

**UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

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: **Chapter 11**
: **Case No. 09-13931 (KJC)**
: **(Jointly Administered)**
: **Re Docket Nos. 976, 1037, 1038, and 1121**
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Objection Deadline: Extended to 2/7/11 at 11:30 a.m.

In re

ADVANTA CORP., et al.,

Debtors.

**RESERVATION OF RIGHTS OF WILLIAM E. UNDERLAND
AND MARK SCHALLER/CLASS ACTION PLAINTIFFS WITH
REGARD TO OBJECTIONS TO CONFIRMATION OF DEBTORS'
JOINT PLAN UNDER CHAPTER 11 OF THE BANKRUPTCY CODE**

William E. Underland and Mark Schaller (“Lead Plaintiffs”)¹, as lead plaintiffs in the securities class action captioned *William E. Underland, on behalf of himself and all other similarly situated persons against Dennis Alter, et. al.*, currently pending in the United States District Court, Eastern District of Pennsylvania (Philadelphia), Civil Action No. 2:10-cv 03621-CMR (the “33 Act Securities Litigation” or “Class Action”)², which Class Action, as is more fully discussed below, was commenced on behalf of a putative class of all persons who, during the Class Period (as defined below) purchased Advanta Corporation’s ReadReserve Certificates and Investment Notes (the “Class”, and together with the Lead Plaintiffs, the “Class Plaintiffs”),

¹ Except as otherwise defined herein, capitalized terms utilized herein shall have the meanings ascribed to them in the Debtors’ Joint Plan Under Chapter 11 of the Bankruptcy Code, filed on December 17, 2010, Docket No. 1037.

² The defendants named in the 33 Act Securities Litigation include Dennis Alter, William A. Rosoff, Philip M. Browne, David B. Weinstock, Robert S. Blank, Max Botel, Thomas Costello, Dana Becker Dunn, Robert Lubner, Olaf Olafsson, Michael Stolper (collectively, the “Individual Defendants”) and KPMG LLP (“KPMG”, and together with the Individual Defendants, the “Non-Debtor Defendants”). Each of the Individual defendants was or is an officer and/or director of Advanta Corp. KPMG was Advanta Corp.’s outside independent auditor during the Class Period.

hereby submits this reservation of rights (the “Reservation of Rights”) by and through their undersigned counsel with regard to their objections to the confirmation of the Debtors’ Joint Plan Under Chapter 11 of the Bankruptcy Code, filed December 17, 2010, Docket No. 1037 (the “Plan”), and respectfully states as follows:

I. RESERVATION OF RIGHTS

1. By this reservation of rights (the “Reservation of Rights”), the Class Plaintiffs are reserving their rights to raise and assert any and all objections to confirmation of the Plan through and including the hearing, or any adjourned hearing, on confirmation of the Plan. The Debtors and the Class Plaintiffs have reached agreement on certain language (the “Agreed Language”) to be included in any order as shall be entered confirming the Plan (a “Confirmation Order”)³. The Agreed Language was negotiated in an effort to address certain concerns raised on behalf of the Class Plaintiffs and to obviate the need for the filing by the Class Plaintiffs of a more substantive confirmation objection, or to otherwise object to confirmation of the Plan. If however, issues are raised in connection with confirmation of the Plan, or modifications are made to the Plan (or related documents), the Confirmation Order, or the Agreed Language, that may in the judgment of the attorneys for the Class Plaintiffs adversely affect the interest of the Class Plaintiffs, the Class Plaintiffs reserve their rights to raise any and all issues and objections through and including the date of any hearing on confirmation of the Plan. In such event, the Class Plaintiffs also reserve their rights to adopt or join in any other or further objections raised by other parties.

³ The Agreed Language incorporates modifications requested by the Creditors’ Committee and it is the understanding of counsel for the Class Plaintiffs that the Agreed Language is also acceptable to the Creditors’ Committee. It is also the understanding of counsel for the Class Plaintiffs that the Debtors intend to file a proposed Confirmation Order prior to the confirmation hearing, incorporating the Agreed Language.

2. Set forth below is background information with regard to the Class Action, and the history regarding objections that were filed by the Class Plaintiffs to the Debtors then proposed disclosure statement, certain of which would remain relevant in the absence of the inclusion of the Agreed Language.

**II. PRIOR DISCLOSURE STATEMENT OBJECTIONS
AND REMAINING CONFIRMATION OBJECTIONS
RESOLVED BY AGREED LANGUAGE**

3. Disclosure Statement. The Class Plaintiffs previously filed a limited objection dated December 6, 2010, Docket No 976, to approval of the then proposed disclosure (the “Class Plaintiffs’ DS Objections”). Such objections were limited to issues that affected the rights and interests of the Class Plaintiffs in connection with the 33 Act Securities Litigation (as defined below) commenced by the Class Plaintiffs against non-Debtor third parties.

4. Disclosure Statement Objections. In summary form, pursuant to the Class Plaintiffs’ DS Objections, the Class Plaintiffs argued, *inter alia*, that (a) the Plan contained broad and ambiguous release language in the form of plan injunctions, including those contained in Plan sections 10.3, 10.4 and 10.5 (collectively, the “Plan Injunctions”), and in the exculpations language of Plan section 10.7, which separately and collectively could arguably be read to impermissibly provide for releases of claims and rights that the Class Plaintiffs have against non-debtor third parties, and that the Debtors failed to disclose any unusual circumstances or justification for what would constitute extraordinary releases; (b) the Debtors failed to provide disclosure of an adequate protocol relating to the preservation and disposition of the Debtors records or documents, and for notice to the Class Plaintiff’s in the event the Debtors or their successors intended to dispose of any such records or documents; and (c)

there was inadequate disclosure regarding the terms and limits with respect to any available directors and officers insurance.

5. Resolved or Adjourned Objections. Issues concerning the exculpation language in Plan section 10.7 were resolved by modifications that were made to the Plan and revised Disclosure Statement, making it clear that the exculpation provisions only relate to “any act taken or omitted to be taken on or after the [Petition Date]”. See Plan section 10.7. Issues concerning disclosure with respect to available insurance were resolved by the parties. The Debtors advised that issues regarding the preservation and disposition of books, records and documents would be addressed in the “Plan Supplement” documents, and accordingly those issues were reserved until confirmation.

6. Remaining Objections Resolved By Agreed Language. Although the issues with respect to the Plan Injunctions were addressed in part by making certain language changes in the Plan and Disclosure Statement, the objection was not fully resolved with respect to other language that was not modified, and because the Debtors declined (until now) to include clarification language in the Confirmation Order. In addition, the Plan Supplement, filed on January 22, 2011 (Docket No. 1121)⁴ did not fully address the Class Plaintiffs concerns with respect to issues concerning the preservation and disposition of books and records relating to the Class Action litigation. The issues that remained following the modifications made to the Plan and Disclosure Statement have been addressed pursuant to the Agreed Language, subject to this Reservation of Rights.

⁴ The Plan Supplement includes, among other documents, seven Liquidating Trust Agreements, which, subject to the terms of the Confirmation Order, will govern the administration of the Liquidating Trusts.

III. BACKGROUND

7. On November 8, 2009 and November 20, 2009 (collectively “Petition Date”), Advanta Corp. (“Advanta”) and certain of its subsidiaries (collectively with Advanta, the “Debtors”) filed for relief under Chapter 11 of Title 11 of the United States Code (the “Bankruptcy Code”) in the United States Bankruptcy Court before the District of Delaware (the “Bankruptcy Court”). The Debtors’ Chapter 11 cases are being jointly administered for procedural purposes only (the “Chapter 11 Cases”).

8. On June 24, 2010, Class Plaintiffs commenced the 33 Act Securities Litigation in the Supreme Court of Pennsylvania, Court of Common Pleas of Montgomery County PA. Thereafter, the Individual Defendants removed the action to the United States District Court for the Eastern District of Pennsylvania, where the matter is now pending.

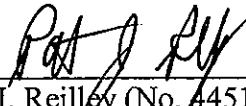
9. In the 33 Act Securities Litigation, the Class Plaintiffs assert claims against the Non-Debtor Defendants for damages incurred by the Class Plaintiffs in connection with the purchase of the ReadReserve Notes and Investment Notes traceable to registration statements that contained materially misleading statements and omissions that violated sections 11, 12(a)(2) and 15 of the Securities Act of 1933 (“1933 Act”). The Class Action involves solely strict liability and negligence claims under the 1933 Act, and expressly excludes and disclaims any allegations that could be construed as alleging fraud or intentionally reckless misconduct. The Class Action is not a derivative action and the claims asserted are for rescission and damages incurred by the Class Plaintiffs due to the acts or omissions of the Non-Debtor Defendants. The class period runs from June 24, 2007 through November 8, 2009 (the “Class Period”). Accordingly the Class Action relates solely to pre-Petition Date acts, omissions, events and documents.

10. In recognition of the automatic stay in effect pursuant to 11 U.S.C. Section 362(a), Advanta was not named as a defendant in the complaint commencing the 33 Act Securities Litigation, and accordingly, the 33 Act Securities Litigation is proceeding solely as against the Non-Debtor Defendants. Furthermore, the Class Plaintiffs have not filed a claim against Advanta in the Chapter 11 Cases.

WHEREFORE, the Class Plaintiffs respectfully reserve their rights as set forth above to raise and assert any and all objections to confirmation of the Plan through and including the hearing, or any adjourned hearing, on confirmation of the Plan, and to seek such other and further relief as the Court deems just and proper.

Dated: February 7, 2011

COLE, SCHOTZ, MEISEL,
FORMAN & LEONARD, P.A.
Bankruptcy Counsel for Class Plaintiff

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UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

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In re : Chapter 11
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 ADVANTA CORP., *et al.*, : Case No. 09-13931 (KJC)
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 Debtors. : (Jointly Administered)
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AFFIDAVIT OF SERVICE

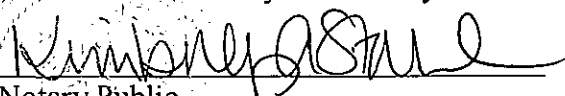
STATE OF DELAWARE :
: SS
NEW CASTLE COUNTY :

Sandi Van Dyk, being duly sworn according to law, deposes and says that she is employed as a Paralegal at the law firm Cole, Schotz, Meisel, Forman & Leonard, P.A., counsel to Class Plaintiff in the within captioned matter, and that on February 7, 2011, she caused a copy of the **Reservation of Rights of William E. Underland and Mark Schaller/Class Action Plaintiffs With Regard to Objections to Confirmation of Debtors' Joint Plan Under Chapter 11 of the Bankruptcy Code** to be served as indicated on the attached service list.



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 FORMAN & LEONARD, P.A.
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SWORN TO AND SUBSCRIBED
before me this 7th day of February 2011.



 Notary Public
Kimberly A. Stahl
 Notary Public State of Delaware
 My Commission Expires 1/06/2015

SERVICE LIST

Via Overnight Delivery (for delivery on 2/8/11)

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Attn: Roger G. Schwartz
Adam J. Goldberg

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