

**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 SECOND INTERIM
FEE APPLICATION OF ALVAREZ & MARSAL NORTH AMERICA, LLC**

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 Second Interim Fee Application of Alvarez & Marsal North America, LLC (the “Application”).

BACKGROUND

1. Alvarez & Marsal North America, LLC (“A&M”), was retained as financial advisor to the Debtors and Debtors-in-Possession. In the Application, A&M seeks approval of fees totaling \$856,060.00 and expenses totaling \$18,382.02 for its services from April 1, 2010 through July 31, 2010 (the “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, 2010, 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 A&M based on our review, and we received a response from A&M, portions of which response are quoted herein.

DISCUSSION

3. In our initial report, we noted that on April 26, 2010, A&M professionals Bondi (\$775), Sagat (\$500), and Eisenberg (\$400) attended a creditors' committee meeting. The total time spent, including preparation, was 10.7 hours, and total fees of \$5,990.00 were billed.

04/26/10	Sagat	3.60	1,800.00	Prepare for and participate in meeting with UCC, FTI, Latham, Weil and Advanta regarding monthly status update.
04/26/10	Bondi	3.60	2,790.00	Prepare for and attend creditors committee meeting.
04/26/10	Eisenberg	3.50	1,400.00	Prepare for and participate in meeting with UCC, FTI, Latham, Weil and Advanta regarding monthly status update.
		10.7	5,990.00	

Paragraph II.D.5. of the U.S. Trustee Guidelines provides: "If more than one professional from the applicant firm attends a hearing or conference, the applicant should explain the need for multiple attendees." We asked A&M to explain why it was necessary for each professional to attend the committee meeting, and A&M responded:

The attendance of the three A&M professionals listed in ¶3 of the Initial Report at the April 26, 2010 meeting (the "Meeting") was the most productive and cost effective way to best support the Debtors and to avoid costs that would result from unnecessary follow-up regarding the matters discussed at the Meeting.

The Meeting covered a broad range of topics, including an update on the progress of the Debtor's wind-down and Chapter 11 cases, a review of the Debtor's near-term forecast, and a discussion of key issues in the case, including a potential Chapter 11 Plan structure. Due to A&M's involvement with most (if not all) of the activities discussed, it was most productive for all three A&M professionals listed to attend the Meeting. These professionals comprise A&M's primary restructuring team for this engagement, and each professional was either involved in the preparation of work product for the meeting, on-hand to participate in discussions during the meeting, or involved with work product that stemmed from topics discussed at the meeting.

More specifically, Mr. Bondi (Managing Director) was present to provide key insights on higher-level case issues, including a potential Chapter 11 Plan structure. Mr. Sagat (Director) was present to address questions on the monthly forecast, the status of the wind-down, including asset sales, and other case issues. Mr. Eisenberg (Associate) was present to support Mr. Bondi and Mr. Sagat with more detailed information requests regarding the same matters, but for which he was more intimately familiar given his role as providing analytical and modeling support to the team. Furthermore, given each professional's involvement with the matters discussed at the Meeting, each professional was present to stay current on the issues and to avoid unnecessary follow-up discussions that would be inefficient, repetitive and would likely result in equal or higher fees to the client.

We accept A&M's response and have no objection to these fees.

4. We noted several time entries wherein professionals Sagat (\$500) and Eisenberg (\$400) billed the exact same amount of time for performing the exact same tasks. See Exhibit "A."

We asked A&M to explain how this billing pattern occurred. A&M responded:

The entries listed in Exhibit "A" of the Initial Report are broken down into the following categories, and reflected on Schedule A herein ("Schedule A")¹:

1. Joint Work and Review: The entries listed do not reflect an unnecessary duplication of effort, but rather time spent jointly working on complex modeling tasks or reviewing key issues and other matters in these cases for which both individuals were involved. On these matters, it was more productive for Mr. Sagat and Mr. Eisenberg to work together. These entries could otherwise have been categorized as internal meetings, review sessions or discussions. Customarily, A&M does not list this type of time in the same way as a meeting with external parties since these professionals work daily within reach of each other and there exists a fine line between a formal meeting and an interactive work session. The descriptions for these entries were reconciled to be identical in an effort to be transparent that these individuals worked jointly on certain tasks. Generally, but with exceptions, Mr. Eisenberg's role typically involved detailed analytics and modeling, while Mr. Sagat's role typically involved detailed review, some modeling, analysis and process management. Furthermore, it is not unusual for team members to work jointly on some portion of a job's work. It should be noted that these instances of joint activity account for approximately 2% of the total hours billed by A&M for the period. In fact, we believe our work methods

¹We have attached A&M's "Schedule A" as Response Exhibit "A."

are a productive and time efficient means of accomplishing the tasks identified in these entries. Please refer to Schedule A for more detail.

2. Reconciliation Errors: These entries should have stated “Review and provide comments” for Mr. Sagat, and “Review and Revise” for Mr. Eisenberg. It is customary that the associate level professional prepares, reviews and revises fee statements, while higher level professionals review and provide comments. However, the time reflected for both professionals is accurate. Please refer to Schedule A for more detail.

3. Duplicate Entries: These entries are duplicates and we voluntarily eliminate Mr. Eisenberg’s time. After a review of the supporting records, we conclude that this was an inadvertent error committed during the reconciliation process. We suggest a reduction of \$160 for Mr. Eisenberg’s time for the first entry and \$440 for Mr. Eisenberg’s time for the second entry, for a total reduction of \$600. Please refer to Schedule A for more detail.

We accept A&M’s response and, consistent with the response, recommend a reduction of \$600.00 in fees.

5. We noted the following charge for computer software:

Kevin Gregson	4/7/2010	\$1,000.00	SSDMF - computer program for statistical information/reports.
---------------	----------	------------	---

In response to our inquiry, A&M provided the following information:

A&M secured a limited query license of The Social Security Death Master File (the “SSDMF”) in order to evaluate whether any death benefits were potentially owed to the Debtors pursuant to a Corporate Owned Life Insurance policy for which Advanta is the beneficiary and approximately 1,200 current and former employees are insured. Prior to conducting this analysis, A&M reviewed various options and concluded that incurring this expense was the most cost effective means of conducting the analysis.

The SSDMF license included a limited number of queries set for the approximate size of the Advanta population being reviewed. It was purchased for the sole purpose of assisting with the Advanta case.

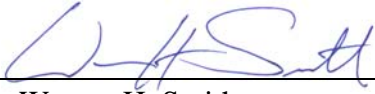
We accept A&M’s response and have no objection to this expense.

CONCLUSION

6. Thus, we recommend approval of \$855,460.00 in fees (\$856,060.00 minus \$600.00) and \$18,382.02 in expenses for A&M's services for the Application Period.

Respectfully submitted,

WARREN H. SMITH & ASSOCIATES, P.C.

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

325 N. St. Paul Street, Suite 1250
Dallas, Texas 75201
214-698-3868
214-722-0081 (fax)
whsmith@whsmithlaw.com

FEE AUDITOR

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 7th day of January, 2011.


Warren H. Smith

SERVICE LIST
Notice Parties

Applicant

Joseph A. Bondi
Alvarez & Marsal North America LLC
600 Lexington Avenue, 6th Floor
New York, NY 10022

Debtors

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

Debtor's Counsel

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

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

**Counsel to Official Committee of
Unsecured Creditors**

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

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

U.S. Trustee

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

EXHIBIT “A”

Eisenberg	5/28/2010	0.4	Review revised draft objection to automatic stay.
Sagat	5/28/2010	0.4	Review revised draft objection to automatic stay.
Eisenberg	5/18/2010	1.5	Review revised plan liquidation model and participate in related discussions.
Sagat	5/18/2010	1.5	Review revised plan liquidation model and participate in related discussions.
Eisenberg	6/11/2010	0.5	Review intercompany variance explanations.
Sagat	6/11/2010	0.5	Review intercompany variance explanations.
Eisenberg	6/17/2010	3.2	Review liquidation forecast model.
Sagat	6/17/2010	3.2	Review liquidation forecast model and related discussions.
Eisenberg	6/24/2010	2.6	Review substantive consolidation summary of liquidation analysis and related discussions.
Sagat	6/24/2010	2.6	Review substantive consolidation summary of liquidation analysis and related discussions.
Eisenberg	6/28/2010	0.8	Review de-consolidation presentation and information.
Sagat	6/28/2010	0.8	Review de-consolidation presentation and information.
Eisenberg	6/28/2010	1.3	Review updated and revised substantive consolidation scenarios.
Sagat	6/28/2010	1.3	Review updated and revised substantive consolidation scenarios.
Eisenberg	6/29/2010	3.2	Review substantive consolidation model scenarios and related conversations.
Sagat	6/29/2010	3.2	Review substantive consolidation model scenarios and related conversations.
Eisenberg	6/30/2010	3.1	Continue to review revised substantive consolidation

Sagat	6/30/2010	3.1	scenarios and impact on claims. Continue to review revised substantive consolidation scenarios and impact on claims.
Eisenberg	6/30/2010	0.5	Review and make revisions to letter response to fee auditor.
Sagat	6/30/2010	0.5	Review and make revisions to letter response to fee auditor.
Eisenberg	6/30/2010	1.1	Review May fee statement time and expense information.
Sagat	6/30/2010	1.1	Review May fee statement time and expense information.
Eisenberg	6/3/2010	1.1	Review FDIC papers filed with court.
Sagat	6/3/2010	1.1	Review FDIC papers filed with court.
Sagat	07/06/10	3.2	Review and ensure compliance with FDIC discovery request including compilation of documents and preparation of summary of information provided.
Eisenberg	07/06/10	3.20	Review and ensure compliance with FDIC discovery request including compilation of documents and preparation of summary of information provided.

SCHEDULE A

Category I – Joint Work and Review			
<u>Time Entries:</u>			
Eisenberg	5/18/10	1.5	Review revised plan liquidation model and participate in related discussions.
Sagat	5/18/10	1.5	Review revised plan liquidation model and participate in related discussions.
Eisenberg	6/11/10	0.5	Review intercompany variance explanations.
Sagat	6/11/10	0.5	Review intercompany variance explanations.
Eisenberg	6/17/10	3.2	Review liquidation forecast model
Sagat	6/17/10	3.2	Review liquidation forecast model and related discussions.
Eisenberg	6/24/10	2.6	Review substantive consolidation summary of liquidation analysis and related discussions.
Sagat	6/24/10	2.6	Review substantive consolidation summary of liquidation analysis and related discussions.
Eisenberg	6/28/10	0.8	Review de-consolidation presentation and information.
Sagat	6/28/10	0.8	Review de-consolidation presentation and information.
Eisenberg	6/28/10	1.3	Review updated and revised substantive consolidation scenarios.
Sagat	6/28/10	1.3	Review updated and revised substantive consolidation scenarios.
Eisenberg	6/29/10	3.2	Review substantive consolidation model scenarios and related conversations.
Sagat	6/29/10	3.2	Review substantive consolidation model scenarios and related conversations.
Eisenberg	6/30/10	3.1	Continue to review revised substantive consolidation scenarios and impact on claims.
Sagat	6/30/10	3.1	Continue to review revised substantive consolidation scenarios and impact on claims.
<u>Explanation:</u>			
A&M conducted a complex modeling exercise and produced related presentations and scenario analyses in order to forecast recoveries to claimants and to provide the basis for certain key financial components of the Chapter 11 Plan and Disclosure Statement, including substantive consolidation, claims reconciliations, creditor recoveries, and the Best Interest Test. This exercise involved countless iterations, updates and scenarios over many months (during both the 2 nd and 3 rd interim fee periods), and required significant involvement by both Mr. Sagat and Mr. Eisenberg to work through issues and challenges, at times together. These entries reflect internal work sessions and review meetings between Mr. Sagat and Mr. Eisenberg. It would have been less productive for each professional to work in a vacuum on these			

matters.

Time Entries:

Eisenberg	7/6/10	3.2	Review and ensure compliance with FDIC discovery request including compilation of documents and preparation of summary of information provided.
Sagat	7/6/10	3.2	Review and ensure compliance with FDIC discovery request including compilation of documents and preparation of summary of information provided.

Explanation:

Mr. Sagat and Mr. Eisenberg met and worked together to discuss and review a discovery request, including both (i) coordination of a process with A&M legal and other team members to compile relevant documentation and transmit it to counsel, and (ii) review documents (many shared) and emails to evaluate what types of information are responsive to the request.

Time Entries:

Eisenberg	6/30/10	0.5	Review and make revisions to letter response to fee auditor
Sagat	6/30/10	0.5	Review and make revisions to letter response to fee auditor

Explanation:

While Mr. Sagat was primarily responsible for drafting and reviewing the letter response to the fee auditor, Mr. Eisenberg also reviewed the letter with Mr. Sagat and provided comments "on the fly."

Category 2 – Reconciliation Errors

Time Entries:

Eisenberg	6/30/10	1.1	Review May fee statement time and expense information
Sagat	6/30/10	1.1	Review May fee statement time and expense information

Explanation:

Mr. Eisenberg's time should have stated "Review and revise May fee..." while Mr. Sagat's time should have stated "Review and provide comments on May fee..." However, the time for both professionals is accurate.

Category 3 – Duplicate Time Entries

Time Entries:

Eisenberg	5/28/10	0.4	Review revised draft objection to automatic stay.
Sagat	5/28/10	0.4	Review revised draft objection to automatic stay.
Eisenberg	6/3/10	1.1	Review FDIC papers filed with Court

Sagat	6/3/10	1.1	Review FDIC papers filed with Court
-------	--------	-----	-------------------------------------