

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE**

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	:	
<i>In re</i>	:	Chapter 11
	:	
ADVANTA CORP., <i>et al.</i> ,	:	Case No. 09-[●] (●)
	:	
Debtors. ¹	:	(Joint Administration Requested)
	:	
	:	
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**DECLARATION OF WILLIAM A. ROSOFF IN SUPPORT
OF THE DEBTORS' CHAPTER 11 PETITIONS AND FIRST-DAY MOTIONS**

I, William A. Rosoff, being fully sworn, hereby declare that the following is true to the best of my knowledge, information, and belief:

1. I am President and Vice Chairman of the Board of Advanta Corp. ("**Advanta**"), which is incorporated in Delaware and headquartered in Pennsylvania. On the date hereof (the "**Commencement Date**"), Advanta and its affiliated debtors and debtors in possession (the "**Subsidiary Debtors**," and, together with Advanta, the "**Debtors**") commenced voluntary cases under chapter 11 of title 11 of the United States Code (the "**Bankruptcy Code**"). Advanta is the direct or indirect ultimate parent company of each of the Subsidiary Debtors.

2. Advanta is also (i) the direct parent company of Advanta Bank Corp., a Utah industrial bank ("**ABC**") and (ii) the indirect parent company of Advanta Bank, a Delaware state chartered depository institution ("**Advanta Bank**," and together with ABC, the "**Banking**

¹ The Debtors in these cases, along with the last four digits of each Debtor's federal tax identification number, are Advanta Corp. (2070), Advanta Investment Corp. (5627), Advanta Business Services Holding Corp. (4047), Advanta Business Services Corp. (3786), Advanta Shared Services Corp. (7074), Advanta Service Corp. (5625), Advanta Advertising Inc. (0186), Advantennis Corp. (2355), Advanta Mortgage Holding Company (5221), Advanta Auto Finance Corporation (6077), Advanta Mortgage Corp. USA (2654), Advanta Finance Corp. (8991), Great Expectations International Inc. (0440), Great Expectations Franchise Corp. (3326), and Great Expectations Management Corp. (3328). Each of the Debtors (other than the Great Expectations entities) maintains its principal corporate office at Welsh & McKean Roads, P.O. Box 844, Spring House, Pennsylvania 19477-0844. The Great Expectations entities maintain their principal corporate office at 1209 Orange Street, Wilmington, Delaware 19801.

Subsidiaries").² Advanta, together with the other Debtors and its non-debtor subsidiaries (including the Banking Subsidiaries), shall be referred to herein as the "*Company*." Advanta's primary business emanates out of its ownership of ABC, which, prior to recent events, was one of the nation's largest issuers of business purpose credit cards to small businesses and business professionals in the United States. In addition to managing its direct investment in ABC, Advanta provides direct managerial support and, through its debtor subsidiary, Advanta Shared Services Corp. ("*Shared Services*"), services support for ABC's business.³

3. As President and Vice Chairman of Advanta's Board of Directors (the "*Board*"), I am familiar with the Company's day-to-day operations, business, and financial affairs. Prior to joining Advanta in 1996 as Vice Chairman of the Board (later being named President in 1999), I was a partner of the law firm of Wolf, Block, Schorr and Solis-Cohen LLP and advised the Company for over 20 years.

4. I submit this declaration (the "*Declaration*") to assist the Court and other parties in interest in understanding the circumstances that compelled the commencement of these chapter 11 cases and in support of the first-day motions filed contemporaneously herewith (the "*First-Day Motions*").

5. Except as otherwise indicated, all facts set forth in this Declaration are based upon my personal knowledge, my discussions with other members of the Company's current or former senior management, my review of relevant documents, or my opinion based upon experience, knowledge, and information concerning the operations of the Company generally. While I have made every reasonable effort to ensure that the information contained herein is accurate and complete based upon information that was available at the time of this

² Advanta Bank is not holding deposits or making loans to third parties at this time.

³ Prior to May 2009, and as discussed more fully below, Advanta also invested directly in customer receivables that were funded by ABC.

Declaration's preparation, the subsequent receipt of information may result in material changes to financial data and other information contained herein. In the event material information is obtained subsequent to this Declaration, I will submit a supplement or amendment hereto, as applicable. If called upon to testify, I would testify competently to the facts set forth in this Declaration. By resolution of the Board, I am authorized to submit this Declaration.

6. This Declaration is intended to provide a summary overview of the Company and these chapter 11 cases. Sections I-IV of this Declaration provide an overview of the Company's business, organizational structure, capital structure, and events giving rise to the commencement of these chapter 11 cases. Section V describes the relief that the Debtors seek in the First-Day Motions.

I.

The Company's Business

A. **General History**

7. Advanta was incorporated in Delaware in 1974 as Teachers Service Organization, Inc. ("**TSO**"), the successor to a business originally founded in 1951. In 1985, TSO became a public company and later changed its name to TSO Financial Corp. In the late 1980s, TSO Financial Corp. became one of the first companies to securitize credit card and mortgage receivables, and in the beginning of 1988, changed its name to Advanta Corp. In the 1990s, the Company introduced credit cards targeted towards small business and began in 2001 to focus primarily (through ABC) on credit cards for small businesses. Thereafter, the Company developed other products to assist small businesses' efforts.

8. The Company (other than the Great Expectations Entities (as defined below)) maintains its principal corporate offices at Welsh & McKean Roads, P.O. Box 844,

Spring House, Pennsylvania 19477-0844. The Great Expectations Entities maintain their principal corporate office at 1209 Orange Street, Wilmington, Delaware 19801. Currently, the Debtors have 42 employees, with all employed by Advanta and Shared Services.

B. **Description of Advanta's Business**

9. As noted above, Advanta's business primarily emanates out of its ownership of ABC. Prior to May 30, 2009, ABC was one of the largest credit card issuers in the small business market. Under ABC's banking charter, it is authorized to make consumer and commercial loans and accept, among other things, deposit accounts insured by the Federal Deposit Insurance Corporation ("**FDIC**"). Consequently, ABC is subject to oversight and regulation by the FDIC and the Utah Department of Financial Institutions (the "**Department**") – covering a broad range of banking activities and practices, including minimum capital standards, maintenance of reserves, and affiliate transactions.

10. As discussed more fully below, and as disclosed in its filed Form 10-Q for the quarterly period ended March 31, 2009, in May 2009 Advanta developed a plan designed to dramatically limit the Company's credit loss exposure and to maximize its capital and liquidity measures. The plan included not preventing an early amortization of its securitization transactions, closing customer accounts to future use, and the execution of cash tender offers for the outstanding Trust Preferred Securities and a portion of the Class A Notes (both as defined below) at prices below their par value.

11. After May 30, 2009, ABC ceased originating new business credit card accounts and funding new business credit card receivables, and closed all customer business credit card accounts to future use. Today, ABC's principal business activity consists of servicing

(i) on-balance sheet business credit card receivables and (ii) business credit card receivables owned by the Advanta Business Card Master Trust (the “*Master Trust*”).

12. Pursuant to a Receivables Purchase and Servicing Agreement, dated as of June 29, 2005, between ABC and Advanta (as amended from time to time, the “*RPSA*”), ABC sold on a continuing basis to Advanta all of its right, title and interest to receivables generated by certain designated business credit card accounts originated by ABC.⁴ Under the RPSA, Advanta engaged ABC to service the receivables sold to Advanta for a periodic servicing fee unless and until such contractual servicing arrangement is terminated under the RPSA upon the occurrence of certain servicer defaults. Receivables were sold to Advanta as they were generated until Advanta, under the terms of the RPSA, terminated its obligation to purchase receivables thereunder as of July 16, 2009.

13. The receivables purchased by Advanta from ABC under the RPSA were sold on a continuing basis by Advanta to Advanta Credit Card Receivables Corp. (“*ACCRC*”), a non-debtor wholly-owned subsidiary of Advanta, pursuant to a Receivables Purchase Agreement, dated as of April 27, 2007, between Advanta and ACCRC (as amended from time to time, the “*RPA*”). To effectuate the purchase, ACCRC borrowed funds from Advanta. Such receivables sold to ACCRC pursuant to the RPA continue to be serviced by ABC pursuant to the contractual arrangement between Advanta and ABC set forth in the RPSA. Each month, the receivables generate cash flow equal to 6-7% of their beginning-of-the-month balances. For example, the receivables generated approximately \$3 million of cash flow from the beginning

⁴ “Receivables” includes, without limitation, all amounts payable by cardholders, including all amounts advanced to cardholders for purchase and cash usage transactions and balance transfers, periodic rate finance charges, cash advance fees, annual membership fees, annual service charges, late fees, overlimit fees, net interchange, and all other fees, charges, and revenue streams in respect of such amounts advanced.

October balance of approximately \$54 million. As ACCRC receives this cash flow, it uses it to repay the intercompany borrowing from Advanta.

14. The following chart summarizes the business activity of each of the other Debtors:

Debtor	Business Description
Advanta Business Services Holding Corp.	Holding company for Advanta Business Services Corp. Receives cash flow representing interest payments arising out of the Class D Notes issued by the Master Trust. ⁵
Advanta Business Services Corp.	Formerly engaged in commercial equipment leasing. Currently dormant.
Advanta Shared Services Corp.	Provides support services to affiliated Company entities, including communications, accounting, treasury, finance, legal and internal audit functions.
Advanta Service Corp.	Primarily provides real-estate related services to affiliated Company entities, and currently holds legacy leases related to such services.
Advanta Advertising, Inc.	Maintains investment in Advantennis Corp.
Advantennis Corp.	Provides general marketing and advertising for the Company, including sponsorships.
Advanta Mortgage Holding Company	Holding company for Advanta Auto Finance Corp., Advanta Mortgage Corp. USA, and Advanta Finance Corp.
Advanta Auto Finance Corp.	Financed and purchased automobile retail installment contracts. Currently dormant.

⁵ The Master Trust was created as a qualified special purpose entity to provide financing to ABC by purchasing small business credit card receivables originated by ABC. Such purchases were funded primarily by the issuance of four tranches of asset backed notes primarily to institutional investors (collectively, the “Notes,” with the most senior tranche of Notes, the “Class A Notes,” and the most junior tranche of Notes, the “Class D Notes”). Debtor Advanta Business Services Holding Corp. owns some Class D Notes, which are entitled only to interest payments from the Master Trust. The Master Trust owned approximately \$2.6 billion in receivables as of October 31, 2009. The outstanding Notes that are senior to the Class D Notes aggregate to approximately \$1.9 billion. As of the Commencement Date, Class D Notes in the principal amounts of \$80 million were owned by Advanta Business Services Holding Corp. and \$25 million were owned by third parties (although the Class D Notes have been written down to \$0 for calculating the amount of principal repayment to which they are entitled).

Advanta Mortgage Corp. USA	Originated, purchased, sold, and serviced home equity loans. Currently dormant.
Advanta Finance Corp.	Engaged in consumer finance. Currently dormant.
Advanta Investment Corp.	Maintains investment in Great Expectations International, Inc., which in turn maintains investments in Great Expectations Management Corp. and Great Expectations Franchise Corp.
Great Expectations International Inc.	Maintains investments in Great Expectations Management Corp. and Great Expectations Franchise Corp. (the " <i>Great Expectations Entities</i> "). The Great Expectations Entities ran online dating centers in the late 1990s; they were shut down, however, in 1998.
Great Expectations Management Corp.	Managed the day-to-day operations related to the Great Expectations Entities. Currently dormant.
Great Expectations Franchise Corp.	Managed finances related to Great Expectations Entities. Currently dormant.

II.

Organizational Structure

15. The chart attached hereto as Exhibit "A" provides a general overview of the Company's corporate structure, including all of the Debtors (shaded) and non-Debtors (unshaded).

III.

Capital Structure/Significant Indebtedness

16. The instruments evidencing the Debtors' significant indebtedness are described below. In addition, the Debtors owe trade debt totaling approximately \$5.5 million as of November 5, 2009.

A. RediReserve Variable Rate Certificates

17. To fund general corporate purposes, Advanta and its predecessors historically offered senior unsecured debt securities, in the form of RediReserve Variable Rate Certificates (“*RediReserve Certificates*”) and Investment Notes (“*Investment Notes*”), directly to retail investors in certain states. The RediReserve Certificates and Investment Notes are governed by the terms of that certain indenture dated October 23, 1995 between Advanta and the Bank of New York Mellon (as successor to JP Morgan Chase Bank, N.A.), as indenture trustee (the “*Investment Note Indenture*”). The RediReserve Certificates and Investment Notes are obligations of Advanta, and are not insured or guaranteed by the FDIC or by any other public or private entity.

18. The RediReserve Certificates are payable on demand. Variable interest on the RediReserve Certificates accrues daily at a rate of approximately .013% (or approximately 4.6% annually), and at the end of each month, the accrued interest is posted to the RediReserve Certificate holders’ accounts and becomes part of the principal balance of the debt. As of the Commencement Date, RediReserve Certificates in an aggregate principal amount of approximately \$5.2 million remain outstanding to approximately 445 holders.⁶

19. Investment Notes have maturities that can range from 91 days to ten years, and pay fixed rates of interest. As of the Commencement Date, Investment Notes in an aggregate principal amount of approximately \$128 million – and approximately \$4.8 million in accrued but unpaid interest – remain outstanding to approximately 3,400 holders of Investment Notes.

⁶ Interest is posted to the balance for the RediReserve Certificates at the end of each month. Therefore, as of the Commencement Date, only a small amount of interest – approximately \$5,000 – is accrued and unpaid.

B. 8.99% Junior Subordinated Deferrable Interest Notes

20. For additional funding for general corporate purposes, Advanta also established a statutory business trust, Advanta Capital Trust I (“*ACT*”), that issued \$100 million of 8.99% capital securities (the “*Trust Preferred Securities*”), representing preferred beneficial interests in the assets of ACT.⁷ Advanta owns 100% of all of the beneficial interests, which are represented by the common securities of ACT (the “*Common Securities*” and together with the Trust Preferred Securities, the “*ACT Securities*”).⁸ ACT used the proceeds from selling the ACT Securities to purchase 8.99% junior subordinated deferrable interest debentures due December 17, 2026 (the “*Subordinated Notes*”). The Subordinated Notes are issued by Advanta pursuant to that certain indenture dated as of December 17, 1996, with The Bank of New York Mellon, as indenture trustee (as successor to The Chase Manhattan Bank) (the “*8.99% Indenture*”). The Subordinated Notes constitute the sole assets of ACT, and payments under the Subordinated Notes are the sole revenues of ACT. Pursuant to that certain Series A Capital Securities Guarantee Agreement, dated as of December 17, 1996, and by and between Advanta and The Bank of New York Mellon, as trustee (as successor to The Chase Manhattan Bank), Advanta guaranteed ACT’s obligations under the Trust Preferred Securities, subject to the subordination provisions set forth in the 8.99% Indenture. Pursuant to such subordination provisions, Advanta’s guarantee obligations under the Trust Preferred Securities, and the Subordinated Notes, are subordinated to any obligation of, or any obligation guaranteed by, Advanta for the repayment of borrowed money, whether or not evidenced by bonds, debentures, notes or other written instruments.

⁷ ACT was established pursuant to a Declaration of Trust dated as of December 5, 1996, as amended by the Amended and Restated Declaration of Trust dated as of December 17, 1996.

⁸ The Trust Preferred Securities have a preference over the Common Securities under certain circumstances with respect to cash distributions and amounts payable on liquidation, redemption or otherwise.

21. As of the Commencement Date, Trust Preferred Securities in the aggregate principal amount of approximately \$89 million – plus accrued but unpaid interest in the approximate amount of \$7.4 million – remain outstanding and are held by approximately 130 holders. An equal amount of Subordinated Notes are also outstanding as of the Commencement Date.

C. Recent Financial Information and Advanta Stock

22. As of September 30, 2009, Advanta's unaudited assets totaled approximately \$363 million and unaudited liabilities totaled approximately \$331 million. As of June 30, 2009, the Company's unaudited consolidated assets totaled approximately \$3.1 billion, and unaudited consolidated liabilities totaled \$3.0 billion. This included assets of non-debtors Advanta Bank Corp. and Advanta Bank Holding Corp. (Advanta Bank's parent) at June 30, 2009 of approximately \$2.8 billion and \$22.5 million, respectively. Liabilities of these entities as of the same date were approximately \$2.7 billion and \$16.8 million, respectively.

23. The Company files annual, quarterly, and current report and other information with the Securities and Exchange Commission in accordance with the disclosure requirements of the Securities Exchange Act of 1934. Advanta has 1,010 shares of class A preferred stock. Advanta's common stock is traded on the The NASDAQ Stock Market exchange ("*Nasdaq*") under symbols ADVNA (the "*Class A Stock*") and ADVNB (the "*Class B Stock*").⁹ There are currently 14,410,133 shares of voting Class A Stock and 29,756,469 shares of non-voting Class B Stock issued and outstanding. As of November 2, 2009, Advanta had

⁹ On September 15, 2009, Advanta received a deficiency letter from Nasdaq stating that for 30 consecutive business days the bid price for the Class A Stock and Class B Stock had closed below the minimum \$1.00 per share required by Marketplace Rules 5450 and 5460 for continued listing. As of the Commencement Date, Advanta was functioning within a 180-day grace period (from September 15, 2009) to regain compliance with the minimum closing bid price requirement for continued listing.

approximately 161 holders of record of Class A Stock and 341 holders of record of Class B Stock.

IV.

Events Leading to the Commencement of the Chapter 11 Cases

24. The problems with the U.S. economy that began in the third quarter of 2007 deeply affected the small business credit market and, in turn, the Company's business. Like many small business credit card issuers and other small business lenders, ABC experienced increasing delinquency and charge-offs, impacting the Company's business, results of operations, and financial condition. Consequently, in May 2009, ABC consulted with the FDIC about the implementation of a plan designed to limit its credit loss exposure and maximize its capital and income. After being informed by the FDIC that no FDIC approval of the plan was required, the Company implemented the plan, including, among other things: (i) ABC not preventing the early amortization of its securitization trust; (ii) termination of new business credit card account originations and funding for new business card receivables, (iii) closure of all customer accounts to future use; (iv) the execution of a tender offer for the outstanding Trust Preferred Securities at a substantial discount to par value (pursuant to which Advanta purchased and retired \$10.8 million in principal amount of Trust Preferred Securities and Subordinated Notes in exchange for an aggregate purchase price of \$2.2 million); and (v) ABC's commencement of a tender offer using up to \$1.4 billion to purchase Class A Notes out of the Master Trust at prices below their par value.

25. Subsequently, after ABC commenced the tender offer for the Class A Notes, the FDIC informed ABC that it would not allow it to complete the tender offer and purchase the Class A Notes. Consequently, ABC terminated its tender offer for the Class A

Notes and Advanta concluded a new plan for new business opportunities needed to be implemented.

26. On June 30, 2009, ABC entered into the first of two regulatory agreements with the FDIC consenting to the requirements of the first of two cease and desist orders issued by the FDIC (the “**FDIC Agreements**”). ABC did not admit any wrongdoing in entering into the agreements, but instead, entered into the agreements with its primary federal banking regulator in the interest of expediency and to avoid litigation and the costs associated therewith. The first FDIC cease and desist order places significant restrictions on ABC’s activities and operations, including its deposit-taking operations, and requires ABC to maintain a total risk-based capital ratio of at least 10% and a tier I leverage capital ratio of at least 5%. As of September 30, 2009, ABC’s total risk-based capital ratio was 10.62% and its tier I leverage capital ratio was 3.73%, resulting in a tier I leverage capital ratio that is not in compliance with the first FDIC cease and desist order. The first FDIC order also had the impact of requiring Advanta to wind down deposit taking activities and ultimately relinquish FDIC insurance for new deposits unless the FDIC’s approval is obtained for new business opportunities through ABC; it does not, however, limit Advanta’s ability to pursue future business opportunities outside of ABC.¹⁰ The second FDIC cease and desist order requires ABC to make certain payments to eligible customers and pay a civil money penalty of \$150,000. Neither Advanta, the other Debtors, nor the non-Debtor subsidiaries other than ABC are parties to or bound by the FDIC Agreements.

27. As required by the first FDIC order, in a continued effort to provide value to Advanta’s shareholders and promote the financial health of ABC, in July 2009, ABC proposed

¹⁰ In October 2009, ABC entered into an additional regulatory agreement with the Department consenting to a cease and desist order issued by the Department that contains provisions consistent with the first FDIC order, except that the Department’s order does not include the specific capital requirements that are contained in the FDIC’s first order.

to the FDIC a second plan designed to increase ABC's capital and income. An essential part of the plan involved ABC funding a portfolio of \$100 million of new loans backed by triple net credit leases on commercial real estate and the underlying real estate (the "*Net Lease Loans*"). The plan contemplated, among other things, a capital infusion of up to \$104 million from Advanta to ABC (of which \$19 million has already been provided by Advanta).¹¹ The FDIC, however, rejected the portion of the plan related to the Net Lease Loans. Based on (i) the FDIC's disapproval of the Net Lease Loans and (ii) the financial projections for Advanta showing that it would not be able to recover additional capital investments given the FDIC's decision, Advanta's Board decided not to provide any additional capital support to ABC.

28. In light of the FDIC's decision, Advanta and its affiliated Debtors commenced these chapter 11 cases to pursue possible avenues of reorganization using their existing platform and to preserve their assets and maximize the value of their estates for the benefit of their creditors. Although Advanta has close to \$100 million in cash and equivalents on hand, over time it would not be able to meet all of its existing obligations. Advanta's chapter 11 filing is intended to address that shortfall in an orderly way that benefits its creditors most fairly.

29. While in chapter 11, Advanta will continue to review its existing business lines other than ABC, and the Debtors are exploring other opportunities related to financial services using their existing platform and core competencies, in each case to maximize the value of the Debtors' assets available for distribution to their creditors.

¹¹ The plan made clear, however, that any such infusions from Advanta would be subject to prior approval by Advanta's Board at the time of each contribution.

V.

Summary of Pending First-Day Motions

30. The Debtors have filed, for the Court's approval, a number of First-Day Motions, which the Debtors believe are necessary to enable them to operate in chapter 11 with minimal disruption and loss of productivity. The Debtors respectfully ask that the relief requested in each of the First-Day Motions be granted, as it is critical to the stabilization of the Debtors' operations and preservation of their value during these chapter 11 cases. A description of the relief requested and the facts supporting each of the First-Day Motions is set forth below.

Motion of the Debtors for an Order Directing Joint Administration of Chapter 11 Cases Pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure

31. The Debtors seek, pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure (the "*Bankruptcy Rules*"), the joint administration of their chapter 11 cases for procedural purposes only. Joint administration will obviate the need for duplicative notices, motions, applications, and orders and thereby save time and expense for the Debtors and their estates.

32. The rights of the Debtors' creditors will not be adversely affected by the proposed joint administration of these cases, and, in fact, will be enhanced by the reduction in costs resulting from the joint administration. The Court will also be relieved of the burden of entering duplicative orders and maintaining redundant files. Finally, supervision of the administrative aspects of these chapter 11 cases by the Office of the United States Trustee for the District of Delaware will be simplified.

33. I believe that joint administration of the Debtors' chapter 11 cases is in the best interests of the Debtors, their estates, and all parties in interest, and should be granted.

**Motion of Debtors for an Order Pursuant to
Sections 105(a), 345(b), and 363(c) of the Bankruptcy Code
(i) Authorizing the Debtors to (a) Continue Their Existing Cash Management System, and
(b) Maintain Their Existing Bank Accounts and Business Forms, and
(ii) Granting an Extension of Time to Comply with Section 345(b) of the Bankruptcy Code**

34. The Debtors request, pursuant to sections 105(a), 345(b), and 363(c) of the Bankruptcy Code, that this Court enter an order (i) authorizing the Debtors to (a) continue their existing cash management system, and (b) maintain existing bank accounts and business forms, and (ii) granting an extension of time to comply with section 345(b) of the Bankruptcy Code. Without the requested relief, the Debtors would be unable to maintain their financial operations effectively and efficiently, which would cause significant harm to the Debtors and their estates.

35. Any disruption of the Debtors' cash management system, including closure of bank accounts, would cause delays in the collection and disbursement of funds. Such delays could cause the Debtors to default in their postpetition accounts payable obligations to third parties, which, in turn, could cause vendors and other third parties to cease providing goods and services to the Debtors. Such a result would obviously have a severe and adverse impact upon the Debtors' reorganization efforts. Moreover, if the Debtors were required to immediately close their existing bank accounts and terminate their cash management system, it would be extremely difficult (if not impossible) and expensive to promptly establish new bank accounts and a new cash management system with sufficient sophistication to fulfill the Debtors' business needs.

36. The Debtors issue a large number of checks in the ordinary course of business. Reflecting "Debtor in Possession" status on their checks would require changes to the Debtors' check generating programs, and such changes cannot be made during the initial days of the chapter 11 cases. The Debtors are requesting authority simply to use their existing check

stock and electronically generated forms, rather than obtain new check stock reflecting their status as debtors in possession and listing the case number under which the chapter 11 cases are being jointly administered. To the extent the Debtors do resort to new check stock, any new check stock ordered will reflect their status as debtors in possession and list the case number under which the chapter 11 cases are being jointly administered. Moreover, the Debtors will work with their systems personnel and outside systems consultants to determine what system changes are required to reflect their debtor in possession status on electronically generated checks. They will keep the U.S. Trustee apprised of their progress on this project and will implement changes to their electronically generated checks as soon as reasonably practicable.

37. The Debtors invest certain funds in their bank accounts in the ordinary course of operating their cash management system. The Debtors believe that these funds are secure and that obtaining bonds to secure those funds, as required by section 345(b) of the Bankruptcy Code, would be unnecessary and detrimental to the Debtors' estates and creditors. The Debtors therefore respectfully request a 60 day extension of their time to comply with the requirements of section 345(b) of the Bankruptcy Code. During that time, the Debtors will discuss their investment practices with the U.S. Trustee to determine what modifications, if any, would be appropriate under the circumstances. Given the anticipated short duration of these chapter 11 cases, an extension of time to comply with section 345(b) of the Bankruptcy Code is particularly warranted.

38. I believe that the continued operation of the Debtors' cash management system is in the best interests of the Debtors' estates and creditors, will avoid immediate and irreparable harm to the Debtors, and is both necessary and appropriate.

**Motion of the Debtors for Authority (a) to (i) Pay
Certain Employee Compensation and Benefits and (ii) Maintain and Continue Such
Benefits and Other Employee-Related Programs and (b) for the Debtors' Financial
Institutions to Honor and Process Checks and Transfers Related to Such Obligations
Pursuant to Sections 105(a), 363(b), and 507(a) of the Bankruptcy Code**

39. The Debtors request that the Court enter an order (A) authorizing, but not requiring, the Debtors to (i) pay, in their sole discretion, certain prepetition personnel-related obligations, including without limitation, compensation, health and welfare benefits, retirement obligations, and paid-time off and (ii) maintain and continue employee benefit programs and policies in the ordinary course of business and (B) authorizing the Debtors' financial institutions to receive, honor, process, and pay any and all checks or wire transfers drawn on the Debtors' accounts in satisfaction of employee obligations and employee benefits.

40. The continued operation of the Debtors' businesses and their successful reorganization depends upon the retention and cooperation of the Debtors' employees and other personnel. The Debtors' employees and other personnel maintain the Debtors' daily operations and the Debtors cannot maximize value without their continued support and the historical knowledge, experience, and industry relationships that are vital to the Debtors' businesses. Any failure to pay outstanding obligations may lead to significant deterioration of employee morale, which, at this juncture, would likely negatively affect the value of the Debtors' assets and businesses to the detriment of their creditors. Accordingly, the Debtors have requested authority to satisfy their prepetition employee-related obligations and continue their ordinary course employee-related benefits and programs as in effect prior to the Commencement Date. Significantly, the Debtors are not seeking authorization to pay prepetition obligations to any individuals in excess of the \$10,950 amount afforded priority pursuant to sections 507(a)(4) and (5) of the Bankruptcy Code.

41. Moreover, if the checks issued and fund transfers requested in payment of prepetition employee obligations are dishonored, or if such earned obligations are not timely paid postpetition, the Debtors' employees may suffer extreme personal hardship and may even be unable, in some instances, to pay their daily living expenses. It is inequitable to place employees in such an untenable position while relying upon such individuals for the continuation of the Debtors' operations.

42. Based upon the foregoing, I believe that the relief requested is in the best interests of the Debtors and their respective estates and will enable the Debtors to continue to operate their businesses in an economic and efficient manner without disruption and should be granted.

Motion of the Debtors for an Order Pursuant to Sections 105(a), 362(d), 363(b), and 503(b) of the Bankruptcy Code (I) Authorizing the Debtors to (A) Continue Their Workers' Compensation Programs and Their Liability, Property, and Other Insurance Programs and (B) Pay Certain Obligations in Respect Thereof and (II) Authorizing and Directing the Debtors' Financial Institutions to Honor and Process Checks and Transfers Related to Such Obligations

43. The Debtors request that the Court, pursuant to sections 105(a), 362(d), 363(b), and 503(b) of the Bankruptcy Code, enter an order authorizing, but not requiring, the Debtors to continue and honor their prepetition obligations under their workers' compensation programs and various insurance programs including, among other things, automobile, commercial, crime, employed lawyers, fiduciary, pollution and remediation, property, punitive damages, umbrella, employers', and directors' and officers' liabilities. Additionally, to the extent any of the Debtors' employees hold valid claims under the workers' compensation programs, the Debtors also seek authorization to permit these employees to proceed with asserting their claims under the Debtors' workers' compensation programs. In furtherance of this request, the Debtors request that the Court authorize their banks to receive, honor, process,

and pay any and all checks drawn, or electronic fund transfers requested or to be requested, on the Debtors' applicable bank accounts to the extent that such checks or electronic fund transfers relate to any of the Debtors' workers' compensation or insurance programs.

44. The nature of the Debtors' businesses and the extent of their operations make it essential for the Debtors to maintain their insurance programs on an ongoing and uninterrupted basis. The nonpayment of any premiums, deductibles, or related fees under one of the insurance programs could result in one or more of the insurance carriers declining to renew the Debtors' insurance policies or refusing to enter into new insurance agreements with the Debtors in the future. If the insurance programs are allowed to lapse without renewal, the Debtors could be exposed to substantial liability for damages resulting to persons and property of the Debtors and others, which exposure could have an extremely negative impact on the Debtors' ability to deliver value to their creditors and successfully reorganize. Indeed, if such a lapse were to occur, the Debtors would be faced with acquiring replacement policies on an expedited basis at a significant cost to the estates. Accordingly, the Debtors must make all payments in respect of the insurance programs to ensure the ongoing operation of the Debtors' businesses.

45. I believe that the authority to pay the insurance obligations in accordance with the Debtors' prepetition practices is in the best interests of the Debtors and their estates and will enable the Debtors to continue to operate their businesses in chapter 11 without disruption.

**Motion of Debtors for Authority to Pay Certain
Prepetition Taxes and Other Governmental Assessments Pursuant to
Sections 363(b), 507(a)(8) and 541 of the Bankruptcy Code**

46. The Debtors request, pursuant to sections 363(b), 507(a)(8) and 541 of the Bankruptcy Code, that this Court enter an order authorizing the Debtors to pay sales and use taxes, real and personal property taxes, franchise taxes, and other similar governmental

assessments to various state and local taxing authorities, including all taxes and assessments subsequently determined upon audit, or otherwise, to be owed for periods prior to the Commencement Date, and including any penalties and interest thereon.

47. Payment of the sales and use tax obligations and other certain governmental assessments of franchise fees and business license fees is critical to the Debtors' continued, uninterrupted operations. Nonpayment of these obligations may cause taxing authorities to take precipitous action, including, but not limited to, filing liens, preventing the Debtors from conducting business in the applicable jurisdictions, or seeking to lift the automatic stay, any of which would disrupt the Debtors' day-to-day operations and could potentially impose significant costs on the Debtors' estates. I believe the authority to pay the taxing authorities in accordance with the Debtors' prepetition business practices is in the best interests of the Debtors and their estates and will enable the Debtors to continue to operate their business in chapter 11 without disruption.

**Motion of Debtors for an Order Pursuant to Bankruptcy Code
Section 105(a), Bankruptcy Rule 1007 and Local Rule 1007-1 Extending
the Time to File Schedules of Assets and Liabilities, Schedules of Executory Contracts
and Unexpired Leases, Lists of Equity Security Holders, Schedules of Current
Income and Expenditures and Statements of Financial Affairs**

48. The Debtors request, pursuant to section 105(a) of the Bankruptcy Code and Rule 1007 of the Bankruptcy Rules and Rule 1007-1 of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the "*Local Rules*"), an extension of time to file their (i) schedules of assets and liabilities; (ii) schedules of executory contracts and unexpired leases; (iii) lists of equity holders; (iv) schedules of current income and expenditures; and (v) statements of financial affairs (collectively, the "*Schedules and Statements*").

49. Due to the circumstances under which the Debtors' commenced their chapter 11 cases and the demands on the limited resources available to the Debtors at this time, the Debtors anticipate that they will be unable to complete the Schedules and Statements in the 30 days provided by the Bankruptcy Rules and, therefore, request a 60 day extension of the applicable time period. Completing the Debtors' Schedules and Statements will require the Debtors and their advisors to collect, review, and assemble copious amounts of information from books, records, and documents relating to the claims of over potentially 10,000 creditors, as well as the Debtors' many assets and contracts. Assembling the necessary information would require a significant expenditure of the Debtors' time and effort, as well as that of their employees, at a time when such resources would be best spent towards effectuating the Debtors' reorganization efforts. Nevertheless, recognizing the importance of the Schedules and Statements in these chapter 11 cases, the Debtors intend to complete the Schedules and Statements as quickly as possible under the circumstances.

50. I respectfully believe that in light of (i) the large amount of information that must be assembled and compiled, (ii) the significant amount of employee time that must be devoted to the task of completing the Schedules and Statements, and (iii) the many pressing items that must be addressed at the inception of these cases, ample cause exists for the Court to grant the Debtors the requested extension for filing their Schedules and Statements.

Motion of Debtors Pursuant to Sections 105(a) and 366 of the Bankruptcy Code for an Interim and Final Order (I) Prohibiting Utilities from Altering, Refusing, or Discontinuing Service; (II) Approving the Debtors' Proposed Adequate Assurance; and (III) Approving Procedures for Resolving Requests for Additional Adequate Assurance

51. The Debtors seek, pursuant to sections 105(a) and 366 of the Bankruptcy Code, (A) entry of an interim order (i) prohibiting utility companies (each a "*Utility Company*") and collectively, the "*Utility Companies*") from altering, refusing, or discontinuing services to,

or discriminating against the Debtors on account of prepetition amounts outstanding or on account of any perceived inadequacy of the Debtors' proposed adequate assurance pending entry of a final order, (ii) approving the Debtors' proposed adequate assurance pending entry of a final order, (iii) approving the Debtors' proposed procedures for resolving any requests for additional adequate assurance, and (iv) scheduling a hearing on the motion to consider granting the relief requested on a final basis, and (B) entry of a final order granting the relief requested on a final basis.

52. In connection with the operation of their businesses and management of their properties, the Debtors obtain natural gas, electricity, telephone, water, waste collection, cable and/or other similar services (collectively, the "*Utility Services*") from a number of Utility Companies. Annexed to the motion seeking the foregoing relief (the "*Utilities Motion*") is a nonexclusive list of three Utility Companies and their affiliates that provide Utility Services to the Debtors as of the Commencement Date (the "*Utility Service List*"). The relief requested in the Utilities Motion is for all Utility Companies providing Utility Services to the Debtors and is not limited to those listed on the Utility Service List.

53. In the twelve month period prior to the Commencement Date, the Debtors paid an average of approximately \$58,000 per month on account of Utility Services. Historically, the Debtors have had a very good payment history with the Utility Companies. Uninterrupted Utility Services are essential to the Debtors' ongoing operations and the success of the Debtors' chapter 11 Cases. Should any Utility Company refuse or discontinue service, even for a brief period, the Debtors' business operations could be severely disrupted, and such disruption would jeopardize the Debtors' reorganization efforts and diminish their value. It is essential that the Utility Services continue uninterrupted during the chapter 11 cases.

54. I believe granting the Debtors the authority to issue one or more letters of credit or to deposit into a segregated escrow account (the “*Utility Deposit Account*”), an amount equal to the cost of two weeks of Utility Services, calculated as a historical average over the 12 months between October 2008 and September 2009 for the benefit of any Utility Company, except to the extent a Utility Company agrees to a lesser amount or already holds a letter of credit securing the Debtors’ performance, together with the other procedures set forth in the motion, is in the best interest of the Debtors and their estates (the “*Adequate Assurance Deposit*”). Based on the foregoing calculation, the Debtors estimate that the total amount of the Adequate Assurance Deposit will be approximately \$29,000. Escrowing this deposit will enable the Debtors to continue to operate their business in chapter 11 without disruption to their Utility Services. I further believe that the procedures for requesting additional assurance as set forth in the Utility Motion will protect the Debtors’ operations while also giving each Utility Company the ability to evaluate the Debtors’ adequate assurance, and the ability to seek additional assurance.

**Motion of Debtors Pursuant to Sections 105(a) and 362
of the Bankruptcy Code (I) Establishing Notification
Procedures Regarding Restrictions on Certain
Transfers of Claims Against and Equity Interests
in the Debtors and (II) Scheduling a Final Hearing**

55. The Debtors request, pursuant to sections 105(a) and 362 of the Bankruptcy Code, that this Court enter an interim order and a final order authorizing the Debtors to establish procedures to protect the potential value of the Debtors’ tax net operating loss carryforwards (“*NOLs*”) and certain other tax attributes. The proposed procedures (the “*Procedures*”) would impose restrictions and notification requirements with respect to (i) Advanta stock and any options or similar interests to acquire such stock and (ii) claims against

the Debtors (including certain trust preferred securities which represent interests in claims against the Debtors).

56. The Debtors estimate that, as of the date hereof, the Debtors have incurred, for U.S. federal income tax purposes, consolidated NOLs in excess of approximately \$490 million, in addition to certain other tax attributes. These tax attributes are valuable assets of the Debtors' estates because the Internal Revenue Code of 1986, as amended (the "*Tax Code*"), generally permits corporations to carry over their losses and tax credits to offset future income, thereby reducing such corporations' tax liability in future periods. Depending upon the future operating results of the Debtors, such savings (even after the application of expected carrybacks) could substantially enhance the Debtors' cash position for the benefit of all parties in interest and contribute to the Debtors' efforts toward a potential reorganization.

57. The Debtors' ability to use their tax attributes to reduce future tax liability is subject to certain statutory limitations. Sections 382 and 383 of the Tax Code limit a corporation's use of its NOLs, tax credits and certain other tax attributes to offset future income or tax after the corporation experiences an "ownership change." For purposes of section 382, an ownership change generally occurs when the percentage of a loss corporation's equity held by one or more "5-percent shareholders" (as such term is defined in section 382) increases by more than 50 percentage points over the lowest percentage of stock owned by such shareholder(s) at any time during the relevant testing period (usually three years). A section 382 ownership change *prior to* the effective date of a chapter 11 plan would effectively eliminate the Debtors' ability to use their tax attributes following such change, thereby resulting in a significant loss of potential value. Accordingly, the Procedures seek to monitor and limit acquisitions of Advanta stock and options to acquire stock by existing and potential 5-percent shareholders.

58. In addition, it is likely that any chapter 11 plan that contemplates a reorganization of the Debtors will involve the issuance of new common stock in the Debtors (or any successor to the Debtors) and the distribution of such stock to certain creditors in satisfaction, in whole or in part, of their respective claims against any of the Debtors. This issuance and distribution likely would result in an “ownership change” under section 382 of the Tax Code. Although the occurrence of such an ownership change would subject the *reorganized* Debtors to the limitations of section 382, the limitations imposed by section 382 where the change occurs pursuant to a confirmed chapter 11 plan are significantly more relaxed than those applicable outside chapter 11 – in particular, the potential relief accorded by section 382(l)(5) of the Tax Code. Qualification under such section is dependent, in part, upon any acquirer of qualified claims – claims against the Debtors incurred in the ordinary course of the Debtors’ business or more than 18 months prior to the Commencement Date – not becoming, pursuant to the chapter 11 plan, a 5-percent shareholder in the reorganized Debtors. The Procedures have been narrowly tailored to allow the full trading of claims until the Debtors file a proposed plan and disclosure statement contemplating the potential utilization of section 382(l)(5), at which point, if necessary for the Debtors to qualify under section 382(l)(5), a person that accumulates claims during these chapter 11 cases beyond a threshold amount would be required to resell some or all of such excess claims.

59. I believe that the Procedures are in the best interests of the Debtors and their estates and are necessary to ensure that an ownership change of the Debtors does not occur prior to the effective date of a chapter 11 plan or applicable court order *and* to ensure that that the Debtors will have the opportunity to avail themselves of the relief under section 382(l)(5). Without such procedures, the Debtors may experience immediate and irreparable harm.

VI.

Conclusion

I respectfully request that the Court grant all relief requested in the First-Day
Motions and such and other further relief as may be just.

ADVANTA CORP.

By: 

Name: William A. Rosoff

Title: President and Vice Chairman of the
Board

Dated: November 8, 2009

Exhibit A

The Organizational Structure

