

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

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

**FEE AUDITOR’S FINAL REPORT REGARDING THE EIGHTH MONTHLY AND
FINAL FEE APPLICATION OF KPMG LLP FOR ALLOWANCE OF
COMPENSATION AND REIMBURSEMENT OF EXPENSES FOR THE INTERIM
PERIOD OF FEBRUARY 1, 2011 THROUGH FEBRUARY 28, 2011 AND THE FINAL
PERIOD BEGINNING NOVEMBER 8, 2009 THROUGH FEBRUARY 28, 2011**

This is the final report of Warren H. Smith & Associates, P.C., acting in its capacity as fee auditor in the above-captioned bankruptcy proceedings, regarding the Eighth Monthly and Final Fee Application of KPMG LLP for Allowance of Compensation and Reimbursement of Expenses for the Interim Period of February 1, 2011 through February 28, 2011 and the Final Period Beginning November 8, 2009 through February 28, 2011 (the “Application” or “Final Application”).

BACKGROUND

1. KPMG LLP (“KPMG”) was retained as Auditors, Tax Consultants and Advisors to the Debtors and Debtors-in-Possession. In the Application, KPMG seeks approval of fees and expenses as follows: fees totaling \$0.00 and expenses totaling \$971.11 for its services from February 1, 2011 through February 28, 2011 (the “Fourth Interim Period”),¹ and final approval of fees totaling

¹KPMG did not file a quarterly application for the Fourth Interim Period, but included this amount in its Final Application as its “Eighth Monthly Application.” For the sake of consistency, we will refer to this period as the “Fourth Interim Period.”

\$859,567.34² and expenses totaling \$66,222.70³ for its services from November 8, 2009 through February 28, 2011 (the “Final Application Period”).

2. In conducting this audit and reaching the conclusions and recommendations contained herein, we reviewed in detail the Application in its entirety, including each of the time and expense entries included in the exhibits to the Application, for compliance with Local Rule 2016-2 of the Local Rules of the United States Bankruptcy Court for the District of Delaware, Amended Effective February 1, 2011, and the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330, Issued January 30, 1996 (the “U.S. Trustee Guidelines”), as well as for consistency with precedent established in the United States Bankruptcy Court for the District of Delaware, the United States District Court for the District of Delaware, and the Third Circuit Court of Appeals. We served an initial report on KPMG based on our review, and we received a response from KPMG, portions of which response are quoted herein.

DISCUSSION

Fourth Interim Period

²We note that the total of the fees requested in KPMG’s two prior applications, plus the compensation sought for the Fourth Interim Period, is \$916,109.11. It appears that KPMG has deducted from this amount all of the reductions ordered by the Court for the prior periods, which periods are discussed in more detail in paragraph 5, to arrive at the figure it seeks of \$859,567.34. We note that the Court has ruled on the First and Second Interim Periods, but no rulings have been made on the Third and Fourth Interim Periods.

³We note that the total of the expenses requested in KPMG’s two prior applications, plus the expenses sought for the Fourth Interim Period, is \$66,222.70. The Court has ordered no reductions for the prior interim periods, which periods are discussed in more detail in Paragraph 5, and thus KPMG has deducted no sums from this amount to arrive at the figure it seeks of \$66,222.70. We note that the Court has ruled on the First and Second Interim Periods, but no rulings have been made on the Third and Fourth Interim Periods.

3. In our initial report, we noted the following expenses for legal fees:

09-Jun-10	The engagement letter dated October 29, 2009 provides that: “In the event KPMG is requested pursuant to subpoena or other legal process to produce its documents relating to this engagement for Advanta Corp. in judicial or administrative proceedings to which KPMG is not a party, Advanta Corp. shall reimburse KPMG at standard billing rates for its professional time and expenses, including reasonable attorney’s fees, incurred in responding to such requests.” On or about March 17, 2010, KPMG LLP received a subpoena duces tecum relating to the firm’s services under this engagement letter. For the period May 1, 2010 through May 31, 2010, KPMG LLP was billed \$722.71 for legal services rendered in response to that subpoena.	\$722.71
07-Jul-10	The engagement letter dated October 29, 2009 provides that: “In the event KPMG is requested pursuant to subpoena or other legal process to produce its documents relating to this engagement for Advanta Corp. in judicial or administrative proceedings to which KPMG is not a party, Advanta Corp. shall reimburse KPMG at standard billing rates for its professional time and expenses, including reasonable attorney’s fees, incurred in responding to such requests.” On or about March 17, 2010, KPMG LLP received a subpoena duces tecum relating to the firm’s services under the engagement letter. For the period June 1, 2010 through June 30, 2010, KPMG LLP was billed \$248.40 for legal services rendered in response to that subpoena.	\$248.40

In response to our request, KPMG provided us with a copy of the itemized invoices for these legal expenses. See Response Exhibits 1 and 2. In addition, KPMG stated as follows:

KPMG hired Foley Hoag for a number of reasons. First, the subpoena came from the Massachusetts Attorney General’s office. Foley Hoag, a predominantly Boston firm, was identified based in part on their expertise with Massachusetts Attorney General regulatory investigations and in part for their experience and knowledge of audit firms, both of which we expected would provide efficiencies in responding to the civil investigative demand and in producing responsive documents. Second, KPMG hired Foley Hoag to help with the logistics of identifying, collecting, reviewing and producing the potentially large quantity of documents sought by the civil investigative demand. This was done in the normal course; KPMG generally brings in the resources and legal expertise of outside counsel in responding to government and regulatory subpoenas.

We reviewed the invoices for these legal services and have no objection to these expenses.

4. Thus, we recommend approval of \$971.11 in expenses for KPMG’s services for the Fourth Interim Period.

Prior Interim Applications

5. We note that we previously filed the following final reports for KPMG's prior interim applications, which final reports we incorporate by reference herein, and we also note the following orders that ruled on KPMG's prior interim applications:

1st Period: Fee Auditor's Final Report Regarding the First Interim Fee Application of KPMG LLP (Docket #694) filed on or about August 4, 2010, in which we recommended approval of fees totaling \$695,047.68 and expenses totaling \$7,631.65, reflecting our recommended reduction of \$51,735.70 in fees, as further explained in paragraphs 3 and 4 of that final report. These recommendations were adopted in the Omnibus Order Approving First Interim Fee Application Requests, dated October 26, 2010 (Docket #879).

2nd Period: Fee Auditor's Final Report Regarding the Second Interim Fee Application of KPMG LLP (Docket #1112) filed on or about January 17, 2011, in which we recommended approval of fees totaling \$164,519.66 and expenses totaling \$57,619.94, reflecting our recommended reduction of \$4,806.07 in fees, as further explained in paragraph 3 of that final report. These recommendations were adopted in the Omnibus Order Approving Second Interim Fee Application Requests, dated February 8, 2011 (Docket #1150).

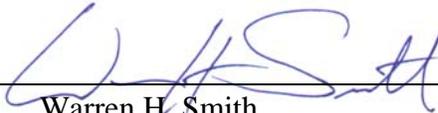
6. We have reviewed the final reports and orders allowing fees and expenses for the prior interim periods, and we do not believe there is any reason to change any of the amounts awarded for the prior interim periods.

CONCLUSION

7. Thus, we recommend final approval of \$859,567.34⁴ in fees and \$66,222.70⁵ in expenses for KPMG's services for the Final Application Period.

Respectfully submitted,

WARREN H. SMITH & ASSOCIATES, P.C.

By: 
Warren H. Smith
Texas State Bar No. 18757050

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Dallas, Texas 75201
214-698-3868
214-722-0081 (fax)
whsmith@whsmithlaw.com

FEE AUDITOR

⁴We note that the total of the fees requested in KPMG's two prior applications, plus the compensation sought for the Fourth Interim Period, is \$916,109.11. It appears that KPMG has deducted from this amount all of the reductions ordered by the Court for the prior periods, which periods are discussed in more detail in paragraph 5, to arrive at the figure it seeks of \$859,567.34. We note that the Court has ruled on the First and Second Interim Periods, but no rulings have been made on the Third and Fourth Interim Periods.

⁵We note that the total of the expenses requested in KPMG's two prior applications, plus the expenses sought for the Fourth Interim Period, is \$66,222.70. The Court has ordered no reductions for the prior interim periods, which periods are discussed in more detail in Paragraph 5, and thus KPMG has deducted no sums from this amount to arrive at the figure it seeks of \$66,222.70. We note that the Court has ruled on the First and Second Interim Periods, but no rulings have been made on the Third and Fourth Interim Periods.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document has been served by First Class United States mail to the attached service list on this 18th day of May, 2011.


Warren H. Smith

SERVICE LIST
Notice Parties

Applicant

John P. Depman
Partner
KPMG LLP
1601 Market Street
Philadelphia, PA 19103

Howard A. Cohen
Drinker Biddle & Reath LLP
1100 N. Market Street, Suite 1000
Wilmington, DE 19801

Debtors

Philip M. Browne
Advanta Corp.
P.O. Box 844
Spring House, PA 19477-844

U.S. Trustee

David Klauder
Office of the United States Trustee
District of Delaware
844 King Street, Suite 2207
Lockbox 35
Wilmington, DE 19801

Debtor's Counsel

Robert L. Lemons
Victoria Vron
Jennifer Ganesh
Weil, Gotshal & Manges, LLP
767 Fifth Avenue
New York, NY 10153

Chun I. Jang
Zachary Shapiro
Richards, Layton & Finger, P.A.
One Rodney Square
920 North King Street
Wilmington, DE 19801

**Counsel to the Official Committee of
Unsecured Creditors**

Mitchell A. Seider
Roger G. Schwartz
Aaron Singer
Latham & Watkins LLP
885 Third Avenue, Suite 1200
New York, NY 10022-4834

Matter No.: 25358.00009
Re: Advanta - MA A.G. CID

Invoice No.: 462828
June 9, 2010
Page 2

<u>Date</u>	<u>Timekeeper</u>	<u>Narrative</u>	<u>Hours</u>
05/03/10	Wood	Review and approve supplemental production letter.	0.2
05/03/10	Miller	Draft correspondence regarding supplemental production and serve same; review and prepare supplemental production.	0.9
05/04/10	Wood	Client e-mails.	0.2
05/06/10	Miller	Correspondence regarding scope of production.	0.1
Total Hours			1.4

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Matter No.: 25358.00009
Re: Advanta - MA A.G. CID

Invoice No.: 462828
June 9, 2010
Page 3

TIMEKEEPER SUMMARY

<u>Timekeeper</u>	<u>Hours</u>		<u>Rate</u>		<u>Amount</u>
Lisa C. Wood	0.4	at	607.50	✓ =	243.00 ✓
Matthew Miller	1.0	at	414.00	✓ =	414.00 ✓
Total Fees					\$657.00 ✓

Disbursement Summary

<u>Date</u>		<u>Amount</u>
05/25/10	Telephone	1.56
05/25/10	Express Delivery	54.65
05/25/10	Computer Research, CourtLink	9.50
Total Disbursements		\$65.71 ✓

Total Fees	\$657.00 ✓
Total Disbursements	65.71
Total Fees and Disbursements	\$722.71 ✓

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Lisa C. Wood
617-832-1117
Boston

REMITTANCE PAGE

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KPMG LLP
Attn: Ellen Wahl Parker
Office of the General Counsel
FDR Station Box 5340
New York, NY 10150-5340

June 9, 2010
Invoice No.: 462828
Matter No.: 25358.00009

Re: **Advanta - MA A.G. CID**

Total Fees and Disbursements

\$722.71

Remittance Address:
Foley Hoag LLP
Box 83176
Woburn, MA 01813-3176

Overnight Remittance Address:
Foley Hoag LLP
Attn: Accounts Receivable
155 Seaport Boulevard
Boston, MA 02210-2600

Federal Tax ID : 04-2150535

Wire Instructions:
Citizens Bank
1 Citizens Drive
Providence, RI 02915

ABA: 011500120
Swift #: CTZIUS33
Account # 1133945993
Beneficiary: Foley Hoag LLP - Wire Receipt
Account

**Reference
Information:**

**Client/Matter #: 25358.00009, Invoice #: 462828
Billing Attorney: Lisa C. Wood
Wire Originator: KPMG LLP**

Seaport West / 155 Seaport Blvd. / Boston, MA 02210-2600 / TEL: 617.832.1000 / FAX: 617.832.7000

BOSTON

WASHINGTON

EMERGING ENTERPRISE CENTER

FOLEYHOAG.COM



Elop/MS

Lisa C. Wood
617-832-1117
Boston

RECEIVED

JUL 13 2010

PARALEGAL

July 7, 2010
Invoice No.: 464039
Matter No.: 25358.00009

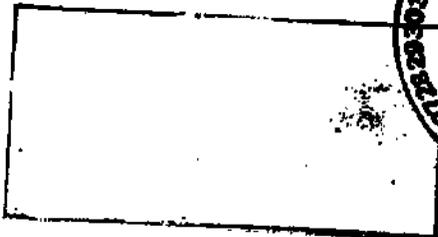
KPMG LLP
Attn: Ellen Wahl Parker
Office of the General Counsel
FDR Station Box 5340
New York, NY 10150-5340

Re: Advanta - MA A.G. CID

For Professional Services rendered through June 30, 2010

Fees	\$248.40
Total Fees and Disbursements	\$248.40

- ADVANTA CORPORATION
- MASSACHUSETTS CIVIL INVESTIGATING DEMAND No. 10-IFS-047 (ADVANTA CORP)



PARALEGAL _____

FOOTING/EXTENSIONS OK _____

HOURLY RATES Low _____

FEE DISCOUNTS None _____

OTHER TERMS (EXPENSES) None _____

APPROVED AMOUNT \$ 248.40 _____

OGC ATTORNEY OK _____

OGC AUDITOR EF _____

MANAGEMENT REVIEW _____

OTHER OFFICE CHARGE

Account: 80921000

11994421

Seaport West / 155 Seaport Blvd. / Boston, MA 02210-2600 / TEL: 617.832.1000 / FAX: 617.832.7000

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Matter No.: 25358.00009
Re: Advanta - MA A.G. CID

Invoice No.: 464039
July 7, 2010
Page 2

<u>Date</u>	<u>Timekeeper</u>	<u>Narrative</u>	<u>Hours</u>
06/21/10	Miller	Review correspondence regarding production and draft summary of same.	0.6
Total Hours			0.6

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Matter No.: 25358.00009
Re: Advanta - MA A.G. CID

Invoice No.: 464039
July 7, 2010
Page 3

TIMEKEEPER SUMMARY

<u>Timekeeper</u>	<u>Hours</u>	at	<u>Rate</u>	=	<u>Amount</u>
Matthew Miller 346 hours	0.6		414.00		248.40
	Total Fees				\$248.40

Total Fees	\$248.40
Total Fees and Disbursements	<u>\$248.40</u>

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Lisa C. Wood
617-832-1117
Boston

REMITTANCE PAGE

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KPMG LLP
Attn: Ellen Wahl Parker
Office of the General Counsel
FDR Station Box 5340
New York, NY 10150-5340

July 7, 2010
Invoice No.: 464039
Matter No.: 25358.00009

Re: **Advanta - MA A.G. CID**

Total Fees and Disbursements

\$248.40

Remittance Address:
Foley Hoag LLP
Box 83176
Woburn, MA 01813-3176

Overnight Remittance Address:
Foley Hoag LLP
Attn: Accounts Receivable
155 Seaport Boulevard
Boston, MA 02210-2600

Federal Tax ID : 04-2150535

Wire Instructions: Citizens Bank 1 Citizens Drive Providence, RI 02915	ABA: 011500120 Swift #: CTZIUS33 Account # 1133945993 Beneficiary: Foley Hoag LLP – Wire Receipt Account
--	--

Reference
Information:

Client/Matter #: 25358.00009, Invoice #: 464039
Billing Attorney: Lisa C. Wood
Wire Originator: KPMG LLP

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