** FLORIDA PUBLIC SERVICE COMMISSION **

DIVISION OF REGULATORY OVERSIGHT
CERTIFICATION SECTION

Application Form For Authority to Provide Interexchange Telecommunications Service Between Points Within the State of Florida

011640-TI

Instructions

- This form is used as an application for an original certificate and for approval of the assignment or transfer of an existing certificate. In the case of an assignment or transfer, the information provided shall be for the assignee or transferee (See Page 16).

- Print or Type all responses to each item requested in the application and appendices. If an item is not applicable, please explain why.

- Use a separate sheet for each answer which will not fit the allotted space.

- Once completed, submit the original and six (6) copies of this form along with a non-refundable application fee of **$250.00** to:

  Florida Public Service Commission
  Division of Records and Reporting
  2540 Shumard Oak Blvd.
  Tallahassee, Florida 32399-0850
  (850) 413-6770

  Note: **No filing fee is required** for an assignment or transfer of an existing certificate to another certificated company.

- If you have questions about completing the form, contact:

  Florida Public Service Commission
  Division of Regulatory Oversight
  Certification Section
  2540 Shumard Oak Blvd.
  Tallahassee, Florida 32399-0850
  (850) 413-6480

FORM PSC/CMU 8 (12/96)
Required by Commission Rule Nos. 25-24.470, 25-24.471, and 25-24.473, 25-24.480(2)

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

(√) **Original certificate** (new company).

(   ) **Approval of transfer of existing certificate:** Example, a non-certificated company purchases an existing company and desires to retain the original certificate of authority.

(   ) **Approval of assignment of existing certificate:** Example, a certificated company purchases an existing company and desires to retain the certificate of authority of that company.

(   ) **Approval of transfer of control:** Example, a company purchases 51% of a certificated company. The Commission must approve the new controlling entity.

2. Name of company:

Adelphia Business Solutions Investment East, LLC ("ABS East" or "Applicant")

3. Name under which the applicant will do business (fictitious name, etc.):

Adelphia Business Solutions Investment East, LLC

4. Official mailing address (including street name & number, post office box, city, state, zip code):

Adelphia Business Solutions, Inc.
One North Main Street
Coudersport, Pennsylvania 16915

5. Florida address (including street name & number, post office box, city, state, zip code):

ABS East will have offices at:
1800 Pembrooke Drive, Suite 200, Orlando, Florida 32810;
2400 N. Commerce Parkway, Suite 200, Westin, Florida 33326; and
Two Harbour Place, 302 Knights Run Avenue, Suite 1025, Tampa, Florida 33602.

6. Select what type of business your company will be conducting (check all that apply):

(√) **Facilities-based carrier** - company owns and operates or plans to own and operate telecommunications switches and transmission facilities in Florida.

( ) **Operator Service Provider** - company provides or plans to provide alternative operator services for IXCs; or toll operator services to call aggregator locations; or clearinghouse services to bill such calls.

(√) **Reseller** - company has or plans to have one or more switches, but primarily leases the transmission facilities of other carriers. Bills its own customer base for services used.

( ) **Switchless Rebiller** - company has no switch or transmission facilities, but may have a billing computer. Aggregates traffic to obtain bulk discounts from underlying carrier. Rebills end users at a rate above its discount, but generally below the rate end users would pay for unaggregated traffic.

( ) **Multi-Location Discount Aggregator** - company contracts with unaffiliated entities to obtain bulk/volume discounts under multi-location discount plans from certain underlying carriers, then offers the resold service by enrolling unaffiliated customers.

( ) **Prepaid Debit Card Provider** - any person or entity that purchases 800 access from an underlying carrier or unaffiliated entity for use with prepaid debit card service and/or encodes the cards with personal identification numbers.

7. Structure of organization:

( ) Individual	( ) Corporation
( ) Foreign Corporation	( ) Foreign Partnership
( ) General Partnership	( ) Limited Partnership

(√) Other: Virginia limited liability company

8. **If individual, provide:**

Name: Not Applicable.

Title: ______

Address: ______

City/State/Zip: ______

Telephone No.: ______ **Fax No.:** ______

Internet E-Mail Address: ______

Internet Website Address: ______

9. **If incorporated in Florida,** provide proof of authority to operate in Florida:

Please find ABD East's authority to transact business in Florida appended hereto as Attachment F.

(a) **The Florida Secretary of State corporate registration number:**

Not Applicable.

10. **If foreign corporation,** provide proof of authority to operate in Florida:

Please see Attachment F.

(a) **The Florida Secretary of State corporate registration number:**

ABS East is a Virginia limited liability company. ABS East's Florida Secretary of State registration number is : M01000002270.

11. **If using fictitious name-d/b/a,** provide proof of compliance with fictitious name statute (Chapter 865.09, FS) to operate in Florida:

Not Applicable.

(a) **The Florida Secretary of State fictitious name registration number:**

Not Applicable.

12. **If a limited liability partnership,**provide proof of registration to operate in Florida:

(a) **The Florida Secretary of State registration number:**

Not Applicable.

13. **If a partnership**, provide name, title and address of all partners and a copy of the partnership agreement.

Name: Not Applicable.

Title: ______

Address: ______

City/State/Zip: ______

Telephone No.: ______ **Fax No.:** ______

Internet E-Mail Address: ______

Internet Website Address: ______

14. **If a foreign limited partnership,** provide proof of compliance with the foreign limited partnership statute (Chapter 620.169, FS), if applicable.

    (a) **The Florida registration number:** Not Applicable.

15. Provide **F.E.I. Number** (if applicable): 25-1895664

16. Provide the following (if applicable):

    (a) Will the name of your company appear on the bill for your services?
    (√) YES ( ) NO

    (b) If not, who will bill for your services?

Name: ______

Title: ______

Address: ______

City/State/Zip: ______

Telephone No.: ______ **Fax No.:** ______

(c) How is this information provided?

ABS East will directly bill its customers for telecommunications services provided in Florida.

17. Who will receive the bills for your service?

(√) Residential Customers
( ) PATS Providers
( ) Hotels and Motels
(√) Universities
( ) Other: (specify)
(√) Business Customers
( ) PATS Station End-Users
( ) Hotel and Motel Guests
( ) Univ. Dormitory Residents

18. Who will serve as liaison to the Commission with regard to the following?

(a) The application:

Name: Russell M. Blau/Michael P. Donahue

Title: Counsel for Adelphia Business Solutions Investment East, LLC

Address: Swidler Berlin Shereff Friedman, LLP, 3000 K Street, N.W., Suite 300

City/State/Zip: Washington, D.C. 20007-5116

Telephone No.: (202) 424-7500 **Fax No.:** (202) 295-8478

Internet E-Mail Address: mpdonahue@swidlaw.com

Internet Website Address: www.swidlaw.com

(b) Official point of contact for the ongoing operations of the company:

Name: Terry Romine, Esq.
Title: Director, Legal and Regulatory Affairs

Address: One North Main Street
City/State/Zip: Coudersport, Pennsylvania 16915

Telephone No.: (814) 260-3143 **Fax No.:** (814) 274-8243
Internet E-Mail Address: terry.romine@adelphia.com
Internet Website Address: www.adelphia.com

(c) Complaints/Inquiries from customers:

Name: Terry Romine, Esq.
Title: Director, Legal and Regulatory Affairs

Address: One North Main Street
City/State/Zip: Coudersport, Pennsylvania 16915

Telephone No.: (814) 260-3143 **Fax No.:** (814) 274-8243
Internet E-Mail Address: terry.romine@adelphia.com
Internet Website Address: www.adelphia.com

19. List the states in which the applicant:

(a) has operated as an interexchange telecommunications company.

None

(b) has applications pending to be certificated as an interexchange telecommunications company.

ABS East is currently in the process of obtaining certification to provide facilities-based and resold interexchange services in Pennsylvania and Virginia.

(c) is certificated to operate as an interexchange telecommunications company.

None.

(d) has been denied authority to operate as an interexchange telecommunications company and the circumstances involved.

Applicant has not been denied authority to operate as a telecommunications company.

(e) has had regulatory penalties imposed for violations of telecommunications statutes and the circumstances involved.

No, Applicant has not had regulatory penalties imposed for violations of telecommunications statutes.

(f) has been involved in civil court proceedings with an interexchange carrier, local exchange company or other telecommunications entity, and the circumstances involved.

No, Applicant has not been involved in civil court proceedings with an interexchange carrier, local exchange company or other telecommunications entity.

20. Indicate if any of the officers, directors, or any of the ten largest stockholders have previously been:

(a) 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.

None of ABS East's officers, directors, or ten largest stockholders have previously been adjudged bankrupt, mentally incompetent, or found guilty of any felony or crime, nor are any such proceedings pending.

(b) an officer, director, partner or stockholder in any other Florida certificated telephone company. If yes, give name of company and relationship. If no longer associated with company, give reason why not.

The officers and directors ultimately responsible for ABS East's operations in Florida are the officers and directors of its corporate parent, Adelphia Business Solutions, Inc. ("Adelphia"). Adelphia is also the ultimate corporate parent, and it officers and directors are responsible for the day-to-day management, of Adelphia Business Solutions of Florida, Inc, Adelphia Business Solutions of Jacksonville, Inc., and Adelphia Business Solutions Invest ment, LLC.

21. The applicant will provide the following interexchange carrier services (check all that apply):

Applicant will provide the same interexchange carrier services currently provided by its affiliates, Adelphia Business Solutions of Jacksonville, Inc. and Adelphia Business Solutions Investment, LLC pursuant to the same rates, terms and conditions. For purposes of Applicant's response to this question, Applicant directs the Commission to the current effective tariffs of Adelphia Business Solutions of Jacksonville, Inc. and Adelphia Business Solutions Investment, LLC and respectfully requests the Commission incorporate those tariffs herein. To the extent the Commission requests additional information, Applicant will submit such information under separate cover.

a. ________ **MTS with distance sensitive per minute rates**

_____ Method of access is FGA
_____ Method of access is FGB
_____ Method of access is FGD
_____ Method of access is 800

b. ________ **MTS with route specific rates per minute**

_____Method of access is FGA
_____Method of access is FGB
_____Method of access is FGD
_____Method of access is 800

c. ________ **MTS with statewide flat rates per minute (i.e. not distance sensitive)**

_____Method of access is FGA
_____Method of access is FGB
_____Method of access is FGD
_____Method of access is 800

d. ________ **MTS for pay telephone service providers**

e. ________ **Block-of-time calling plan (Reach Out Florida, Ring America, etc.).**

f. ________ **800 Service (toll free)**

g. ________ **WATS-type Service (bulk or volume discount)**

_____Method of access is via dedicated facilities
_____Method of access is via switched facilities

h. ________ **Private Line Services (channel services)** (For ex. 1.544 Mbs., DS-3, etc.)

i. ________ **Travel Service**

_____Method of access is 950
_____Method of access is 800

j. ________ **900 Service**

k. ________ **Operator Services**

_____ Available to presubscribed customers
_____Available to non-presubscribed customers (for example, to patrons of hotels, students in universities, patients in hospitals).
_____Available to inmates

l. ________ **Services included are:**

_____Station assistance
_____Person-to-Person assistance
_____Directory assistance
_____Operator verify and interrupt
_____Conference calling

22. Submit the proposed tariff under which the company plans to begin operation. Use the format required by Commission Rule 25-24.485 (example enclosed).

ABS East intends to adopt the rates terms and conditions currently offered by Adelphia Business Solutions of Florida, Inc., and, upon approval of this applica tion, will file its tariff incorporating those rates, terms and conditions.

23. Submit the following:

A. **Managerial capability:** give resumes of employees/officers of the company that would indicate sufficient managerial experiences of each.

Please see Attachment D

B. **Technical capability:** give resumes of employees/officers of the company that would indicate sufficient technical experiences or indicate what company has been contracted to conduct technical maintenance.

Please see Attachment D.

C. **Financial capability.**

The application **should contain** the applicant's audited financial statements for the most recent 3 years. If the applicant does not have audited financial statements, it shall so be stated.

Please see attached as Attachment E hereto relevant portions of the SEC 10-K of ABS East's ultimate parent company, Adelphia, which contains audited financial statements. ABS East will rely upon the financial resources of its ulti mate parent company, Adelphia, to provide capital investment and to fund any operating costs. Adelphia will finance ABS East's initial operations and will con tinue to provide financial support to ABS East so long as ABS East requires ad ditional capital and resources to complete its network and construct facilities.

The unaudited financial statements should be signed by the applicant's chief executive officer and chief financial officer affirming that the financial statements are true and correct and should include:

1. the balance sheet;
2. income statement; and
3. statement of retained earnings.

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.*

Further, the following (which includes supporting documentation) should be provided:

1. **A written explanation** that the applicant has sufficient financial capability to provide the requested service in the geographic area proposed to be served.

   Please see Attachment E.

2. **A written explanation** that the applicant has sufficient financial capability to maintain the requested service.

   Please see Attachment E.

3. **A written explanation** that the applicant has sufficient financial capability to meet its lease or ownership obligations.

   Please see Attachment E.

THIS PAGE MUST BE COMPLETED AND SIGNED

APPLICANT ACKNOWLEDGMENT STATEMENT

1. **REGULATORY ASSESSMENT FEE:** I understand that all telephone companies must pay a regulatory assessment fee in the amount of .15 of one percent of gross operating revenue derived from intrastate business. Regardless of the gross operating revenue of a company, a minimum annual assessment fee of $50 is required.

2. **GROSS RECEIPTS TAX:** I understand that all telephone companies must pay a gross receipts tax of two and one-half percent on all intra and interstate business.

3. **SALES TAX:** I understand that a seven percent sales tax must be paid on intra and interstate revenues.

4. **APPLICATION FEE:** I understand that a non-refundable application fee of $250.00 must be submitted with the application.

UTILITY OFFICIAL:

JOHN GLICKSMAN
Print Name V.P. AND GENERAL COUNSEL

Signature [signature]

Title

Date 12-4-01

814-274-9830
Telephone No.

Fax No. 814-274-8243

Address: One North Main Street

Coudersport, Pennsylvania 16915

FORM PSC/CMU 8 (11/95)
Required by Commission Rule Nos. 25-24.805, 25-24.810, and 25-24.815

THIS PAGE MUST BE COMPLETED AND SIGNED

CUSTOMER DEPOSITS AND ADVANCE PAYMENTS

A statement of how the Commission can be assured of the security of the customer's deposits and advance payments may be provided in one of the following ways (applicant, please check one):

(√) The applicant will **not** collect deposits nor will it collect payments for service more than one month in advance.

( ) The applicant intends to collect deposits and/or advance payments for more than one month's service and will file and maintain a surety bond with the Commission in an amount equal to the current balance of deposits and advance payments in excess of one month. (The bond must accompany the application.)

UTILITY OFFICIAL:

JOHN GLICKSMAN
Print Name V.P. AND GENERAL COUNSEL

[signature]
Signature

Title

12-4-01
Date

814-274-9830
Telephone No.

814-274-8243
Fax No.

Address: One North Main Street

Coudersport, Pennsylvania 16915

FORM PSC/CMU 31 (12/96)
Required by Commission Rule Nos. 25.24-470, 25-24.471, and 25-24.473, 25-24.480(2).

THIS PAGE MUST BE COMPLETED AND SIGNED

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 interexchange company 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."

<u>UTILITY OFFICIAL:</u>

JOHN GLICKSMAN
Print Name V.P. AND GENERAL COUNSEL

Signature [signature]

Title

12-4-01
Date

814-274-9830
Telephone No.

814-274-8243
Fax No.

Address: One North Main Street

Coudersport, Pennsylvania 16915

CURRENT FLORIDA INTRASTATE SERVICES

Applicant **has** ( ) or **has not** (√) previously provided intrastate telecommunications in Florida.

If the answer is has, fully describe the following:

a) What services have been provided and when did these services begin?

b) If the services are not currently offered, when were they discontinued?

UTILITY OFFICIAL:

JOHN GLICKSMAN
Print Name V.P. AND GENERAL COUNSEL

Signature

Title

12-4-01
Date

814-274-9830
Telephone No.

814-274-8243
Fax No.

Address: One North Main Street

Coudersport, Pennsylvania 16915

FORM PSC/CMU 31 (12/96)
Required by Commission Rule Nos. 25.24-470, 25-24.471, and 25-24.473, 25-24.480(2).

CERTIFICATE TRANSFER, OR ASSIGNMENT STATEMENT

*** NOT APPLICABLE. ABS EAST IS APPLYING FOR ORIGINAL AUTHORITY.**

I, (Name) ,

(Title) ______________ of

(Name of Company) ______________________________________

and current holder of Florida Public Service Commission Certificate Number

, have reviewed this application and join in the petitioner's request for a:

( ) transfer

( ) assignment

of the above-mentioned certificate.

UTILITY OFFICIAL

JOHN GLICKSMAN
Print Name V.P. AND GENERAL COUNSEL

Signature

Title

12-4-01
Date

814-274-9830
Telephone Number

814-274-8243
Fax No.

Address: 1 North Main St.
Coudersport PA 16915

FORM PSC/CMU 31 (12/96)
Required by Commission Rule Nos. 25.24-470, 25-24.471, and 25-24.473, 25-24.480(2).

ATTACHMENT D

Managerial and Technical Qualifications of
Key Personnel for Adelphia Business Solutions Investment East, LLC

Managerial and Technical Qualifications of Key Personnel for Adelphia Business Solutions Investment East, LLC

John J. Rigas

John J. Rigas is the Chairman of the Board and a Director of Adelphia. 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 Bank Corp., Inc., Coudersport, Pennsylvania and a member of the Board of Directors of the Charles Cole Memorial Hospital. He is a director of the National Cable Television Association and a member of its Pioneer 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.

Michael J. Rigas

Michael J. Rigas is Secretary and a Director of Adelphia. He has been with Adelphia since 1981. 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.

James P. Rigas

James P. Rigas is Executive Vice President and a Director of Adelphia. He has been with the Company since 1986. 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.

Timothy J. Rigas

Timothy J. Rigas is Executive Vice President/Treasurer and a Director of Adelphia. He has been with the Company since 1979. Mr. Rigas graduated from the University of Pennsylvania, Wharton School, with a B.S. degree in Economics (cum laude) in 1978.

Edward E. Babcock, Jr.

Edward E. Babcock, Jr., Vice President, Finance and Assistant Secretary of Adelphia, first held the position of Director of Financial Administration and Chief Accounting Officer when he joined the Company in May 1995. Prior to joining Adelphia, Mr. Babcock served as the Vice President of Finance and Administration of Pure Industries and spent eight years in the Pittsburgh office of Deloitte & Touche, LLP. Mr. Babcock received his B.S. degree in Accounting from Pennsylvania State University in 1984.

ATTACHMENT E

Financial Qualifications Written Explanation

ABS East is financially qualified to provide and maintain its telecommunications services throughout the State of Florida. In particular, Applicant has adequate access to financing and capital necessary to conduct its telecommunications operations as specified in this Application. ABS East will rely upon the financial resources of its ultimate parent company, ABSI, to provide capital investment and to fund any operating costs. ABSI will finance ABS East's initial operations and will continue to provide financial support to ABS East so long as ABS East requires additional capital and resources to complete its network and construct facilities.

In support of its application, ABS East attaches relevant portions of the most recent SEC Form 10-K of its parent, Adelphia Business Solutions, Inc., which contains audited financial statements. The exhibit is offered to demonstrate Applicant's financial ability to provide the proposed services. With the resources of ABSI, ABS East possesses the sound financial resources necessary to effectively procure, install, and operate the facilities and services requested in this Application.

Pursuant to Commission rules, by our signatures below we, the undersigned executive officers responsible for the operation of Adelphia Business Solutions, Inc., guaranty the financial performance of Adelphia Business Solutions Investment East, LLC and attest to the accuracy of the financial statements included in this Attachment D to the Application. Further, we declare that to the best of our knowledge the information is true and correct.

President ~~and Treasurer~~

Executive Vice President and Secretary

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UNITED STATES
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 Year Ended December 31, 2000

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange
--- Act of 1934 for the transition period.

Commission File Number: 000-21605

ADELPHIA BUSINESS SOLUTIONS, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	25-1669404 (I.R.S. Employer Identification No.)
One North Main Street Coudersport, PA (Address of principal executive offices)	16915-1141 (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, $0.01 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

Aggregate market value of outstanding Class A Common Stock par value $0.01 and Class B Common Stock, par value $0.01, held by non-affiliates of the registrant at March 28, 2001 was approximately $125 million based on the closing sale price of the Class A Common Stock as computed by the NASDAQ National Market system as of that date. For purposes of this calculation only, affiliates are deemed to be Adelphia Communications Corporation and the directors and executive officers of the Registrant.

At March 28, 2001, 47,742,758 shares of Class A Common Stock, par value $0.01, and 86,603,483 shares of Class B Common Stock, par value $0.01, of the registrant were outstanding.

Documents Incorporated by Reference: Portions of the Proxy Statement for the 2001 Annual Meeting of Stockholders are or may be incorporated by reference into rules for revenue recognition. SAB No. 101 was adopted by the Company in the fourth quarter of 2000. The Company's revenue recognition policy did not change with the adoption of SAB No. 101.

Impact of Inflation

The Company does not believe that inflation has had a significant impact on the Company's consolidated operations or on the operations of the joint ventures in the nine months ended December 31, 1998 and the years ended December 31, 1999 and 2000

ITEM 7A. QUANITITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Company uses fixed rate debt to fund its working capital requirements, capital expenditures and acquisitions. These debt arrangements expose the Company to market risk related to changes in interest rates. The table below summarizes the fair values and contract terms of the Company's financial instruments subject to interest rate risk as of December 31, 2000.

	Expected Maturity							
	2001	2002	2003	2004	2005	Thereafter	Total	Fair Value
Fixed Rate Debt and Redeemable Preferred Stock:	$ ---	$ ---	$ 303,840	$ 250,000	$ ---	$ 597,067	$1,150,907	$ 655,385
Average Interest Rate	12.54%	12.54%	12.44%	12.39%	12.44%	12.40%	---	---
Fixed Rate Non Public Debt:	$ ---	$ ---	$ 18,068	$ 38,409	$ 48,636	$ 394,887	$ 500,000	$ 500,000
Average Interest Rate	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	---	---

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

ADELPHIA BUSINESS SOLUTIONS, INC. AND SUBSIDIARIES

INDEX TO CONSOLDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

Adelphia Business Solutions, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of Adelphia Business Solutions, Inc. and Subsidiaries as of December 31, 1999 and 2000, and the related consolidated statements of operations, of common stock and other stockholders' equity (deficiency) and of cash flows for the nine months ended December 31, 1998 and the years ended December 31, 1999 and 2000. Our audits also included the financial statement schedule listed in the Index at Item 14. These financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Business Solutions, Inc. and subsidiaries as of December 31, 1999 and 2000, and the results of their operations and their cash flows for the nine months ended December 31, 1998 and the years ended December 31, 1999 and 2000 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/DELOITTE & TOUCHE LLP

Pittsburgh, Pennsylvania
March 22, 2001

ADELPHIA BUSINESS SOLUTIONS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except per share amounts)

	December 31, 1999	December 31, 2000
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,133	$ 3,543
Due from parent - net	392,629	--

Due from affiliate - net	6,230	--
Accounts receivable - net	68,075	79,650
Other current assets	9,852	14,936
Total current assets	478,919	98,129
U.S. government securities - pledged	29,899	--
Restricted cash	--	54,178
Investments	44,066	48,409
Property, plant and equipment - net	943,756	1,534,612
Other assets - net	67,063	154,138
Total	$ 1,563,703	$ 1,889,466
LIABILITIES, PREFERRED STOCK, COMMON STOCK AND OTHER STOCKHOLDERS' EQUITY (DEFICIENCY)		
Current liabilities:		
Accounts payable	$ 150,151	$ 158,249
Due to parent - net	--	1,544
Due to affiliates - net	--	8,067
Accrued interest	16,566	31,011
Accrued interest - parent	--	7,003
Other current liabilities	11,029	13,339
Total current liabilities	177,746	219,213
13% Senior Discount Notes due 2003	253,860	291,891
12 1/4% Senior Secured Notes due 2004	250,000	250,000
12% Senior Subordinated Notes due 2007	300,000	300,000
Note payable	--	500,000
Other debt	41,318	48,565
Total liabilities	1,022,924	1,609,669
12 7/8% Senior Exchangeable Redeemable Preferred Stock	260,848	297,067
Commitments and contingencies (Note 7)		
Common stock and other stockholders' equity (deficiency)		
Class A common stock, $0.01 par value, 800,000,000 shares authorized, 34,066,587 and 35,848,366 shares outstanding, respectively	341	358
Class B common stock, $0.01 par value, 400,000,000 shares authorized, 35,371,459 and 35,143,859 shares outstanding, respectively	354	351
Additional paid in capital	666,021	678,140
Class B common stock warrants	2,177	1,022
Unearned stock compensation	(5,715)	(4,070)
Accumulated deficit	(383,247)	(693,071)
Total common stock and other stockholders' equity (deficiency)	279,931	(17,270)
Total	$ 1,563,703	$ 1,889,466

See notes to consolidated financial statements

ADELPHIA BUSINESS SOLUTIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except per share amounts)

	Nine Months Ended December 31, 1998	Year Ended December 31, 1999	Year Ended December 31, 2000
Revenues	$ 34,776	$ 154,575	$ 351,974
Operating expenses:			
Network operations	18,709	58,525	183,314
Selling, general and administrative	35,341	142,615	277,198
Restructuring charges	--	--	5,420
Depreciation and amortization	26,671	65,244	114,614
Total	80,721	266,384	580,546
Operating loss	(45,945)	(111,809)	(228,572)
Other income (expense):			
Interest income	10,233	19,933	3,900
Interest income - affiliate	8,395	8,483	6,282
Interest expense	(38,638)	(74,314)	(81,573)
Interest expense - affiliate	--	--	(7,003)
Other income	1,113	--	--
Loss before income taxes, equity in net loss of joint ventures and extraordinary gain	(64,842)	(157,707)	(306,966)
Income tax expense	--	(1)	--
Loss before equity in net loss of joint ventures and extraordinary gain	(64,842)	(157,708)	(306,966)
Equity in net loss of joint ventures	(9,580)	(7,758)	(2,858)
Loss before extraordinary gain	(74,422)	(165,466)	(309,824)
Extraordinary gain on repurchase of debt	237	--	--
Net loss	(74,185)	(165,466)	(309,824)
Dividend requirements applicable to preferred stock	(21,117)	(31,618)	(35,665)
Net loss applicable to common stockholders	$ (95,302)	$(197,084)	$(345,489)
Basic and diluted net loss per weighted average share of common stock before extraordinary gain	$ (1.81)	$ (3.47)	$ (4.93)
Basic and diluted extraordinary gain on repurchase of debt per weighted average share of common stock	0.01	--	--
Basic and diluted net loss per weighted average share of common stock	$ (1.80)	$ (3.47)	$ (4.93)

Weighted average shares of common stock outstanding (in thousands)	53,035	56,739	70,088
	=========	=========	=========

See notes to consolidated financial statements

ADELPHIA BUSINESS SOLUTIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMMON STOCK
AND OTHER STOCKHOLDERS' EQUITY (DEFICIENCY)
(Dollars in thousands, except per share amounts)

	Class A Common Stock	Class B Common Stock	Additional Paid-in Capital	Class A Common Stock Warrant	Class B Common Stock Warrant	Loans to Shareholders	Unearned Stock Compensation	Accumulated Deficit	Total
Balance, March 31, 1998	$ 4	$ 325	$ 179	$ 13,000	$ 11,087	$ (3,000)	$ ---	$ (140,586)	$ (118,991)
Proceeds from issuance of Class A common stock	129	---	190,731	---	---	---	---	---	190,860
Proceeds from issuance of Class A common stock to Adelphia	33	---	49,827	---	---	---	---	---	49,860
Exercise of Class A common stock warrant	7	---	12,993	(13,000)	---	---	---	---	---
Conversion of note and payables to Adelphia to Class A common stock	36	---	44,222	---	---	---	---	---	44,258
Exercise of Class B common stock warrants	---	8	6,596	---	(6,604)	---	---	---	---
Conversion of Class B common stock to Class A common stock	10	(10)	---	---	---	---	---	---	---
Repayment of loan to shareholders	---	---	---	---	---	3,000	---	---	3,000
Dividend requirements applicable to preferred stock	---	---	(18,168)	---	---	---	---	(2,949)	(21,117)
Other	---	---	(353)	---	---	---	---	(61)	(414)
Issuance of Class A common stock bonus	5	---	755	---	---	---	---	---	760
Net loss	---	---	---	---	---	---	---	(74,185)	(74,185)
Balance, December 31, 1998	224	323	286,782	---	4,483	---	---	(217,781)	74,031
Proceeds from issuance of Class A common stock	88	---	252,766	---	---	---	---	---	252,854
Proceeds from issuance of Class B common stock	---	52	149,948	---	---	---	---	---	150,000
Exercise of Class B common stock warrants	---	3	2,303	---	(2,306)	---	---	---	---
Conversion of Class B common stock to Class A common stock	24	(24)	---	---	---	---	---	---	---
Unearned stock compensation	4	---	6,396	---	---	---	(5,715)	---	685
Dividend requirements applicable to preferred stock	---	---	(31,618)	---	---	---	---	---	(31,618)
Other	1	---	(556)	---	---	---	---	---	(555)
Net loss	---	---	---	---	---	---	---	(165,466)	(165,466)
Balance, December 31, 1999	$ 341	$ 354	$ 666,021	$ ---	$ 2,177	$ ---	$ (5,715)	$ (383,247)	$ 279,931

See notes to consolidated financial statements

ADELPHIA BUSINESS SOLUTIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMMON STOCK
AND OTHER STOCKHOLDERS' EQUITY (DEFICIENCY) (continued)
(Dollars in thousands, except per share amounts)

	Class A Common Stock	Class B Common Stock	Additional Paid-in Capital	Class A Common Stock Warrant	Class B Common Stock Warrant	Loans to Shareholders	Unearned Stock Compensation	Accumulated Deficit	Total
Balance, December 31, 1999	$ 341	$ 354	$ 666,021	$ ---	$ 2,177	$ ---	$ (5,715)	$ (383,247)	$ 279,931
Exercise of Class A common stock warrant	9	---	5,612	---	---	---	---	---	5,621
Exercise of Class B common stock warrant	---	1	1,154	---	1,155	---	---	---	---
Conversion ofClass B common stock to Class A common stock	4	(4)	---	---	---	---	---	---	---
Vesting of stock compensation	---	---	---	---	---	---	1,645	---	1,645
Issuance of Class A common stock bonus	1	---	401	---	---	---	---	---	402
Excess of sales price over carrying value of networks sold	---	---	34,255	---	---	---	---	---	34,255
Issuance of Class A common stock for purchase of telecommunications network	3	---	6,928	---	---	---	---	---	6,931
Dividend requirements applicable to preferred stock	---	---	(35,665)	---	---	---	---	---	(35,665)
Other	---	---	(566)	---	---	---	---	---	(566)
Net loss	---	---	---	---	---	---	---	(309,824)	(309,824)
Balance, December 31, 2000	$ 358	$ 351	$ 678,140	$ ---	$ 1,022	$ ---	$ (4,070)	$ (693,071)	$ (17,270)

See notes to consolidated financial statements

ADELPHIA BUSINESS SOLUTIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

	Nine Months Ended December 31, 1998	Year Ended December 31, 1999	Year Ended December 31, 2000
Cash flows from operating activities:			
Net loss	$ (74,185)	$(165,466)	$(309,824)
Adjustments to reconcile net loss to net cash provided by (used in)operating activities:			
Depreciation	23,838	59,430	102,126
Amortization	2,833	5,814	12,488
Equity in net loss of joint ventures	9,580	7,758	2,858
Non-cash interest expense	23,857	33,076	38,031
Restructuring charges	--	--	5,420
Non-cash stock compensation	761	685	1,319
Extraordinary gain on repurchase of debt	(237)	--	--
Changes in operating assets and liabilites, net of effects of Acquisitions			
Other assets--net	29,072	(62,580)	(27,835)
Accounts payable	9,862	127,697	6,411
Accrued interest and other liabilities	10,414	11,071	24,676
Net cash provided by (used in) operating activities	35,795	17,485	(144,330)

Cash flows from investing activities:			
Net cash used for acquisitions	--	(129,118)	--
Expenditures for property, plant and equipment	(146,752)	(453,206)	(712,807)
Repayment of senior secured note	--	20,000	--
Investments in joint ventures	(69,018)	(24,496)	(10,375)
Investments in fixed wireless licenses ...	(44,605)	--	(77,632)
Investments in restricted cash - net	--	--	(54,178)
Sale of telecommunications networks	--	--	87,452
Sale of U.S. government securities - pledged	15,312	30,626	30,626
Net cash used in investing activities	(245,063)	(556,194)	(736,914)
Cash flows from financing activities:			
Proceeds from issuance of Class A common stock	255,462	262,500	5,621
Proceeds from issuance of Class B common stock	--	150,000	--
Proceeds from debt	--	300,000	500,000
Repayment of debt	(19,868)	(5,668)	(10,288)
Costs associated with debt financing	--	(6,180)	(15,025)
Costs associated with issuance of common stock	(14,742)	(9,646)	--
Repayment of loans from stockholders	3,000	--	--
(Advances to) repayments from affiliates .	(2,764)	(392,734)	402,346
Net cash provided by financing activities	221,088	298,272	882,654
Increase (decrease) in cash and cash equivalents ..	11,820	(240,437)	1,410
Cash and cash equivalents, beginning of period	230,750	242,570	2,133
Cash and cash equivalents, end of period	$ 242,570	$ 2,133	$ 3,543

See notes to consolidated financial statements

ADELPHIA BUSINESS SOLUTIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except per share amounts)

1. The Company and Summary of Significant Accounting Policies

Organization and Business

The consolidated financial statements include the accounts of Adelphia Business Solutions, Inc. and it's more than 50% owned subsidiaries ("Adelphia Business Solutions" or the "Company"). All significant intercompany accounts and transactions have been eliminated in consolidation. The Company was formed in 1991 and is a majority-owned subsidiary of Adelphia Communications Corporation ("Adelphia"). On October 25, 1999, the stockholders of the Company elected to change the name of the Company from Hyperion Telecommunications, Inc. to Adelphia Business Solutions, Inc., which management believes will further align the strengths of both companies to develop a single brand in the communications marketplace.

Adelphia Business Solutions operates in one segment and is a nationwide facilities based integrated communications provider, or ICP, that offers broadband communications solutions, including local switch dial tone, long distance service, high-speed data transmission and internet connectivity.

On March 30, 1999, Adelphia Business Solutions elected to change its fiscal year from March 31 to December 31. The decision was made to conform to general industry practice and for administrative purposes. The change became effective for the nine months ended December 31, 1998.

On May 8, 1998, the Company issued and sold 12,500,000 shares of Class A common stock at a price to the public of $16.00 per share (the "IPO"). Simultaneously with the closing of the IPO, the Company issued and sold an additional 3,324,001 shares of Class A common stock to Adelphia at a purchase price of $15.00 per share (or an aggregate of approximately $49,900). In addition, at such closing, the Company issued 3,642,666 shares of Class A common stock to Adelphia in exchange for certain of the Company's indebtedness and payables with a carrying value of $44,258 owed to Adelphia at a purchase price of $15.00 per share (or an aggregate of $54,600). In a related transaction, on June 5, 1998, the Company issued and sold 350,000 shares of Class A common stock at the $16.00 IPO price pursuant to the underwriters' over-allotment option in the IPO.

On November 30, 1999, the Company issued and sold 8,750,000 shares of Class A common stock at a price to the public of $30.00 per share. Simultaneously with the closing of this transaction, the Company issued and sold 5,181,350 shares of Class B common stock to Adelphia at a purchase price of $28.95 per share.

During March 2001, the Company issued and sold 25,322 shares of Class A common stock, to the public in a rights offering at a price of $7.28 per share. Simultaneously, the Company issued and sold 11,820,070 and 51,459,624 shares of Class A and Class B common stock, respectively in the rights offering to Adelphia at a price of $7.28 per share. Total proceeds to the Company were $460,900 million

At December 31, 2000, Adelphia owned approximately 60% of Adelphia Business Solutions' outstanding common stock and held approximately 90% of the total voting rights.

The Company is a leading provider of facilities-based integrated communications services to customers that include businesses, governmental and educational end users and other communications services providers primarily throughout the eastern United States. The Company currently offers a full range of communications services in 75 markets and expects by the end of the year 2001 to be offering services in approximately 80 markets, including substantially all of the top 40 metropolitan statistical areas in the United States. To serve its customers' broad and expanding communications needs, the Company has assembled a diverse collection of high-bandwidth, local and national network assets. The Company intends to integrate these assets with advanced communications technologies and services in order to provide comprehensive end-to-end communications services over our own networks. The Company provides customers with communications services such as local switch dial tone (also known as local phone service), long distance service, high-speed data transmission and Internet connectivity. The Company offers its customers a choice of receiving these services separately or as bundled packages which are typically priced at a discount when compared to the price of the separate services.

To develop the original markets and the new markets, as well as the fiber purchases to interconnect the networks, the Company expects that it will continue to incur capital expenditures. In addition to cash and cash equivalents on hand and the restricted cash as of December 31, 2000, a total of approximately $500,000 will be required to fund the Company's capital expenditures, working capital requirements, operating losses and pro rata investments in the joint ventures during calendar 2001. The Company will need additional funds to fully fund its business plan. The Company expects to fund its capital requirements through existing resources, credit facilities and vendor financings at the Company and joint venture levels, internally generated funds, equity invested by local partners in joint ventures and additional debt or equity financings, as appropriate, and expects to fund any potential additional purchase of partnership interest of local partners through existing resources, internally generated funds and additional debt or equity financings, as appropriate. 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.

Joint ventures, which the Company currently does not control, are accounted for under the equity method of accounting.

Acquisitions of Partner Interests

On February 12, 1998, the Company purchased additional partnership interests in Louisville Lightwave (Louisville and Lexington), NHT Partnership (Buffalo), New Jersey Fiber Technologies and Hyperion of Harrisburg. As a result, the Company's ownership in these networks increased to 100%. The aggregate purchase price was comprised of approximately $45,000 in cash and a warrant, which was not exercised until May 1998, for 731,624 shares of the Company's Class A common stock (See Note 6). In addition, the Company paid certain amounts related to fiber lease financings upon consummation of the purchase of the additional partnership interests.

During March 1999, Adelphia Business Solutions consummated purchase agreements with subsidiaries of Multimedia, Inc. and MediaOne of Colorado Inc. to acquire their respective interests in jointly owned networks located in the Wichita, Kansas, Jacksonville, Florida and Richmond, Virginia markets for an aggregate of approximately $89,750. The agreements increased the Company's ownership interest in each of these networks to 100%.

During June 1999, the Company consummated a purchase agreement with Entergy Corporation ("Entergy"), the parent of its local partner in the Baton Rouge, Louisianna, Little Rock, Arkansas, and Jackson, Mississippi markets, whereby Entergy received approximately $36,518 for its ownership interests in these markets. The agreements increased the Company's ownership interest in each of these networks to 100%.

During July 2000, the Company consummated a purchase agreement with Allegheny Communications Connect, Inc. ("Allegheny") to acquire interests in a jointly owned network located in State College, Pennsylvania. Consideration paid to Allegheny was 330,000 shares of the Company's Class A Common Stock. This purchase increased the Company's ownership in this network to 100%.

All of the acquisitions described above were accounted for using the purchase method. Accordingly, the financial results of each acquisition have been included in the Company's consolidated financial statements from the date acquired.

The following unaudited financial information of the Company assumes that each of the transactions described above had occurred at the beginning of the preceding period.

	Nine Months Ended December 31, 1998	Year Ended December 31, 1999	Year Ended December 31, 2000
Revenues	$ 49,156	$ 162,230	$ 352,689
Net loss	(79,789)	(170,522)	(310,303)
Net loss applicable to common stockholders	(100,907)	(202,140)	(345,969)
Basic and diluted net loss per weighted average share of common stock	$ (1.90)	$ (3.56)	$ (4.95)

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid instruments with an initial maturity date of three months or less.

Restricted Cash

Restricted cash consists of highly liquid investments with an initial maturity date of three months or less reserved for the construction of the advanced information technology infrastructure under the Company's contract with the Commonwealth of Pennsylvania. The contract was entered into on May 3, 2000. As part of the contract, the Company was required to place $75.8 million into a restricted account to be used for the completion on the technology infrastructure. As of December 31, 2000, the Company had used $21.6 million towards the completion of the infrastructure.

U.S. Government Securities - Pledged

U.S. Government Securities - Pledged consist of highly liquid investments which will be used to pay the first six semi-annual interest payments on the 12 1/4% Senior Secured Notes. Such investments are classified as held-to-maturity and the carrying value approximates market value.

Accounts Receivable

An allowance for doubtful accounts of $9,640 and $48,513 is recorded as a reduction of accounts receivable at December 31, 1999 and 2000, respectively.

Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Costs capitalized include amounts directly associated with network engineering, design and construction.

Provision for depreciation of property, plant and equipment is computed using the straight-line method over the estimated useful lives of the assets beginning in the month the asset is available for use or is acquired.

The estimated useful lives of the Company's principal classes of property, plant and equipment are as follows:

Telecommunications networks	10-20 years
Network monitoring and switching equipment	5-10 years
Fiber optic use rights	15 years
Other	3-10 years

Revenue Recognition

The Company recognizes revenue from communications services in the month the related service is provided. Revenues on billings to customers in advance of providing services are deferred and recognized when earned. The Company recognizes revenues related to management and network monitoring of the joint ventures in the month that the related services are provided. Reciprocal compensation revenue is an element of switched service revenue, which represents compensation from Local Exchange Carriers ("LECs") for local exchange traffic originated by other LECs terminated on the Company's facilities. Adelphia Business Solutions recognizes revenue based upon established contracts with the LECs and has established a reserve for a portion of those revenues that are under dispute.

Significant Customers

During the nine months ended December 31, 1998, Adelphia Business Solutions' sales to AT&T and Bell Atlantic represented 11.4% and 10.1% of total revenues, respectively. During the year ended December 31, 1999, Adelphia Business Solutions' sales to AT&T and Bell Atlantic represented 8.8% and 14.7% of total revenues, respectively. During the year ended December 31, 2000, Adelphia Business Solutions' sales to Verizon represented 15.7% of total revenues.

Basic and Diluted Net Loss per Weighted Average Share of Common Stock

Basic net loss per weighted average share of common stock is computed based upon the weighted average number of common shares and warrants outstanding during the period. Diluted net loss per common share is equal to basic net loss per common share because the Adelphia Warrant discussed in Note 6 had an antidilutive effect for the periods presented. Class B common stock warrants to purchase shares of Class B common stock have been included as shares outstanding for purposes of the calculation of both basic and diluted net loss per share for the nine months ended December 31, 1998 and the years ended December 31, 1999 and 2000.

Other Assets - net

Deferred debt financing costs, included in other assets, are amortized over the term of the related debt. The unamortized amounts of deferred debt financing costs at December 31, 1999 and 2000 were $17,434 and $27,034, respectively. Included in other assets at December 31, 1999 and 2000 is $44,605 and $122,504, respectively, relating to licenses. These licenses which cover approximately 60% of the nation's population are a spectrum for a fixed wireless technology known as local multipoint distribution service ("LMDS") and are being amortized on a straight line basis over the life of the licenses, which is 10 years.

Asset Impairments

Adelphia Business Solutions periodically reviews the carrying value of its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of these 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.

Financial Instruments

Financial instruments which potentially subject the Company to concentration of credit risk consist principally of accounts receivable. Concentration of credit risk with respect to accounts receivable is limited due to the dispersion of the Company's customer base among different customers and geographic areas.

The Company's financial instruments include cash and cash equivalents, notes payable and redeemable preferred stock. The fair value of the notes payable exceeded their carrying value by approximately $52,058 at December 31, 1999. The carrying value of the notes payable exceeded their fair value by approximately $275,626 at December 31, 2000. The carrying value of the redeemable preferred stock was equal to its fair value at December 31, 1999. The carrying value of the redeemable preferred stock exceeded its fair value by approximately $207,947 at December 31, 2000. The fair values of the financial instruments were based upon quoted market prices.

Non-cash Financing and Investing Activities

Capital leases entered into during the nine months ended December 31, 1998, and the years ended December 31, 1999 and 2000 totaled $1,155, $5,772, and $17,747 respectively (See Note 5). Dividend requirements applicable to preferred stock were satisfied by the issuance of an additional 20,624, 30,733 and 34,885 shares of such preferred stock during the nine months ended December 31, 1998 and the years ended December 31, 1999 and 2000, respectively (See Note 5).

Comprehensive Income

Comprehensive income includes all changes to all changes in stockholder's equity during a period except those resulting from investments by and distributions to owners. For the nine months ended December 31, 1998 and the years ended December 31, 1999 and 2000, the Company's only component of comprehensive income is its net loss for those periods.

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.

Recent Accounting Pronouncements

Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133," and by SFAS 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities" is effective for the Company as of January 1, 2001. SFAS No. 133, as amended, establishes accounting and reporting standards requiring that every derivative instrument be recorded in the balance sheet as either an asset or liability measured at its fair value with changes in fair value reflected in the statement of operations.

The Company has no freestanding derivative instruments. In conjunction with preparing for the implementation of this standard, the Company reviewed contracts from various functional areas of the Company to identify potential derivatives embedded in the selected contracts. No embedded derivatives were identified as a result of this review. The adoption of this statement or any transition adjustment will not have a significant effect on the Company's consolidated results of operations or financial position.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin ("SAB") No. 101, which clarified the existing accounting rules for revenue recognition. SAB No. 101 was adopted by the Company in the fourth quarter of 2000. The Company's revenue recognition policy did not change with the adoption of SAB No. 101.

Reclassifications

Certain December 31, 1998 and 1999 amounts have been reclassified to conform with the presentation for the year ended December 31, 2000.

2. Property, Plant and Equipment

Property, plant and equipment consists of the following:

	December 31, 1999	December 31, 2000
Telecommunications networks	$ 139,248	$ 214,856
Network monitoring and switching equipment	431,078	760,784
Fiber optic use rights	108,239	156,858
Construction in process	344,439	539,977
Other	18,270	55,351
	1,041,274	1,727,826
Less accumulated depreciation	(97,518)	(193,214)
Total	$ 943,756	$1,534,612

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 $9,986, $23,282 and $43,609 for the nine months ended December 31, 1998 and the years ended December 31, 1999 and 2000, respectively.

3. Investment in Fiber Asset and Senior Secured Note

On February 20, 1997, the Company entered into several agreements regarding the leasing of dark fiber in New York state in furtherance of its strategy to interconnect its networks in the northeastern United States. Pursuant to these agreements and in consideration of a payment of $20,000, the Company received a $20,000 Senior Secured Note bearing interest at 22 1/2% (subject to reduction upon early repayment of principal) due February 2002 (subject to early redemption options), from Telergy, Inc. ("Telergy"), a right to receive 58,752 shares of Telergy Class A common stock ("Telergy Stock"), and a fully prepaid lease from a Telergy affiliate for an initial lease term of 25 years (with two additional ten-year extensions) for 24 strands of dark fiber installed or to be installed in a New York fiber optic telecommunications backbone network. As of December 31, 1998, the Company included $11,500 and $8,500 in Property, Plant and Equipment and Other Assets, respectively, as the allocation of the $20,000 payment between the fiber asset and the Senior Secured Note. No amounts were allocated to the Telergy Stock. The allocation reflected the Company's estimate of the relative fair values of the assets acquired.

On May 15, 1998, Telergy paid the Company $1,000 in exchange for the Telergy Stock and a gain of $1,000 was recorded by the Company, which is included in "other income" in the consolidated statement of operations. On November 10, 1998, the Senior Secured Note was amended to mature on January 20, 2000 in exchange for an indefeasible right to use ("IRU") or long term lease of certain fiber segments in New York City and along Telergy's long haul fiber segments in the northeastern United States and Southeastern Canada.

During May 1999, the Company received $32,329 from Telergy for the repayment of the Senior Secured Note. The payment represented $20,000 in principal and $12,329 of interest, which is included in "Interest income" in the consolidated statement of operations.

4. Investments

The equity method of accounting is used to account for investments in joint ventures in which the Company owns less than a majority interest. Under this method, the Company's initial investment is recorded at cost and subsequently adjusted for the amount of its equity in the net income or loss of its joint ventures. Dividends or other distributions are recorded as a reduction of the Company's investment. Investments in joint ventures accounted for using the equity method reflect the Company's equity in their underlying net assets.

The Company's nonconsolidated investments are as follows:

	Ownership Percentage	December 31, 1999	December 31, 2000
PECO-Adelphia Business Solutions (Philadelphia)	50.0%	$ 42,475	$ 46,725
PECO-Adelphia Business Solutions (Allentown, Bethlehem, Easton, Reading)	50.0%	7,425	11,050
Adelphia Business Solutions of York	50.0%	6,525	6,525
Allegheny Hyperion Telecommunications	100.0%(1)	4,975	---
		61,400	64,300
Cumulative equity in net losses		(17,334)	(18,391)

Subtotal	$ 44,066	$ 45,909
Investments accounted for using the cost method	---	2,500
Total	$ 44,066	$ 48,409

(1) As discussed in Note 1, the Company has consummated an agreement which increased its ownership to 100% in this network during July 2000.

Summarized unaudited combined financial information for the Company's nonconsolidated investments listed above being accounted for using the equity method of accounting as of the dates and for the periods ended, is as follows:

	December 31, 1999	December 31, 2000
Current assets	$ 21,645	$ 26,942
PP&E-net	112,210	105,420
Non-current assets	55	---
Current liabilities	10,175	10,221
Non-current liabilities	45,278	31,010

	Nine Months Ended December 31, 1998	Year Ended December 31, 1999	Year Ended December 31, 2000
Revenues	$ 24,986	$ 43,753	$ 62,766
Net loss	(22,325)	(15,154)	(6,218)

5. Financing Arrangements

Note Payable - Adelphia

The Company had an unsecured credit arrangement with Adelphia which had no repayment terms prior to April 15, 1996. On April 15, 1996, $25,000 of the proceeds from the sale of the 13% Senior Discount Notes (the "Senior Discount Notes") and Class B common stock warrants were used to repay a portion of this obligation. Interest expense and fees on this credit arrangement were based upon the weighted average cost of unsecured borrowings of Adelphia during the corresponding periods. Effective April 15, 1996, the remaining balance due on the Note payable-Adelphia was evidenced by an unsecured subordinated note due April 16, 2003. This obligation had an interest rate of 16.5% per annum. Interest accrued through May 8, 1998 on the amount outstanding to Adelphia totaled $10,645. On May 8, 1998, the Note payable - Adelphia and all accrued interest was converted into shares of Class A common stock simultaneously with the closing of the IPO (See Note 1).

13% Senior Discount Notes and Class B Common Stock Warrants

On April 15, 1996, the Company issued $329,000 of 13% Senior Discount Notes due April 15, 2003 and 329,000 warrants to purchase an aggregate of 1,993,638 shares of its Class B common stock. Prior to April 15, 2001, interest on the Senior Discount Notes is not payable in cash, but is added to principal. Thereafter, interest is payable semi-annually commencing October 15, 2001. The Senior Discount Notes are unsecured and are senior to all future subordinated indebtedness. On or after April 15, 2001, the Company may redeem, at its option, all or a portion of the Senior Discount Notes at 106.5%, which declines to par in 2002, plus accrued interest.

The holders of the Senior Discount Notes may put the Senior Discount Notes to the Company at any time upon the occurrence of a Change of Control (as defined in the Indenture) at a price of 101% of accreted principal. In addition, the Company will be required to offer to purchase Senior Discount Notes at a price of 100% with the proceeds of certain asset sales (as defined in the Indenture). The Indenture stipulates, among other things, limitations on additional borrowings, issuance of equity instruments, payment of dividends and other distributions, repurchase of equity interests or subordinated debt, sale-leaseback transactions, liens, transactions with affiliates, sales of Company assets, mergers and consolidations.

The Class B common stock warrants are exercisable at $0.00308 per share, upon the earlier of May 1, 1997 or a Change of Control. Unless exercised, the Class B common stock warrants will expire on June 30, 2001. The number of shares and the exercise price for which a warrant is exercisable are subject to adjustment under certain circumstances. Through December 31, 2000, 298,705 warrants were exercised and converted into 1,810,150 shares of Class B common stock. The Company received $5 in consideration for the exercise of the warrants.

During the nine months ended December 31, 1998, the Company paid $17,313 to repurchase a portion of the Senior Discount Notes which had a face value of $25,160 and a carrying value of $17,750. The notes were retired upon repurchase which resulted in a $237 gain.

12 1/4% Senior Secured Notes

On August 27, 1997, the Company issued $250,000 aggregate principal amount of 12 1/4% Senior Secured Notes due September 1, 2004 (the "Senior Secured Notes"). The Senior Secured Notes are collateralized through the pledge of the common stock of certain of the Company's wholly-owned subsidiaries. A portion of the proceeds was invested in U.S. government securities and placed in an escrow account for payment in full when due of the first six scheduled semi-annual interest payments on the Senior Secured Notes as required by the Indenture.

Interest is payable semi-annually commencing March 1, 1998. The Senior Secured notes rank pari passu in right of payment with all existing and future senior Indebtedness (as defined in the Indenture) of the Company and will rank senior in right of payment to future subordinated Indebtedness of the Company. On or before September 1, 2000 and subject to certain restrictions, the Company could redeem, at its option, up to 25% of the aggregate principal amount of the Senior Secured Notes at a price of 112.25% of principal with the net proceeds of one or more Qualified Equity Offerings (as defined in the Indenture). As of September 1, 2000, the Company had not exercised its option to redeem any senior secured notes. On or after September 1, 2001, the Company may redeem, at its option, all or a portion of the Senior Secured Notes at 106.125% of principal which declines to par in 2003, plus accrued interest. The holders of the Senior Secured Notes may put them to the Company at any time upon the occurrence of a Change of Control (as defined in the Indenture) at a price of 101% of principal. The Indenture stipulates, among other things, limitations on additional borrowing, payment of dividends and other distributions, repurchase of equity interests, transactions with affiliates and the sale of assets.

12 7/8% Senior Exchangeable Redeemable Preferred Stock

On October 9, 1997, the Company issued $200,000 aggregate liquidation preference of 12 7/8% Senior Exchangeable Redeemable Preferred Stock due October 15, 2007 (the "Preferred Stock"). Proceeds to the Company, net of commissions and other transaction costs, were approximately $194,500.

Dividends are payable quarterly commencing January 15, 1998 at 12 7/8% of the liquidation preference of outstanding Preferred Stock. Through October 15, 2002, dividends are payable in cash or additional shares of Preferred Stock at the Company's option. Subsequent to October 15, 2002, dividends are payable in cash. The Preferred Stock ranks junior in right of payment to all indebtedness and other obligations of the Company, its subsidiaries and joint ventures. On or before October 15, 2000, and subject to certain restrictions, the Company could redeem, at its option, up to 35% of the initial aggregate liquidation preference of the Preferred Stock originally issued with the net cash proceeds of one or more Qualified Equity Offerings (as defined in the Certificate of Designation) at a redemption price equal to 112.875% of the liquidation preference per share of the Preferred Stock, plus, without duplication, accumulated and unpaid dividends to the date of redemption; provided that, after any such redemption, there are remaining outstanding shares of Preferred Stock having an aggregate liquidation preference of at least 65% of the initial aggregate liquidation preference of the Preferred Stock originally issued. As of October 15, 2000, the Company had not exercised its option to redeem any Preferred Stock. On or after October 15, 2002, the Company may redeem, at its option, all or a portion of the Preferred Stock at 106.438% of the liquidation preference thereof declining to 100% of the liquidation preference in 2005, plus accrued interest. The Company is required to redeem all of the shares of Preferred Stock outstanding on October 15, 2007 at a redemption price equal to 100% of the liquidation preference thereof, plus, without duplication, accumulated and unpaid dividends to the date of redemption.

The holders of the Preferred Stock may put the Preferred Stock to the Company at any time upon the occurrence of a Change of Control (as defined in the Certification of Designation) at a price of 101% of the liquidation preference thereof. The Certificate of Designation stipulates, among other things, limitations on additional borrowings, payment of dividends and other distributions, transactions with affiliates and the sale of assets. The Company may, at its option, on any dividend payment date, exchange in whole, but not in part, the then outstanding shares of Preferred Stock for 12 7/8% Senior Subordinated Debentures due October 15, 2007 (the "Exchange Debentures"). Interest, redemption and registration rights provisions of the Exchange Debentures are consistent with the provisions of the Preferred Stock.

12% Senior Subordinated Notes due 2007

On March 2, 1999, Adelphia Business Solutions issued $300,000 aggregate principal amount of 12% Senior Subordinated Notes due 2007 ("Subordinated Notes"). An entity controlled by members of the Rigas Family, controlling stockholders of Adelphia, purchased $100,000 aggregate principal amount of the Subordinated Notes directly from the Company. Proceeds to the Company, net of discounts, commissions and other transaction costs were approximately $295,000.

Interest is payable semi-annually commencing May 1, 1999. The Subordinated Notes rank behind all current and future indebtedness (other than trade payables), except indebtedness that expressly provides that it is not senior to the notes. On or before November 1, 2003 and subject to certain restrictions, the Company could redeem at its option, up to 25% of the aggregate principal amount of the Subordinated Notes at a price of 112.00% of principal with the net proceeds of one or more Qualified Equity Offerings (as defined in the Indenture). On or after November 1, 2003, the Company could redeem, at its option, all or a portion of the Subordinated Notes at 106.00% of principal which declines to par in 2005, plus accrued interest. The holders of the Subordinated Notes may put them to the Company at any time upon the occurrence of a Change in Control (as defined in the Indenture) at a price of 101.00% of principal. The Indenture stipulates, among other things, limitations on additional borrowing, payment of dividends, and other distributions, repurchase of equity, interests, transactions with affiliates and the sale of assets.

The expected maturities of the 13% Senior Discount Notes, the 12 1/4% Senior Secured Notes, the 12 7/8% Senior Exchangeable Redeemable Preferred Stock and the 12% Senior Subordinated Notes are as follows:

2001	$ ---
2002	---
2003	303,840
2004	250,000
2005	---
Thereafter	597,067

Note Payable

The Company and certain of Adelphia's other subsidiaries and affiliates are parties to a joint bank credit facility. As part of their facility, the Company and its subsidiaries have the ability to borrow up to an aggregate of $500,000 which, if borrowed, would be guaranteed by other members of the borrowing group. As of December 31, 2000, a subsidiary of the Company had borrowed $500,000 under this credit facility. In addition, the Company has agreed to pay a subsidiary of Adelphia $15,000 as a fee for placing the credit facility. The interest rate at which the Company has borrowed these funds is 12 1/2%, a portion of which is payable to a subsidiary of Adelphia. For the year ended December 31, 2000, the Company recorded $21,874 for interest expense relating to Note Payable, $7,003 of which was payable to a subsidiary of Adelphia.

Maturities of Note Payable are as follows:

2001	$ ---
2002	---
2003	18,068
2004	38,409
2005	48,636
Thereafter	394,887

Long Term Lease Facility

On December 31, 1997, the Company consummated an agreement for a $24,500 long-term lease facility with AT&T Capital Corporation. The lease facility provides financing for certain of the switching equipment. Included in the lease facility is the sale and leaseback of certain switch equipment for which the Company received $14,876.

Other Debt

Other debt consists primarily of capital leases entered into in connection with the acquisition of fiber leases for use in the telecommunications networks and the long-term lease facility described above. The interest rate on such debt ranges from 7.5% to 15.0%.

Maturities of other debt are as follows:

2001	$ 5,700
2002	5,954
2003	6,194
2004	6,724
2005	7,935
Thereafter	16,058

6. Common Stock and Other Stockholders' Equity (Deficiency)

Adelphia Business Solutions' authorized capital stock consists of 800,000,000 shares of Class A common stock, par value $0.01 per share, 400,000,000 shares of Class B common stock, par value $0.01 per share, and 50,000,000 shares of preferred stock, par value $0.01 per share.

Common Stock

Shares of Class A common stock and Class B common stock are substantially identical, except that holders of Class A common stock are entitled to one vote per share and holders of Class B common stock are entitled to 10 votes per share on all matters submitted to a vote of stockholders. Each share of Class B common stock is convertible into one share of Class A common stock. In the event a cash dividend is paid, the holders of the Class A and the Class B common stock will be paid an equal amount.

Prior to the IPO in May 1998, certain former company officers (the "Officers") were parties to a stockholder agreement, as amended (the "Stockholder Agreement") with Adelphia. The Stockholder Agreement provided, among other things, (i) that upon the earlier of (a) the termination of employment of any of the officers or (b) after October 7, 1998, such officers could put their shares to Adelphia for fair market value, unless such put rights were terminated as a result of the registration of the Company's common stock under the Securities Act of 1933 (the "Securities Act") and (ii) for certain buy/sell and termination rights and duties among Adelphia and the Officers. The Stockholder Agreement terminated automatically upon the date of the IPO.

The Company also entered into Term Loan and Stock Pledge Agreements ("Loan Agreements") with each of the Officers. Pursuant to the Loan Agreements, each Officer borrowed $1,000 from the Company. Each of these loans accrued interest at the average rate at which the Company could invest cash on a short-term basis, was secured by a pledge of the borrower's common stock in the Company, and would mature upon the earlier of (i) October 8, 1998 or (ii) the date of the IPO and the Officers had the right to sell at least $1,000 worth of their shares. Each Loan Agreement also provided that any interest accruing on a loan from the date six months after the date of such loan would be offset by a bonus payment when principal and interest thereon are due and which would include additional amounts to pay income taxes applicable to such bonus payment.

Pursuant to agreements among the Company, Adelphia and the Officers, simultaneous with the consummation of the IPO, (i) the Stockholder Agreement and

Loan Agreements terminated, (ii) the Officers each repaid the $1,000 borrowed from the Company pursuant to the Loan Agreements plus accrued interest thereon by each selling 66,667 shares of Class B common stock to Adelphia and using the proceeds therefrom to repay such loans and (iii) the Company paid to the management stockholders bonus payments in the amount of interest accruing on the Loans from the date six months after the date of the Loan Agreements and any additional amounts necessary to pay income taxes applicable to such bonus payments.

On April 8, 1998, the Board of Directors of the Company approved a 3.25-for-one stock split of its Class A and Class B common stock payable to stockholders of record on April 28, 1998. The stock split was effected in the form of a dividend of 2.25 shares for every outstanding share of common stock. All references in the accompanying consolidated financial statements to the number of shares of common stock and the par value have been retroactively restated to reflect the stock split on April 28, 1998.

On October 25, 1999, the shareholders of the Company approved an amendment to Article IV of the Amended and Restated Certificate of Incorporation increasing the number of authorized shares of capital stock from 455,000,000 to 1,250,000,000, the authorized number of Class A common stock from 300,000,000 to 800,000,000, the authorized number of shares of Class B common stock from 150,000,000 to 400,000,000, and the authorized number of shares of Preferred Stock from 5,000,000 to 50,000,000.

Changes in the number of shares outstanding for the Company's common stock are as follows:

	Class A Common Stock	Class B Common Stock
Shares Outstanding, March 31, 1998	396,500	32,500,000
Issuance of Class A common stock	19,816,667	---
Exercise of Class A common stock warrant	731,624	---
Conversion of Class B common stock for Class A common stock	1,372,780	1,187,541
Other	58,500	(1,372,780)
Shares Outstanding, December 31, 1998	22,376,071	32,314,761
Issuance of Class A common stock	8,750,000	---
Issuance of Class B common stock	---	5,181,350
Issuance of Class B common stock for warrant exercise	---	413,530
Conversion of Class B common stock for Class A common stock	2,538,182	(2,538,182)
Other	402,324	---
Shares Outstanding, December 31, 1999	34,066,587	35,371,459
Issuance of Class A common stock for purchase of telecommunications network	330,000	---
Issuance of Class A common stock for warrant exercise	913,380	---
Issuance of Class B common stock for warrant exercise	---	209,056

Conversion of Class B common stock for Class A common stock	436,656	(436,656)
Other	101,743	---
Shares Outstanding, December 31, 2000	35,848,366	35,143,859

Warrants

Class A Common Stock Warrants

On February 12, 1998, the Company consummated an agreement with Lenfest Telephony, Inc. ("Lenfest") whereby Lenfest received a warrant to obtain 731,624 shares of Class A common stock of the Company (the "Lenfest Warrant") in exchange for its partnership interest in the Harrisburg, Pennsylvania network. The Lenfest Warrant was exercised during May 1998 for no additional consideration.

Class B Common Stock Warrants

The Class B common stock warrants were issued on April 15, 1996 in connection with the issuance of the Senior Discount Notes (See Note 5).

Adelphia Warrant

On June 13, 1997, the Company entered into agreements with MCI. Pursuant to these agreements the Company is designated MCI's preferred provider for new end user dedicated access circuits and conversions of end user dedicated access circuits as a result of conversions from the incumbent LEC in the Company's markets. Adelphia Business Solutions also has certain rights of first refusal to provide MCI with certain communications services. Under this arrangement, the Company issued a warrant to purchase 913,380 shares of Class A common stock for $6.15 per share to MCI (the "MCI Warrant") representing 2 1/2% of the common stock of the Company on a fully diluted basis. MCI could receive additional warrants to purchase up to an additional 6% of the shares of the Company's Class A common stock, on a fully diluted basis, at fair value, if MCI met certain purchase volume thresholds over the term of the agreement.

In connection with the IPO and the related over-allotment option, the Company and MCI entered into an agreement that provides as follows with respect to the MCI Warrant and MCI's right to receive additional MCI warrants as a result of the IPO (the "Additional MCI Warrants"): (i) the Additional MCI Warrants, totaling 508,121 shares, issued with respect to the shares sold to the public in the IPO, the over-allotment option and with respect to the Adelphia shares purchased will have an exercise price equal to the lower of $6.15 per share or the price per share to the public in the IPO (the "IPO Price"), and (ii) Adelphia purchased from MCI the MCI Warrant and the Additional MCI Warrants for a purchase price equal to the number of Class A common stock shares issuable under the warrants being purchased times the IPO Price minus the underwriting discount, less the aggregate exercise price of such warrants. Furthermore, in consideration of the obligations undertaken by Adelphia to facilitate the agreements between MCI and Adelphia Business Solutions, the Company paid to Adelphia a fee of $500 and issued a warrant to Adelphia, which expires three years after its issuance, to purchase 200,000 shares of Class A common stock at an exercise price equal to the IPO Price. During June 2000, Adelphia exercised a warrant to purchase 913,380 shares of Class A Common Stock of the Company at a price of $6.15 per share. Total proceeds to the Company were $5,611.

Long Term Incentive Compensation Plan

On October 3, 1996, the Board of Directors and stockholders of the Company approved the Company's 1996 Long-Term Incentive Compensation Plan (the "1996 Plan"). The 1996 Plan provides for the grant 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 Class A common stock available for issuance initially was 5,687,500. Such number is to increase each year by 1% of outstanding shares of all classes of the Company's common stock, up to a maximum of 8,125,000 shares. Options, awards and units may be granted under the 1996 Plan to directors, officers, employees and consultants. The 1996 Plan provides the incentive stock options must be granted with an exercise price of not less than the fair market value of the underlying 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.

In August 1999, the Company issued under the 1996 Plan to each of John J. Rigas, Michael J. Rigas, Timothy J. Rigas and James P. Rigas (i) stock options (the "Rigas Options") covering 100,000 shares of Class A common stock, which options will vest in equal one-third amounts on the third, fourth and fifth year anniversaries of grant (vesting conditioned on continued service as an employee or director) and which shall be exercisable at $16.00 per share and (ii) stock awards (the "Rigas Grants") covering 100,000 shares of Class A common stock, which stock awards will vest in equal one-third amounts on the third, fourth and fifth year anniversaries of grant (vesting conditioned on continued service as an employee or director).

In addition to the Rigas Options, certain employees have been granted options to purchase shares of Class A common stock at prices equal to the fair market value of the shares on the date the option was granted. Options are exercisable beginning from immediately after granting and have a maximum term of ten years.

The following table summarizes stock option activity under all plans:

	Number of shares subject to options	Weighted Average Exercise price per share
Outstanding, December 31, 1998	---	$ ---
Granted	600,417	15.13
Outstanding, December 31, 1999	600,417	15.13
Granted	216,050	32.71
Outstanding, December 31, 2000	816,467	19.78

The following table summarizes information about stock options outstanding and exercisable at December 31, 2000

	Options outstanding			Options exercisable		
Exercise price per share	Number of shares	Weighted average remaining contractual life (years)	Wiighetd average exercise price per share	Number of shares	Weighted average remaining contractual life (years)	Weighted average exercise price per share
$8.69-$61.63	816,467	5.4	$19.78	361,667	6.9	$23.59

SFAS No. 123, "Accounting for Stock-Based Compensation," ("SFAS 123") requires the Company to disclose pro forma information regarding option grants made to its employees. SFAS 123 specifies certain valuation techniques that produce estimated compensation charges that are included in the pro forma results below. These amounts have not been reflected in the Company's statement of operations, because the Company applies the provisions of APB 25, "Accounting for Stock Issued to Employees," which specifies that no compensation charge arises when the exercise price of the employees' stock options equals or exceeds the market value of the underlying stock at the grant date, as in the case of options granted to the Company's employees.

SFAS 123 pro forma numbers are as follows:

	Year Ended December 31,	
	1999	2000
Net loss-as reported	$(165,466)	$(309,824)
Net loss-pro forma applying SFAS 123	(167,800)	(315,726)
Basic and diluted net loss per common share-as reported under ABP 25	(3.47)	(4.93)
Basic and diluted net loss per common share-pro forma under SFAS 123	(3.51)	(5.01)

Under SFAS 123, the fair value of each option grant is estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions

	Employee Stock Options Year Ended December 31,	
	1999	2000
Expected dividend yield	0%	0%
Risk-free interest rate	6.93%	5.10% - 6.20%
Expected volatility	50%	106% - 116%
Expected life (in years)	5.2	9.1

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion the existing models do not necessarily provide a reliable single measure of the fair value of the Company's options.

In addition to the stock options and Rigas Grants, the Company issued 58,500 and 98,500 shares of Class A common stock to certain employees for the nine months ended December 31,1998 and the year ended December 31, 2000, respectively, resulting in the recognition of $761 and $387 of compensation expense, respectively.

7. Commitments and contingencies

The Company rents office space, node space and fiber 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 $1,893, $10,166 and $22,606 for the nine months ended December 31, 1998 and the years ended December 31, 1999 and 2000, respectively.

The minimum future lease obligations under the noncancelable operating leases as of December 31, 2000 are approximately:

Period ending December 31,

2001	$ 25,851
2002	25,639
2003	26,067
2004	25,281
2005	23,538
Thereafter	109,552

During July 1999, the Company purchased the naming rights to the NFL Football Tennessee Titans stadium in Nashville, Tennessee. The term of the naming rights contract is for 15 years and requires the Company to pay $2,000 per year.

The communications industry and Adelphia Business Solutions are subject to extensive regulation at the federal, state and local levels. On February 8, 1996, President Clinton signed the Telecommunications Act of 1996 ("Telecommunications Act"), the most comprehensive reform of the nation's telecommunications laws since the Commununications Act of 1934. Management of the Company is unable to predict the effect that the Telecommunications Act, related rulemaking proceedings or other future rulemaking proceedings will have on its business and results of operations in future periods.

Adelphia Business Solutions has entered into a series of agreements with several local and long-haul fiber optic network providers. These agreements provide the Company with ownership or an IRU to local and long-haul fiber optic

cable. The Company believes this will allow it to expand its business strategy to include on-net provisioning of regional, local and long distance, internet and data communications and to cost-effectively further interconnect its markets in the eastern half of the United States.

The estimated obligations under these arrangements as of December 31, 2000 are approximately

2001	$ 111,270
2002	22,408
2003	895
2004	897
2005	898
Thereafter	13,107

In addition to the amounts due under the agreements for the fiber optic cable, the Company is also required to pay certain fiber optic network providers for pro-rated maintenance and rights of ways fees on a yearly basis.

8. Related Party Transactions

The following table summarizes the Company's transactions with related parties:

	Nine Months Ended December 31, 1998	Year Ended December 31, 1999	Year Ended December 31, 2000
Revenues:			
Management fees	$ 2,135	$ 4,948	$ 7,596
Telecommunications service revenue	363	1,840	8,581
Network monitoring fees	586	---	---
Total	$ 3,087	$ 6,788	$ 16,177
Interest Income	$ 8,395	$ 8,483	$ 6,282
Expense			
Interest expense	$ 737	$ ---	$ 7,003
Allocated corporate costs	2,981	8,587	18,519
Fiber leases	139	236	306
Amortization of deferred debt financing cost	---	---	1,800
Total	$ 3,857	$ 8,823	$ 27,628

Management fees from related parties represent fees received by the Company from its unconsolidated joint ventures for the performance of financial, legal, regulatory, network design, construction and other administrative services.

Telecommunications services revenue from related parties represents fees received by the Company from Adelphia for providing switched services to various Adelphia offices, including Coudersport, Pennsylvania.

Network monitoring fees represent fees received by the Company for technical support for the monitoring of each individual joint venture's telecommunications system.

Interest income represents interest charged on certain affiliate receivable balances with joint ventures and with Adelphia.

Interest expense relates to the Note payable-Adelphia and the Note Payable (See Note 5).

Allocated corporate costs represent costs incurred by Adelphia on behalf of the Company for the administration and operation of the Company. These costs include charges for office space, corporate aircraft and shared services such as finance activities, information systems, computer services, human resources, and taxation. Such costs were estimated by Adelphia and do not necessarily represent the actual costs that would be incurred if the Company were to secure such services on its own.

Fiber lease expense represents amounts paid to various subsidiaries of Adelphia for the utilization of existing cable television plant for development and operation of the consolidated operating networks.

Amortization of deferred debt financing costs for the year ended December 31, 2000 relate to the amortization of the $15,000 placement fee paid to a subsidiary of Adelphia.

During the nine months ended December 31, 1998 and the years ended December 31, 1999 and 2000, the Company paid $1,044, $7,577 and $11,387 respectively, to entities owned by certain shareholders of Adelphia primarily for property, plant and equipment and services at market rates.

During the nine months ended December 31, 1998 and the years ended December 31, 1999 and 2000, the Company made demand advances to Adelphia. At December 31, 1998, 1999 and 2000, $4,950, $392,629 and $0, respectively were outstanding under this agreement. The Company received interest on such advances at a rate of between 5.15% and 6.33%, which is included in interest income - affiliate in the consolidated statement of operations. Demand advances represent cash held by Adelphia's centralized cash management system immediately available to the Company for any corporate purpose on demand.

During December 2000, the Company sold to a subsidiary of Adelphia certain network and telecommunications assets. The assets sold related to six markets in Virginia, Colorado, California and Ohio which the Company has decided not to pursue as part of the revised business plan. Network or market information presented in this Form 10-K includes these six markets. The aggregate purchase price for these transactions was approximately $87.5 million plus the assumption of certain liabilities. The Company will manage these networks for Adelphia on a going forward basis.

9. Employee Benefit Plan

The Company participates in the Adelphia 401(k) and stock value plan which provides that eligible full-time employees may contribute from 2% to 16% of their pre-tax compensation subject to certain limitations. The Company matches contributions up to 1.5% of each participant's pre-tax compensation. For the nine months ended December 31, 1998 and the years ended December 31, 1999 and 2000, the Company's matching contributions were $87, $401 and $855, respectively. The 401(k) and stock value plans also provide for certain stock incentive awards on an annual basis.

In addition to the 401(k) and stock value plan, the Company participates in an Adelphia stock incentive plan which provides certain management level employees with compensation bonuses based on a weighted average of Adelphia Class A common stock and Adelphia Business Solutions Class A common stock performance. Costs to the Company associated with this plan were approximately $1,746 and $261 for the years ended December 31, 1999 and 2000, respectively.

10. Income Taxes

For the nine months ended December 31, 1998 and the years ended December 31, 1999 and 2000, Adelphia Business Solutions will not be included within Adelphia's consolidated federal income tax return. Deferred income taxes reflect the net tax effects of (a) temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes and (b) operating loss carryforwards.

At December 31, 2000, the Company had net operating loss carryforwards for federal income tax purposes of $573,127, which expire as follows:

Year of expriation:

2007	$ 626	2012	$ 42,386	2017	$ ---
2008	3,504	2013	---	2018	106,783
2009	4,840	2014	---	2019	140,930
2010	7,588	2015	---	2020	251,176
2011	15,294	2016	---		

The Company's net deferred tax asset included in other assets - net is comprised of the following

	December 31, 1999	2000
Deferred tax asset:		
Differences between book and tax basis of intangible assets	$ 1,562	$ 4,874
Net operating loss carryforwards	142,993	234,685
Allowance for doubtful accounts and other	4,384	21,720
Total	148,939	261,279
Valuation allowance	(114,043)	(239,597)
Total	34,896	21,682
Deferred tax liabilities:		
Differences between book and tax basis of property, plant and equipment	34,626	21,645
Investment in partnerships	233	---
Total	34,859	21,645
Net deferred tax asset	$ 37	$ 37

The net change in the valuation allowance for the years ended December 31, 1999 and 2000 was an increase of $65,297 and $125,554, respectively. The Company recorded the valuation allowance to reduce the deferred tax asset to zero because the Company does not believe that it is more likely than not that it will realize its deferred tax asset.

Income tax expense for the nine months ended December 31, 1998 and the years ended December 31, 1999 and 2000 are as follows:

	Nine Months Ended December 31, 1998	Year Ended December 31, 1999	Year Ended December 31, 2000
Current	$ ---	$ 1	$ ---
Deferred	---	---	---
Total	$ ---	$ 1	$ ---

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

	Nine Months Ended December 31, 1998	Year Ended December 31, 1999	Year Ended December 31, 2000
Statutory federal income tax rate	35.0%	35.0%	35.0%
Change in federal valuation allowance	(35.0)	(35.0)	(35.0)
State taxes, net of federal benefit	---	---	---
Income Tax Expense	---%	---%	---%

11. Restructuring Charges

During December, 2000, the Company initiated a plan to reduce its network expansion plan from its former target of 175 to 200 markets nationwide by the end of 2001 to a new target of approximately 80 markets, thereby canceling plans to enter or continue operations in approximately 120 markets. In January, 2001, the Company reduced its national staff by approximately 8% as a result of the Company's revised business plan. Most of the affected employees were located in markets in which the Company has stopped expansion. For the year ended December 31, 2000, the Company recorded a charge of approximately $5,420 to cover a portion of the costs associated with this revised business plan. Approximately $4,568 of the charge relates to cash expenses relating to the termination of lease contracts in the eliminated markets.

Approximately $852 of the charge relates to severance for certain executive employees. No amounts were recorded for severance for terminated non-executive employees as of December 31, 2000. In addition, no amounts were recorded for the disposal of assets as most equipment deployed in the terminated markets can be redeployed in the Company's surviving markets, at little or no incremental costs.

12. Quarterly Financial Data (unaudited)

The following tables summarize the financial results of the Company for each of the quarters in the years ended December 31, 1999 and 2000:

Year Ended December 31, 1999	Three Months Ended March 31	June 30	September 30	December 31
Revenues	$ 21,438	$ 34,215	$ 43,347	$ 55,575
Operating expenses:				
Network operations	8,504	11,671	15,862	22,488
Selling, general and administrative	21,009	32,637	39,972	48,997
Depreciation and amortization	13,535	13,586	18,168	19,955
Total	43,048	57,894	74,002	91,440
Operating loss	(21,610)	(23,679)	(30,655)	(35,865)
Other income (expense):				
Interest income	1,998	14,780	2,867	288
Interest income - affiliate	2,828	2,779	1,336	1,540
Interest expense	(15,533)	(21,805)	(19,045)	(17,931)
Loss before income taxes and equity in net loss of joint ventures	(32,317)	(27,925)	(45,497)	(51,968)
Income tax (expense) benefit	--	(4)	--	3
Loss before equity in net loss of joint ventures	(32,317)	(27,929)	(45,497)	(51,965)
Equity in net loss of joint ventures	(3,803)	(3,291)	(246)	(418)
Net loss	(36,120)	(31,220)	(45,743)	(52,383)
Dividend requirements applicable to preferred stock	(7,479)	(7,720)	(7,979)	(8,450)
Net loss applicable to common stockholders	$ (43,599)	$ (38,940)	$ (53,722)	$ (60,833)
Basic and diluted net loss per weighted average share of common stock	$ (0.79)	$ (0.70)	$ (0.97)	$ (1.01)
Weighted average shares of common stock outstanding (in thousands)	55,497	55,497	55,497	60,453

Year Ended December 31, 2000	Three Months Ended March 31	June 30	September 30	December 31

Revenues	$ 69,301	$ 80,214	$ 93,551	$ 108,908
Operating expenses:				
Network operations	33,732	41,661	50,893	57,028
Selling, general and administrative	58,846	63,348	67,205	87,799
Restructuring charges	--	--	--	5,420
Depreciation and amortization	19,438	26,689	27,103	41,384
Total	112,016	131,698	145,201	191,631
Operating loss	(42,715)	(51,484)	(51,650)	(82,723)
Other income (expense):				
Interest income	404	1,020	1,247	1,229
Interest income - affiliate	5,023	1,259	--	--
Interest expense	(12,930)	(15,264)	(14,557)	(38,822)
Interest expense - affiliate	--	--	(2,191)	(4,812)
Loss before income taxes and equity in net (loss) income of joint ventures and extraordinary gain	(50,218)	(64,469)	(67,151)	(125,128)
Income tax expense	--	--	--	--
Loss before equity in net (loss) income of joint ventures	(50,218)	(64,469)	(67,151)	(125,128)
Equity in net (loss) income of joint ventures	(105)	(346)	381	(2,788)
Net loss	(50,323)	(64,815)	(66,770)	(127,916)
Dividend requirements applicable to preferred stock	(8,497)	(8,771)	(9,053)	(9,344)
Net loss applicable to common stockholders	$ (58,820)	$ (73,586)	$ (75,823)	$ (137,260)
Basic and diluted net loss per weighted average share of common stock	$ (0.85)	$ (1.06)	$ (1.08)	$ (1.94)
Weighted average shares of common stock outstanding (in thousands)	69,431	69,503	70,531	70,683

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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information set forth above in Part 1 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" and the information, if any, under the caption "Section 16(a) Beneficial Ownership Reporting Compliance," in the Company's definitive proxy statement for the 2001 Annual Meeting of Stockholders to be filed pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended, or by reference to a filing amending this Form 10-K.

ATTACHMENT F

Certificate of Formation and Certificate of Authority

FLORIDA DEPARTMENT OF STATE
Katherine Harris
Secretary of State

October 5, 2001

CSC
SARA LEA
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Qualification documents for ADELPHIA BUSINESS SOLUTIONS INVESTMENT EAST, LLC were filed on October 3, 2001, and assigned document number M01000002270. Please refer to this number whenever corresponding with this office.

Your limited liability company is now qualified and authorized to transact business in Florida as of the file date. In accordance with section 608.406(2), F.S., the name of this limited liability company is filed with the Department of State for public notice only and is granted without regard to any other name recorded with the Division of Corporations.

A limited liability company annual report/uniform business report will be due this office between January 1 and May 1 of the year following the calendar year of the file date. A Federal Employer Identification (FEI) number will be required before this report can be filed. If you do not already have an FEI number, please apply NOW with the Internal Revenue by calling 1-800-829-3676 and requesting form SS-4.

Please be aware if the limited liability company address changes, it is the responsibility of the corporation to notify this office.

Should you have any questions regarding this matter, please telephone (850) 245-6051, the Registration and Qualification Section.

Trevor Brumbley
Document Specialist
Division of Corporations

Letter Number: 201A00055915

Account number: 072100000032

Amount charged: 125.00

APPLICATION BY FOREIGN LIMITED LIABILITY COMPANY FOR AUTHORIZATION TO TRANSACT BUSINESS IN FLORIDA

IN COMPLIANCE WITH SECTION 608.503, FLORIDA STATUTES, THE FOLLOWING IS SUBMITTED TO REGISTER A FOREIGN LIMITED LIABILITY COMPANY TO TRANSACT BUSINESS IN THE STATE OF FLORIDA:

1. ADELPHIA BUSINESS SOLUTIONS INVESTMENT EAST, LLC
(Name of foreign limited liability company)

2. Virginia
(Jurisdiction under the law of which foreign limited liability company is organized)

3. 25-1895664
(FEI number, if applicable)

4. 09/24/2001
(Date of Organization)

5. Perpetual
(Duration: Year limited liability company will cease to exist or "perpetual")

6. upon qualification
(Date first transacted business in Florida. (See sections 608.501, 608.502, and 817.155, F.S.)

7. 1 North Main Street
Coudersport, PA 16915
(Street address of principal office)

8. If limited liability company is a manager-managed company, check here ☐

9. The name and usual business addresses of the managing members or managers are as follows:

1 NORTH MAIN STREET
COUDERSPORT PA 16915

10. Attached is an original certificate of existence, no more than 90 days old, duly authenticated by the official having custody of records in the jurisdiction under the law of which it is organized. (A photocopy is not acceptable. If the certificate is in a foreign language, a translation of the certificate under oath of the translator must be submitted.)

11. Nature of business or purposes to be conducted or promoted in Florida: TELECOMMUNICATIONS SERVICE

Telecommunications Services

Signature of a member or an authorized representative of a member.
(In accordance with section 608.408(3), F.S., the execution of this document constitutes an affirmation under the penalties of perjury that the facts stated herein are true.)

John B. Glicksman
Typed or printed name of signee

CERTIFICATE OF DESIGNATION OF REGISTERED AGENT/REGISTERED OFFICE

PURSUANT TO THE PROVISIONS OF SECTION 608.415 or 608.507, FLORIDA STATUTES, THE UNDERSIGNED LIMITED LIABILITY COMPANY SUBMITS THE FOLLOWING STATEMENT TO DESIGNATE A REGISTERED OFFICE AND REGISTERED AGENT IN THE STATE OF FLORIDA.

1. The name of the Limited Liability Company is:

ADELPHIA BUSINESS SOLUTIONS INVESTMENT EAST, LLC

2. The name and the Florida street address of the registered agent and office are:

Corporation Service Company
(Name)

1201 Hays Street
Florida street address (P.O. Box NOT ACCEPTABLE)

Tallahassee FL 32301
(City/State/Zip)

Having been named as registered agent and to accept service of process for the above stated limited liability company at the place designated in this certificate, I hereby accept the appointment as registered agent and agree to act in this capacity. I further agree to comply with the provisions of all statutes relating to the proper and complete performance of my duties, and I am familiar with and accept the obligations of my position as registered agent as provided for in Chapter 608, F.S.

Tabatha Miller Asst VP
(Signature)

$ 100.00	Filing Fee for Application
$ 25.00	Designation of Registered Agent
$ 30.00	Certified Copy (optional)
$ 5.00	Certificate of Status (optional)