

**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 LATHAM & WATKINS LLP**

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 Latham & Watkins LLP (the “Application”).

BACKGROUND

1. Latham & Watkins LLP (“Latham”) was retained as counsel to the Official Committee of Unsecured Creditors. In the Application, Latham seeks approval of fees totaling \$1,498,244.50 and expenses totaling \$28,566.94 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 Latham based on our review, and we received a response from Latham, portions of which response are quoted herein.

DISCUSSION

3. We noted certain instances in which multiple Latham professionals attended the same meeting or conference. These instances are listed on Exhibit “A.” 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 Latham to explain why it was necessary for each attorney to be present at these meetings, and Latham’s response is included as Response Exhibit “1.” We accept Latham’s response and have no objection to these fees.

4. We noted that on June 8, 2010, attorneys DS Raab (\$995), RG Schwartz (\$885), and MC Franek (\$645) attended a hearing. The total time billed was 27.30 hours, for total fees of \$21,611.00.

RAAB D S	06/08/2010	8.50	8,457.50	ATTENDED STATUS HEARING AND SETTLEMENT CONFERENCE RE TAX LITIGATION
SCHWARTZ R G	06/08/2010	1.80	1,593.00	WORKING TRAVEL TIME (PREPARATION FOR HEARING) TO DELAWARE FOR STATUS HEARING RELATED TO TAX ELECTION LITIGATION (1.8)
SCHWARTZ R G	06/08/2010	4.00	3,540.00	ATTEND STATUS HEARING RELATED TO TAXELECTIONLITIGATION; PARTICIPATE IN MEETINGS WITH DEBTORS AND FDIC ADVISORS AFTER STATUS HEARING RE: DISCUSSIONS OF LITIGATION SCHEDULE
FRANEK M C	06/07/2010	2.90	1,870.50	MEETINGS WITH LATHAM TEAM REGARDING TAX ISSUES; PREPARE FOR

HEARING ON SAME; CALL REGARDING CLAIMS

FRANEK M C	06/08/2010	8.30	5,353.50	TRAVEL TO (PREPARE EN ROUTE) AND ATTEND STATUS CONFERENCE AND SETTLEMENT CONFERENCE ON TAX ISSUES
SCHWARTZ R G	06/08/2010	1.80	796.50	NON-WORKING TRAVEL TIME RETURNING FROM STATUS HEARING IN DELAWARE (1.8)

In light of the guideline cited above, we asked Latham to explain why it was necessary for each attorney to attend the hearing. Latham responded as follows:

... The hearing at issue was a substantive status conference involving legal argument related to tax litigation initiated by the Federal Deposit Insurance Corporation (the "FDIC") in connection with the Debtors' joint and filed tax returns for the 2009 tax year. Given the subject matter and the substantive nature of this hearing, it was necessary for each attorney to attend the hearing because each attorney provided specialized expertise essential to the representation of the Committee. Specifically, DS Raab provided tax law expertise related to the substantive tax issues implicated in the FDIC tax litigation. Likewise, RG Schwartz attended the status conference in order to provide bankruptcy law expertise relating to the FDIC's litigation and the chapter 11 cases. Finally, MC Franek attended the status conference in order to provide litigation expertise on behalf of the Committee.

We accept Latham's response and have no objection to these fees.

5. We noted the following time entries in which the amount of time billed exceeds the amount of time recorded within the work description:

- a. SINGER A M 04/27/2010 .90 EMAIL CORRESPONDENCE (.4); ORGANIZE MEETINGS (.4);
The recorded time totals 0.80 hours. Thus, it appeared there was an overcharge of \$55.00.
- b. MARTIN C M 04/01/2010 1.50 CONFERENCE CALL WITH FTI TO DISCUSS CASE ADMIN (0.5); MULTIPLE CONFERENCE CALLS WITH FTI TO DISCUSS MOTIONS FOR APRIL HEARING (0.5)

The recorded time totals 1.00 hour. Thus, it appeared there was an overcharge of \$275.00.

- c. NOLL J F 05/26/2010 2.10 RESEARCH TAX ISSUES (0.5); CALLS WITH D. RAAB AND C. MARTIN (0.5); REVISE JOINDER (1.0)

The recorded time totals 2.00 hours. Thus, it appeared there was an overcharge of \$75.50.

- d. SINGER A M 06/15/2010 .80 ATTEND MEETING WITH WEIL (.7);

The recorded time totals 0.70 hours. Thus, it appeared there was an overcharge of \$55.00.

- e. SINGER A M 07/21/2010 2.50 MEET R. SCHWARTZ TO DISCUSS NEW REVISIONS TO RETENTION AGREEMENT AND APPLICATION (.2); DRAFT REVISIONS TO SAME (2.0); DRAFT COVER EMAILS SOLICITING COMMENTS FROM UST, COMMITTEE (.1)

The recorded time totals 2.30 hours. Thus, it appeared there was an overcharge of \$110.00

- f. MALIONEK R J 07/12/2010 4.10 CONFERENCE WITH WEIL REGARDING COMMON INTEREST ISSUES AND TEAM MEETING REGARDING TAX LITIGATION (1.0); REVIEW AND REVISE PROTECTIVE ORDER AND EMAILS REGARDING SAME (0.9); REVIEW RESEARCH AND DOCUMENTS RELATED TO TAX LITIGATION (2.1)

The recorded time totals 4.00 hours. Thus, it appeared there was an overcharge of \$78.00.

We asked Latham whether it agreed that fee reductions were warranted for these time entries.

Latham responded:

Latham respectfully submits that such a fee reduction is not warranted under the circumstances. Instead, please find revised work descriptions below to account for the discrepancy between the time recorded and the work descriptions:

Attorney Name	Date	Time Billed	Revised Work Descriptions
SINGER A M	04/27/2010	.90	EMAIL CORRESPONDENCE (.5); ORGANIZE MEETINGS (.4);
MARTIN C M	04/01/2010	1.50	CONFERENCE CALL WITH FTI TO DISCUSS CASE ADMIN (0.5); PREPARE FOR MULTIPLE CONFERENCE CALLS REGARDING APRIL HEARING (.5) ; MULTIPLE CONFERENCE CALLS WITH FTI TO DISCUSS MOTIONS FOR APRIL HEARING (0.5)
NOLL J F	05/26/2010	2.10	RESEARCH TAX ISSUES (0.6); CALLS WITH D. RAAB AND C. MARTIN (0.5); REVISE JOINDER (1.0)
SINGER A M	06/15/2010	.80	ATTEND MEETING WITH WEIL (.8);
SINGER A M	07/21/2010	2.50	MEET R. SCHWARTZ TO DISCUSS NEW REVISIONS TO RETENTION AGREEMENT AND APPLICATION (.2); DRAFT REVISIONS TO SAME (2.1); DRAFT COVER EMAILS SOLICITING COMMENTS FROM UST, COMMITTEE (.2)
MALIONEK R J	07/12/2010	4.10	CONFERENCE WITH WEIL REGARDING COMMON INTEREST ISSUES AND TEAM MEETING REGARDING TAX LITIGATION (1.0); REVIEW AND REVISE PROTECTIVE ORDER AND EMAILS REGARDING SAME (0.9); REVIEW RESEARCH AND DOCUMENTS RELATED TO TAX LITIGATION (2.2)

In addition, Latham counsel stated as follows:

I checked in with each of the billers and/or the original time sheets to confirm that the entry for the time billed was accurate. Based on the information available, it appeared that the error was not in the time billed column, but instead that the error was due to a mathematical mistake by the billing attorney when breaking the time out by specific task. Additionally, for one entry -- where another task was added (for

attorney CM Martin) -- I confirmed that the task had inadvertently been left off of the description.

We accept Latham's response and have no objection to these fees.

6. We noted the following similar time entries:

SINGER A M	06/14/2010	2.40	REVIEW PROPOSED MOTIONS OF THE DEBTOR (2.4);
SINGER A M	06/14/2010	2.40	REVIEW MOTIONS OF THE DEBTOR (2.4)

We asked Latham if one of these entries was a duplicate, and Latham responded:

In order to address the duplicate time entries and based on attorney AM Singer's billing rate of \$550 per hour, Latham suggests and requests that \$1,320.00 be deducted from the 20% holdback currently pending under the Application in order to address the Fee Auditor's inquiry.

We appreciate Latham's response and recommend a reduction of \$1,320.00 in fees.

7. We noted a total of \$1,803.87 in photocopy charges which appeared to be billed at the rate of \$0.17 per page. The Delaware Local Rules limit charges for in-house photocopies to \$0.10 per page.¹ It appeared that 10,611 photocopies had been made. Upon our inquiry, Latham agreed to reduce its request for reimbursement to \$1,061.10 (for a reduction of \$742.77) in order to comply with the Local Rule, and thus we recommend a reduction of \$742.77 in expenses.

8. We noted the following meal expenses for which more information was needed:

04/04/10	MEAL SERVICES	M BRANDELL	320.65
04/23/10	MEAL SERVICES	A M SINGER	398.71
05/20/10	MEAL SERVICES	Y M NIEVES	790.76
06/09/10	MEAL SERVICES	A M SINGER	170.48
06/10/10	MEAL SERVICES	A M SINGER	516.97

¹See Del. Bankr. L.R. 2016-2(e)(iii).

06/18/10	MEAL SERVICES	Y M NIEVES	234.36
07/27/10	MEAL SERVICES	A M SINGER	124.77

In response to our inquiry, Latham provided the following information:

Date	Name	Expense Amount	Number of People Dining	City	Meal
4/04/10	M Brandell	320.65	14	New York	Working lunch with Committee professionals
4/23/10	A M Singer	398.71	16	New York	Working lunch during meeting with Committee members and Committee professionals.
5/20/10	Y M Nieves	790.76	30	New York	Working lunch during all hands meeting with Debtors, Debtors' professionals, Committee members and Committee professionals.
6/09/10	A M Singer	170.48	25	New York	Working snacks during meeting with Debtors, Debtors' professionals, Committee professionals and separate counsel to the Debtors' senior executives.
6/10/10	A M Singer	516.97	22	New York	Working lunch during meeting with Debtors' professionals and Committee professionals.
6/18/10	Y M Nieves	234.36	30	New York	Working breakfast during all hands meeting with Debtors, Debtors' professionals, Committee members and Committee professionals.
7/27/10	A M Singer	124.77	10	New York	Working lunch with chair of Committee and Committee professionals in preparation for deposition.

We currently utilize meal guidelines of \$40 for breakfast and \$50 for lunch for charges incurred in New York City. As all of the meal charges are less than our guidelines,² we have no objection to these expenses.

9. We noted a total of \$1,170.00 in charges for “Global Document Support.” According to Paragraph II.E.7. of the U. S. Trustee Guidelines, “Overhead includes word processing, proofreading, secretarial and other clerical services....” We asked Latham to explain why this expense should be reimbursed by the estate, and Latham responded as follows:

These charges are for Latham’s internal word processing support team, Global Documents Support, for the drafting of court pleadings. Global Documents Support was used for this work in order to reduce expenses associated with drafting pleadings. If Global Documents Support had not completed this work, either an attorney or a paralegal would have been required to complete this work at a higher billing rate and at increased expense to the Debtors’ estates.³

We accept Latham’s response and have no objection to these expenses.

10. Ordinarily, if a professional bills three or more hours on a case in one day, we do not object to the individual’s reimbursement request for an overtime meal or late night taxi home. However, we noted the following overtime meal and transportation charges incurred on dates when it appeared that the professional in question recorded minimal or no time to the case:

²The \$170.48 charge for snacks for 25 people computes to \$6.82 per person.

³We asked Latham why it had agreed to deduct its Global Document Support expenses for the First Interim Period, and Latham responded:

Latham has not changed its position from the previous period. Instead, during this period, the use of Global Docs was directly litigation-based. As such, we think it appropriate to include the charge in this application because the work would alternatively have needed to be performed by billing attorneys and/or paralegals and not by secretaries.

04/19/10	MEAL SERVICES	M C FRANEK	14.67	0.0 hrs
05/17/10	GROUND TRANSPORTATION - LOCAL TAXI FARES	AUSTIN T OZAWA	8.00	0.8 hrs
06/01/10	GROUND TRANSPORTATION - LOCAL TAXI FARES	JASON C HEGT	9.10	0.0 hrs
06/14/10	GROUND TRANSPORTATION - LOCAL TAXI FARES	ADAM J GOLDBERG	11.70	0.0 hrs
06/07/10	MEAL SERVICES	A V REILLY	26.74	0.0 hrs
06/08/10	MEAL SERVICES	A V REILLY	13.41	0.0 hrs
07/28/10	GROUND TRANSPORTATION - LOCAL TAXI HOME AFTER WORKING LATE	L S GASKILL	24.03	0.2 hrs
			107.65	

We asked Latham to explain why the estate should reimburse these expenses. Latham's response is included as Response Exhibit "2." While we appreciate Latham's willingness to deduct \$50.40 in overtime meal and taxi expenses, we also recommend deduction of Mr. Ozawa's \$8.00 taxi expense on May 17, 2010, as he billed less than one hour to the case on the day in question. Thus, in addition to the \$50.40 in reductions proffered by Latham, we recommend an additional \$8.00 reduction, for total reductions of \$58.40 in expenses.

11. We noted the following taxi expense for which more information was needed:

07/28/10	GROUND TRANSPORTATION - LOCAL TAXI FARES	JASON CASEY	194.47
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In response to our inquiry, Latham provided the following information:

07/28/10	Ground Transportation: Local Taxi Fares	JASON CASEY	194.47	This is a payment made for 9 local taxi rides: (1) 8/1: \$26.76; (2) 8/1: \$25.00; (3) 8/2: \$27.74; (4) 7/30: \$5.69; (5) 7/30: \$5.92; (6) 7/29: \$27.24; (7) 7/28: \$25.80; (8) 7/27: \$25.70; and (9) 7/23: \$27.62, respectively.
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We note that Mr. Casey billed at least three hours to the case on each date listed. Thus, we have no objection to these expenses.

CONCLUSION

12. Thus, we recommend approval of \$1,496,924.50 in fees (\$1,498,244.50 minus \$1,320.00) and \$27,765.77 in expenses (\$28,566.94 minus \$801.17) for Latham'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 20th day of January, 2011.



Warren H. Smith

SERVICE LIST
Notice Parties

Applicant

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

Mitchell.Seider@lw.com
Roger.Schwartz@lw.com
aaron.singer@lw.com

U.S. Trustee

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

Debtors

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

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

**Co-Counsel to Official Committee of
Unsecured Creditors**

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

EXHIBIT "A"

a. We noted that on April 26, 2010, attorneys CM Martin (\$550), DS Raab (\$995), RG Schwartz (\$885), JF Noll (\$755), and AM Singer (\$550) attended a meeting regarding the plan. The total time billed was 18.60 hours, for total fees of \$14,800.00.

MARTIN C M	04/26/2010	1.10	605.00	MEET WITH FTI TO DISCUSS PLAN (PARTIAL)
RAAB D S	04/26/2010	6.00	5,970.00	ALL-HANDS MEETING WITH CREDITOR'S COMMITTEE, DEBTOR AND ADVISORS
SCHWARTZ R G	04/26/2010	2.00	1,770.00	PARTICIPATE IN ALL HANDS MEETING WITH THE DEBTORS (2.0)
NOLL J F	04/26/2010	6.00	4,530.00	MEETINGS REGARDING PLAN ISSUES
SINGER A M	04/26/2010	3.50	1,925.00	ALL HANDS MEETING;

b. We noted that on April 23, 2010, attorneys DS Raab (\$995), RG Schwartz (\$885), JF Noll (\$755), and AM Singer (\$550) attended a meeting with Weil Gotshal. The total time billed was 16.10 hours, for total fees of \$12,627.50.

RAAB D S	04/23/2010	4.00	3,980.00	MEETING WITH WEIL REGARDING POR (4.0)
SCHWARTZ R G	04/23/2010	3.50	3,097.50	ATTEND MEETING WITH WEIL GOTSHAL, A&M, FTI AND L&W TEAM REGARDING DISCUSSION OF OPEN ISSUES RELATED TO PLAN STRUCTURING AND FOLLOW UP ANALYSIS AND STEPS RELATED TO SAME
NOLL J F	04/23/2010	4.00	3,020.00	MEETINGS (4.0)
SINGER A M	04/23/2010	4.60	2,530.00	ATTEND PROFESSIONALS MEETING;

c. We noted that on May 21, 2010, attorneys RG Schwartz (\$885), DS Raab (\$995), JF Noll (\$755), AJ Goldberg (\$575), CM Martin (\$550), and AM Singer (\$550) attended an all hands meeting with the debtors and the Committee. The total time billed was 17.40 hours, for total fees of \$12,762.50.

SCHWARTZ R G	05/21/2010	1.50	PARTICIPATE IN COMMITTEE MEETING IN ADVANCE OF ALL HANDS MEETING (1.5)
SCHWARTZ R G	05/20/2010	1.00	PREPARATION FOR ALL HANDS MEETING AND COMMITTEE PRE-MEETING (1.0)
SCHWARTZ R G	05/21/2010	1.00	PREPARATION FOR COMMITTEE AND ALL HANDS MEETING (1.0)
SCHWARTZ R G	05/21/2010	1.00	PARTICIPATE IN ALL HANDS MEETING WITH DEBTORS AND COMMITTEE (1.0)
RAAB D S	05/21/2010	2.50	ALL-HANDS MEETING REGARDING FDIC CLAIMS, POR, ETC
NOLL J F	05/21/2010	2.50	MEETINGS REGARDING PLAN AND FDIC MOTIONS
GOLDBERG A J	05/21/2010	2.40	MEETING WITH COMMITTEE AND DEBTORS
MARTIN C M	05/21/2010	2.50	ALL HANDS MEETING TO DISCUSS CASE STATUS, PLAN PROCESS AND LIQUIDATION
SINGER A M	05/21/2010	3.00	COMMITTEE MEETING AND ALL HANDS MEETING

d. We noted that on June 16, 2010, attorneys RG Schwartz (\$885), DS Raab (\$995), and AM Singer (\$550) attended meetings with the debtors and the FDIC. The total time billed was 16.60 hours, for total fees of \$13,310.00.

SCHWARTZ R G	06/16/2010	5.00	ATTEND MEETINGS WITH DEBTORS AND FDIC AND RESPECTIVE PROFESSIONALS REGARDING DISCUSSION OF TAX ELECTION LITIGATION ISSUES AND POTENTIAL RESOLUTION OF SAME (5.0)
RAAB D S	06/16/2010	4.50	CONFERENCE REGARDING SETTLEMENT

SINGER A M	06/16/2010	5.60	ATTEND MEETING WITH DEBTORS AND FDIC;
SCHWARTZ R G	06/15/2010	.50	TELEPHONE CALL WITH WEIL GOTSHAL, ALVAREZ AND FTI REGARDING DISCUSSION OF ISSUES RELATED TO MEETING WITH FDIC AND DEBTORS ON 6/16 (0.5)
SCHWARTZ R G	06/15/2010	.60	TELEPHONE CALL WITH FDIC COUNSEL REGARDING DISCUSSION OF ISSUES RELATED TO 6/16 MEETINGS (0.6)
SCHWARTZ R G	06/15/2010	.40	TELEPHONE CALL WITH R. LEMONS REGARDING DISCUSSION OF ISSUES IN PREPARATION FOR 6/16 MEETINGS WITH FDIC AND CATCH UP REGARDING FDIC ISSUES RELATED TO MEETING (0.6)

e. We noted that on June 11, 2010, attorneys RG Schwartz (\$885), CD Blickley (\$495), MR Hall (\$670), CM Martin (\$550), AM Singer (\$550), and DS Raab (\$995) attended a committee conference call. The total time spent was 3.80 hours, for total fees of \$6,355.50.

SCHWARTZ R G	06/11/2010	.80	PREPARE FOR COMMITTEE UPDATE CALL
SCHWARTZ R G	06/11/2010	1.40	PARTICIPATE ON COMMITTEE UPDATE CALL
BLICKLEY C D	06/11/2010	1.30	ATTEND COMMITTEE TELECONFERENCE RE FDIC UPDATE (1.3)
HALL M R	06/11/2010	1.30	PREPARE FOR AND PARTICIPATE IN COMMITTEE TELEPHONE CONFERENCE TO ADVISE ON REGULATORY ISSUES
MARTIN C M	06/11/2010	1.20	PARTICIPATE IN COMMITTEE MEETING TO PROVIDE BANKRUPTCY EXPERTISE ON LITIGATION ISSUES AND PLAN STRUCTURE
SINGER A M	06/11/2010	1.40	ATTEND COMMITTEE MEETING TO DISCUSS CLAIMS ISSUES AND LITIGATION;
RAAB D S	06/11/2010	1.0; CREDITOR COMMITTEE CONFERENCE CALL (1.0)
HALL M R	06/11/2010	.70	REVIEW BACKGROUND DOCUMENTS IN TAX DISPUTE WITH FDIC IN PREPARATION FOR COMMITTEE CALL

f. We noted that on June 14, 2010, attorneys DS Raab (\$995), RG Schwartz (\$885), and AM Singer (\$550) attended a meeting with the FDIC. The total time billed was 10.00 hours, for total fees of \$8,062.50.

SCHWARTZ R G	06/14/2010	3.00	2,655.00	ATTEND MEETING WITH FDIC COUNSEL, AND DEBTORS' AND COMMITTEE PROFESSIONALS REGARDING TAX ELECTION LITIGATION (3.0)
SINGER A M	06/14/2010	3.50	1,925.00	ATTEND MEETING WITH COUNSEL TO FDIC (3.5);.....
RAAB DS	06/14/2010	3.50	3,482.50	SETTLEMENT MEETING AT MCDERMOTT'S OFFICES

g. We noted that on July 9, 2010, attorneys JW Brickner (\$990), RG Schwartz (\$885), AJ Goldberg (\$575), and AM Singer (\$550) attended meetings regarding insurance issues. The total time billed was 19.10 hours, for total fees of \$14,343.00.

BRICKNER J W	07/08/2010	2.00	1,980.00	MEETING REGARDING ACTUARIAL AND INSURANCE ISSUES AND PREP
BRICKNER J W	07/09/2010	3.50	3,465.00	MEETING WITH DECHERT REGARDING ACTUARIAL AND INSURANCE ISSUES AND PREP
SCHWARTZ R G	07/08/2010	2.00	1,770.00	PARTICIPATE IN L&W AND FTI MEETING REGARDING DISCUSSION OF ANALYSIS AND ISSUES RELATED TO PARTICULAR EMPLOYEE CLAIMS IN PREPARATION FOR DECHERT MEETING ON 7/9 (2.0)
SCHWARTZ R G	07/09/2010	1.80	1,593.00	MEETING WITH DECHERT, WEIL GOTSHAL AND L&W AND FTI TEAMS REGARDING DISCUSSION OF PARTICULAR EMPLOYEE CLAIMS AND ISSUES AND ASSESSMENT RELATED TO SAME (1.8)

GOLDBERG A J	07/08/2010	2.40	1,380.00	PREPARE FOR (0.6) AND ATTEND MEETING REGARDING CLAIMS (1.8)
GOLDBERG A J	07/09/2010	3.40	1,955.00	ATTEND MEETING WITH DECHERT REGARDING EMPLOYEE CLAIMS
SINGER A M	07/09/2010	4.00	2,200.00	ATTEND SETTLEMENT CONFERENCE WITH R. SCHWARTZ, A. GOLDBERG, J. BRICKNER, D. BARBY, A. SCRUTON, L. PARK, WEIL AND DECHERT TO DISCUSS ISSUES SURROUNDING CLAIMS OF SENIOR EXECUTIVES

RESPONSE EXHIBIT “1”

In its Initial Report, the Fee Auditor noted instances in which multiple Latham attorneys attended the same meeting or conference. As a general response, Latham notes that these chapter 11 cases implicate extremely complex and highly technical legal issues, including bankruptcy law, tax law, corporate law, bank regulatory law and securities law issues, which issues will together determine the Debtors’ path to exit from chapter 11 and significantly impact the recoveries of all unsecured creditors in these cases. The complexity and interrelated nature of these issues and matters requires a diverse team of specialists to ensure that Latham can meet its duties to represent the Committee on all issues involved in these chapter 11 cases. Moreover, the management of these chapter 11 cases requires an adequate staff of bankruptcy attorneys in its own right to account for unavailability of any particular attorney at any given time and to ensure adequate staffing for the complex litigation, regulatory and tax issues that have become the focal points of these chapter 11 cases. Specifically, the Latham bankruptcy team is comprised of a sufficient number of attorneys to provide for management and administration of the cases, to develop a chapter 11 plan and to manage the concomitant process, and to manage any adversary proceedings from a bankruptcy and litigation perspective.

During the Application Period, Latham advised the Committee in connection with several complex and time-intensive matters, including, but not limited to, litigation with the FDIC concerning the Debtors’ tax elections and tax returns, commencement of negotiation and structuring discussions and analysis concerning the Debtors’ chapter 11 plan, preliminary analysis of potential claims of the Debtors’ estates against insiders and third parties and the assessment of employment and severance-based claims asserted by the Debtors’ senior executives against the Debtors’ estates.

In connection with these activities, Latham called upon the resources of multiple practice groups and several bankruptcy attorneys in order to cover the multiple issues arising under these cases during the Application Period. More specifically, as a general matter, primary attorney resources within the bankruptcy team were allocated as follows: (i) attorney Aaron Singer focused on the overall administration of the bankruptcy cases and communications with the Committee; (ii) attorney Adam Goldberg provided primary bankruptcy litigation support in connection with the FDIC litigation and the assessment and analysis of potential claims of the Debtors' estates and potential defenses to the claims asserted by the Debtors' senior executives; and (iii) attorney Catherine Martin focused on bankruptcy-related issues germane to the development of the Debtors' chapter 11 plan and relevant to the various tax issues arising during the Application Period.

The specific instances noted in the Initial Report in which multiple Latham attorneys attended the same meeting or conference are listed . . . (below). These specific instances are addressed in the same order they are identified in the Initial Report and, therefore, are not addressed in chronological order. In order to satisfy the request of the Fee Auditor, Latham has provided a general summary of the purpose of each meeting and explanations for why it was necessary for each attorney to be present at each meeting and conference listed....

- A. The Initial Report noted that on April 26, 2010, attorneys CM Martin (\$550), DS Raab (\$995), RG Schwartz (\$885), JF Noll (\$755), and AM Singer (\$550) attended a meeting regarding the plan, for total fees of \$14,800.00. The April 26, 2010 meeting was comprised of two sub-meetings: (1) a pre-meeting for Committee members and Committee professionals and (2) an all hands meeting with the Debtors, the Debtors' professionals, Committee members and Committee

professionals. Topics covered at the meetings include: (i) Chapter 11 Plan Update and a discussion of potential plan mechanics and issues and (ii) an update on tax issues. The below chart provides explanations for why it was necessary for each attorney to be present, or partially present, at these meetings.

MARTIN C M	04/26/2010	1.10	605.00	Attended pre-meeting and all hands meeting to provide bankruptcy law expertise with respect to tax issues raised by tax professionals and address issues in connection with the plan structure.
RAAB D S	04/26/2010	6.00	5,970.00	Attended pre-meeting and all hands meeting in order to provide strategic tax law expertise and general tax strategy for the cases.
SCHWARTZ R G	04/26/2010	2.00	1,770.00	Attended pre-meeting and all hands meeting in order to supervise the overall management of the case, to provide strategic case guidance and to provide bankruptcy law expertise.
NOLL J F	04/26/2010	6.00	4,530.00	Attended pre-meeting and all hands meeting in order to provide technical tax law expertise and to provide tax advice support with respect to administration of the case.
SINGER A M	04/26/2010	3.50	1,925.00	Attended pre-meeting and all hands to provide bankruptcy law expertise and case administration support for overall administration of the cases.

B. The Initial Report noted that on April 23, 2010, attorneys DS Raab (\$995), RG Schwartz (\$885), JF Noll (\$755), and AM Singer (\$550) attended a meeting with Weil Gotshal, for total fees of \$12,627.50. The April 23, 2010 meeting was attended by both the Debtors' professionals and the Committee's professionals in order to discuss certain tax issues related to the chapter 11 plan. The below chart provides

explanations for why it was necessary for each attorney to be present, or partially present, at this meeting.

RAAB D S	04/23/2010	4.00	3,980.00	Attended professionals meeting in order to provide strategic tax law expertise and general tax strategy for the cases.
SCHWARTZ R G	04/23/2010	3.50	3,097.50	Attended pre-meeting and all hands meeting in order to supervise the overall management of the case, to provide strategic case guidance and to provide bankruptcy law expertise.
NOLL J F	04/23/2010	4.00	3,020.00	Attended pre-meeting and all hands meeting in order to provide technical tax law expertise and to provide tax advice support with respect to administration of the case.
SINGER A M	04/23/2010	4.60	2,530.00	Provided materials for and attended professionals meeting to provide bankruptcy law expertise and case administration support for overall administration of the cases.

C. The Initial Report noted that on May 21, 2010, attorneys RG Schwartz (\$885), DS Raab (\$995), JF Noll (\$755), AJ Goldberg (\$575), CM Martin (\$550), and AM Singer (\$550) attended an all hands meeting with the Debtors and the Committee, for total fees of \$12,762.50. The meeting on May 21, 2010 was comprised of both a Committee pre-meeting and an all hands meeting attended by the Debtors, the Debtors' professionals, the Committee and the Committee's professionals during which participants discussed updates on the FDIC litigation, on the chapter 11 processes and potential plan structures and on the Debtors' ongoing liquidation analysis. The below chart provides explanations for why it was necessary for each

attorney to be present, or partially present, at these meetings.

SCHWARTZ R G	05/21/2010	4.50	Prepared for and attended pre-meeting and all hands meeting in order to supervise the overall management of the case, to provide strategic case guidance and to provide bankruptcy law expertise.
RAAB D S	05/21/2010	2.50	Attended pre-meeting all hands meeting in order to provide strategic tax law expertise and general tax strategy for the cases.
NOLL J F	05/21/2010	2.50	Attended pre-meeting and all hands meeting in order to provide technical tax law expertise and to provide tax advice support with respect to administration of the case.
GOLDBERG A J	05/21/2010	2.40	Attended pre-meeting and all hands to provide bankruptcy law expertise and bankruptcy litigation support regarding the FDIC litigation.
MARTIN C M	05/21/2010	2.50	Attended pre-meeting and all hands meeting to provide bankruptcy law expertise with respect to tax issues raised by tax professionals and address issues in connection with the plan structure.
SINGER A M	05/21/2010	3.00	Provided materials for, organized conference rooms for and attended pre-meeting and all hands meeting to provide bankruptcy law expertise and case administration support for overall administration of the cases.

D. The Initial Report noted that on June 16, 2010, attorneys RG Schwartz (\$885), DS Raab (\$995), and AM Singer (\$550) attended meetings with the Debtors and the FDIC, for total fees of \$13,310.00. The meetings on June 16, 2010 were comprised of a Committee professionals meeting, an all professionals meeting, a meeting with the Committee members and a meeting with the Debtors and the FDIC. In all cases, the central topic of the discussions was the FDIC litigation, related tax issues and potential settlement options. The below chart provides explanations for why it was necessary for each attorney to be present, or partially present, at these meetings.

SCHWARTZ R G	06/16/2010	6.5	Prepared for and attended Committee meeting, Committee professionals meeting, all professionals meeting and meeting with the Debtors and the FDIC in order to supervise the overall management of the case, to provide strategic case guidance and to provide bankruptcy law expertise.
RAAB D S	06/16/2010	4.50	Attended professionals meeting, all professionals meeting and meeting with the Debtors and the FDIC in order to provide strategic tax law expertise and general tax strategy for the cases and specifically with respect to FDIC litigation issues.
SINGER A M	06/16/2010	5.60	Attended Committee meeting, Committee professionals meeting, all professionals meeting and meeting with the Debtors and the FDIC in order to provide bankruptcy law expertise and case administration support for overall administration of the cases.

E. The Initial Report noted that on June 11, 2010, attorneys RG Schwartz (\$885), CD Blickley (\$495), MR Hall (\$670), CM Martin (\$550), AM Singer (\$550), and DS Raab (\$995) attended a committee conference call, for total fees of \$6,355.50. The Committee call was held to update the Committee members on the June 8th hearing, discussions with counsel to certain of the Debtors' senior executives regarding claims asserted by such executives against the Debtors' estates, the FDIC tax litigation, the chapter 11 plan process and other chapter 11 processes. The June 8th hearing was an integral hearing that covered various motions and a substantive status conference on the FDIC tax litigation. The below chart provides explanations for why it was necessary for each attorney to be present, or partially present, at this meeting.

SCHWARTZ R G	06/11/2010	2.20	Prepared for and attended the Committee call in order to supervise the overall management of the case, to provide strategic case guidance and to provide bankruptcy law expertise.
BLICKLEY C D	06/11/2010	1.30	Attended the Committee call in order to provide technical bank regulatory law expertise and to prepare for further research stemming from the topics covered during the Committee call and topics concerning the FDIC litigation.
HALL M R	06/11/2010	2.00	Prepared for and attended the Committee call in order to provide strategic bank regulatory law expertise in particular with respect to the FDIC litigation and to answer questions of the Committee and its professionals as to bank regulatory law.
MARTIN C M	06/11/2010	1.20	Attended the Committee call to provide bankruptcy law expertise with respect to tax issues raised by tax professionals and address issues in connection with the plan structure.
SINGER A M	06/11/2010	1.40	Attended the Committee call in order to provide bankruptcy law expertise and case administration support for overall administration of the cases.
RAAB D S	06/11/2010	1.00	Attended Committee call in order to provide strategic tax law expertise and general tax strategy for the cases.

F. The Initial Report noted that on June 14, 2010, attorneys DS Raab (\$995), RG Schwartz (\$885), and AM Singer (\$550) attended a meeting with the FDIC, for total fees of \$8,062.50. The meeting with the FDIC was to discuss litigation perspectives and potential settlement options for the FDIC tax litigation. The below chart provides explanations for why it was necessary for each attorney to be present, or partially present, at this meeting.

SCHWARTZ R G	06/14/2010	3.00	2,655.00	Attended the meeting with the FDIC to supervise the overall management of the case, to provide strategic case guidance and to provide bankruptcy law expertise.
SINGER A M	06/14/2010	3.50	1,925.00	Attended the meeting with the FDIC in order to provide bankruptcy law expertise and case administration support for overall administration of the cases.
RAAB D S	06/14/2010	3.50	3,482.50	Attended the meeting with the FDIC in order to provide strategic tax law expertise and general tax strategy for the cases and specifically with respect to the FDIC litigation.

G. The Initial Report noted that on July 9, 2010, attorneys JW Brickner (\$990), RG Schwartz (\$885), AJ Goldberg (\$575), and AM Singer (\$550) attended meetings regarding insurance issues, for total fees of \$14,343.00. In fact, these meetings took place both on July 8, 2010 and July 9, 2010. The July 8th and 9th meetings were comprised of a Committee professionals pre-meeting to discuss and prepare and a settlement meeting with Dechert LLP, as counsel to certain of the Debtors' senior executives, concerning claims asserted by the senior executives against the Debtors' estates. The below chart provides explanations for why it was necessary for each attorney to be present, or partially present, at these meetings.

BRICKNER J W	07/08/2010 07/09/2010	2.00 3.50	1,980.00 3,465.00	Attended Committee professionals pre-meeting and settlement meeting in order to provide employee benefits law expertise.
SCHWARTZ R G	07/08/2010 07/09/2010	2.00 1.80	1,770.00 1,593.00	Attended Committee professionals pre-meeting and settlement meeting to supervise the overall management of the case, to provide strategic case guidance and to provide bankruptcy law expertise.
GOLDBERG A J	07/08/2010 07/09/2010	2.40 3.40	1,380.00 1,955.00	Attended Committee professionals pre-meeting and settlement meeting to provide

				bankruptcy law expertise and bankruptcy litigation support.
SINGER A M	07/09/2010	4.00	2,200.00	Attended Committee professionals pre-meeting and settlement meeting in order to provide bankruptcy law expertise and case administration support for overall administration of the cases.

RESPONSE EXHIBIT “2”

The Initial Report noted that certain overtime meal and transportation charges were incurred by Latham attorneys on dates when it appeared that the professional in question recorded minimal or no time to the case. Please find additional information pertaining to these charges in the chart below:

Date	Expense Type	Attorney Name	Amount of Charge	Hours Billed	Explanation
04/09/10	Meal Services	M C FRANEK	14.67	0.0 hrs	This charge was erroneously charged to this case. Latham suggests and requests that \$14.67 be deducted from the 20% holdback currently pending Latham under the Application.
05/17/10	Ground Transportation: Local Taxi Fares	AUSTIN T OZAWA	8.00	0.8 hrs	This charge was billed to the client because work completed by attorney A. Ozawa required him to stay in the office past 8:00 p.m.
06/01/10	Ground Transportation: Local Taxi Fares	JASON C HEGT	9.10	0.0 hrs	Latham’s June fee application and Interim Fee Application erroneously report this expense as having been charged on 6/1/2010. Review of expense records shows that this expense was billed on 6/8/2010, a day for which attorney Hegt recorded 3.2 hours of work to this case.
06/14/10	Ground Transportation: Local Taxi Fares	ADAM J GOLDBERG	11.70	0.0 hrs	This charge was erroneously charged to this case. Latham suggests and requests that \$11.70 be deducted from the 20% holdback currently pending Latham under the Application.

06/07/10	Meal Services	A V REILLY	26.74	0.0 hrs	Attorney A V Reiley (f.k.a. A V Tackenberg) recorded 3.4 hours of work to this case for research completed on behalf of the client on June 7, 2010. (See page 31 of Exhibit A to Latham's June Fee Application.)
06/08/10	Meal Services	A V REILLY	13.41	0.0 hrs	Attorney A V Reiley (f.k.a. A V Tackenberg) recorded 4.0 hours of work to this case for research completed on behalf of the client on June 8, 2010. (See page 31 of Exhibit A to Latham's June Fee Application.)
07/28/10	Ground Transportation: Local Taxi Fares	L S GASKILL	24.03	0.2 hrs	This charge was erroneously charged to this case. Latham suggests and requests that \$24.03 be deducted from the 20% holdback currently pending Latham under the Application.