurora Cable Vision, Inc. (New York corporation)
- Better TV, Inc. of Bennington (Vermont corporation)
- Campbell Communications, Inc. (Massachusetts corporation)
- Chautauqua County Cablevision, Inc. (New York corporation)
- Harbor Vue Cable TV, Inc. (New York corporation)
- Hoosick Cablevision, Inc. (New York corporation)
- Kalamazoo County Cablevision, Inc. (Michigan corporation)
- Mass. Cablevision, Inc. (Massachusetts corporation)
- Mt. Lebanon Cablevision, Inc. (Pennsylvania corporation)[6]
- Multi-Channel T.V. Cable Company (Ohio corporation)
- Pericles Communications Corporation (Delaware corporation)
- Mountain Cable Communications Corporation (Delaware corporation)
- Mountain Cable Company (Vermont limited partnership)
- Rigpal Communications, Inc. (Pennsylvania corporation)
- South Shore Cablevision, Inc. (Massachusetts corporation)
- Upper St. Clair Cablevision, Inc. (Pennsylvania corporation)
- Vermilion Cable Communications, Inc. (Ohio corporation)
- Adelphia Cablevision Associates, L.P. (Pennsylvania limited partnership)
- SD Cable Holdings, Inc.
- Three Rivers Cable Associates, L.P.

Crowspoint Cable of New Hampshire
Young's Cable TV Corporation

EMPIRE SPORTS PARTNERS (51% ownership interests) (Pennsylvania general partnership)

GLOBAL ACQUISITION PARTNERS, L.P.

GLOBAL CABLEVISION, INC.

GRAND ISLAND CABLE, INC. (Delaware corporation)

HYPERION TELECOMMUNICATIONS, INC. (88% owned) (Delaware corporation)
Hyperion Enhanced Networks of Virginia, Inc. (Delaware corporation)
Hyperion Telecommunications of Florida, Inc. (Florida corporation)
Continental Fiber Technologies (20% owned) (Florida corporation)
Hyperion Telecommunications of New York, Inc. (Delaware corporation)
NHT Partnership (40% owned) (New York general partnership)
NewChannels Hyperion Telecommunications (50% owned) (New York general partnership)
Hyperion Telecommunications of Kansas, Inc. (Delaware corporation)
Multimedia Hyperion Telecommunications Partnership (49.9% owned) (Kansas general partnership)
Hyperion Telecommunications of Kentucky, Inc. (Delaware corporation)
Louisville Lightwave (50% owned) (New Jersey partnership)
Hyperion Telecommunications of Massachusetts, Inc. (Delaware corporation)
Hyperion Telecommunications of New Jersey, Inc. (Delaware corporation)
New Jersey Fiber Technologies Partnership (19.7% owned) (New Jersey general partnership)
Hyperion Telecommunications of Pennsylvania, Inc. (a Delaware corporation)
PECO Hyperion Telecommunications (50% owned) (Pennsylvania general partnership)
Hyperion Telecommunications of Harrisburg (50% owned) (Pennsylvania general partnership)
Hyperion Telecommunications of Tennessee, Inc. (Delaware corporation)
AVR of Tennessee, L.P. d/b/a Hyperion of Tennessee, L.P. (95% owned) (California limited partnership)
Hyperion Telecommunications of Vermont, Inc. (Delaware corporation)
Hyperion Telecommunications of Virginia, Inc. (Virginia corporation)
Alternet of Virginia (37% owned) (Virginia general partnership)
Hyperion Telecommunications of Arkansas, Inc. (Delaware corporation)
Entergy Hyperion Telecommunications of Arkansas, L.L.C. (50% owned) (an Arkansas limited liability company)
Hyperion Telecommunications of Louisiana, Inc. (Delaware corporation)
Entergy Hyperion Telecommunications of Louisiana, L.L.C. (50% owned) (an Arkansas limited liability company)
Hyperion Telecommunications of Mississippi, Inc. (Delaware corporation)
Entergy Hyperion Telecommunications of Mississippi, L.L.C. (50% owned) (an Arkansas limited liability company)

KALINAKI, INC.

KITTANNING CABLEVISION, INC. (Delaware corporation)[7]

LOUISA CABLEVISION, INC. (Delaware corporation)
Greater Louisa County Cable (Pennsylvania general partnership)

[4] International Cablevision, Inc. owns a 50% general partnership interest in Western New York Cable Advertising, L.P (a Delaware limited partnership).

[5] Chelsea Communications, Inc. holds a 27.43% interest as General Partner in Adelphia Cablevision Associates, L.P.; in addition, the following entities hold the following percentage interest as limited partners: Aurora Cable Vision, Inc (14.37%), Mass. Cablevision, Inc. (31.09%), Kalamazoo County Cablevision, Inc. (10.78%), and Vermilion Cable Communications, Inc. (16.33%). Chelsea Communications, Inc. also owns a 61% general partnership interest in Media Partners of Massachusetts.

[6] [illegible]banon Cablevision, Inc. owns a 75% partnership interest in Three Rivers Cable Associates, L.P. (an Ohio limited partnership).

[7] Northeast Cable, Inc. and Kittanning Cablevision, Inc. own general partnership interests of 99% and 1%, respectively, in Robinson/Plum Cablevision, L.P. (a Pennsylvania limited partnership).

MARTHA'S VINEYARD CABLEVISION, L.P. (50.1% owned) (Massachusetts limited partnership)

MERCURY COMMUNICATIONS, INC. (Delaware corporation)

NORTHEAST CABLE, INC. (85% owned) (Delaware corporation)[3]

ORCHARD PARK CABLEVISION, INC.

OXFORD CABLEVISION, INC.

PAGETIME, INC. (Delaware corporation)
ROBINSON/PLUM CABLEVISION, L.P.

SABRES, INC. (Delaware corporation)

SOUTHWEST VIRGINIA CABLE, INC. (Delaware corporation)
- Southwest Virginia Holdings, Inc. (Delaware corporation)
- Richlands Cablevision, L.P. (Delaware limited partnership)

ST. MARY'S CABLEVISION, INC. (50% owned) (Pennsylvania corporation)

TAURUS COMMUNICATIONS, INC. (North Carolina corporation)

TMC HOLDINGS CORPORATION

UCA CORP.
- Valley Cablevision, Inc. (Delaware corporation)
- UltraCom of Montgomery County, Inc. (Delaware corporation)
  - VanBuren County Cablevision, Inc. (Pennsylvania corporation)
  - Multi-Channel TV Cable Co. of Virginia (Delaware corporation)
  - Lorain Cable Television, Inc. (Ohio corporation)

U.S. TELE-MEDIA INVESTMENT COMPANY (Pennsylvania corporation)

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[1] Adelphia Communications Corporation and its subsidiaries operate under the name "Adelphia Cable Communications." Ownership of subsidiaries is indicated by indentations. Ownership of each subsidiary is 100% unless otherwise indicated parenthetically or by footnote.

[2] ACP Holdings, Inc. is the managing general partner of, and holds partnership interests in, Olympus Communications, L.P., a Delaware limited partnership which is not consolidated with Adelphia Communications Corporation. Olympus Communications, L.P. owns 99.98% of the partnership interests of Adelphia Cable Partners, L.P. (a Delaware limited partnership) and 99.9% of the partnership interests in West Boca Acquisition Limited Partnership (a Delaware limited partnership), Telesat Acquisition Limited Partnership (a Delaware limited partnership) and of Leadership Acquisition, L.P. (a Delaware limited partnership). Adelphia Cable Partners, L.P. owns 100% of the stock of Southeast Florida Cable, Inc. (a Florida corporation) and 50% general partnership interest in Key Biscayne Cablevision (a Pennsylvania general partnership). Southeast Florida Cable, Inc. owns 100% of the stock of Palm Beach Group Cable, Inc. which owns a 50% general partnership interest in Palm Beach Group Cable Joint Venture, both Florida entities. West Boca Acquisition Limited Partnership owns 100% of the stock of West Boca Security, Inc. (a Delaware corporation) and 50.36% limited partnership interest in Starpoint Limited Partnership (a Pennsylvania limited partnership). Starpoint Limited Partnership owns 100% of the stock of Cable Sentry Corporation (a Florida corporation).

[3] Brazos Communications, Inc. owns 100% of the non-voting common stock and 100% of the non-voting preferred stock of TeleMedia Company Holdings, Inc. (a Delaware corporation), which owns 100% of the stock of TeleMedia Company of Western Connecticut (a Connecticut corporation).

EXHIBIT 23.01

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Amendment No. 1 to Registration Statement Nos. 333-23175 and 033-61139 of Adelphia Communications Corporation on Form S-3 of our report dated June 11, 1997 for Adelphia Communications Corporation and subsidiaries, appearing in this Annual Report on Form 10-K of Adelphia Communications Corporation for the year ended March 31, 1997. We also consent to the incorporation by reference in Amendment No. 1 to Registration Statement Nos. 333-23175 and 033-61139 of Adelphia Communications Corporation on Form S-3 of our report dated March 26, 1997 for Olympus Communications, L.P. and subsidiaires, contained in Amendment No. 2 to Registration Statement No. 333-19327 of Olympus Communications, L.P. and Olympus Capital Corporation on Form S-4.

DELOITTE & TOUCHE LLP

Pittsburgh, Pennsylvania
June 19, 1997

EXHIBIT 23.02

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in the Annual Report on Form 10-K under the Securities Exchange Act of 1934 of Adelphia Communications Corporation for the year ended March 31, 1997 of our report dated March 26, 1997 for Olympus Communications, L.P. and subsidiaries and contained in Amendment No. 2 to Registration Statement No. 333-19327 of Olympus Communications, L.P. and Olympus Capital Corporation on Form S-4 under the Securities Act of 1933 insofar as such report relates to the financial statements and schedules of Adelphia Communications Corporation for the year ended March 31, 1997.

DELOITTE & TOUCHE LLP

Pittsburgh, Pennsylvania
June 19, 1997

FINANCIAL CAPABILITY

As a new entity, Adelphia Telecommunications of Florida, Inc. ("Adelphia") does not have an actual balance sheet. Adelphia plans to actively market its services to both commercial and residential customers. These plans will allow Adelphia to increase its proposed customer base, thereby increasing its revenue stream. However, like any new company, it is anticipated that initial start-up costs will exceed revenues in the first months of operation. As additional customers are added, revenues should quickly exceed costs.

In addition, if necessary, Adelphia may rely on the experience and financial capability of its parent, Adelphia Communications Corporation. Accordingly, attached are copies of the most recent 10Q and 10K forms for Adelphia Communications Corporation. These documents include financial statements for the past three years, including a balance sheet, income statement and statement of retained earnings.

MANAGERIAL CAPABILITY

Adelphia Telecommunications of Florida, Inc. will be able to rely on the expertise and management capabilities of its parent corporation, Adelphia Communications Corporation. The 1997 Annual Report of Adelphia Communications Corporation demonstrates the company's experience in telecommunications and the commitment of its management.

TECHNICAL CAPABILITY

Adelphia Telecommunications of Florida, Inc. will benefit from the experience of its parent corporation, Adelphia Communications Corporation. The 1997 Annual Report of Adelphia Communications Corporation demonstrates the company's technical capabilities and experience within the telecommunications industry.

1997 Annual Report

Adelphia

1997 Annual Report

Adelphia

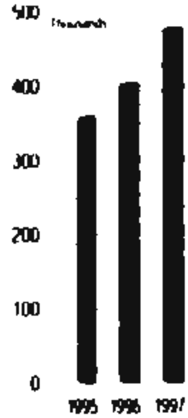
Financial Highlights

(All amounts are in thousands)

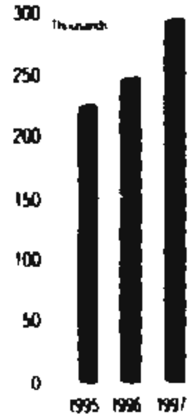
Operating Data	For the year ended March 31		
	1995	1996	1997
Revenues	$ 361,505	$ 403,597	$ 472,778
EBITDA (a)	225,890	247,999	292,486
Interest expense	195,698	210,691	240,692

Cash Flow Data	For the year ended March 31		
	1995	1996	1997
Net cash provided by operating activities	$ 48,936	$ 64,287	$ 34,794
Cash used to acquire cable television systems	70,256	60,804	143,412
Cash used for property, plant and equipment expenditures	92,082	100,089	129,609
Cash provided by financing activities	129,309	130,939	337,983

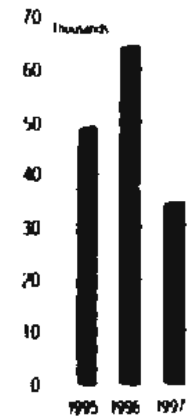
Balance Sheet Data	As of March 31,		
	1995	1996	1997
Total assets	$ 1,267,291	$ 1,367,579	$ 1,643,826
Total debt	2,021,610	2,175,473	2,544,039
Debt net of cash	2,016,565	2,164,664	2,482,500



Revenues



EBITDA (a)



Net Cash Provided by Operating Activities

(a) Earnings before interest expense, income taxes, depreciation and amortization, equity in loss of joint ventures and other non-cash charges ("EBITDA"). EBITDA is not an alternative indicator of operating performance to operating income or an alternative to cash flows from operating activities as a measure of liquidity as defined by generally accepted accounting principles and, while EBITDA may not be comparable to other similarly titled measures of other companies, the Company's management believes EBITDA is a meaningful measure of performance as substantially all of the Company's financing agreements contain financial covenants based on EBITDA.

Financial Highlights

For the year ended March 31, 1997 Adelphia's revenues and other income grew 18.1% to a record level of $523 million. Cash flow from operations and other income for the year increased 16.7% to $292 million. "We are particularly pleased with the strides we made during 1997 in improving our free cash flow performance from cable operations (cable operations include all results other than results of Hyperion)." Cable cash flow for the year was up $36 million while interest expense increased only $8 million and capital expenditures declined slightly. This improved financial performance during the year ended March 31, 1997 compared with the prior year primarily reflects the results of acquisitions, subscriber growth and the impact of subscriber rate increases.

To our stockholders and friends,

There's an old proverb: "May you live in interesting times."

For those of us in the telecommunications industry, these certainly qualify as "interesting times", to say the least. First, the 1992 Cable Act imposed a sweeping set of restrictions and rate regulations on cable systems. Then, the Telecommunications Act of 1996 swept aside many of these same regulations.

It's a whole new ball game for everyone involved. Like the early settlers who traveled west in covered wagons, we're venturing into vast, uncharted territory. The challenges are significant — but so too are the potential rewards. Whether these "interesting times" are seen as a curse or a blessing depends on a company's degree of preparedness, technological sophistication and willingness to meet challenges head-on with enthusiasm.

I speak for everyone at Adelphia when I say we are more than prepared, more than equipped and more than eager to face what these interesting times have in store for us.

The new playing field

When we started our cable company back in 1952 in Coudersport, Pennsylvania, our focus, though on a different scale, was essentially the same as it is today - giving our customers choice. If people couldn't receive a decent television signal, or if they wanted a broader selection of stations to watch, they subscribed to cable television. Nearly fifty years of providing expanded choice to the public have given us a unique perspective on what our customers value and need.

Today it seems that American consumers have as many different provider choices as they have channels to choose from. Adelphia now competes directly with home satellite dishes, high-powered direct broadcast satellites ("DBS"), multichannel, multipoint distribution service ("MMDS") wireless cable systems, satellite master antenna television ("SMATV") systems for multiple unit residential developments, home video products and more. With liberalized regulations promoting increased competition, we're squaring off against the phone companies, Internet service providers and everyone else who's fighting for a bigger piece of the telecommunications pie.

The last five years have been extraordinarily challenging for Adelphia and for the entire cable television industry. The adverse regulatory environment created by the Cable Act of 1992, the emergence of a variety of actual and potential competitors, and the increased pace of technological change have all presented some difficult problems for cable operators and their financial allies. Some of my oldest and closest friends in the industry have chosen to exit rather than to face an uncertain future.

Adelphia, by contrast, has renewed its commitment to cable television and to the expanded vision made possible by new technology and the 1996 Act. We see the years ahead as laden with opportunities for those companies which position themselves properly. The potential revenue streams from new products are truly staggering. Cable is on the verge of becoming what we have dreamed about since the 1950's and 1960's.

Our optimism, in fact, is such that we welcome competition as a positive development. For too long, cable television has been viewed, however unfairly, as an industry without real competition, as a monopoly forcing our own narrow version of the video market place onto consumers. With the advent of recognizable and strong competitors, our industry's standing among both the public and government officials is likely to benefit. At the same time, we remain confident that, although we may lose a relatively few customers and a relatively small portion of revenues from our traditional business to those competitors, any losses will be insignificant compared to the gains realized from our entry into new markets.

The new Adelphia

For the past several years, we've been preparing for this new competitive landscape. We've invested heavily in upgrading our cable plant, creating one of the most extensive fiber optic networks in the country. With fiber optic technology, Adelphia can bring better, more reliable service and more programming to our customers today. What's more, we stand on the cutting edge of two-way interactive communication and are poised to excel in the new era of digital compression technology, high-speed data transmission and other advanced telecommunications services.

Adelphia has expanded into new service areas, giving us multiple opportunities to reach new customers and to cross-sell existing customers on new services.

Our portfolio of product offerings now includes Adelphia Cable Entertainment, Power Link high-speed Internet access, PageTime paging service, Adelphia Long Distance telephone service, and fiber optic local telephone service available through our subsidiary Hyperion Telecommunications, Inc.

Building the brand

The Adelphia of today is quite different from the one our customers knew just a few short years ago. So one of our primary missions for the past 12 months was to ensure that the public perception of Adelphia was in tune with the realities of where our business has taken us. Our strategy was to incorporate all the Adelphia product lines, old and new, under one identifiable umbrella, so that each of our constituencies will come to link the name "Adelphia" with a complete range of telecommunications services.

As the first step in our branding effort, we created a new corporate logo package, giving each service in the Adelphia family a unified, highly contemporary look. The next step was to create an advertising campaign that would build on the high satisfaction levels our customers have come to expect from Adelphia's cable television service. We want our customers to see quite clearly that Adelphia is not just for cable television anymore.

A look to the future

With a continued focus on our core cable business including the completion in fiscal year 1998 of the recently announced joint venture transaction with Tele-Communications, Inc., which creates a Western New York cluster serving approximately 465,000 customers, and the trade of cable systems with Time Warner Cable covering approximately 250,000 subscribers in seven states, we will emerge with a strengthened geographical concentration of basic cable subscribers in excess of 2 million. With a core cable base exceeding 2 million subscribers and the development and introduction of new product offerings brought together under our branding campaign, Adelphia is ready to embrace the "interesting times" ahead with optimism and an opportunistic eye.

During the coming year, we will focus on cross-selling to our current cable subscriber base — using television, direct mail, billing inserts and other carefully targeted vehicles to promote new services to a large audience which has an existing relationship with us and is pre-sold on the Adelphia name.

Together with our investors, I have been disappointed by the performance of our stock over the past several years. Recently, however, I have been encouraged by signs that the financial community is ready to accept cable's long-held opinion that it — not the telcos, DBS providers, or MMDS companies — is best situated to exploit new field opportunities in telecommunications. At Adelphia, we are optimistic that our own record of aggressive but prudent expansion into advanced services, as well as our steady efforts to reduce leverage, will win the favor of Wall Street.

I have every confidence that our employees, who have worked so diligently to carry us to the threshold of this new era, will continue to rise to the challenges ahead. Through their efforts, Adelphia has enjoyed much growth and success in the past. Through their efforts, we look forward to mutually rewarding growth and success in the future.

Sincerely,

John Rigas

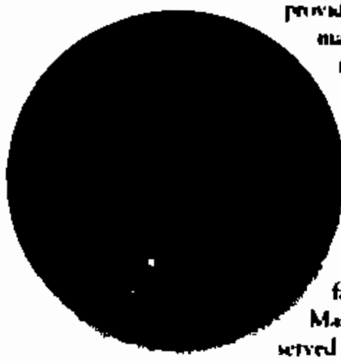
John Rigas
Chairman, President and
Chief Executive Officer

Cable Entertainment

"Without a doubt, Cable Entertainment is still the single most important way we connect with our customers. But it's no longer the only way we connect."

Cable Entertainment is where Adelphia started, and it remains our core business today.

As of March 31, 1997, cable systems owned or managed by Adelphia passed 2,653,422 homes and served 1,868,440 basic subscribers who subscribed to 879,154 premium units. Adelphia-owned systems are located primarily in suburban areas of large and medium-sized cities and served 1,138,414 basic subscribers and 552,693 premium units. Adelphia is the managing partner of Olympus Communications, L.P., a cable system operator in southeast Florida which served 416,760 basic subscribers and 194,125 premium service units. In addition, Adelphia provides consulting and management services to certain partnerships (Managed systems) owned and controlled by John Rigas and members of his immediate family. The Managed systems served 313,266 basic subscribers and 132,336 premium service units.



The total number of basic subscribers across all systems increased by 6.6% in the year ended March 31, 1997.

Without a doubt, Cable Entertainment is still the single most important way we connect with our customers. But it's no longer the only way we connect. As liberalized regulations have broken down the old telecommunications barriers and competitive pressures are increasing on all fronts, Adelphia is evolving from a one-way provider of video services to a two-way, interactive provider of a full service network.

This has required a fundamental shift in the way we view ourselves. What's more, it requires a major change in the way our customers view us. To help change their perception of what Adelphia is and what we have to offer, we launched a major communications initiative in May 1997, spearheaded by a series of eight new branding television commercials.

In each commercial, a techno-savvy Guru enlightens viewers to the fact that Adelphia is truly their link for everything with more products, more services. Even a "Guaranteed Guarantee" that ensures on-time installation and repair

Power Link

"Power Link allows residential, institutional and business customers to access the Internet up to 300 times faster than they could with a 28.8 kilobit per second telephone modem."

Power Link, Adelphia's high-speed Internet access, allows residential, institutional and business customers to access the Internet up to 300 times faster than they could with a 28.8 kilobit per second telephone modem. Power Link offers customers speeds greater than those available through a T1 line, at costs that are less than a typical Internet Service Provider (ISP) with a second telephone line.

Since the service does not require a telephone line, there's never a busy signal. Additionally, as with traditional cable services, this service is always on, providing instant access to the Internet without logging on. Power Link even allows for multiple sessions or connections to multiple services simultaneously.

In service areas where two-way cable has not yet been deployed, we offer a hybrid data product combining a 27 megabit high-speed cable downstream path and a telephone return path -- allowing Internet access at speeds up to 100 times faster than through a typical 28.8 Kbps phone modem.

Faster. Easier. Better. That's the power of Power Link.

In 1997, Power Link was introduced to approximately 65% of Adelphia's homes passed. During 1998 we are planning to have Power Link available to 100% of Adelphia's homes passed.

For more cost-conscious customers, we also offer traditional Internet access utilizing an existing phone modem and telephone lines for both the downstream and return path data transmission. As an Internet Service Provider, we can offer affordable Internet access without the endless busy signals encountered with some ISPs.

Adelphia sees many favorable growth opportunities in the Internet arena, and we're committing the resources necessary to claim our turf in this highly competitive field.

Digital TV

"With compression we can transmit up to 14 channels in the 6 MHZ bandwidth currently used to transmit just one analog channel."

Digital TV is one of the most exciting new product enhancements to be added to our portfolio of Cable Entertainment products in many years. Adelphia will introduce Digital TV in the second half of 1997 and early 1998 in virtually all of its service areas.

Simply put, Digital TV is a computerized method of defining, transmitting and storing information that makes up a television signal. Since digital signals can be "compressed," Adelphia can transmit up to 14 channels in the space currently used to transmit just one analog channel. Adelphia will be able to offer Digital TV to over 85% of its customers this year.

Digital TV will allow us to offer our customers more programming choices than ever before. Customers will also enjoy more control over their viewing. Adelphia subscribers will be able to receive "multichannel" premium services, such as HBO 1, 2, 3, & 4 from E[illegible] and West Coast satellite feeds, enhanced Pay-Per-View options with dozens of movie channels, up to 40 channels of CD-quality music from Music Choice, and an interactive on-screen program guide to help them navigate the new digital choices.

Unlike our direct satellite competitors, Adelphia will not require its customers to purchase expensive satellite dishes or costly hardware to receive Digital TV service. Consumers will [illegible] able to enjoy all of their video services, including local channels, from one provider, Adelphia.

The introduction of Digital TV is expected to grow our Premium Channels and Pay-Per-View (PPV) revenues by providing more choices and flexibility for our customers. The addition of multichannel premium networks will attract new customers into the category, as well as improve retention. The flexibility and convenience of our enhanced PPV service with "impulse" ordering technology, will increase usership and frequency of purchases. Customers will be able to switch from video to audio services with the push of a button, and the Prevue Interactive Program Guide will enable customers to navigate easily through our many offerings to maximize their viewing enjoyment.

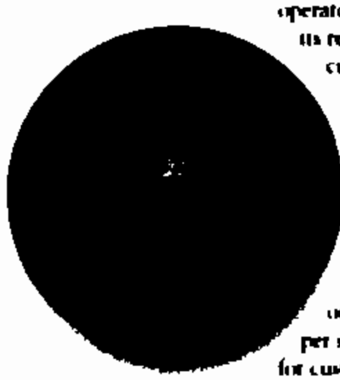
Together with our ability to offer local channels, inexpensive additional outlets, and localized customer service, Digital TV will position us well to maintain and grow our market share as the pre-eminent video and home entertainment provider.

PageTime

> "PageTime's marketing efforts have focused on the consumer market. Between 1993 and 1996, personal subscriber growth increased from 4.1 million personal users to 16.1 million."

Between 1990 and 1996, the paging industry grew from 9.9 million subscribers to 34.5 million subscribers, with corresponding revenue expansion from $1.7 billion to $4.4 billion. To Adelphia, the message is clear: Incremental profits are to be found in this expanding segment of the telecommunications industry.

Adelphia began providing wireless messaging services with the formation of its wholly owned subsidiary, PageTime, Inc., in November 1994. PageTime, Inc. offers messaging services for resale to the Company's systems by establishing its own reselling arrangements with existing paging network operators. Adelphia and its related systems currently provide paging services through PageTime to approximately 18,000 customers, most of whom pay more than $11.25 per month. This outstanding revenue per subscriber-number for customer-owned pagers is due to the high penetration of enhanced services such as Voice Mail and expanded coverage, which is a key element of PageTime's sales effort.



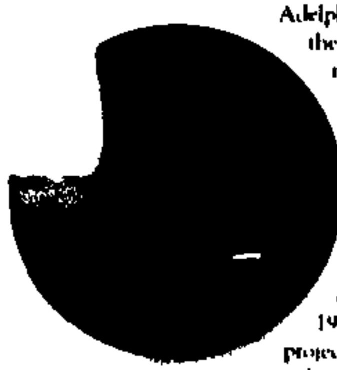
PageTime's marketing efforts have focused on the consumer market. Between 1993 and 1996, personal subscriber growth increased from 4.1 million personal users to 16.1 million. Adelphia believes PageTime has several competitive advantages in targeting to this segment. First, PageTime provides high quality service at competitive rates. Second, PageTime utilizes Adelphia's existing marketing channels, including local advertising air time and monthly bill inserts for cost-effective promotion. Third, PageTime customers enjoy the convenience of having one bill for their cable and paging service.

In August 1997, PageTime paging became even more convenient with the introduction of alphanumeric paging service. Customers can now subscribe to this service which displays a complete scrolling message — both numerals and text. Messages can be relayed to the pager via computer modem or through an alphanumeric dispatch service. Alphanumeric paging has become increasingly popular. By the end of 1996 alpha pagers accounted for 12% of all pagers in use, with more than 5 million in service.

A final paging note: On June 11, 1997, Adelphia announced that the Company had agreed to sell its 49.9% interest in Page Call, Inc. to Benbow PCS Ventures, Inc. for a total of $16,500,000 payable in Series A Convertible Preferred Stock of Arch Communications Group, Inc. and cash. The transaction is subject to normal closing conditions including approval of the Federal Communications Commission.

Long Distance

"Adelphia's entry into the long distance marketplace further positions the company as a full-service communications and technology provider."



Adelphia became one of the first cable operators in the country to resell long distance services in June 1997, with the New York State launch of Adelphia Long Distance. Adelphia Telecommunications Inc., a subsidiary of Adelphia Communications, utilizes IXC Communication's (NASDAQ: IIXC) state-of-the-art nationwide digital voice communications network to offer long distance services, toll-free services, international calling, and calling cards.

Adelphia's entry into the long distance marketplace will progress quickly in the 3rd and 4th quarters of 1997, following individual state regulatory approvals. By calendar year end 1997, Adelphia projects full deployment and availability of long distance service in all of its service areas, 12 eastern states. Offering long distance serves to round out Adelphia's product offerings and further positions us as a full-service communications and technology provider.

As part of our aggressive pricing strategy, we offer customers two ways to save with Adelphia Long Distance. For light long distance users, our basic plan is just 14¢ a minute, anytime, anywhere, with no monthly fee. Our "Frequent Caller" option is a 10¢-a-minute plan, with a $4.95 monthly fee. Unlike other long distance companies who round calls up to the nearest minute, Adelphia bills in 6-second increments, which will save consumers several dollars each month.

Savvy consumers recognize that they have a choice in long distance providers. Through hard hitting advertising and direct marketing materials, we've invited customers to compare our "no-strings" rates with the rates touted by other long distance companies rates that are good only during select times of the day, or during a limited promotional period. We're confident that our customers will recognize the simplicity of our rates, the reliability of our service and the exceptional value of Adelphia Long Distance and will switch to a provider they already know and trust: Adelphia.

Hyperion

Hyperion is a leading provider of local telecommunications services over state-of-the-art fiber optic networks in selected markets within the United States.

Fiber optic technology is changing the nature of business telecommunications at the speed of light. With fiber optic networks, customers enjoy increased quality and reliability of service compared to existing local telephone company networks. In addition, a fiber optic connection enables the customer to take advantage of enhanced data services including frame relay, high-speed Internet access and video conferencing.

This is why Adelphia offers competitive local exchange carrier (CLEC) services through our subsidiary, Hyperion Telecommunications, Inc. Hyperion is a leading provider of local telecommunications services over state-of-the art fiber optic networks in regionally clustered markets within the United States. As a CLEC, Hyperion provides businesses and other large telecommunications consumers with local telecommunications services and access to long distance service carriers via competitive networks that bypass or complement existing local telephone networks.

As of March 31, 1997, Hyperion's 15 operating networks served 33 cities with approximately 3,463 route miles of fiber optic cable connecting 1,270 buildings. Hyperion's 20 networks and 104 local exchange carriers ("LEC") central offices (which include seven currently under construction) have generally been developed by partnering with a local cable operator or utility provider. This approach has allowed Hyperion to rapidly and economically construct high capacity networks which generally have broader market coverage than those of other CLECs. With, on average, 75% of Intralata and Interlata toll traffic terminating within 500 miles of it's origination point, Hyperion believes that the breadth of its networks, their regional clustering, and their current and planned interconnection will allow it to originate and terminate a significant portion of its customers' local telephone calls over its own network, instead of relying on the network of the incumbent LEC.

In the markets where Hyperion's 22 networks are currently operating or under construction, the addressable market opportunity is estimated to be approximately $16.24 billion annually, substantially all of which is currently provided by the incumbent LEC's and IXC's. This addressable market estimate does not include the markets for enhanced data services, wireless resale or Internet access which Hyperion has plans to enter.

Empire Sports Network, Programming and Sports Investments

Empire Sports Network is located in Buffalo, New York and provides 24-hour-a-day regional and national sports coverage to approximately 1 million subscribers. Its most popular programming is the Buffalo Sabres of the National Hockey League. Empire also provides coverage of Professional Soccer, Lacrosse, minor league hockey and collegiate sports including Big East, Metro Atlantic and ECAC football, basketball and hockey.

The Buffalo Sabres were the 1996-97 Northeast Division's champion and made it to the quarterfinals of the Stanley Cup playoffs. Among the honors bestowed on the Sabres players were the league MVP (Hart Trophy), best goaltender (Vezina), best defensive forward (Selke) and most outstanding hockey player (Pearson).

In addition to providing coverage of the Buffalo Sabres, Adelphia has an investment in Niagara Frontier Hockey, L.P. which owns the Buffalo Sabres and has a financial interest in the Marine Midland Arena, a world class sports and entertainment complex which opened in Buffalo for the 1996-97 N.H.L. season.

Another popular sports related programming venture is The Golf Channel in which Adelphia completed a minority investment in May 1994. The Golf Channel's programming includes live coverage of professional and amateur tournaments, highlights from past tournaments, and instructional and other original programming related to golf.

The Adelphia Portfolio of programming investments also includes the Sunshine Network, Music Choice, The Food Network and a minority investment in Jones International Networks, LTD, a holding company for a composite of new niche channels and other programming related assets. By investing in choice programming offerings like these, Adelphia satisfies subscriber demand for diverse, quality viewing entertainment. At the same time, our investment in high-profile community ventures like the Buffalo Sabres show a strong commitment on the part of Adelphia toward the regions we serve.

SELECTED FINANCIAL DATA

(Dollars in thousands, except per share amounts)

The selected consolidated financial data as of and for each of the five years in the period ended March 31, 1997 have been derived from the audited consolidated financial statements of the Company. This data should be read in conjunction with the consolidated financial statements and related notes thereto as of March 31, 1996 and 1997 and for each of the three years in the period ended March 31, 1997 and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Annual Report on Form 10-K. The statement of operations data with respect to fiscal years ended March 31, 1993 and 1994, and the balance sheet data at March 31, 1993, 1994 and 1995 have been derived from audited consolidated financial statements of the Company not included herein. The statements of operations and balance sheet data as of and for each of the four years ended March 31, 1997 of Hyperion have been derived from audited consolidated financial statements of Hyperion not included herein.The unaudited information of Hyperion for the fiscal year ended March 31, 1993 is derived from other Hyperion information.

	Year Ended March 31,				
	1993	1994	1995	1996	1997
Statement of Operations Data:					
Revenues	$ 305,222	$ 319,045	$ 361,505	$ 403,597	$472,778
Direct operating and programming expenses	82,377	90,547	106,993	124,116	148,982
Selling, general and administrative expenses	49,468	52,801	63,487	68,357	81,763
Depreciation and amortization	90,406	89,402	97,602	111,031	124,066
Rate regulation charge	—	—	—	5,300	—
Operating income	82,971	86,295	93,423	94,793	117,967
Interest income from affiliates	5,216	9,188	11,112	10,623	8,367
Other income (expense)	1,447	(299)	1,453	—	—
Priority investment income from Olympus	22,300	22,300	22,300	28,852	42,086
Cash interest expense	(164,695)	(180,456)	(180,942)	(194,403)	(199,332)
Noncash interest expense	(164)	(1,680)	(14,756)	(16,288)	(41,360)
Equity in loss of joint ventures	(46,841)	(30,054)	(44,349)	(46,257)	(59,169)
Gain on sale of investments	—	—	—	—	12,151
Loss before income taxes, extraordinary loss and cumulative effect of change in accounting principle (a)	(99,766)	(94,706)	(111,759)	(122,680)	(119,290)
Income tax (expense) benefit.	(3,143)	(2,742)	5,475	2,786	358
Loss before extraordinary loss and cumulative effect of change in accounting principle	(102,909)	(97,448)	(106,284)	(119,894)	(118,932)
Extraordinary loss on early retirement of debt	(14,386)	(752)	—	—	(11,710)
Cumulative effect of change in accounting for income taxes(a)	(59,500)	(89,660)	—	—	—
Net loss	$ (176,795)	$ (187,860)	$ (106,284)	$ (119,894)	$ (130,642)
Loss per weighted average share of common stock before extraordinary loss and cumulative effect of change in accounting principle	(6.80)	(5.66)	(4.32)	(4.56)	(4.50)
Net loss per weighted average share of common stock	(11.48)	(10.91)	(4.32)	(4.56)	(4.94)
Cash dividends declared per common share	$ —	$ —	$ —	$ —	$ —

	March 31,				
	1993	1994	1995	1996	1997
Balance Sheet Data					
Adelphia excluding Hyperion					
Total Assets	$ 945,277	$ 1,059,081	$ 1,244,079	$ 1,332,310	$ 1,469,225
Total Debt	1,726,285	1,773,743	1,986,069	2,124,618	2,328,364
Hyperion					
Total Assets	4,316	14,765	23,212	35,269	174,601
Total Debt	4,814	19,968	35,541	50,855	215,675
Adelphia					
Total Assets	949,593	1,073,846	1,267,291	1,367,579	1,643,826
Total Debt	1,731,099	1,793,711	2,021,610	2,175,473	2,544,039

	Year Ended March 31,				
	1993	1994	1995	1996	1997
Other Data and Financial Ratios:					
Adelphia excluding Hyperion					
Revenues	$ 305,133	318,628	359,776	400,275	467,690
Affiliate interest and priority investment income	27,516	31,488	33,412	39,475	50,453
EBITDA (b)	203,191	209,894	228,067	250,451	297,610
Interest expense	(164,859)	(179,972)	(192,377)	(204,603)	(212,315)
Capital expenditures	69,025	72,797	89,232	94,005	93,482
Total debt to EBITDA (c)	8.34	8.46	8.51	8.29	7.64
EBITDA to total interest expense (e)	1.23	1.17	1.19	1.22	1.40
EBITDA margin (d)	66.6%	65.9%	63.4%	62.6%	63.6%
Hyperion					
Revenues	$ 89	$ 417	$ 1,729	$ 3,322	$ 5,088
Affiliate interest and priority investment income	—	—	—	—	—
EBITDA (b)	(851)	(1,958)	(2,177)	(2,452)	(5,124)
Interest expense	—	(2,164)	(3,321)	(6,088)	(28,377)
Capital expenditures	1,950	3,097	2,850	6,084	36,127
Total debt to EBITDA (c)	(2.88)	(11.09)	(9.09)	(25.63)	(32.68)
EBITDA to total interest expense (e)	—	(.90)	(.66)	(.40)	(0.18)
EBITDA margin (d)	(956.2%)	(469.5%)	(125.9%)	(73.8%)	(100.7%)
Adelphia					
Revenues	$ 305,222	$ 319,045	$ 361,505	$ 403,597	$ 472,778
Affiliate interest and priority investment income	27,516	31,488	33,412	39,475	50,453
EBITDA (b)	202,340	207,936	225,890	247,999	292,486
Interest expense	(164,859)	(182,136)	(195,698)	(210,691)	(240,692)
Capital expenditures	70,975	75,894	92,082	100,089	129,609
Cash provided by operating activities	1,275	26,952	48,936	64,287	34,794
Cash used for investing activity	(163,425)	(197,088)	(247,275)	(189,462)	(322,047)
Cash provided by financing activities	180,648	205,540	129,309	130,939	337,983
Total debt to EBITDA (c)	8.41	8.53	8.65	8.35	8.53
EBITDA to total interest expense (e)	1.23	1.14	1.15	1.18	1.22
EBITDA margin (d)	66.3%	65.2%	62.5%	61.4%	61.9%

(a) "Cumulative Effect of Change in Accounting Principle" refers to a change in accounting principle for Olympus and the Company. Effective January 1, 1993 and April 1, 1993, respectively, Olympus and the Company adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes," which requires an asset and liability approach for financial accounting and reporting for income taxes. The adoption of SFAS No. 109 resulted in the cumulative recognition of an additional liability by Olympus and the Company of $59,500 and $89,660, respectively.

(b) Earnings before interest expense, income taxes, depreciation and amortization, equity in net loss of joint ventures, other noncash charges, extraordinary loss and cumulative effect of change in accounting principle ("EBITDA"). EBITDA includes affiliate interest and priority investment income on the Company's investment in Olympus, although there can be no assurance that such priority investment income will be available to the Company in the future. EBITDA and similar measurements of cash flow are commonly used in the cable television industry to analyze and compare cable television companies on the basis of operating performance, leverage and liquidity. While EBITDA is not an alternative indicator of operating performance to operating income or an alternative to cash flows from operating activities as a measure of liquidity as defined by generally accepted accounting principles, and, while EBITDA may not be comparable to other similarly titled measures of other companies, the Company's management believes EBITDA is a meaningful measure of performance as substantially all of the Company's financing agreements contain financial covenants based on EBITDA.

(c) Based on total debt outstanding at the end of the period, divided by annualized EBITDA for the quarter ending the period presented, the Company believes that this presentation is consistent with covenant tests which limit the incurrence of indebtedness in certain of the Company's loan agreements and that this ratio is commonly used for the cable television industry as a measure of leverage.

(d) Percentage represents EBITDA divided by revenues.

(e) Based on EBITDA for the period presented divided by interest expense recorded for the applicable period.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Dollars in thousands)

Results of Operations

General

Adelphia earned substantially all of its revenues in each of the last three fiscal years from monthly subscriber fees for basic, satellite, premium and ancillary services (such as installations and equipment rentals), local and national advertising sales, pay-per-view programming, home shopping networks and competitive local exchange carrier ("CLEC") services.

The changes in Adelphia's results of operations for the years ended March 31, 1996 and 1997, compared to the respective prior year, were primarily the result of acquisitions, expanding existing cable television operations and the impact of increased advertising sales and other service offerings as well as an increase in cable rates, effective October 1, 1995 and August 1, 1996.

The high level of depreciation and amortization associated with the significant number of acquisitions in recent years, the recent upgrading and expansion of systems, interest costs associated with financing activities and Hyperion Telecommunications, Inc.'s ("Hyperion") continued investment in the CLEC business will continue to have a negative impact on the reported results of operations. Also, significant charges for depreciation, amortization and interest are expected to be incurred in the future by the Olympus joint venture, which will also adversely impact Adelphia's future results of operations. Adelphia expects to report net losses for the next several years.

An 88% owned unrestricted subsidiary of the Company, Hyperion, together with its subsidiaries owns certain investments in CLEC joint ventures and manages those ventures. Hyperion is an unrestricted subsidiary for purposes of the Company's indentures. Excluding the impact of Hyperion's operating results, the Company's EBITDA (see definition below) would increase by $2,177, $2,452 and $5,124 for the years ended March 31, 1995, 1996 and 1997, respectively. On April 15, 1996, Hyperion realized net proceeds of $168,600 upon issuance of notes and warrants (see Liquidity and Capital Resources).

The followin, able is derived from Adelphia's consolidated financial statements that are included in this Annual Report on Form 10-K and sets forth the historical percentage relationship to revenues of the components of operating income contained in such financial statements for the periods indicated.

	Percentage of Revenues		
	Year Ended March 31,		
	1995	1996	1997
Revenues	100.0%	100.0%	100.0%
Operating Expenses:			
Direct operating and programming	29.6	30.8	31.5
Selling, general and administrative	17.6	16.9	17.3
Depreciation and amortization	27.0	27.5	26.2
Rate regulation	—	1.3	—
Operating Income	25.8%	23.5%	25.0%

Comparison of the Years Ended March 31, 1995, 1996 and 1997

Revenues

The primary revenue sources reflected as a percentage of total revenues were as follows

	Year Ended March 31,		
	1995	1996	1997
Regulated service and equipment fees	73%	73%	74%
Premium programming fees	12%	12%	12%
Advertising sales and other services	15%	15%	14%

Revenues increased approximately 11.6% for the year ended March 31, 1996 and 17.1% for the year ended March 31, 1997 compared with the respective prior fiscal year. The increases were attributable to the following

	Year Ended March 31,	
	1996	1997
Acquisitions	36%	41%
Basic subscriber growth	20%	7%
Rate increases	20%	39%
Advertising sales and other services	24%	13%

Effective October 1, 1995 and August 1, 1996, certain rate increases related to regulated cable services were implemented in substantially all of the Company's Systems. No rate increases were implemented during the 1995 fiscal year. Advertising revenues and revenues derived from other strategic service offerings such as paging and CLEC services also had a positive impact on revenues for the year ended March 31, 1997

Direct Operating and Programming Expenses

Direct operating and programming expenses, which are mainly basic and premium programming costs and technical expenses, increased 16.0% and 20.0% for the years ended March 31, 1996 and 1997, respectively, compared with the respective prior year. Such increases were primarily due to increased operating expenses from acquired systems, increased programming costs and incremental costs associated with increased subscribers. Because of regulatory limitations on the timing and extent to which cost increases may be passed on to customers, direct operating and programming expenses have increased at a greater rate than corresponding revenue increases. As a result of recent FCC regulatory rulemaking decisions, the Company intends to continue its systematic program of rate increases to reverse this trend.

Selling, General and Administrative Expenses.

These expenses, which are mainly comprised of costs related to system offices, customer service representatives, and sales and administrative employees, increased 7.7% and 19.6% for the years ended March 31, 1996 and 1997, respectively, compared with the respective prior year. The increases were primarily due to incremental costs associated with acquisitions and subscriber growth. For the year ended March 31, 1996, selling, general and administrative expenses decreased as a percentage of revenues compared to the prior year, primarily due to the favorable impact on revenues of the above mentioned October 1, 1995 rate increases. For the year ended March 31, 1997, selling, general and administrative expenses remained relatively flat as a percentage of revenues compared to the prior year.

Depreciation and Amortization.

Depreciation and amortization was higher for the years ended March 31, 1996 and 1997, compared with the respective prior year, primarily due to increased depreciation and amortization related to acquisitions consummated during the years ended March 31, 1995, 1996 and 1997 as well as increased capital expenditures made during the past several years.

Rate Regulation Expenses.

The fiscal year ended March 31, 1996 includes a $5,300 charge representing management's estimate of the total costs associated with the resolution of subscriber rate disputes. Such costs include (i) an estimate of credits to be extended to customers in future periods of up to $2,700, (ii) legal and other costs incurred during the two fiscal years ended March 31, 1997, and (iii) an estimate of legal and other costs to be incurred associated with the ultimate resolution of this matter. On May 1, 1997, the Company reached a settlement with the FCC regarding such rate disputes. Management expects the amount recorded in the year ended March 31, 1996 to be adequate to cover the settlement.

Priority Investment Income.

Priority investment income is comprised of payments received from Olympus of accrued priority return on the Company's investment in PLP Interests in Olympus. Priority investment income increased during the years ended March 31, 1996 and 1997 as compared with the respective prior year due to increased payments by Olympus.

EBITDA.

EBITDA (earnings before interest expense, income taxes, depreciation and amortization, equity in net loss of joint ventures, other non-cash charges, extraordinary loss and cumulative effect of change in accounting principle) amounted to $225,890, $247,999 and $292,486 for the years ended March 31, 1995, 1996 and 1997, respectively. The increases of 9.8% and 17.9% for the years ended March 31, 1996 and 1997, compared with the respective prior fiscal year are primarily due to the acquisition of cable systems, subscriber rate increases and increased priority investment income from Olympus. Increased revenues and operating expenses for the years ended March 31, 1996 and 1997, compared with the respective prior year, primarily reflect the impact of acquisitions and rate increases during fiscal 1996 and 1997. While EBITDA is not an alternative to operating income or an alternative to cash flows from operating activities as a measure of liquidity, as defined by generally accepted accounting principles and, while EBITDA may not be comparable to other similarly titled measures of other companies, the Company's management believes EBITDA is a meaningful measure of performance as substantially all of the Company's financing agreements contain financial covenants based on EBITDA.

Interest Expense.

Interest expense increased approximately 7.7% and 14.2% for the years ended March 31, 1996 and 1997, respectively compared with the respective prior year. For the year ended March 31, 1996, interest expense increased due to incremental debt outstanding during the year, partially offset by a decrease in the average interest rate on outstanding debt during fiscal 1996 compared with the prior fiscal year. Approximately 27% of the increase in interest expense in fiscal 1996 as compared with the prior year was attributable to incremental debt related to acquisitions. Approximately 72% of the increase in interest expense in fiscal 1997 as compared with the prior year was attributable to the issuance of the Hyperion 13% Senior Discount Notes. Interest expense includes non-cash accretion of original issue discount and non-cash interest expense totaling $14,756, $16,288 and $41,360 for the years ended March 31, 1995, 1996 and 1997, respectively. The increase in non-cash interest for the year ended March 31, 1997 is primarily due to the accretion of original issue discount related to the Hyperion 13% Senior Discount Notes.

Equity in Loss of Joint Ventures.

The equity in loss of joint ventures represents primarily (i) the

Company's pro rata share of Olympus' losses and the accretion requirements of Olympus' preferred limited partner interests, and (ii) Hyperion's pro rata share of its less than majority owned partnerships' operating losses. The increase in the loss during the year ended March 31, 1996, compared with the prior year, is due to an increase in the losses of certain investments in the CLEC business in which the Company is a less than majority partner partially offset by improved operating performance in Olympus. The increase in the loss during the year ended March 31, 1997, compared with the prior year, is primarily due to increased priority return payments made by Olympus and an increase in the losses of certain Hyperion CLEC joint ventures, partially offset by improved operating performance by Olympus.

Gain on Sale of Investments.

On May 16, 1996, Hyperion completed the sale of its 15.7% partnership interest in TCG South Florida to Teleport Communications Group Inc. for an aggregate sales price of $11,618 resulting in a gain of $8,405. On January 23, 1997, the Company received 284,245 shares of Republic Industries, Inc. Common Stock in exchange for its interest in Commonwealth Security, Inc. ("Commonwealth") for an aggregate sales price of $9,315 resulting in a gain of $3,746.

Extraordinary Loss on Early Retirement of Debt.

During the year ended March 31, 1997, certain bank indebtedness was repaid and a portion of the 12 1/2% Senior Notes due 2002 was reacquired resulting in an extraordinary loss on retirement of debt. The amount pertaining to the repayment of bank debt was $2,079, which primarily represents the write-off of the remaining deferred debt financing costs associated with the debt retired. The amount pertaining to the 12 1/2% Senior Notes was $9,631, which represents the excess of reacquisition cost over the net carrying value of the related debt.

Net Loss.

The Company reported net losses of $106,284, $119,894 and $130,642 for the years ended March 31, 1995, 1996 and 1997, respectively. The increase in net loss of $13,610 in fiscal 1996 when compared with the prior year was due primarily to an increase in interest expense and the impact of rate regulation expenses, partially offset by increased operating income and priority investment income from Olympus. The increase in net loss of $10,748 in fiscal 1997 when compared with the prior year was due primarily to an increase in interest expense, extraordinary loss on early retirement of debt and equity in net loss of joint ventures, partially offset by increased operating income, priority investment income from Olympus and the gain on sale of investments.

Hyperion Telecommunications, Inc.

An 88% owned unrestricted subsidiary of the Company, Hyperion, together with its subsidiaries, owns certain investments in CLEC joint ventures and manages those ventures. Hyperion is an unrestricted subsidiary for purposes of the Company's indentures. On April 15, 1996, Hyperion realized net proceeds of $168,600 upon the issuance of notes and warrants (see "Liquidity and Capital Resources"). For further information regarding Hyperion, see Hyperion's filings pursuant to the Securities Act of 1933 and the Securities Exchange Act of 1934.

Summarized financial information of Adelphia, Hyperion and Adelphia excluding Hyperion as follows:

	Adelphia	Hyperion	Adelphia excluding Hyperion	Adelphia	Hyperion	Adelphia excluding Hyperion
	As of and for the Year Ended March 31,					
	1996			1997		
Total debt	$ 2,175,473	$ 50,855	$ 2,124,618	$ 2,544,039	$ 215,675	$ 2,328,364
Revenues	$ 403,597	$ 3,322	$ 400,275	$ 472,778	$ 5,088	$ 467,690
Operating expenses:						
Direct operating and programming	124,116	2,690	121,426	148,982	3,432	145,550
Selling, general, and administrative	68,357	3,084	65,273	81,763	6,780	74,983
Affiliate interest and priority investment income	39,475	—	39,475	50,453	—	50,453
EBITDA (a)	$ 247,999	$ (2,452)	$ 250,451	$ 292,486	$ (5,124)	$ 297,610
Interest expense	(210,691)	(6,088)	(204,603)	(240,692)	(28,377)	(212,315)
Capital expenditures	(100,089)	(6,084)	(94,005)	(129,609)	(36,127)	(93,482)
Cash paid for acquisitions	(60,804)	—	(60,804)	(143,412)	(5,040)	(138,372)
Cash used for investments	(24,333)	(12,815)	(11,518)	(51,415)	(34,769)	(16,646)
	For the Three Months Ended March 31,					
	1996			1997		
Revenues	$ 107,137	$ 826	$ 106,311	$ 122,203	$ 1,477	$ 120,726
Operating expenses:						
Direct operating and programming	33,898	812	33,086	40,516	1,093	39,423
Selling, general, and administrative	17,396	709	16,687	20,631	2,044	18,587
Affiliate interest and priority investment income	11,875	—	11,875	13,511	—	13,511
EBITDA (a)	$ 67,718	$ (695)	$ 68,413	$ 74,567	$ (1,660)	$ 76,227
Interest expense	(51,532)	(1,910)	(49,622)	(59,928)	(7,618)	(52,310)
Capital expenditures	(27,644)	(1,611)	(26,033)	(43,194)	(21,177)	(22,017)
Cash paid for acquisitions	(42,958)	—	(42,958)	(7,042)	—	(7,042)
Cash used for investments	(10,548)	(3,718)	(6,830)	(14,665)	(11,371)	(3,294)

(a) Earnings before interest expense, income taxes, depreciation and amortization, equity in loss of joint ventures and other non-cash charges ("EBITDA"). While EBITDA is not an alternative indicator of operating performance to operating income or an alternative to cash flows from operating activities as a measure of liquidity, as defined by generally accepted accounting principles, and, while EBITDA may not be comparable to other similarly titled measures of other companies, the Company's management believes EBITDA is a meaningful measure of performance as substantially all of the Company's financing agreements contain financial covenants based on EBITDA.

LIQUIDITY AND CAPITAL RESOURCES

The cable television business is capital intensive and typically requires continual financing for the construction, modernization, maintenance, expansion and acquisition of cable systems. During the three fiscal years in the period ended March 31, 1997, the Company committed substantial capital resources for these purposes and for investments in Olympus, CLEC joint ventures and other affiliates and entities. These expenditures were funded through long-term borrowings and internally generated funds. The Company's aggregate outstanding borrowings as of March 31, 1997 were $2,544,039. The Company's ability to generate cash to meet its future needs will depend generally on its results of operations and the continued availability of external financing.

Capital Expenditures.

The Company has developed an innovative fiber-to-feeder network architecture which is designed to increase channel capacity and minimize future capital expenditures, while positioning the Company to take advantage of future opportunities. Management believes its capital expenditures program has resulted in higher levels of channel capacity and addressability in comparison to other cable television operators.

In most of its recent upgrades, the Company has utilized a Modified Passive Network Architecture ("MPNA") which utilizes fiber optic cable as an alternative to the coaxial cable that historically has been used to distribute cable signals to the subscriber's home. The MPNA design deploys on average one fiber node for every two miles of fiber optic cable or approximately one fiber node for every 180 homes passed. The Company believes this compares favorably with current industry averages. This deep penetration of fiber optic cable into the Systems' networks has the advantages of providing increased reliability to customers, improved bandwidth, and easier implementation of the return path plant capabilities. This will position the Company to offer additional video programming services, to utilize the expanded bandwidth potential of digital compression technology and to meet the anticipated transmission requirements for high-definition television, digital television, high-speed data and telephone services.

Capital expenditures for Adelphia without Hyperion for the years ended March 31, 1995, 1996 and 1997 were $89,232, $94,005 and $93,482, respectively. Capital expenditures, including Hyperion for the years ended March 31, 1995, 1996 and 1997 were $92,082, $100,089 and $129,609, respectively. The increase in capital expenditures for fiscal 1995, 1996 and 1997, compared to each respective prior year, was primarily due to the acceleration of the rebuilding of plant using fiber-to-feeder technology. See "Business-Competitive Local Exchange Services." The Company expects the capital expenditures for fiscal 1998 to be in a range similar to fiscal 1997.

Financing Activities

The Company's financing strategy has been to maintain its public long-term debt at the parent holding company level while the Company's consolidated subsidiaries have their own senior and subordinated credit arrangements with banks and insurance companies and Hyperion has also issued public long-term debt. The Company's ability to generate cash adequate to meet its future needs will depend generally on its results of operations and the continued availability of external financing. During the three-year period ended March 31, 1997, the Company generally funded its working capital requirements, capital expenditures, and investments in Olympus, CLEC joint ventures and other affiliates and entities through long-term borrowings primarily from banks, short-term borrowings, internally generated funds and the issuance of public debt and equity and Hyperion public debt. The Company generally has funded the principal and interest obligations on its long-term borrowings from banks and insurance companies by refinancing the principal with new loans or through the issuance of parent and subsidiary company debt securities, and by paying the interest out of internally generated funds. Adelphia has funded the interest obligations on its public borrowings from internally generated funds.

Most of Adelphia's directly-owned subsidiaries have their own senior credit agreements with banks and/or insurance companies. Typically, borrowings under these agreements are collateralized by the stock in and, in some cases, by the assets of the borrowing subsidiary and its subsidiaries and, in some cases, are guaranteed by such subsidiary's subsidiaries. At March 31, 1997, an aggregate of $1,055,500 in borrowings was outstanding under these agreements. These agreements contain certain provisions which, among other things, provide for limitations on borrowings of and investments by the borrowing subsidiaries, transactions between the borrowing subsidiaries and Adelphia and its other subsidiaries and affiliates, and the payment of dividends and fees by the borrowing subsidiaries. Several of these agreements also contain certain cross-default provisions relating to Adelphia or other subsidiaries. These agreements also require the maintenance of certain financial ratios by the borrowing subsidiaries. In addition, at March 31, 1997, an aggregate of $104,000 subordinated and unsecured borrowings by Adelphia's subsidiaries was outstanding under credit agreements containing limitations and restrictions similar to those mentioned above. See Note 3 to the Adelphia Communications Corporation consolidated financial statements. Management believes the Company is in compliance with the financial covenants and related financial ratio requirements contained in its various credit agreements, based on operating results for the three months ended March 31, 1997. In addition, as of March 31, 1997, Hyperion had outstanding $329,000 aggregate principal amount at maturity of 13% Senior Discount Notes due 2003, with a carrying amount of $187,173, which were issued under an indenture dated April 15, 1996.

At March 31, 1997, Adelphia's subsidiaries had an aggregate of $209,154 in unused credit lines with banks, which includes $24,500 also available to Olympus and the Managed Partnerships, part of which is subject to achieving certain levels of operating performance. In addition, the Company had an aggregate $61,539 in cash and cash equivalents at March 31, 1997 which combined with the Company's unused credit lines with banks aggregated to $274,539. The Company has the ability to pay interest on its 9 1/2% Senior Pay-In-Kind Notes by issuing additional notes totaling approximately $40,365 in lieu of cash interest payments from April 1, 1997 through February 15, 1999. Based upon the results of operations of subsidiaries for the quarter ended March 31, 1997, approximately $360,230 of available assets could have been transferred to Adelphia at March 31, 1997, under the most restrictive covenants of the subsidiaries' credit agreements.

The subsidiaries also have the ability to sell, dividend or distribute certain assets to other subsidiaries of Adelphia, which would have the net effect of increasing availability. At March 31, 1997, the Company's unused credit lines were provided by reducing revolving credit facilities whose revolver periods expire through September 30, 2004. The Company's scheduled maturities of debt are currently $164,931 for fiscal 1998.

At March 31, 1997, the Company's total outstanding debt aggregated $2,544,039, which included $1,184,209 of parent company debt and $1,359,830 of subsidiary debt. Bank debt interest rates are based upon one or more of the following rates at the option of Adelphia: prime rate plus 0% to 1.5%; certificate of deposit rate plus 1.25% to 2.75%; or Eurodollar (or London Interbank Offered) rate plus 1% to 2.5%. The Company's weighted average interest rate on notes payable to banks and institutions was approximately 8.83% at March 31, 1997, compared to 8.56% at March 31, 1996. At March 31, 1997, approximately 45.5% of subsidiary debt was subject to fixed interest rates for at least one year under the terms of such debt or applicable interest rate swap agreements. Approximately 67.1% of the Company's total indebtedness is at fixed interest rates as of March 31, 1997.

Adelphia has entered into interest rate swap agreements and interest rate cap agreements with banks and affiliates to reduce the impact of changes in interest rates on its debt. Adelphia enters into pay-fixed agreements to effectively convert a portion of its variable rate debt to fixed rate debt. Adelphia enters into receive-fixed agreements to effectively convert a portion of its fixed-rate debt to variable-rate debt which is indexed to LIBOR. Interest rate cap agreements are used to reduce the impact of increases in interest rates on variable rate debt. Adelphia is exposed to credit loss in the event of nonperformance by the banks and the affiliates. The Company does not expect any such nonperformance. At March 31, 1997, Adelphia would have had to pay approximately $7,632 to settle its interest rate swap and cap agreements, representing the excess of carrying cost over fair market value of these agreements. During fiscal 1996, the Company received $11,526 upon termination of several interest rate swap agreements having a stated notional principal amount of $270,000. The amount received will be amortized as a reduction of interest expense through November 1998. Also during fiscal 1996, the Company received $4,900 and assumed the obligations as a counterparty under certain interest rate swap agreements with Olympus. These interest rate swap agreements have a notional principal amount of $140,000 and expire through November 1998.

In May 1994, Adelphia purchased on the open market $10,000 of its 10 1/4% Senior Notes due 2000 at a price of 94.5% of face value plus accrued interest.

On February 28, 1995, as a part of the Telesat Investment Agreement, FPL Group Inc. ("FPL") purchased 1,000,000 shares of newly issued Class A Common Stock for $15,000.

On April 12, 1996, certain subsidiaries of the Company (collectively, the "Borrowers") entered into a $690,000 financing arrangement consisting of a $540,000 revolving credit facility maturing December 31, 2003 and a $150,000 term loan facility maturing December 31, 2004. Initial borrowings during April 1996 of $483,000 were used primarily to repay existing indebtedness. Interest rates charged are based upon one or more of the following rates at the option of the Borrowers: Eurodollar rate or the greater of the prime rate and the Federal funds rate plus 1/2 of 1% plus a margin of from 0% to 2% depending upon the Borrower's senior funded debt ratio. Interest on outstanding borrowings is generally payable on a quarterly basis. The maximum available under the revolving credit facility is reduced, in increasing quarterly amounts, beginning June 30, 1998 through December 31, 2003. The Borrowers pay a commitment fee of either .375% or .250% per annum (depending upon the Borrower's senior funded debt ratio) of the unused revolving credit facility commitments during the term of the agreement. Borrowings under the term loan facility are payable in installments, in increasing quarterly amounts, commencing June 30, 1998 and ending on December 31, 2004.

On April 15, 1996, Hyperion realized proceeds, net of discounts, commissions and other transaction costs, of $168,600 upon issuance of $329,000 aggregate principal amount of 13% Senior Discount Notes (the "Hyperion Senior Notes") due April 15, 2003 and 329,000 warrants to purchase an aggregate of 613,427 shares of common stock of Hyperion expiring April 1, 2001. Proceeds of $11,087 were allocated to the value of the warrants. If all warrants were exercised, the warrants would represent approximately 5.71% of the common stock of Hyperion on a fully diluted basis. Proceeds, net of discounts, commissions, and other transaction costs, were used to repay certain indebtedness to Adelphia, to make loans to certain key Hyperion officers and will be used to fund Hyperion's expansion of its existing markets, to complete construction of new networks and to enter additional markets, including related capital expenditures, working capital requirements, operating losses and investments in joint ventures.

On February 26, 1997, Adelphia issued $350,000 of 9 7/8% Senior Notes (the "Senior Notes") in a private placement. Net proceeds, after payment of transaction costs, of approximately $340,000 were used to reduce amounts outstanding on Adelphia's subsidiaries' notes payable to banks and to purchase, redeem or otherwise retire a portion of Adelphia's 12 1/2% Senior Notes due 2002. Interest is payable semi-annually commencing September 1, 1997. The Senior Notes are unsecured and are due March 1, 2007. Holders of the Senior Notes have the right to require Adelphia to redeem their Senior Notes at 100% upon a Change of Control (as defined in the Indenture). The indenture also provides for payment to the note holders of liquidated damages of up to 2% per annum of the Senior Notes principal if Adelphia does not file a registration statement, or cause such registration statement to become effective within a prescribed time period, with respect to an offer to exchange the Senior Notes for a new issue of debt securities registered under the Securities Act of 1933, with terms substantially the same as those of the Senior Notes. The new issue of debt securities is expected to be recorded at the same carrying value as the Senior Notes and, accordingly, no gain or loss is expected to be recognized.

Acquisitions

On April 12, 1994, Adelphia purchased for $15,000 (i) convertible preferred units in Niagara Frontier Hockey, L.P. (the "Sabres Partnership"), which owns the Buffalo Sabres National Hockey League Franchise, convertible to a 34% equity interest, and (ii) warrants allowing Adelphia to increase its interest to 40%. Adelphia has also advanced $16,000 to the Sabres Partnership in the form of 14% convertible capital funding notes. The Sabres Partnership manages and receives allocations of profits, losses and distributions from the Marine Midland Arena, a new sports and entertainment facility. Adelphia believes this investment will be a competitive advantage in the Buffalo cable television market.

On May 12, 1994, Adelphia invested $3,000 for a 20% interest in SuperCable ALK International, a cable operator in Caracas, Venezuela. In April 1994, Adelphia invested $4,200 in Commonwealth in exchange for an 8.75%, $4,200 convertible note and warrants. Pursuant to a merger of Commonwealth with Republic Industries, Inc. ("Republic") on January 23, 1997, the Company received 284,425 shares of Republic Common Stock in exchange for its interest in Commonwealth resulting in a gain of $3,746.

On June 16, 1994, Adelphia invested $34,000 in TMC Holdings Corporation ("THC"), the parent of Tele-Media Company of Western Connecticut. THC owns cable television systems which, at the acquisition date, served approximately 43,000 subscribers in western Connecticut. The investment in THC provides Adelphia with a $30,000 preferred equity interest in THC and a 75% non-voting common equity interest, with a liquidation preference to the remaining 25% common stock ownership interest in THC. Adelphia has the right to convert such interest to a 75% voting common equity interest, with a liquidation preference to the remaining shareholders' 25% common stock ownership interest, on demand subject to certain regulatory approvals. The acquisition of THC was accounted for using the purchase method of accounting. The consolidated statements of operations and cash flows include the operations of the acquired system from June 16, 1994. Debt assumed, included in notes payable of subsidiaries to banks and institutions, was $52,000 at closing.

On June 30, 1994, Adelphia acquired from Olympus 85% of the common stock of Northeast Cable, Inc. ("Northeast") for a purchase price of $31,875. Northeast owns cable television systems which, at the acquisition date, served approximately 36,500 subscribers in eastern Pennsylvania. Of the purchase price, $16,000 was paid in cash and the remainder resulted in a decrease in Adelphia's receivable from Olympus. The acquisition of Northeast was accounted for using the purchase method of accounting. The consolidated statements of operations and cash flows include the operations of the acquired system since June 30, 1994. Debt assumed, included in notes payable of subsidiaries to banks and institutions, was $42,300 at closing.

On November 8, 1994, Page Call, a company 49.9% owned by Adelphia, was a successful bidder for three regional narrowband PCS licenses, covering 62% of the country's population. Page Call was recently established to develop a nationwide paging service. Page Call's aggregate final bid for the three licenses was $52,900, an amount reduced to $31,800 due to its "designated entity" status. On June 11, 1997, Adelphia announced the sale of its interest in Page Call for a total of $16,500 in cash and Series A Convertible Preferred Stock of Arch Communications Group, Inc. This transaction is subject to normal closing conditions and regulatory approval.

On December 27, 1994, Adelphia exchanged its existing investment in Tele-Media Investment Partnership, L.P. ("TMIP") with a Managed System for a note in the amount of $13,000. No gain or loss was recognized as a result of this exchange.

On January 10, 1995, Adelphia issued 399,087 shares of Class A Common Stock in connection with the merger of a wholly-owned subsidiary of Adelphia into Oxford Cablevision, Inc. ("Oxford"), one of the Terry Family cable systems. Oxford served approximately 4,200 subscribers at the acquisition date, located in the North Carolina counties of Granville and Warren. The acquisition of Oxford was accounted for using the purchase method of accounting. The consolidated statements of operations and cash flows include the operations of the acquired systems since January 10, 1995. Adelphia assigned the rights to purchase the stock of the other Terry Family cable systems to a Managed System.

On January 31, 1995, Adelphia acquired Tele-Media Company of Martha's Vineyard, L.P. ("Martha's Vineyard") for $11,775, a cable system which, at the acquisition date, served approximately 7,000 subscribers located in Martha's Vineyard, Massachusetts. The acquisition of Martha's Vineyard was accounted for using the purchase method of accounting. The consolidated statements of operations and cash flows include the operations of the acquired system since January 31, 1995.

On April 12, 1995, Adelphia acquired cable systems from Clear Channels Cable TV Company located in Kittanning, New Bethlehem and Freeport, Pennsylvania, for $17,456. These systems served approximately 10,700 subscribers at the acquisition date. The acquisition of these systems has been accounted for using the purchase method of accounting. The consolidated statements of operations and cash flows include the operations of the acquired systems since April 12, 1995.

On January 9, 1996, Adelphia completed the acquisition of the cable systems of Eastern Telecom Corporation and Robinson Cable TV, Inc. These systems served approximately 24,000 subscribers at the acquisition date located in western Pennsylvania and were purchased for an aggregate price of $43,000. The acquisition of these systems has been accounted for using the purchase method of accounting. The consolidated statements of operations and cash flows include the operations of the acquired systems since January 9, 1996.

On April 1, 1996, Adelphia purchased the cable television operations of Cable TV Fund 11-B, Ltd. This CATV system was acquired for $84,267 and served approximately 39,700 subscribers at the acquisition date in the New York counties of Erie and Niagara. The acquisition was financed through a combination of debt proceeds from a $200,000 credit facility in which an Adelphia subsidiary is a co-borrower with an affiliated entity and funds received through the repayment of amounts previously advanced to related entities. These amounts may be reborrowed by the related entities in future periods.

On July 12, 1996, Adelphia acquired all of the cable systems of First Carolina Cable TV, L.P. These systems served approximately 32,500 subscribers at the date of acquisition primarily located in Vermont and were purchased for an aggregate price of $48,500. The acquisition of these systems has been accounted for using the purchase method of accounting. The consolidated statements of operations and cash flows include the operations of the acquired systems since July 12, 1997.

On February 10, 1997, Adelphia acquired the assets of Small Cities Cable Television, L.P. and Small Cities Cable Television, Inc. These cable systems served approximately 6,000 subscribers at the date of acquisition primarily located in Vermont and were purchased for an aggregate price of $12,000 made up of Class A common stock and cash. The acquisition of these systems has been accounted for using the purchase method of accounting. The consolidated statements of operations and cash flows include the operations of the acquired systems since February 10, 1997.

On November 11, 1996 Adelphia entered into a definitive agreement for the purchase of cable systems from Booth Communications Company. These systems will be acquired for an aggregate of $54,500 comprised of approximately 3.5 million shares of Adelphia's Class A Common Stock and $29,500 cash and serve approximately 25,800 subscribers in the Virginia cities of Blacksburg and Salem. The acquisition, which will be accounted for under the purchase method of accounting, is expected to close in fiscal 1998.

On May 20, 1997, Adelphia and its affiliates and Time Warner Cable companies entered into agreements involving a trade of cable systems in seven states covering approximately 250,000 subscribers, an exchange of interests in four Competitive Local Exchange Carrier ("CLEC") networks in New York state, and cash. Adelphia will exchange its systems serving 67,600 subscribers primarily in the Mansfield, Ohio area for systems owned by Time Warner cable companies serving 72,400 subscribers adjacent to systems owned or managed by Adelphia in Virginia, New England and New York. Also, Hyperion has agreed with a Time Warner company to an exchange of interests in four CLEC networks in New York. In this transaction, Hyperion will increase its interests in its Buffalo and Syracuse CLEC networks to 50% and 100%, respectively, and eliminate its interests in the Albany and Binghamton networks. Certain affiliates managed by Adelphia will exchange systems serving 49,700 subscribers in Syracuse, New York and Henderson, North Carolina for Time Warner cable systems serving 57,900 subscribers adjacent to systems owned or managed by Adelphia in western Pennsylvania and Virginia. Consummation of this transaction is subject to certain closing conditions and regulatory approval.

On June 6, 1997, Adelphia signed a letter of intent to establish a partnership into which Tele-Communications, Inc., ("TCI") will contribute its cable systems in Buffalo, New York; Erie, Pennsylvania, and Ashtabula and Lake County, Ohio totaling 166,000 subscribers, and Adelphia will contribute its Western New York and Lorain, Ohio systems, totaling 298,000 subscribers. Upon closing of the transaction, TCI will hold a minority interest in the partnership. Adelphia will manage the partnership and expects to consolidate the partnership's results for financial reporting purposes. The venture will serve approximately 464,000 customers.

Olympus.

During the year ended March 31, 1995, the Company made net investments in and advances to Olympus totaling $1,966. Such investments and advances provided funds to Olympus for capital expenditures, for the repayment of debt and for working capital. During the years ended March 31, 1996 and 1997, the Company received net distributions and advances from Olympus totaling $45,599 and $9,012, respectively. During the years ended March 31, 1995, 1996 and 1997, the Company received priority investment income from Olympus of $22,300, $26,852 and $42,006, respectively.

On February 28, 1995, Olympus entered into a Liquidation Agreement with the Gans Family ("Gans"), an Olympus limited partner. Under this Liquidation Agreement, Gans agreed to exchange their redeemable limited partner interests in Olympus for the remaining 15% of the common stock of Northeast held by Olympus. Concurrently with the closing of the Liquidation Agreement, ACP Holdings, Inc. ("ACP," a wholly owned subsidiary of Adelphia and managing general partner of Olympus), Olympus, Telesat and certain shareholders of Adelphia entered into an investment agreement (the "Telesat Investment Agreement") whereby Telesat contributed to Olympus substantially all of the assets associated with certain cable television systems, serving approximately 50,000 subscribers in southern Florida, in exchange for general and limited partner interests of $5, Senior Limited Partner ("SLP") interests of $20,000 and $112,500 of newly issued 16.5% preferred limited partner ("PLP") interests.

Prior to the Tele t Investment Agreement, Olympus had obligations to Adelphia for intercompany advances, redeemable PLP interests and accrued priority return on redeemable PLP interests. In conjunction with the Telesat Investment Agreement, Adelphia contributed $49,974 of the intercompany advances, $51,101 of the existing redeemable PLP interests and all of the then existing accrued priority return on the redeemable PLP interests to general partners' equity (deficiency). Adelphia then exchanged its remaining redeemable PLP interests for $225,000 of new PLP interests. Also, Senior Debt (as defined in the Telesat Investment Agreement) owed by Olympus to Adelphia of $40,000 remained outstanding after consummation of the Telesat Investment Agreement. After this transaction Adelphia holds a 50% voting interest in Olympus with a Telesat subsidiary as its only other voting partner in Olympus.

Managed Partnerships.

On September 29, 1993, the Board of Directors of the Company authorized the Company to make loans in the future to the Managed Partnerships up to an amount of $50,000. During the years ended March 31, 1995 and 1996, the Company made advances in the net amount of $10,028 and $14,859, respectively, to these and other related parties, primarily for capital expenditures and working capital purposes. During the year ended March 31, 1997, the Managed Partnerships and other related parties repaid advances in the net amount of $34,250.

During fiscal 1995, the Company sold its investment in TMIP to Syracuse Hilton Head Holdings, L.P. ("SHHH"), an affiliate of the Company, for $13,000. On January 31, 1995, a wholly owned subsidiary of Adelphia received a $20,000 preferred investment from SHHH to facilitate the acquisition of cable properties.

Resources.

The Company plans to continue to explore and consider new commitments, arrangements or transactions to refinance existing debt, increase the Company's liquidity or decrease the Company's leverage. These could include, among other things, the future issuance by Adelphia, or its subsidiaries, of public or private equity or debt and the negotiation of new or amended credit facilities. These could also include entering into acquisitions, joint ventures or other investment or financing activities, although no assurance can be given that any such transactions will be consummated. The Company's ability to borrow under current credit facilities and to enter into refinancings and new financings is limited by covenants contained in Adelphia's indentures and its subsidiaries' credit agreements, including covenants under which the ability to incur indebtedness is in part a function of applicable ratios of total debt to cash flow.

The Company believes that cash and cash equivalents, internally generated funds, borrowings under existing credit facilities, and future financing sources will be sufficient to meet its short-term and long-term liquidity and capital requirements. Although in the past the Company has been able to refinance its indebtedness or obtain new financing, there can be no assurance that the Company will be able to do so in the future or that the terms of such financings would be favorable.

Management believes that the telecommunications industry, including the cable television and telephone industries, continues to be in a period of consolidation characterized by mergers, joint ventures, acquisitions, sales of all or part of cable companies or their assets, and other partnering and investment transactions of various structures and sizes involving cable or other telecommunications companies. The Company continues to evaluate new opportunities that allow for the expansion of its business through the acquisition of additional cable television systems in geographic proximity to its existing regional markets or in locations that can serve as a basis for new market areas. The Company, like other cable television companies, has participated from time to time and is participating in preliminary discussions with third parties regarding a variety of potential transactions, and the Company has considered and expects to continue to consider and explore potential transactions of various types with other cable and telecommunications companies. However, no assurances can be given as to whether any such transaction may be consummated or, if so, when.

Recent Accounting Pronouncements

Statement of Financial Accounting Standards No. 128, "Earnings Per Share" ("SFAS No. 128"), has been issued and is effective for periods ending after December 15, 1997, with early application not permitted. The general requirements of SFAS No. 128 are designed to simplify the computation of earnings per share. The new statement requires a calculation of basic and diluted earnings per share. The adoption of this statement is not expected to have any effect on the Company's calculation of earnings per share.

INFLATION

In the three fiscal years in the period ended March 31, 1997, inflation did not have a significant effect on the Company. Periods of high inflation could have an adverse effect to the extent that increased borrowing costs for floating-rate debt may not be offset by increases in subscriber rates. At March 31, 1997, after giving effect to interest rate hedging agreements, approximately $631,775 of the Company's total debt was subject to floating interest rates.

OLYMPUS

The Company serves as the managing general partner of Olympus and, as of March 31, 1997, held $5 of voting general partnership interests representing, in the aggregate, 50% of the voting interests of Olympus. The Company also held, as of March 31, 1997, approximately $271,546 aggregate principal amount of nonvoting PLP interests in Olympus, which entitle the Company to a 16.5% per annum priority return. The remaining equity in Olympus consists of voting and non-voting partnership interests held by subsidiaries of FPL.

On February 28, 1995, Olympus entered into a Liquidation Agreement with the Gans family. Under this Liquidation Agreement, Gans agreed to exchange their redeemable limited partner interests in Olympus for the remaining 15% of the common stock of Northeast held by Olympus. Concurrently with the closing of the Liquidation Agreement, ACP, Olympus, Telesat and certain shareholders of Adelphia entered into the Telesat Investment Agreement whereby Telesat contributed to Olympus substantially all of the assets associated with certain cable television systems, serving approximately 50,000 subscribers in southern Florida, in exchange for general and limited partner interests of $5, Special Limited Partner ("SLP") interests of $20,000 and $112,500 of newly issued 16.5% PLP interests.

On March 28, 1996, ACP, Telesat, Olympus, Adelphia and certain shareholders of Adelphia entered into an agreement which amended certain aspects of the Olympus Partnership Agreement. The amendment provides for the repayment of certain amounts owed to Telesat totaling $20,000, the release of certain obligations of Telesat to Olympus and the reduction of Telesat's PLP and accrued priority return balances by $20,000. The amendment further provides for a $40,000 distribution to Adelphia as a reduction of its PLP interests and accrued priority return. These repayments and distributions were made on March 29, 1996 and were funded through internally generated funds and advances from an affiliate.

The Olympus limited partnership agreement requires approval by the holders of 85% of the voting interests for, among other things, significant acquisitions and dispositions of assets, and the issuance of certain partnership interests, and also requires approval by the holders of 75% of the voting interests for, among other things, material amendments to the Olympus partnership agreement, certain financings and refinancings, certain issuances of PLP interests, certain transactions with related parties and the adoption of annual budgets.

On April 3, 1995, Olympus acquired all of the cable and security systems of WB Cable Associates, Ltd. ("WB Cable") which, at the acquisition date, served 44,000 cable and security monitoring subscribers for a purchase price of $82,000. WB Cable provides cable services from one headend and security monitoring services from one location in West Boca Raton, Florida. Of the purchase price, $77,000 was paid in cash and $5,000 was paid in Adelphia Class A Common Stock. The acquisition was accounted for under the purchase method of accounting, and was financed principally through borrowings under an Olympus subsidiary's credit agreement.

On May 12, 1995, certain Olympus subsidiaries entered into a $475,000 revolving credit facility with several banks, maturing December 31, 2003. The proceeds at closing were used to repay existing bank debt. At March 31, 1997, $181,000 of unused commitments were available under this credit facility.

On January 5, 1996, Olympus acquired all of the southeast Florida cable systems of the Leadership Cable division of Fairbanks Communications, Inc., which, at the acquisition date, served approximately 50,000 cable and security monitoring subscribers for a purchase price of $95,800. The purchase price consists of $40,000 in cash and a $70,000 non-interest bearing discount seller note due December 30, 1997. This note was recorded at $55,800 at acquisition and will accrete to the $70,000 face amount. The cash portion of the acquisition price was financed through borrowings under an Olympus credit agreement.

On November 12, 1996, Olympus issued $200,000 of 10 5/8% Senior Notes (the "Olympus Senior Notes") in a private placement. Net proceeds, after payment of transaction costs, of approximately $195,000 were used to reduce amounts outstanding on Olympus' subsidiaries' notes payable to banks. Interest is payable semiannually commencing May 15, 1997. The Olympus Senior Notes are unsecured and are due November 15, 2006. Olympus may redeem up to $70,000 of the Olympus Senior Notes at 110.625% of principal through November 6, 1999. Commencing November 15, 2001, Olympus may redeem the Olympus Senior Notes in whole or in part at 105.3125% of principal declining annually to par on November 15, 2004. Holders of the Olympus Senior Notes have the right to require Olympus to redeem the Olympus Senior Notes at 101% upon a Change of Control (as defined in the Indenture).

The Selected Consolidated Financial and Operating Information and Management's Discussion and Analysis of Financial Condition and Results of Operations for Olympus for each of the three years in the period ended December 31, 1996, which appear on pages 29 and 30 and 31 through 37, respectively, of Amendment No. 2 to Registration Statement No. 333-19327 of Olympus Communications, L.P. and Olympus Capital Corporation on Form S-4, are incorporated by reference in this Annual Report on Form 10-K. The supplemental financial data for Olympus for the three months ended March 31, 1996 and 1997, which appears on pages 3 through 5 of the Olympus and Olympus Capital Corporation Form 10-Q for the quarterly period ended March 31, 1997, is incorporated by reference in this Annual Report on Form 10-K.

Regulatory and Competitive Matters

The cable television operations of the Company may be adversely affected by changes and developments in governmental regulation, competitive forces and technology. The cable television industry and the Company are subject to extensive regulation at the federal, state and local levels. The 1992 Cable Act significantly expanded the scope of regulation of certain subscriber rates and a number of other matters in the cable industry, such as mandatory carriage of local broadcast retransmission consent, and increased stations and the administrative costs of complying with such regulations. The FCC has adopted rate regulations that establish, on a system-by-system basis, maximum allowable rates for (i) basic and cable programming services (other than programming offered on a per-channel or per-program basis), based upon a benchmark methodology, and (ii) associated equipment and installation services based upon cost plus a reasonable profit. Under the FCC rules, franchising authorities are authorized to regulate rates for basic services and associated equipment and installation services, and the FCC will regulate rates for regulated cable programming services in response to complaints filed with the agency. The Telecommunications Act of 1996 (the "1996 Act") ends FCC regulation of cable programming service tier rates on March 31, 1999.

Rates for basic and cable programming services are set pursuant to a benchmark formula. Alternatively, a cable operator may elect to use a cost-of-service methodology to show that rates for basic and cable programming services are reasonable. Refunds with interest will be required to be paid by cable operators who are required to reduce regulated rates. The FCC has reserved the right to reduce or increase the benchmarks it has established. The rate regulations also limit increases in regulated rates to an inflation indexed amount plus increases in certain costs such as taxes, franchise fees, costs associated with specific franchise requirements and increased programming costs. Cost-based adjustments to these capped rates can also be made in the event a cable operator adds or deletes channels or completes a significant system rebuild or upgrade. On November 10, 1994, the FCC adopted an alternative method for adjusting the rates charged for a cable programming services tier when new services are added. This has allowed cable operators to increase rates by as much as $1.40 plus programming costs, over a three year period ending December 31, 1997 to reflect the addition of up to seven new channels of service on cable programming service tiers. In addition, a new programming tier can be created, the rate for which would not be regulated as long as certain conditions are met, such as not moving services from existing tiers to the new one. Because of the limitation on rate increases for regulated services, future revenue growth from cable services will rely to a much greater extent than has been true in the past on increased revenues from unregulated services and new subscribers than from increases in previously unregulated rates.

The FCC has adopted regulations implementing all of the requirements of the 1992 Cable Act. The FCC is also likely to continue to modify, clarify or refine the rate regulations. Adelphia cannot predict the effect of the 1996 Act on future rulemaking proceedings or changes to the rate regulations.

Effective September 1, 1993, as a result of the 1992 Cable Act, Adelphia repackaged certain existing cable services by adjusting rates for basic service and introducing a new method of offering certain cable services. Adelphia adjusted the basic service rates and related equipment and installation rates in all of its systems in order for such rates to be in compliance with the applicable benchmark or equipment and installation cost levels. Adelphia also implemented a program in all of its systems called "CableSelect" under which most of Adelphia's satellite-delivered programming services were offered individually on a per channel basis, or as a group at a price of approximately 15% to 20% below the sum of the per channel prices of all such services. For subscribers who elected to customize their channel lineup, Adelphia provided, for a monthly rental fee, an electronic device located on the cable line outside the home, enabling a subscriber's television to receive only those channels selected by the subscriber. These basic service rate adjustments and the CableSelect program were also implemented in all systems managed by Adelphia. Adelphia believes CableSelect provided increased programming choices to its subscribers while providing flexibility to Adelphia to respond to future changes in areas such as customer demand and programming. Adelphia no longer offers the CableSelect program in any of its systems.

A letter of inquiry was received by an Olympus system regarding the implementation of this new method of offering services. Olympus responded in writing to the FCC's inquiry. On November 18, 1994, the Cable Services Bureau of the FCC issued a decision holding that the "CableSelect" program was an evasion of the rate regulations and ordered this package to be treated as a regulated tier. This decision, and all other letters of inquiry decisions, were principally decided on the number of programming services moved from regulated tiers to "a la carte" packages. Adelphia appealed this decision to the full Commission which affirmed the Cable Service Bureau's decision. Adelphia has sought reconsideration of the decision. On November 18, 1994, the FCC released amended rules under which, on a prospective basis, any a la carte package will be treated as a regulated tier, except for packages involving premium services. An appeal of this decision to the U.S. Court of Appeals for the D.C. Circuit was unsuccessful.

On May 1, 1997, the FCC adopted an order approving a settlement agreement between Adelphia and the FCC that resolves pending rate proceedings in 40 communities served by Adelphia in which a la carte packages were created. Under the terms of the agreement, Adelphia is required to make refunds totaling approximately $2,400 (including interest through December 31, 1996), plus additional interest from January 1, 1997 through the date of payment. Adelphia also will be required to reduce its rates in certain communities. Results of operations for the fiscal year ended March 31, 1996 included a $5,300 charge representing management's estimate of the total costs associated with the resolution of this matter. Such costs included, (i) an estimate of credits to be extended to customers in future periods of up to $2,700, (ii) legal and other costs incurred during the fiscal year ended March 31, 1996, and (iii) an estimate of legal and other costs to be incurred associated with the ultimate resolution of this matter. At March 31, 1997, $3,382 of the charge to earnings remained in accrued interest and other liabilities which management believes is adequate to cover the settlement and related costs. While Adelphia cannot predict the ultimate outcome or effect of this matter, management of Adelphia does not expect the ultimate outcome of this matter to have a material adverse effect on Adelphia's financial position and results of operations. Also, no assurance can be given as to what other future actions Congress, the FCC or other regulatory authorities may take or the effects thereof on the Company. The Company is currently unable to predict the effect that the amended regulations, future FCC treatment of a la carte packages or other future FCC rulemaking proceedings will have on its business and results of operations in future periods.

Cable television companies operate under franchises granted by local authorities which are subject to renewal and renegotiation from time to time. Because such franchises are generally non-exclusive, there is a potential for competition with the systems from other operators of cable television systems, including public systems operated by municipal franchising authorities themselves, and from other distribution systems capable of delivering television programming to homes. The 1992 Cable Act and the 1996 Act contain provisions which encourage competition from such other sources. The Company cannot predict the extent to which competition will materialize from other cable television operators, local telephone companies, other distribution systems for delivering television programming to the home, or other potential competitors, or, if such competition materializes, the extent of its effect on the Company.

FCC rules heretofore permitted local telephone companies to offer "video dialtone" service for video programmers, including channel capacity for the carriage of video programming and certain non-common carrier activities such as video processing, billing and collection and joint marketing agreements. New Jersey Bell Telephone Company received authorization on July 18, 1994 to operate a "video dialtone" service in portions of Dover County, New Jersey, in which the Company serves approximately 20,000 subscribers.

The 1996 Act repealed the prohibition on LECs from providing video programming directly to customers within their local exchange areas other than in rural areas or by specific waiver of FCC rules. The 1996 Act also authorized LECs to operate "open video systems" ("OVS") without obtaining a local cable franchise, although LECs operating such a system can be required to make payments to local governmental bodies in lieu of cable franchise fees. Where demand exceeds capacity, up to two-thirds of the channels on an OVS must be available to programmers unaffiliated with the LEC. The statute states that the OVS scheme supplants the FCC's "video dialtone" rules. The FCC has promulgated rules to implement the OVS concept, and New Jersey Bell has been granted permission to convert its video dialtone authorization to an OVS authorization.

The Company believes that the provision of video programming by telephone companies in competition with the Company's existing operations could have an adverse effect on the Company's financial condition and results of operations. At this time, the impact of any such effect is not known or estimable.

DBS service became available to consumers during 1994. A single DBS satellite can provide more than 100 channels of programming. DBS service can be received virtually anywhere in the United States through the installation of a small outdoor antenna. DBS service is being heavily marketed on a nationwide basis by several service providers. The extent to which DBS will be competitive with cable systems will depend on the continued availability of reception equipment and programming at reasonable prices to the consumer.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Not applicable.

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements of Adelphia and related notes thereto and independent auditors' report follow.

The consolidated financial statements of Olympus and related notes thereto and independent auditors' report dated March 26, 1997, appearing on pages F-2 through F-19 of Amendment No. 2 to Registration Statement No. 333-19327 of Olympus Communications, L.P. and Olympus Capital Corporation on Form S-4, are incorporated by reference in this Annual Report on Form 10-K.

INDEPENDENT AUDITORS' REPORT

Adelphia Communications Corporation:

We have audited the accompanying consolidated balance sheets of Adelphia Communications Corporation and subsidiaries as of March 31, 1996 and 1997, and the related consolidated statements of operations, stockholders' equity (deficiency), and cash flows for each of the three years in the period ended March 31, 1997. Our audits also included the financial statement schedules listed in the Index at Item 14. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Adelphia Communications Corporation and subsidiaries at March 31, 1996 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 1997 in conformity with generally accepted accounting principles. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

Deloitte & Touche LLP

DELOITTE & TOUCHE LLP

Pittsburgh, Pennsylvania

June 11, 1997

Adelphia Communications Corporation and Subsidiaries
Consolidated Balance Sheets

(Dollars in thousands, except per share amounts)

	March 31, 1996	March 31, 1997
[illegible]		
[illegible]		
[illegible]		
[illegible]	$ 560,376	$ 659,575
[illegible]	560,898	659,533
[illegible]	1,120,274	1,318,108
[illegible]	$ 10,889	$ 61,539
[illegible]	68,147	117,906
[illegible]	10,338	10,338
[illegible]	23,888	24,692
[illegible]	92,688	80,385
[illegible]	64,580	30,798
[illegible]	$ 1,397,579	$ 1,643,328
[illegible]		
[illegible]	$ 1,224,675	$ 1,150,889
[illegible]	400,000	277,385
[illegible]	98,158	99,322
[illegible]	—	347,274
[illegible]	124,502	124,839
[illegible]	128,118	128,288
[illegible]	180,237	197,897
[illegible]	—	187,173
[illegible]	10,488	22,694
[illegible]	65,688	56,961
[illegible]	14,706	16,694
[illegible]	90,108	127,588
[illegible]	166,289	110,097
[illegible]	[illegible]	2,985,490
[illegible]	35,695	42,668
[illegible]		
[illegible]		
[illegible]	304	304
[illegible]	109	109
[illegible]	[illegible]	210,408
[illegible]	(1,360,917)	(1,473,980)
[illegible]	[illegible]	(1,269,889)
[illegible]	[illegible]	[illegible]

[illegible]

Adelphia Communications Corporation and Subsidiaries
Consolidated Sta ement of Operations

(Dollars in thousands, except per share amounts)

	Year Ended March 31,		
	1995	1996	1997
Revenues	$ 361,505	$ 403,597	$ 472,778
Operating expenses:			
Direct operating and programming	106,993	124,116	148,982
Selling, general and administrative	63,487	68,357	81,763
Depreciation and amortization	97,602	111,031	124,066
Rate regulation	—	5,300	—
Total	268,082	308,804	354,811
Operating income	93,423	94,793	117,967
Other income (expense):			
Interest income from affiliates	11,112	10,623	8,367
Other income	1,453	—	—
Priority investment income from Olympus	22,300	28,832	42,086
Interest expense	(195,698)	(210,691)	(240,692)
Equity in loss of Olympus and other joint ventures	(42,550)	(41,965)	(51,946)
Equity in loss of Hyperion nonconsolidated joint ventures	(1,799)	(4,292)	(7,223)
Gain on sale of investments	—	—	12,151
Total	(205,182)	(217,473)	(237,257)
Loss before income taxes and extraordinary loss	(111,759)	(122,680)	(119,290)
Income tax benefit	5,475	2,786	358
Loss before extraordinary loss	(106,284)	(119,894)	(118,932)
Extraordinary loss on early retirement of debt	—	—	(11,710)
Net loss	$ (106,284)	$ (119,894)	$ (130,642)
Loss per weighted average share of common stock before extraordinary loss	$ (4.32)	$ (4.56)	$ (4.50)
Extraordinary loss per weighted average share on early retirement of debt	—	—	(.44)
Net loss per weighted average share of common stock	$ (4.32)	$ (4.56)	$ (4.94)
Weighted average shares of common stock outstanding (in thousands)	24,628	26,305	26,411

See notes to consolidated financial statements.

Adelphia Communications Corporation and Subsidiaries
Consolidated Statements of Stockholders' Equity (Deficiency)

(Dollars in thousands)

	Class A Common Stock	Class B Common Stock	Additional Paid-in Capital	Accumulated Deficit	Stockholders' Equity (Deficiency)
Balance, March 31, 1994	$ 135	$ 109	$ 198,431	$ (1,116,739)	$ (918,064)
Issuance of Class A Common Stock on January [illegible], 1995	4	—	3,588	—	3,592
Issuance of Class A Common Stock on February [illegible], 1995	10	—	14,851	—	14,861
Excess of purchase price of acquired assets over predecessor owners' book value	—	—	(5,680)	—	(5,680)
Net loss	—	—	—	(106,284)	(106,284)
Balance, March 31, 1995	140	109	211,190	(1,223,023)	(1,011,575)
Issuance of Class A Common Stock on April 3, 1995	5	—	4,995	—	5,000
Excess of purchase price of acquired assets over predecessor owners' book value	—	—	(1,770)	—	(1,770)
Net loss	—	—	—	(119,894)	(119,894)
Balance, March 31, 1996	154	109	214,415	(1,342,917)	(1,128,239)
Issuance of Class A Common Stock on February [illegible], 1997	7	—	4,993	—	5,000
Net loss	—	—	—	(130,642)	(130,642)
Balance, March 31, 1997	$ 161	$ 109	$ 219,408	$ (1,473,559)	$ (1,253,881)

See notes to consolidated financial statements.

Adelphia Communications Corporation and Subsidiaries
Consolidated Statements of Cash Flows

(Dollars in thousands)

	Year Ended March 31, 1995	1996	1997
Cash flows from operating activities:			
Net loss	$ (106,204)	$ (119,894)	$ (130,642)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation	66,064	70,890	78,328
Amortization	31,530	40,141	45,730
Noncash interest expense	14,736	16,208	41,380
Equity in loss of Olympus and other joint ventures	42,550	41,965	51,946
Equity in loss of Hyperion unconsolidated joint ventures	1,799	4,202	7,223
Loss on [illegible]	—	2,700	—
Gain on sale of investments	—	—	(12,151)
Noncash portion of extraordinary loss on early retirement of debt	—	—	3,503
Decrease in deferred income taxes, net of effects of acquisitions	(5,975)	(3,930)	(509)
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:			
Subscriber receivables	(478)	(3,372)	(813)
Prepaid expenses and other assets	(21,152)	(14,465)	(27,858)
Accounts payable	14,780	23,706	(9,784)
Subscriber advance payments and deposits	699	(1,708)	1,298
Accrued interest and other liabilities	10,630	7,662	(12,854)
Net cash provided by operating activities	40,936	64,287	34,794
Cash flows from investing activities:			
Cable television systems acquired	(70,256)	(60,804)	(143,412)
Expenditures for property, plant and equipment	(92,082)	(100,089)	(129,609)
Investments in Hyperion unconsolidated joint ventures	(7,526)	(12,815)	(34,769)
Investments in other joint ventures	(31,365)	(11,518)	(16,64[illegible])
Amounts invested in and advanced to Olympus and related parties	(46,046)	(4,236)	(9,229)
Proceeds from sale of investments	—	—	11,618
Net cash used for investing activities	(247,275)	(189,462)	(322,047)
Cash flows from financing activities:			
Proceeds from debt	155,314	273,588	1,280,649
Repayments of debt	(38,107)	(138,604)	(933,517)
Costs associated with debt financing	(2,759)	(3,875)	(20,236)
Issuance of Class A Common Stock	14,861	—	—
Proceeds from Hyperion's issuance of warrants	—	—	11,087
Net cash provided by financing activities	129,309	130,959	337,983
(Decrease) increase in cash and cash equivalents	(69,030)	5,764	50,730
Cash and cash equivalents, beginning of year	74,075	5,045	10,809
Cash and cash equivalents, end of year	$ 5,045	$10,809	$ 61,539
Supplemental disclosure of cash flow activity - Cash payments for interest	$ 193,206	$ 198,360	$ 203,939

See notes to consolidated financial statements

Adelphia Communications Corporation and Subsidiaries
Notes to Consolidated Financial Statements

(Dollars in thousands, except per share amounts)

1. The Company and Summary of Significant Accounting Policies

The Company and Basis for Consolidation

Adelphia Communications Corporation and subsidiaries ("Adelphia") owns, operates and manages cable television systems and other related telecommunications businesses. Adelphia's operations consist primarily of selling video programming which is distributed to subscribers for a monthly fee through a network of fiber optic and coaxial cables. These services are offered in the respective franchise areas under the name Adelphia Cable Communications.

The consolidated financial statements include the accounts of Adelphia and its more than 50% owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

During the years ended March 31, 1995, 1996 and 1997, Adelphia consummated several acquisitions, each of which was accounted for using the purchase method. Accordingly, the financial results of each acquisition have been included in the consolidated results of Adelphia effective with the date acquired. A description of the acquisitions is provided below.

On June 16, 1994, Adelphia invested \$34,000 in TMC Holdings Corporation ("THC"), the parent of Tele-Media Company of Western Connecticut. THC owns cable television systems which, at the acquisition date, served approximately 43,000 subscribers in western Connecticut. The investment in THC provides Adelphia with a \$30,000 preferred equity interest in THC and a 75% non-voting common equity interest, with a liquidation preference to the remaining 25% common stock ownership interest in THC. Adelphia has the right to convert such interest to a 75% voting common equity interest, with a liquidation preference to the remaining shareholders' 25% common stock ownership interest, on demand subject to certain regulatory approvals. Debt assumed, included in notes payable of subsidiaries to banks and institutions, was \$52,000 at closing.

On June 30, 1994, Adelphia acquired from Olympus Communications, L.P. ("Olympus") 85% of the common stock of Northeast Cable, Inc. ("Northeast") for a purchase price of \$31,875. Northeast owns cable television systems which, at the acquisition date, served approximately 36,500 subscribers in eastern Pennsylvania. Of the purchase price, \$16,000 was paid in cash and the remainder resulted in a decrease in Adelphia's receivable from Olympus. Debt assumed, included in notes payable of subsidiaries to banks and institutions, was \$42,300 at closing.

On January 10, 1995, Adelphia issued 399,087 shares of Class A Common Stock in connection with the merger of a wholly-owned subsidiary of Adelphia into Oxford Cablevision, Inc. ("Oxford"), one of the Terry Family cable systems. At the acquisition date, Oxford served approximately 4,200 subscribers located in the North Carolina counties of Granville and Warren.

On January 31, 1995, Adelphia acquired a majority equity position in Tele-Media Company of Martha's Vineyard, L.P. ("TMV") for \$11,775, a cable system which, at the acquisition date, served approximately 7,000 subscribers located in Martha's Vineyard, Massachusetts.

On April 12, 1995, Adelphia acquired cable systems from Clear Channels Cable TV Company located in Kittanning, New Bethlehem and Freeport, Pennsylvania, for \$17,456. These systems served approximately 10,700 subscribers at the date of acquisition.

On January 9, 1996, Adelphia completed the acquisition of the cable systems of Eastern Telecom Corporation and Robinson Cable TV, Inc. These systems served approximately 24,000 subscribers at the acquisition date located in western Pennsylvania and were purchased for an aggregate price of \$43,000.

On April 1, 1996, Adelphia purchased the cable television operations of Cable TV Fund 11-B, Ltd. This CATV system was acquired for \$84,267 and served approximately 39,700 subscribers at the acquisition date in the New York counties of Erie and Niagara.

On July 12, 1996, Adelphia acquired all of the cable systems of First Carolina Cable TV, L.P. These systems served approximately 32,500 subscribers at the date of acquisition primarily located in Vermont and were purchased for an aggregate price of \$48,500.

On February 10, 1997, Adelphia acquired the assets of Small Cities Cable Television, L.P. and Small Cities Cable Television, Inc. (collectively, "Small Cities"). These systems served approximately 6,000 subscribers at the date of acquisition, primarily located in Vermont and were purchased for an aggregate price of $12,000 in cash and Adelphia Class A Common Stock.

Investment in Olympus Joint Venture Partnership

The investment in the Olympus joint venture partnership comprises both limited and general partner interests. The general partner interest represents a 50% voting interest in Olympus and is being accounted for using the equity method. Under this method, Adelphia's investment, initially recorded at the historical cost of contributed property, is adjusted for subsequent capital contributions and its share of the losses of the partnership as well as its share of the accretion requirements of the partnership's interests. The limited partner interest represents a preferred interest ("PLP interests") entitled to a 16.5% annual return.

The PLP interests are nonvoting, are senior to claims of certain other partner interests, and provide for an annual priority return of 16.5%. Olympus is not required to pay the entire 16.5% return currently and priority return on PLP interests is recognized as income by Adelphia when received. Correspondingly, equity in net loss of Olympus excludes accumulated unpaid priority return (see Note 2).

Subscriber Revenues

Subscriber revenues are recorded in the month the service is provided.

Property, Plant and Equipment

Property, plant and equipment are comprised of the following

	March 31,	
	1996	1997
Operating plant and equipment	$ 883,957	$ 969,900
Real estate and improvements	51,147	68,091
Support equipment	30,076	28,808
Construction in progress	105,150	134,403
	1,070,338	1,201,202
Accumulated depreciation	(489,962)	(541,627)
	$ 580,376	$ 659,575

Depreciation is computed on the straight-line method using estimated useful lives of 5 to 12 years for operating plant and equipment and 3 to 20 years for support equipment and buildings. Additions to property, plant and equipment are recorded at cost which includes amounts for material, applicable labor and overhead, and interest. Capitalized interest amounted to $1,736, $1,766 and $1,727 for the years ended March 31, 1995, 1996 and 1997, respectively.

Intangible Assets

Intangible assets, net of accumulated amortization, are comprised of the following:

	March 31,	
	1996	1997
Purchased franchises	$ 466,983	$ 486,967
Goodwill	50,377	71,283
Non-compete agreements	11,240	12,837
Purchased subscriber lists	33,288	79,446
	$ 561,888	$ 650,533

A portion of the aggregate purchase price of cable television systems acquired has been allocated to purchased franchises, purchased subscriber lists, goodwill and non-compete agreements. Purchased franchises and goodwill are amortized on the straight-line method over 40 years. Purchased subscriber lists are amortized on the straight-line method over periods which range from 5 to 10 years. Non-compete agreements are amortized on the straight-line method over their contractual lives which range from 4 to 12 years. Accumulated amortization of intangible assets amounted to $137,012 and $170,801 at March 31, 1996 and 1997, respectively.

Cash and Cash Equivalents

Adelphia considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Interest on liquid investments was $1,230, $1,859 and $5,789 for the years ended March 31, 1995, 1996, and 1997, respectively. A book overdraft of $25,700 existed at March 31, 1997. This book overdraft was reclassified as accrued interest and other liabilities.

Investments

Th quity method of accounting is generally used to account for investments in affiliates which are greater than 20% but not more than 50% owned. Under this method, Adelphia's initial investment is recorded at cost and subsequently adjusted for the amount of its equity in the net income or losses of its affiliates. Dividends or other distributions are recorded as a reduction of Adelphia's investment. Investments in affiliates accounted for using the equity method generally reflect Adelphia's equity in their underlying assets.

Investments in entities in which Adelphia's ownership is less than 20% and investments greater than 20% in which Adelphia does not influence the operating or financial decisions of the entity are generally accounted for using the cost method. Under the cost method, Adelphia's initial investment is recorded at cost and subsequently adjusted for the amount of its equity in net income or losses of the investee only to the extent distributed by the investee as dividends or other distributions. Dividends received in excess of earnings subsequent to the date the investment was made are recorded as reductions of the cost of the investment.

The balance of Adelphia's nonconsolidated investments is as follows:

	March 31,	
	1996	1997
Investments accounted for using the equity method:		
Gross investment:		
Hyperion investment in joint ventures	$28,754	$ 57,497
Page Call, Inc.	11,187	14,990
Other	800	1,751
Total	40,741	74,238
Investments accounted for using the cost method:		
Niagara Frontier Hockey, L.P.	22,681	35,270
Commonwealth Security, Inc.	4,200	—
Republic Industries, Inc.	—	9,315
SuperCable ALK International	3,171	3,172
Programming ventures	2,806	2,945
Mobile communications	680	4,302
Other	682	763
Total	34,220	55,767
Total investments before cumulative equity in net losses	74,961	130,005
Cumulative equity in net losses	(6,814)	(12,009)
Total investments	$68,147	$ 117,996

On May 16, 1996, Hyperion sold its interest in one of its joint ventures for $11,618, resulting in a gain of $8,405. On January 23, 1997, Adelphia received 284,425 shares of Republic Industries, Inc. Common Stock in exchange for its interest in Commonwealth Security, Inc., resulting in a gain of $3,746.

Subscriber Receivables

An allowance for doubtful accounts of $1,216 and $1,345 has been deducted from subscriber receivables at March 31, 1996 and 1997, respectively.

Amortization of Other Assets and Debt Discounts

Deferred debt financing costs, included in prepaid expenses and other assets, and debt discounts, a reduction of the carrying amount of the debt, are amortized over the term of the related debt. The unamortized amounts of deferred debt financing costs included in prepaid expenses and other assets were $25,274 and $35,786 at March 31, 1996 and 1997, respectively.

Franchise Expense

The typical term of Adelphia's franchise agreements upon renewal is 10 years. Franchise fees range from 3% to 5% of subscriber revenues and are expensed currently.

Asset Impairments

Adelphia periodically reviews the carrying value of its long lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of assets may not be re overable. Measurement of any impairment would include a comparison of estimated future operating cash flows anticipated to be generated during the remaining life of the assets with their net carrying value. An impairment loss would be recognized as the amount by which the carrying value of the assets exceeds their fair value.

Noncash Financing and Investing Activities

There were no material capital leases entered into during the years ended March 31, 1995 and 1996. Capital leases entered into during the year ended March 31, 1997 totaled $3,307. Reference is made to Notes 1, 2 and 5 for descriptions of additional noncash financing and investing activities.

Interest Rate Swaps

Net settlement amounts under interest rate swap agreements are recorded as adjustments to interest expense during the period incurred.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Earnings Per Share

Statement of Financial Accounting Standards No. 128, "Earnings Per Share" ("SFAS No. 128"), has been issued and is effective for periods ending after December 15, 1997, with early application not permitted. The general requirements of SFAS No. 128 are designed to simplify the computation of earnings per share. The new statement requires a calculation of basic and diluted earnings per share. The adoption of this statement is not expected to have any effect on the Company's calculation of earnings per share.

Reclassifications

Certain 1995 and 1996 amounts have been reclassified to conform with the 1997 presentation.

2. Related Party Investments and Receivables

Related party receivables-net represent advances to managed partnerships (see Note 9), the Rigas family (principal shareholders and officers of Adelphia) and Rigas family controlled entities. No related party advances are collateralized.

Cumulative equity in loss in excess of investment in and amounts due from Olympus is comprised of the following:

	March 31,	
	1996	1997
Cumulative equity in loss over investment in Olympus	$ (93,563)	$ (95,771)
Amounts due from Olympus	59,907	53,100
	$ (33,656)	$(42,671)

On February 28, 1995, ACP Holdings, Inc., a wholly-owned subsidiary of Adelphia, and the managing general partner of Olympus, certain shareholders of Adelphia, Olympus and various Telesat Entities ("Telesat"), wholly-owned subsidiaries of FPL Group, Inc., entered into an investment agreement whereby Telesat contributed to Olympus substantially all of the assets associated with certain cable television systems, serving approximately 50,000 subscribers in southern Florida, in exchange for general and limited partner interests and newly issued preferred limited partner interests in Olympus. Prior to the Telesat Investment Agreement, Olympus had obligations to Adelphia for intercompany advances, PLP interests, and priority return on PLP interests. In conjunction with the Telesat Investment Agreement, Adelphia converted a portion of the intercompany advances, a portion of the existing PLP interests and all of the existing accrued priority return on the PLP interests, to capital contributions. At March 31, 1995, 1996 and 1997, Adelphia owned $225,000, $222,860 and $271,546 in Olympus PLP interests, respectively.

On March 28, 1996, ACP, Telesat, Olympus, Adelphia and certain shareholders of Adelphia entered into an agreement which amended certain aspects of the Olympus Partnership Agreement. The amendment provides for the repayment of certain amounts owed to Telesat totaling $20,000, the release of certain obligations of Telesat to Olympus and the reduction of Telesat's PLP and accrued priority return balances by $20,000. The amendment further provides for a $40,000 distribution to Adelphia as a reduction of its PLP interests and accrued priority return. These repayments and distributions were made on March 29, 1996 and were funded through internally generated funds and advances from an affiliate.

The major components of the financial position of Olympus as of March 31, 1996 and 1997, and December 31, 1995 and 1996, and the results of operations for the three months ended March 31, 1996 and 1997, and the years ended December 31, 1995 and 1996 were as follows:

	March 31,		December 31,	
	1996	1997	1995	1996
	(unaudited)			
Balance Sheet Data				
Property, plant and equipment-net	$ 221,381	$ 229,140	$ 203,129	$ 225,775
Total assets	625,243	627,392	533,909	640,221
Notes payable to banks	514,500	294,000	419,000	309,000
10 5/8% Senior Notes due 2006	—	200,000	—	200,000
Total liabilities	706,239	715,309	552,453	724,420
Limited partners' interests	334,280	427,325	396,630	407,689
General partners' equity (deficiency)	(435,291)	(515,242)	(415,174)	(491,868)
Statement of Operations Data				
Revenues	$ 39,088	$ 41,411	$ 120,968	$ 159,870
Operating income	7,959	7,735	21,275	33,013
Loss before extraordinary loss	(2,419)	(5,318)	(18,282)	(10,950)
Net loss	(2,419)	(5,318)	(19,391)	(10,950)
Net loss of general and limited partners after priority return and accretion requirements	(19,641)	(23,324)	(82,749)	(76,594)

On October 6, 1993, Adelphia purchased the preferred Class B Limited Partnership Interest in Syracuse Hilton Head Holdings, L.P. ("SHHH"), a managed partnership, for a price of $18,338 from Robin Media Group, an unrelated party. SHHH is a joint venture of the Rigas Family and Tele-Communications, Inc. ("TCI") and owns systems managed by Adelphia. The Class B Limited Partnership Interest has a preferred return annually which is payable on a current basis at the option of SHHH, and is senior in priority to the partnership interests of the Rigas family and TCI. Preferred return on the Class B Limited Partner Interest in SHHH totaled $2,654, $2,645 and $3,066 and is included in revenues for the years ended March 31, 1995, 1996 and 1997, respectively.

In September 1993, the Board of Directors of Adelphia authorized Adelphia to make loans in the future to the Managed Partnerships up to an amount of $50,000. During the year ended March 31, 1994, Adelphia made loans in the net amount of $15,000 to SHHH, to facilitate the acquisition of cable television systems serving Palm Beach County, Florida from unrelated parties. During fiscal year 1995, Adelphia sold its investment in Tele-Media Investment Partnership, L.P. ("TMIP") to SHHH for $13,000. On January 31, 1995, a wholly owned subsidiary of Adelphia received a $20,000 preferred investment from SHHH to facilitate the acquisition of TMV cable properties.

9. Debt

Notes Payable of Subsidiaries to Banks and Institutions

Notes payable of subsidiaries to banks and institutions are comprised of the following:

	March 31, 1996	March 31, 1997
Credit agreements with banks payable through 2004 (weighted average interest rate 7.51% and 7.94% at March 31, 1996 and 1997, respectively)	$ 758,975	$ 813,200
10.66% Senior Secured Notes due through 1999	245,000	165,000
9.95% Senior Secured Notes due in 1997	3,200	—
10.80% Senior Secured Notes due through 2000	36,000	27,000
10.50% Senior Secured Notes due through 2001	16,000	12,800
9.73% Senior Secured Notes due 1998 through 2001	37,500	37,500
10.25% Senior Subordinated Notes due through 1998	56,000	32,000
11.85% Senior Subordinated Notes due 1998 through 2000	60,000	60,000
11.13% Senior Subordinated Notes due 1999 through 2002	12,000	12,000
	$ 1,224,675	$ 1,159,500

The amount of borrowings available to Adelphia under its revolving credit agreements is generally based upon the subsidiaries achieving certain levels of operating performance. Adelphia had commitments from banks for additional borrowings of up to $209,154, which included $24,500 also available to Olympus and the managed partnerships, at March 31, 1997 which expire through September 30, 2004. Adelphia pays commitment fees of up to .5% of unused principal.

Borrowings under most of these credit arrangements of subsidiaries are collateralized by a pledge of the stock in their respective subsidiaries, and, in some cases, by assets. These agreements limit, among other things, additional borrowings, investments, transactions with affiliates and other subsidiaries, and the payment of dividends and fees by the subsidiaries. The agreements also require maintenance of certain financial ratios by the subsidiaries. Several of the subsidiaries' agreements, along with the notes of the parent company, contain cross default provisions. At March 31, 1997, approximately $360,230 of the net assets of subsidiaries would be permitted to be transferred to the parent company in the form of dividends, priority return and loans without the prior approval of the lenders based upon the results of operations of such subsidiaries for the quarter ended March 31, 1997. The subsidiaries are permitted to pay management fees to the parent company or other subsidiaries. Such fees are limited to a percentage of the subsidiaries' revenues.

A subsidiary of Adelphia is a co-borrower with a managed partnership under a $200,000 credit agreement. Each of the co-borrowers is liable for all borrowings under this credit agreement, although the lenders have no recourse against Adelphia other than against Adelphia's interest in such subsidiary.

Bank debt interest rates are based upon one or more of the following rates at the option of Adelphia: prime rate plus 0% to 1.5%; certificate of deposit rate plus 1.25% to 2.75%; or LIBOR plus 1% to 2.5%. At March 31, 1996 and 1997, the weighted average interest rate on notes payable to banks and institutions was 8.36% and 8.83%, respectively. At March 31, 1997, the rates on 45.5% of Adelphia's notes payable to banks and institutions were fixed for at least one year through the terms of the notes or interest rate swap agreements. During fiscal 1997, as a result of a bank refinancing, Adelphia recognized an extraordinary loss on early retirement of debt of $2,079 representing the write-off of unamortized debt financing costs.

12 1/2% Senior Notes due 2002

On May 14, 1992, Adelphia issued at face value to the public $400,000 aggregate principal amount of unsecured 12 1/2% Senior Notes due May 15, 2002. Interest is due on the notes semi-annually. The notes, which are effectively subordinated to all liabilities of the subsidiaries, contain restrictions on, among other things, the incurrence of indebtedness, mergers and sale of assets, certain restricted payments by Adelphia, investments in affiliates and certain other affiliate transactions. The notes further require that Adelphia maintain a debt to annualized operating cash flow ratio of not greater than 8.75 to 1.00, based on the latest fiscal quarter, exclusive of the incurrence of $50,000 in additional indebtedness which is not subject to the required ratio. Adelphia may redeem the notes in whole or in part on or after May 15, 1997, at 106% of principal, declining to 100% of principal on or after May 15, 1999. During fiscal 1997, $122,615 of notes were reacquired through open market purchases. As a result, Adelphia recognized an extraordinary loss on early retirement of debt of $9,631, which represents the excess of reacquisition cost over the net carrying value of the related debt.

10 1/4% Senior Notes due 2000

On July 28, 1993, Adelphia issued $110,000 aggregate principal amount of unsecured 10 1/4% Senior Notes due July 2000. Interest is due on the notes semi-annually. The notes which are effectively subordinated to all liabilities of the subsidiaries, contain restrictions and covenants similar to the restrictions on the 12 1/2% Senior Notes. The notes are not callable prior to the maturity date of July 15, 2000. During fiscal 1995, $10,000 of notes were reacquired through open market purchases.

9 7/8% Senior Notes due 2007

On February 26, 1997, Adelphia issued $350,000 of 9 7/8% Senior Notes (the "Senior Notes") in a private placement. Net proceeds, after payment of transaction costs, of approximately $340,000 were used to reduce amounts outstanding on Adelphia's subsidiaries' notes payable to banks and to purchase, redeem or otherwise retire a portion of Adelphia's 12 1/2% Senior Notes due 2002. Interest is payable semi-annually commencing September 1, 1997. The Senior Notes are unsecured and are due March 1, 2007. The notes, which are effectively subordinated to all liabilities of the subsidiaries, contain restrictions and covenants similar to the restrictions on the 12 1/2% Senior Notes. The indenture also provides for payment to the note holders of liquidated damages of up to 2% per annum of the Senior Notes principal if Adelphia does not file a registration statement, or cause such registration statement to become effective, within a prescribed time period with respect to an offer to exchange the Senior Notes for a new issue of debt securities registered under the Securities Act of 1933, with terms substantially the same as those of the Senior Notes. The new issue of debt securities is expected to be recorded at the same carrying value as the Senior Notes and, accordingly, no gain or loss is expected to be recognized.

11 7/8% Senior Debentures due 2004

On September 10, 1992, Adelphia issued to the public $125,000 aggregate principal amount of unsecured 11 7/8% Senior Debentures due September 2004. Interest is due on the debentures semi-annually. The debentures, which are effectively subordinated to all liabilities of the subsidiaries, contain restrictions and covenants similar to the restrictions on the 12 1/2% Senior Notes. Adelphia may redeem the debentures in whole or in part on or after September 15, 1999, at 104.5% of principal, declining to 100% of principal on or after September 15, 2002.

9 7/8% Senior Debentures due 2005

On March 11, 1993, Adelphia issued 9 7/8% Senior Debentures due March 2005 in the aggregate principal amount of $130,000. Interest on the debentures is payable semi-annually. The debentures, which are effectively subordinated to all liabilities of the subsidiaries, contain restrictions and covenants similar to the restrictions on the 12 1/2% Senior Notes. The debentures are not redeemable prior to the maturity date of March 1, 2005.

9 1/2% Senior Pay-In-Kind Notes due 2004

On February 15, 1994, Adelphia issued $150,000 aggregate principal amount of unsecured 9 1/2% Senior Pay-In-Kind Notes due February 2004. On or prior to February 1999, all interest on the notes, which is due semi-annually, may at the option of Adelphia be paid in cash or through the issuance of additional notes valued at 100% of their principal amount. The notes will bear cash interest from February 1999 through maturity. The notes, which are effectively subordinated to all liabilities of the subsidiaries, contain restrictions and covenants similar to the 12 1/2% Senior Notes. Adelphia may redeem the notes in whole or in part on or after February 15, 1999, at 103.56% of principal, declining to 100% of principal on or after February 15, 2002.

13% Senior Discount Notes of Unrestricted Subsidiary due 2003

On April 15, 1996, Hyperion Telecommunications, Inc. ("Hyperion"), an 88% owned subsidiary of Adelphia, realized proceeds, net of discounts, commissions and other transaction costs, of $168,600 upon issuance of $329,000 aggregate principal amount of 13% Senior Discount Notes (the "Hyperion Senior Notes") due April 15, 2003 and 329,000 warrants to purchase an aggregate of 613,427 shares of common stock of Hyperion expiring April 1, 2001. Proceeds of $11,087 were allocated to the value of the warrants. If all warrants were exercised, the warrants would represent approximately 5.71% of the common stock of Hyperion on a fully diluted basis. Proceeds, net of discounts, commissions, and other transaction costs were used to repay certain indebtedness to Adelphia, to make loans to certain key Hyperion officers and will be used to fund Hyperion's expansion of its existing markets, to complete construction of new networks and to enter additional markets, including related capital expenditures, working capital requirements, operating losses and investments in joint ventures.

Maturities of Debt

The following table sets forth the mandatory reductions in principal under all debt agreements for each of the next five years based on amounts outstanding at March 31, 1997:

1998	$164,931
1999	139,791
2000	79,403
2001	221,781
2002	190,905

The Company intends to fund its requirements for maturities of debt through borrowings under new and existing credit arrangements and internally generated funds. Changing conditions in the financial markets may have an impact on how Adelphia will refinance its debt in the future.

Interest Rate Swaps and Caps

Adelphia has entered into interest rate swap agreements and interest rate cap agreements with banks, Olympus and managed entities to reduce the impact of changes in interest rates on its debt. Several of Adelphia's credit arrangements include provisions which require interest rate protection for a portion of its debt. Adelphia enters into pay-fixed agreements to effectively convert a portion of its variable-rate debt to fixed-rate debt to reduce the risk of incurring higher interest costs due to rising interest rates. Adelphia enters into receive-fixed agreements to effectively convert a portion of its fixed-rate debt to a variable-rate debt which is indexed to LIBOR to reduce the risk of incurring higher interest costs in periods of falling interest rates. Interest rate cap agreements are used to reduce the impact of increases in interest rates on variable rate debt. Adelphia is exposed to credit loss in the event of nonperformance by the banks, by Olympus or by the managed entities. Adelphia does not expect any such nonperformance. The following table summarizes the notional amounts outstanding and weighted average interest rate data, based on variable rates in effect at March 31, 1996 and 1997, for these swaps and caps, all of which expire through 1998.

	March 31,	
	1996	1997
Pay Fixed Swaps:		
Notional amount	$ 416,000	$ 340,000
Average receive rate	5.60%	5.67%
Average pay rate	7.94%	7.64%
Receive Fixed Swaps:		
Notional amount	$ 108,500	$ 35,000
Average receive rate	6.66%	5.68%
Average pay rate	5.74%	5.50%
Interest Rate Caps:		
Notional amount	$ 50,000	$ 165,000
Average cap rate	9.00%	8.30%

During fiscal 1996, Adelphia received $11,526 upon termination of several interest rate swap agreements having a stated notional principal amount of $270,000. The amount received will be amortized as a reduction of interest expense through November 1998. At March 31, 1997, the unamortized balance is $5,645. Also during fiscal 1996, the Company received $4,900 and assumed the obligations as a counterparty under certain interest rate swap agreements with Olympus. These interest rate swap agreements have a notional principal amount of $140,000 and expire through November 1998.

4. Commitments and Contingencies:

Adelphia rents office and studio space, tower sites, and space on utility poles under leases with terms which are generally less than one year or under agreements that are generally cancelable on short notice. Total rental expense under all operating leases aggregated $4,356, $4,687 and $6,232 for the years ended March 31, 1995, 1996 and 1997, respectively.

In connection with certain obligations under franchise agreements, Adelphia obtains surety bonds guaranteeing performance to municipalities and public utilities. Payment is required only in the event of nonperformance. Management believes Adelphia has fulfilled all of its obligations such that no payments under surety bonds have been required.

The cable television industry and Adelphia are subject to extensive regulation at the federal, state and local levels. Pursuant to the 1992 Cable Act, which significantly expanded the scope of regulation of certain subscriber rates and a number of other matters in the cable industry the FCC has adopted rate regulations that establish, on a system-by-system basis, maximum allowable rates for (i) basic and cable programming services (other than programming offered on a per-channel or per-program basis), based upon a benchmark methodology, or, in the alternative, a cost of service showing, and (ii) associated equipment and installation services based upon cost plus a reasonable profit. Under the FCC rules, franchising authorities are authorized to regulate rates for basic services and associated equipment and installation services, and the FCC will regulate rates for regulated cable programming services in response to complaints filed with the agency. The original rate regulations became effective on September 1, 1993. Several amendments to the rate regulations have subsequently been added

The FCC has adopted regulations implementing all of the requirements of the 1992 Cable Act. The FCC is also likely to continue to modify, clarify or refine the rate regulations. The Telecommunications Act of 1996 (the "1996 Act") deregulates the rates for cable programming services on March 31, 1999. Adelphia cannot predict the effect or outcome of the future rulemaking proceedings, changes to the rate regulations, or litigation.

Effective September 1, 1993, as a result of the 1992 Cable Act, Adelphia repackaged certain existing cable services by adjusting rates for basic service and introducing a new method of offering certain cable services. Adelphia adjusted the basic service rates and related equipment and installation rates in all of their systems in order for such rates to be in compliance with the applicable benchmark or equipment and installation cost levels. Adelphia also implemented a program in all of their systems called "CableSelect" under which most of Adelphia's satellite-delivered programming services were offered individually on a per channel basis, or as a group at a price of approximately 15% to 20% below the sum of the per channel prices of all such services. Adelphia believed CableSelect provided increased programming choices to its subscribers while providing flexibility to Adelphia to respond to future changes in areas such as customer demand and programming. Adelphia no longer offers the CableSelect Program in any of its systems.

On November 18, 1994, the Cable Services Bureau of the FCC issued a decision holding that the CableSelect program was an evasion of the rate regulations and ordered this package to be treated as a regulated tier. This decision, and all other letters of inquiry decisions, were principally decided on the number of programming services moved from regulated tiers to "a la carte" packages. Adelphia appealed this decision to the full Commission which affirmed the Cable Service Bureau's decision On November 18, 1994, the FCC released amended rules under which, on a prospective basis, any a la carte package will be treated as a regulated tier, except for packages involving premium services. An appeal of this decision to the U.S. Court of Appeals for the D.C. Circuit was unsuccessful.

In fiscal 1996, Adelphia recorded a $5,300 charge representing management's estimate of the total costs to be incurred to resolve all of their rate complaints with the FCC. On May 1, 1997, Adelphia reached a settlement of all rate complaints before the FCC on terms and conditions consistent with certain other cable television companies that utilized a la carte packages that have reached settlement/resolution with the FCC on this issue. At March 31, 1997, $3,302 of the $5,300 charge remained in accrued interest and other liabilities, which management believes is adequate to cover the settlement. No assurance can be given as to what other future actions Congress, the FCC or other regulatory authorities may take or the effects thereof on Adelphia. Adelphia is currently unable to predict the effect that the amended regulations, future FCC treatment of a la carte packages or other future FCC rulemaking proceedings will have on their business and results of operations in future periods.

8. Stockholders' Equity (Deficiency)

Adelphia has no convertible securities or other common stock equivalent securities outstanding.

Stock Issued During Fiscal 1995

On January 10, 1995, Adelphia issued 399,087 shares of Class A Common Stock in connection with the acquisition of Oxford (see Note 1). On February 28, 1995, 1,000,000 shares of Class A Common Stock were sold to FPL Group, Inc. for $15.00 per share.

Stock Issued During Fiscal 1996

On April 3, 1995, Olympus purchased from Adelphia, through a charge to its receivable balance with Adelphia, 457,300 shares of Adelphia Class A Common Stock for $5,000. Olympus used the stock in the acquisition of the cable and security systems of WB Cable Associates, Ltd.

Stock Issued During Fiscal 1997

On February 10, 1997, Adelphia issued 766,871 shares of Class A Common Stock in connection with the acquisition of Small Cities (see Note 1).

Preferred Stock

The Certificate of Incorporation of Adelphia authorizes 5,000,000 shares of Preferred Stock, $.01 par value. None have been issued.

Common Stock

The Certificate of Incorporation of Adelphia authorizes two classes of common stock, Class A and Class B. Holders of Class A Common Stock and Class B Common Stock vote as a single class on all matters submitted to a vote of the stockholders, with each share of Class A Common Stock entitled to one vote and each share of Class B Common Stock entitled to ten votes, except (i) for the election of directors and (ii) as otherwise provided by law. In the annual election of directors, the holders of Class A Common Stock voting as a separate class, are entitled to elect one of Adelphia's directors. In addition, each share of Class B Common Stock is automatically convertible into a share of Class A Common Stock upon transfer, subject to certain limited exceptions. In the event a cash dividend is paid, the holders of Class A Common Stock will be paid 105% of the amount payable per share for each share of Class B Common Stock.

Upon liquidation, dissolution or winding up of Adelphia, the holders of Class A Common Stock are entitled to a preference of $1.00 per share. After such amount is paid, holders of Class B Common Stock are entitled to receive $1.00 per share. Any remaining amount would then be shared ratably by both classes.

Restricted Stock Bonus Plan

Adelphia has reserved 500,000 shares of Class A Common Stock for issuance to officers and other key employees at the discretion of the Compensation Committee of the Board of Directors. The bonus shares will be awarded without any cash payment by the recipient unless otherwise determined by the Compensation Committee. Shares awarded under the plan vest over a five year period. No awards have been made under the plan.

Stock Option Plan

Adelphia has a stock option plan, which provides for the granting of options to purchase up to 200,000 shares of Adelphia's Class A Common Stock to officers and other key employees of the Company and its subsidiaries. Options may be granted at an exercise price equal to the fair market value of the shares on the date of grant. The plan permits the granting of tax-qualified incentive stock options, in addition to non-qualified stock options. Options outstanding under the plan may be exercised by paying the exercise price per share through various alternative settlement methods. No stock options have been granted under the plan.

6. Employee Benefit Plans

Savings Plan

Adelphia has a savings plan (401(k)) which provides that eligible full-time employees may contribute from 2% to 16% of their pre-tax compensation subject to certain limitations. Adelphia makes matching contributions not exceeding 1.5% of each participant's pre-tax compensation. Adelphia's matching contributions amounted to $343, $350 and $638 for the years ended March 31, 1995, 1996 and 1997, respectively.

Hyperion Long-Term Incentive Compensation Plan

On October 3, 1996, Hyperion adopted its 1996 Long-Term Incentive Compensation Plan (the "1996 Plan"). The 1996 Plan provides for the granting of (i) options which qualify as "incentive stock options" within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended, (ii) options which do not so qualify, (iii) share awards (with or without restrictions on vesting), (iv) stock appreciation rights and (v) stock equivalent or phantom units. The number of shares of Hyperion Class A Common Stock available for issuance initially will be 1,750,000. Such number is to increase each year by 1% of outstanding shares of all classes of Hyperion Common Stock, up to a maximum of 2,500,000 shares. Options, awards and units may be granted under the 1996 Plan to directors, officers, employees and consultants. The 1996 Plan provides that incentive stock options must be granted with an exercise price of not less than the fair market value of the underlying Hyperion Common Stock on the date of grant. Options outstanding under the Plan may be exercised by paying the exercise price per share through various alternative settlement methods. On March 4, 1997 and April 1, 1997, Hyperion issued 104,000 shares and 18,000 shares, respectively, of its Class A Common Stock to Daniel R. Milliard pursuant to his employment agreement with Hyperion. No other stock options, stock awards, stock appreciation rights or phantom stock units have been granted under the Plan.

7. Taxes on Income

Adelphia and its corporate subsidiaries file a consolidated federal income tax return, which includes its share of the subsidiary partnerships and joint venture partnership results. At March 31, 1997, Adelphia had net operating loss carryforwards for federal income tax purposes of approximately $1.1 billion expiring through 2012. Depreciation and amortization expense differs for tax and financial statement purposes due to the use of prescribed periods rather than useful lives for tax purposes and also as a result of differences between tax basis and book basis of certain acquisitions

The tax effects of significant items comprising Adelphia's net deferred tax liability are as follows:

	1996	1997
Deferred tax liabilities:		
Differences between book and tax basis of property, plant and equipment and intangible assets	$ 234,312	$ 233,998
Deferred tax assets:		
Interest not currently deductible	14,467	55,786
Operating loss carryforwards	415,121	427,400
	429,588	483,186
Valuation allowance	(301,485)	(359,285)
Subtotal	128,103	123,901
Net deferred tax liability	$ 106,209	$110,097

The net change in the valuation allowance for the years ended March 31, 1996 and 1997 was an increase of $42,085 and $57,800, respectively.

Income tax benefit for the years ended March 31, 1995, 1996 and 1997 is as follows:

	Year Ended March 31,		
	1995	1996	1997
Current	$ (500)	$ (1,144)	$ (142)
Deferred	3,975	3,930	500
Total	$ 3,475	$ 2,786	$ 358

A reconciliation of the statutory federal income tax rate and Adelphia's effective income tax rate is as follows:

	Year Ended March 31,		
	1995	1996	1997
Statutory federal income tax rate	35%	35%	35%
Change in valuation allowance	(31%)	(37%)	(41%)
State taxes, net of federal benefit	4%	(1%)	6%
Other	(3%)	5%	—%
Effective income tax benefit rate	5%	2%	—%

8. Disclosures about Fair Value of Financial Instruments:

Included in Adelphia's financial instrument portfolio are cash, notes payable, debentures and interest rate swaps and caps. The carrying values of notes payable approximate their fair values at March 31, 1996 and 1997. The carrying cost of the publicly traded notes and debentures at March 31, 1996 and 1997 of $932,135 and $1,361,845, respectively, exceeded their fair value by $1,420 and $46,828, respectively. At March 31, 1996 and 1997, Adelphia would have been required to pay approximately $14,225 and $7,632, respectively, to settle its interest rate swap and cap agreements, representing the excess of carrying cost over fair value of these agreements. The fair values of the debt and interest rate swaps and caps were based upon quoted market prices of similar instruments or on rates available to Adelphia for instruments of the same remaining maturities.

9. Related Party Transactions:

Adelphia currently manages cable television systems which are principally owned by Olympus and limited partnerships in which certain of Adelphia's principal shareholders who are executive officers have equity interests.

Adelphia has agreements with Olympus and the managed partnerships which provide for the payment of fees to Adelphia. The aggregate fee revenues from

Olympus and the managed partnerships amounted to $7,293, $2,700 and $2,939 for the years ended March 31, 1995, 1996 and 1997, respectively. In addition, Adelphia was reimbursed by Olympus and managed partnerships for allocated corporate costs of $4,521, $7,517 and $6,335 for the years ended March 31, 1995, 1996 and 1997, respectively, which have been recorded as a reduction of selling, general and administrative expense.

Adelphia leases from a partnership and a corporation owned by principal shareholders who are executive officers support equipment under agreements which have been accounted for as capital leases. These obligations, which are included in other debt, amounted to $451 and $0 at March 31, 1996 and 1997, respectively. Adelphia also leases from this partnership certain buildings under operating leases. Rent expense under these operating leases aggregated $97, $127 and $133 for the years ended March 31, 1995, 1996 and 1997, respectively.

Net settlement amounts under interest rate swap agreements with Olympus and the managed partnerships, recorded as adjustments to interest expense during the period incurred, decreased Adelphia's interest expense by $173 for the year ended March 31, 1995 and increased interest expense by $826 and $50 for the years ended March 31, 1996 and 1997, respectively.

During the year ended March 31, 1997, Adelphia paid $2,563 to entities owned by certain shareholders of Adelphia primarily for property, plant and equipment.

10. Quarterly Financial Data (Unaudited):

The following tables summarize the financial results of Adelphia for each of the quarters in the years ended March 31, 1996 and 1997:

	Three Months Ended			
	June 30	September 30	December 31	March 31
Year ended March 31, 1996				
Revenues	$ 96,921	$ 97,082	$ 102,457	$ 107,137
Operating expenses:				
Direct operating and programming	28,922	29,630	32,066	33,898
Selling, general and administrative	16,570	17,110	16,981	17,396
Depreciation and amortization	27,024	26,165	25,679	31,563
Rate regulation	—	—	—	5,300
Total	73,016	72,905	74,726	88,157
Operating income	23,905	24,177	27,731	18,980
Other income (expense):				
Interest income from affiliates	3,410	3,370	2,087	1,748
Priority investment income from Olympus	6,575	6,575	6,575	10,127
Interest expense	(53,124)	(52,754)	(53,201)	(51,532)
Equity in loss of Olympus and other joint ventures	(10,257)	(8,704)	(8,127)	(13,797)
Equity in loss of nonconsolidated joint ventures	(797)	(845)	(1,509)	(1,141)
Total	(55,193)	(52,438)	(53,235)	(54,595)
Loss before income taxes	(31,288)	(28,253)	(27,504)	(35,615)
Income tax benefit	1,044	195	1,127	420
Net loss	$ (30,244)	$ (28,058)	$ (26,377)	$ (35,195)
Net loss per weighted average share of common stock	$ (1.15)	$ (1.07)	$ (1.00)	$ (1.34)
Weighted average shares of common stock outstanding (in thousands)	26,204	26,308	26,308	26,308

	Three Months Ended			
	June 30	September 30	December 31	March 31
Year ended March 31, 1997:				
Revenues	$ 111,011	$ 117,437	$ 122,127	$ 122,203
Operating expenses:				
Direct operating and programming	33,997	35,864	39,005	40,516
Selling, general and administrative	18,638	20,175	22,319	20,631
Depreciation and amortization	28,477	30,262	30,813	34,514
Total	80,712	86,301	92,137	95,661
Operating income	30,299	31,136	29,980	26,542
Other income (expense):				
Interest income from affiliates	2,049	2,163	2,098	2,057
Priority investment income from Olympus	9,817	10,273	10,542	11,454
Interest expense	(60,496)	(60,989)	(59,299)	(59,928)
Equity in loss of Olympus and other joint ventures	(13,011)	(11,916)	(14,061)	(12,958)
Equity in loss of Hyperion unconsolidated joint ventures	(1,636)	(1,362)	(2,145)	(2,080)
Gain on sale of investments	8,405	-	-	3,746
Total	(54,872)	(61,831)	(62,865)	(57,709)
Loss before income taxes and extraordinary loss	(24,573)	(30,675)	(32,875)	(31,167)
Income tax (expense) benefit	(166)	175	55	294
Loss before extraordinary loss	(24,739)	(30,500)	(32,820)	(30,873)
Extraordinary loss on early retirement of debt	(2,079)	—	—	(9,631)
Net loss	$ (26,818)	$ (30,500)	$(32,820)	$(40,504)
Loss per weighted average share of common stock before extraordinary loss	(.94)	(1.16)	(1.25)	(1.15)
Extraordinary loss per weighted average share on early retirement of debt	(.08)	—	—	(.36)
Net loss per weighted average share of common stock	$ (1.02)	$ (1.16)	$ (1.25)	$ (1.51)
Weighted average shares of common stock outstanding (in thousands)	26,308	26,300	26,308	26,726

11. Subsequent Events:

On May 20, 1997, Adelphia and its affiliates and Time Warner Cable companies entered into agreements involving a trade of cable systems in seven states covering approximately 250,000 subscribers, an exchange of interests in four Competitive Local Exchange Carrier ("CLEC") networks in New York state. Adelphia will exchange its systems serving 67,600 subscribers primarily in the Mansfield, Ohio area and cash for systems owned by Time Warner Cable companies serving 72,400 subscribers adjacent to systems owned or managed by Adelphia in Virginia, New England and New York. Also, Hyperion has agreed with a Time Warner company to an exchange of interests in four CLEC networks in New York. In this transaction, Hyperion will increase its interests in its Buffalo and Syracuse CLEC networks to 50% and 100%, respectively, and eliminate its interests in the Albany and Binghamton networks. Certain affiliates managed by Adelphia will exchange systems serving 49,700 subscribers in Syracuse, New York and Henderson, North Carolina for Time Warner cable systems serving 57,900 subscribers adjacent to systems owned or managed by Adelphia in western Pennsylvania and Virginia. Consummation of this transaction is subject to certain closing conditions and regulatory approval.

On June 6, 1997, Adelphia signed a letter of intent to establish a partnership into which Tele-Communications, Inc., ("TCI") will contribute its cable systems in Buffalo, New York; Erie, Pennsylvania; and Ashtabula and Lake County, Ohio, totaling 166,000 subscribers, and Adelphia will contribute its Western New York and Lorain, Ohio systems, totaling 298,000 subscribers. Upon closing of the transaction, TCI will hold a minority interest in the partnership. Adelphia will manage the partnership and expects to consolidate the partnership's results for financial reporting purposes. The venture will serve approximately 464,000 customers. Consummation of this transaction is subject to certain closing conditions and regulatory approval.

On June 11, 1997, Adelphia announced the sale of its interest in PageCall, Inc. to Benbow PCS Ventures, Inc. for a price of $16,500, payable in Series A Convertible Preferred Stock of Arch Communications Group, Inc. and cash. This transaction is subject to normal closing conditions and regulatory approval.

Stockholder Information

Annual Meeting of Stockholders

The 1997 annual meeting of stockholders of Adelphia Communications Corporation will be held at 10 a.m. on Monday, September 29, 1997 at the Coudersport Theater, Main Street, Coudersport, Pennsylvania.

CLASS A COMMON STOCK

Quarter Ended	High	Low
June 30, 1995	$10 [illegible]	$ 7 [illegible]
September 30, 1995	$11 [illegible]	$ 8 [illegible]
December 31, 1995	$ 9 [illegible]	$ 6 [illegible]
March 31, 1996	$ 8 [illegible]	$ 6 [illegible]
June 30, 1996	$ 7 [illegible]	$ 6 [illegible]
September 30, 1996	$11	$ 6 [illegible]
December 31, 1996	$10 [illegible]	$ 5 [illegible]
March 31, 1997	$ 7 [illegible]	$ 5 [illegible]

Common Stock Information

Adelphia's Class A Common Stock is listed for trading on the National Association of Securities Dealers Automated Quotations System National Market System (NASDAQ-NMS). Adelphia's NASDAQ-NMS symbol is "ADLAC."

The following table sets forth the range of high and low closing bid prices of the Class A Common Stock on NASDAQ/NMS. Such bid prices represent inter-dealer quotations, without retail mark-up, mark-down or commission, and may not necessarily represent actual transactions.

As of June 25, 1997, there were approximately 171 holders of record of Adelphia's Class A Common Stock. As of June 18, 1997, two record holders were registered clearing agencies holding Class A Common Stock on behalf of participants in such clearing agencies.

No established public trading market exists for Adelphia's Class B Common Stock. As of June 18, 1997, the Class B Common Stock was held of record by seven persons, principally members of the Rigas Family, including a Pennsylvania general partnership all of whose partners are members of the Rigas Family. The Class B Common Stock is convertible into shares of Class A Common Stock on a one-to-one basis. As of June 18, 1997 the Rigas Family owned 99.1% of the outstanding Class B Common Stock.

Dividend Policy

Adelphia has never paid a cash dividend on its common stock and anticipates that for the foreseeable future any earnings will be retained for use in its business. The ability of Adelphia to pay cash dividends on its common stock is limited by the provisions of its indentures. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources."

Securities Exchange Act Registration

Adelphia Communications Corporation's Class A Common Stock is registered pursuant to Section 12(g) of the Securities Act of 1934.

Annual Report on Form 10-K and Exhibits

Copies of Adelphia's Annual Report on Form 10-K (excluding exhibits) for the fiscal year ended March 31, 1997, as filed with the Securities and Exchange Commission, will be furnished free of charge, upon written request, to stockholders who have not previously received a copy from Adelphia. In addition, Adelphia will furnish any exhibit to its Annual Report on form 10-K upon payment of a fee limited to Adelphia's reasonable expenses in furnishing such exhibit upon written request. Written requests may be directed to the Secretary, Adelphia Communications Corporation, Main at Water Street, Coudersport, Pennsylvania 16915.

Registrar and Transfer Agent

The registrar and transfer agent for Adelphia is American Stock Transfer & Trust Company. All correspondence concerning stock transfers should be directed to them at 40 Wall Street, New York, New York 10005-2392.

Independent Auditors

Adelphia's independent auditors are Deloitte & Touche LLP, 2500 One PPG Place, Pittsburgh, Pennsylvania 15222-5401.

Executive Offices

Adelphia's executive offices are located at Main at Water Street, Coudersport, Pennsylvania 16915-0472 (telephone 814-274-9830).

Management Information

Board of Directors & Executive Officers

Dennis P. Coyle*
General Counsel and Secretary,
FPL Group, Inc. and
Florida Power & Light Company

Pete J. Metros*
President,
Rapistan Demag Corporation

James L. Gray**

Daniel R. Milliard
Senior Vice President and Corporate
Secretary, Adelphia Communications
Corporation, President, Hyperion
Telecommunications, Inc.

Perry S. Patterson*
Attorney at Law

John J. Rigas
Chairman, President and
Chief Executive Officer,
Adelphia Communications Corporation

Michael J. Rigas
Executive Vice President
Operations and Assistant Secretary
Adelphia Communications Corporation

Timothy J. Rigas
Executive Vice President,
Chief Financial Officer and Treasurer,
Adelphia Communications Corporation

James P. Rigas
Executive Vice President
Strategic Planning
Adelphia Communications Corporation

**Director only **Hyperion Telecommunications, Inc. — Director Only*

Corporate Management

Jeffrey L. Abbas
Senior Director of Programming

John A. Alpiaalp
Director of Programming

Anthony Accamando, Jr.
Vice President, Community Affairs

John M. Addeci
Director of Sales and Marketing

Larry Brett
Corporate Director of Operations

James R. Brown
Vice President, Finance

Leslie J. Brown
Assistant General Counsel

Randall D. Fisher
Vice President, Legal Affairs,
General Counsel and
Assistant Corporate Secretary

John B. Glicksman
Deputy General Counsel
for Operations

Colin H. Higgin
Deputy General Counsel and
Assistant Corporate Secretary

Athena Jamesson
Assistant General Counsel

James M. Kane
Director of Finance

Orby G. Kelley, Jr.
Vice President,
Administration/Labor Relations

William C. Kent
Corporate Director of Operations

Claire LaBrunette
Vice President,
International Development

Thomas J. Lamb
Senior Director of Management
Information Systems

Daniel R. Liberatore
Vice President
Engineering

Michael C. Mulcahey
Director of Accounting and
Assistant Treasurer

Jack A. Olsen
Vice President
Media Development

Kenneth L. Proud
Director of Product Management

Jorge D. Salinger
Director of Digital Services
and Networking

Joseph Selvage
Director of Network
CATV Development

Robert G. Wahl
Corporate Director of Operations

John Wattick
Director of Product Development

System Management

New England
Robert L. Snowdon
James C. Sweeney

Coastal New Jersey
William B. Scott

Ohio
Sebio DiLuciano

Pennsylvania
Lou A. Abraham
John F. Bradley, Jr.
Richard B. Conrad
Robert N. Hymson

Southeastern Florida
Mark P. Galloway
Lynn Wisselhuist

Virginia
Dell A. Hanely
Joseph Price

Western New York
Carmen Cipolla
Thomas M. Haywood
Mary Frances Sabin
Vincent Laurenda, Jr.
August Palmisano

Management of Hyperion Telecommunications, Inc.

Charles R. Drenning
Vice President,
Engineering Operations

Paul D. Fajerski
Vice President,
Marketing and Sales

Randolph S. Fowler
Vice President,
Business Development and
Regulatory Affairs

Edward E. Babcock
Vice President
Finance and
Chief Accounting Officer

Equal Employment Opportunity Policy

It is the policy of Adelphia Communications Corporation that equal opportunity in employment shall be afforded to all qualified persons and that there shall be no discrimination against any person in any aspect of employment because of race, color, religion, national origin, citizenship, age, sex, disability or any other legally protected class. To this end, Adelphia has established and will maintain and carry out a positive continuing program of specific practices designed to ensure equal opportunity in every aspect of cable system employment policy and practices. Randall D. Fisher, Vice President of Legal Affairs, has responsibility for administration of Adelphia's Equal Employment Opportunity Program, including hiring, training, and promotion activities related to equal employment opportunities.