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UNITED STATES BANKRUPTCY COURT  
DISTRICT OF DELAWARE  
Case No. 09-13931 (KJC)

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In the Matter of:

ADVANTA CORP., ET AL.,

Debtors.

- - - - -x

United States Bankruptcy Court  
824 North Market Street  
Wilmington, Delaware

November 12, 2010

4:02 PM

B E F O R E:  
HON. KEVIN J. CAREY  
U.S. BANKRUPTCY JUDGE

ECRO: NICKITA BARKSDALE

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TELEPHONIC HEARING re Order Shortening Notice With Respect to  
the Committee's Expedited Motion to Conduct Examinations of the  
Debtors Pursuant to Rule 2004 of the Federal Rules of  
Bankruptcy Procedure.

Transcribed by: Penina Wolicki

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A P P E A R A N C E S :

RICHARDS, LAYTON & FINGER, P.A.

Attorneys for Debtors

BY: PAUL HEATH, ESQ. (TELEPHONICALLY)

CHUN JANG, ESQ. (TELEPHONICALLY)

WEIL GOTSHAL & MANGES LLP

Attorneys for Debtors

BY: BRUCE MEYER, ESQ. (TELEPHONICALLY)

VICTORIA VRON, ESQ. (TELEPHONICALLY)

LATHAM & WATKINS

Attorneys for Official Creditors' Committee

BY: ROBERT MALIONEK, ESQ. (TELEPHONICALLY)

ROGER SCHWARTZ, ESQ. (TELEPHONICALLY)

DRINKER BIDDLE & REATH LLP

Attorneys for Official Creditors' Committee

BY: HOWARD COHEN, ESQ. (TELEPHONICALLY)

ROBERT K. MALONE, ESQ. (TELEPHONICALLY)

1 P R O C E E D I N G S

2 THE CLERK: Court is now in session.

3 THE COURT: Good afternoon. This is Judge Carey.  
4 We're on the record in the Advanta Corp. Chapter 11 proceeding.  
5 I received today the unsecured creditors' committee's motion  
6 for an order shortening notice with respect to its 2004 exam  
7 request. Let me turn the matter over to committee counsel.

8 MR. MALIONEK: Thank you, Your Honor. Robert Malioneck  
9 from Latham & Watkins on behalf of the committee. We can go  
10 into the long background here if Your Honor would like us to.  
11 Basically, what we have here is a motion to extend exclusivity  
12 that was filed by the debtors late last week. We haven't  
13 objected to past motions to extend exclusivity because the  
14 debtors have always said -- they told the Court and they told  
15 us that they would be submitting a plan that would be with the  
16 consent of the committee.

17 But the debtors filed a plan recently, without the  
18 committee's support, and it's without our support for a few  
19 very discrete reasons. What they all come down to --

20 THE COURT: Mr. Malioneck, let me ask you just to hold  
21 on for a moment. There's some noise coming from the telephone  
22 connection, which now seems to have stopped, blessedly. You  
23 may -- well, now it's back on, again.

24 MR. MEYER: Your Honor?

25 THE COURT: Yes.

1 MR. MEYER: Yeah, hi. I'm sorry. This is Bruce  
2 Meyer. I'm out of the office today. Obviously, we just got  
3 notice of the call today. I'm at home, and I think that's  
4 coming from my home phone. We're having a problem. We had a  
5 repairman here today, and he seems to have made it worse.

6 So I wasn't sure whether you were going to be able to  
7 hear that or not.

8 THE COURT: Well, do you have a cell --

9 MR. MEYER: I apologize.

10 THE COURT: -- do you have a cell phone, Mr. Meyer.

11 MR. MEYER: If it's too annoying, I can dial back on  
12 my cell phone.

13 THE COURT: Dial back on your cell phone, please.  
14 We'll wait for you.

15 MR. MEYER: Okay. Sorry about that.

16 THE COURT: It's all right.

17 We'll pause for a moment to let Mr. Meyer get back in.

18 (Pause)

19 MR. MEYER: Hello?

20 THE COURT: Mr. Meyer?

21 MR. MEYER: Yes, hi. Sorry about that.

22 THE COURT: Welcome back.

23 All right, Mr. Malioneck, you may continue. And just,  
24 I will let you know, I did read the papers that were submitted.  
25 But continue, please.

1 MR. MALIONEK: Right, Your Honor. So we'll try to cut  
2 to the chase then.

3 The actions that the debtors have taken over the past  
4 few weeks and months relating to the plan all relate to what we  
5 say are improper attempts to benefit the claims of the  
6 controlling insiders of the debtors, Mr. Alter and Mr. Rosoff.  
7 And we'd proposed several, what we think are mitigating actions  
8 that the debtors or their board could take with respect to how  
9 the plan gets advanced and what plan language is used. All of  
10 those have been rejected.

11 And we let the debtors know that we would be filing a  
12 motion to terminate exclusivity. And really what the debtors  
13 did is they beat us to the punch by filing their motion to  
14 extend. So it brings the issues to a head.

15 We served the 2004 motions and we met with the debtors  
16 earlier this week. We spoke to them on the phone and at length  
17 explained that the reasons we need the 2004 discovery, a few  
18 depositions and some documents that we requested, are all  
19 because of what we perceive as the debtors' attempt to leverage  
20 this plan process to use their exclusivity to extract  
21 concessions from the committee. And it will be -- if you've  
22 read the papers -- what we think great harm to the creditors  
23 and will benefit Mr. Alter and Mr. Rosoff and perhaps other  
24 insiders.

25 So we explained the rationale for that to the debtors.

1 The debtors' response was we do not think that there's any  
2 discovery that's relevant here, and so we refuse to produce any  
3 documents to you other than perhaps some board meeting minutes  
4 and other materials. And we had been discussing potentially  
5 taking off the debtors' exclusivity motion, which is set for  
6 November 24th, and pushing that out in order to make more room  
7 here for the discovery. And the debtors have refused now to do  
8 that as well.

9 So we come to the Court now looking for an expedited  
10 hearing date on our 2004 motion so that we can take discovery  
11 in connection with the hearing that's now set on the 24th.

12 THE COURT: All right. I'll hear from the debtor.

13 MR. MEYER: Yeah, Your Honor. It's Bruce Meyer. I  
14 appeared before Your Honor before in this case in connection  
15 with the motion for the employee incentive plan approval.

16 First of all, we got these requests on November 9th.  
17 I think it was Tuesday. And then the motion was filed within  
18 twenty-four hours of it, on Wednesday. So we have not had a  
19 lot of time. I mean, as we understand it, the purpose of  
20 today's conference is really just to schedule a hearing on  
21 their motion. So I don't know how much you want to hear about  
22 the merits of it. I'm prepared to address the scheduling  
23 issue.

24 THE COURT: Well, let's --

25 MR. MEYER: I mean, the bottom line -- and we will be

1 prepared shortly to put in a response to their motion, a  
2 substantive response. We can do that by Monday, Your Honor.  
3 And that will go through in more detail a specific response to  
4 their various arguments and factual allegations, some of which  
5 we think are inaccurate.

6 I mean, the bottom line is, yes, we do think this  
7 discovery is irrelevant to the only motions which are currently  
8 before Your Honor, which are the exclusivity motion and the  
9 disclosure statement motion. We think that there's really no  
10 factual discovery that's necessary or relevant to those  
11 motions. And in any event, the discovery requests that they've  
12 served are just extremely overbroad and virtually impossible to  
13 accomplish on the expedited schedule that they've asked for.

14 But in any event, Your Honor, if I'm correct, and that  
15 the only purpose of today's call is to set a schedule to hear  
16 that motion, I'm prepared to address that. I mean, the bottom  
17 line is, as I say, we can put in a brief in response to their  
18 brief on Monday. And in terms of having a hearing on their  
19 2004 motion, my bankruptcy partner, Mr. Lemons, Your Honor, he  
20 had a bit of a household accident last week and ended up with a  
21 broken rib and apparently a fractured vertebra. So he's been  
22 out for a few days. He tells me that he's seeing doctors on  
23 Monday but that he could participate in a hearing on Tuesday,  
24 Wednesday or Thursday. I think we would ask that we do that  
25 telephonically, but obviously that's up to Your Honor.

1 MR. MALIONEK: Your Honor, if I may just be very  
2 brief? The reason that we're on such an expedited schedule is  
3 not -- it's not a problem of our own creation. The debtors'  
4 hearing on their exclusivity motion is set for the 24th. That  
5 means our objection to it, which continues to raise, then,  
6 these same exclusivity issues, which are issues that relate to  
7 cause for terminating exclusivity, our response is due on  
8 Wednesday of next week, on the 17th. And because of that, we  
9 are on this what may be a train wreck towards the 24th in terms  
10 of trying to get our discovery done.

11 But we would be happy to push that off. We do think  
12 that these issues are in some ways related to disclosure  
13 statement issues, in some ways. And there is a disclosure  
14 statement hearing that's set for December 16th. Although I  
15 simply note that that's at 3:30 in the afternoon. And I think  
16 with the issues that we have related to exclusivity and  
17 potentially the need for an evidentiary hearing with a few  
18 witnesses and what may be extensive argument, we might need to  
19 ask the Court for other times that Your Honor is available for  
20 us.

21 MR. MEYER: Your Honor, as far as that goes, I mean,  
22 if I could make a suggestion? Once Your Honor hears the 2004  
23 motion, if Your Honor agrees with us and doesn't think any  
24 discovery at this time is appropriate, then we'll know we don't  
25 have to reschedule anything. If Your Honor feels that some

1 discovery is appropriate, we can talk about whether or not we  
2 need to put off the exclusivity hearing. We certainly don't  
3 want to put off the disclosure statement hearing. But if it's  
4 just necessary to delay the exclusivity hearing, perhaps push  
5 it to the disclosure statement hearing, again, I think once we  
6 see whether Your Honor agrees that there's any discovery  
7 necessary, we would all be in a better position to address  
8 that.

9 I will also note, Your Honor -- I don't want to get  
10 into a sort of tit for tat, but we filed the disclosure  
11 statement and the exclusivity motion on November 2nd. So they  
12 waited a week to file their discovery requests, which is  
13 actually more time than they're actually giving us to answer  
14 them. So you know. But in any event, Your Honor, we would  
15 suggest that if Your Honor would agree that we could put in our  
16 brief on Monday, and then have a hearing at Your Honor's  
17 convenience next week.

18 MR. MALIONEK: Your Honor, we don't want to play tit  
19 for tat. Just on the scheduling issue, if there is going to be  
20 a hearing set on the 2004s next week, I think Mr. Meyer  
21 suggested Tuesday, Wednesday, Thursday. We do have our  
22 objection that is due on Wednesday. And all of these issues  
23 are interrelated. So I think what we would ask is to push off  
24 the response date for our objections and so that these issues  
25 could be addressed first. Or if the Court has time available

1 for our 2004 hearing prior to Wednesday, then we would be able  
2 to address this issue in what we would hope to be in the proper  
3 order.

4 THE COURT: All right. We'll have a hearing on the  
5 committee's motion, Wednesday, November 17th at 10 o'clock.  
6 Debtor can respond to the motion by 5 o'clock on Monday,  
7 November 15th. With respect to the committee's request to  
8 extend its response time for the exclusivity motion, I'd be  
9 inclined to give you until Friday of next week, the 19th.

10 But I will tell you this, just as a general  
11 proposition. What the committee's pleading tells me is that  
12 plan discussions have broken down. Now, whether they can be  
13 resurrected or not, I don't know. I hope they can. Obviously,  
14 Mr. Meyer, you understand that in a company controlled by  
15 basically these two individuals and who've filed such a large  
16 claim, that it naturally would invite scrutiny by the  
17 committee. And I know you understand that. And now that the  
18 Court's aware of it, it focuses my attention on it as well.

19 And frankly, the case is just over a year old. I  
20 don't see any magic about having a disclosure hearing on  
21 December 16th or the exclusivity motion on the 24th. You know,  
22 you've got the benefit of under a local rule, if that gets  
23 pushed out, of not losing it, assuming the motion was timely  
24 filed. And I'm not saying that I'm inclined to do anything  
25 with any date. All I'm advising you is that to the extent that

1 I am convinced at the hearing that the committee does need this  
2 information, I'll make whatever room for the committee as  
3 appropriate under the circumstances, even if it involves the  
4 moving of hearing dates.

5 Are there any questions?

6 MR. MALIONEK: Your Honor, this is Robert Malioneck  
7 again. Just one question on scheduling. On -- prior to the  
8 2004 hearing, if we can have an opportunity to put in a brief  
9 reply after the debtors put in their objection 5 p.m. on  
10 Monday, if we could put something in on Tuesday, we could have  
11 it in by noon, and it would be no more than five pages.

12 THE COURT: You'll tell me at the hearing.

13 MR. MALIONEK: Okay, thank you, Your Honor.

14 MR. MEYER: And, Your Honor, just to clarify. The  
15 hearing on Wednesday at 10, is that in person or telephonic?

16 THE COURT: Well, I'll tell you what. Frankly, my  
17 inclination for most, what I'll just generally categorize as  
18 discovery disputes, would be to have them by telephone. But  
19 given the tone of the committee's motion here and what sounds  
20 to me from the debtor as adamant opposition, tells me I think  
21 I'd rather see you in person.

22 MR. MEYER: That's fine, Your Honor. The only thing I  
23 would ask is, I need to talk to Mr. Lemon. He told me he was  
24 available Wednesday. And I think he was contemplating  
25 telephonic. I just need to check. I think he should be there.

1 And I just need to check whether physically, the train trip is  
2 going to be a problem for him.

3 THE COURT: Yeah, I mean, I --

4 MR. MEYER: So if I could have the opportunity -- I  
5 mean, let's assume it'll go forward in person. And could I  
6 have the opportunity, Your Honor, to get back to you if Mr.  
7 Lemon says it's a medical problem for him?

8 THE COURT: Well, one of you is going to have to be  
9 here. So if it's not him, then it's going to have to be you.

10 MR. MEYER: Okay. And then perhaps then we could --  
11 if he can't make the trip, I'll go down and maybe we could hook  
12 him in by phone. Would that be acceptable?

13 THE COURT: Yeah, he can join by phone. But I will  
14 tell you -- and this gets confirmed from time to time  
15 regularly, and that is, I can't stop lawyers in the middle of a  
16 rant when they're on the telephone. And I'm not suggesting  
17 that he would engage in one. But that's why I don't permit  
18 extensive argument by phone. It just doesn't work for me, even  
19 though I have many telephonic hearings.

20 And this is one of those where I just -- I get the  
21 feeling that it's got the potential for counsel to be very,  
22 we'll just say, energetic about their respective positions.  
23 Okay?

24 MR. MEYER: Understood. Understood, Your Honor.  
25 We'll see you on Wednesday. And if Mr. Lemon's on the phone,

1 he'll leave the ranting to me.

2 THE COURT: All right. Any other questions?

3 MR. MALIONEK: No, Your Honor, thank you.

4 THE COURT: Okay. Thank you very much --

5 MR. MEYER: Bye-bye.

6 THE COURT: -- that concludes this hearing. Have a  
7 good weekend everyone.

8 MR. MALIONEK: You too, Your Honor. Thank you.

9 THE COURT: Court is adjourned.

10 (Whereupon these proceedings were concluded at 4:20 p.m.)

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C E R T I F I C A T I O N

I, Penina Wolicki, certify that the foregoing transcript is a true and accurate record of the proceedings.

---

PENINA WOLICKI

Veritext  
200 Old Country Road  
Suite 580  
Mineola, NY 11501

Date: November 16, 2010

**UNITED STATES BANKRUPTCY COURT**  
**District of Delaware**

**In Re:**

Advanta Corp., et al.,  
Welsh & McKean Roads  
P.O. Box 844  
Spring House, PA 19477

**Chapter: 11**

**EIN:** 23-1462070  
Teacher Service Organization, Inc.  
TSO Financial Corp.

*Case No.:* 09-13931-KJC

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A transcript of the proceeding held on 11/12/2010 was filed on 11/17/2010 . The following deadlines apply:

The parties have 7 days to file with the court a *Notice of Intent to Request Redaction* of this transcript. The deadline for filing a *request for redaction* is 12/8/2010 .

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Clerk of Court

Date: 11/17/10

(ntc)

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ust	United States Trustee	USTPREGION03.WL.ECF@USDOJ.GOV
aty	Mark D. Collins	collins@rlf.com, rbgroup@rlf.com
aty	Paul N. Heath	heath@rlf.com, RBGroup@rlf.com

TOTAL: 3

### Recipients submitted to the BNC (Bankruptcy Noticing Center):

db	Advanta Corp., et al.,	Welsh &McKean Roads	P.O. Box 844	Spring House, PA 19477
aty	Bruce S. Meyer	Weil Gotshal &Manges LLP	767 Fifth Avenue	New York, NY 10153
aty	Christopher J. Cox	Weil, Gotshal &Manges LLP	201 Redwood Shores Parkway	Redwood Shores, CA 94065
aty	Chun I. Jang	Richards, Layton &Finger, P.A.	920 North King Street	P.O. Box 551
		Wilmington, DE 19899		
aty	Greg Kau	Weil, Gotshal &Manges LLP	767 Fifth Avenue	New York, NY 10153
aty	Marcie Kaufman	Weil, Gotshal &Manges LLP	767 Fifth Avenue	New York, NY 10153
aty	Miranda S. Schiller	Weil, Gotshal &Manges LLP	767 Fifth Avenue	New York, NY 10153
aty	Richard L. Levine	Weil, Gotshal &Manges LLP	767 Fifth Avenue	New York, NY 10153
aty	Scott M. Litvinoff	Weil, Gotshal & Manges LLP	767 Fifth Avenue	New York, NY 10153
aty	Zachary I Shapiro	Richards, Layton &Finger, P.A.	920 North King Street, P.O. Box 551	Wilmington, DE 19801
aty	Zachary I. Shapiro	Richards Layton &Finger, P.A.	920 North King Street	Wilmington, DE 19801

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