

**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 THIRD 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 Third 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 \$540,312.00 and expenses totaling \$10,688.41 for its services from August 1, 2010 through November 30, 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, 2011, and the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330, Issued January 30, 1996 (the “U.S. Trustee Guidelines”), as well as for consistency with precedent established in the United States Bankruptcy Court for the District of Delaware, the United States District Court for the

District of Delaware, and the Third Circuit Court of Appeals. We served an initial report on 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 several time entries wherein professionals Sagat (\$500) and Eisenberg (\$400) appeared to be billing time for the same tasks. See Exhibit “A.” Section 330(a)(4)(A) of the Code provides in part: “Except as provided in subparagraph (B), the court shall not allow compensation for– (i) unnecessary duplication of services;...” We asked A&M to explain why no duplication had occurred. A&M’s response is included as Response Exhibit “1.” We accept A&M’s response except with respect to the time entries billed by Mr. Sagat and Mr. Eisenberg for “[r]eview of omnibus order regarding the first interim fee application.” It does not appear to us that the firm should charge for two professionals to review a document as basic as an interim fee order. Thus, we recommend disallowance of Mr. Eisenberg’s time for this task, for a reduction of \$120.00 in fees.

4. We noted that between August 18, 2010 and August 24, 2010, Senior Associate Uri Horowitz (\$410) spent 5.30 hours, for total fees of \$2,173.00, performing research regarding perfection of security interests in life insurance policies used as collateral for loans from the policy.

08/18/10	UH	1.80	Perform research re: perfection of security interests in life insurance policies used as collateral for loans from the policy
08/19/10	UH	1.20	Perform research re: perfection of security interests in life insurance policies used as collateral for loans from the policy
08/20/10	UH	0.50	Perform research re: perfection of security interests in life insurance policies used as collateral for loans from the policy
08/23/10	UH	1.20	Perform research re: perfection of security interests in life

insurance policies used as collateral for loans from the policy

08/24/10	UH	0.60	Perform research re: perfection of security interests in life insurance policies used as collateral for loans from the policy
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We asked A&M to explain how this research was utilized for the benefit of the estate. A&M responded:

In response to ¶4 of the Initial Report, the entries were related to research that was conducted in response to a direct question asked by counsel from the creditor's committee regarding security interests in life insurance policies being used as collateral for loans against those same policies. This question arose as a result of a memo regarding Advanta's Corporate Owned Life Insurance program originally sent in April 2010, but for which subsequent diligence took place thereafter.

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

5. We noted the following identical time entries:

Mary Napoliello	9/22/2010	0.3	Review case docket for cno data.
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Mary Napoliello	9/22/2010	0.3	Review case docket for cno data.
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We asked A&M whether one of these entries was a duplicate, and A&M responded: "...[W]e note that these entries are duplicates and we voluntarily eliminate one of Mrs. Napoliello's entries, "Review case docket for cno data" for a total reduction of \$60.00." We appreciate A&M's response and recommend a reduction of \$60.00 in fees.

CONCLUSION

6. Thus, we recommend approval of \$540,132.00 in fees (\$540,312.00 minus \$180.00) and \$10,688.41 in expenses for A&M's services for the Application Period.

Respectfully submitted,

WARREN H. SMITH & ASSOCIATES, P.C.


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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 22nd day of March, 2011.


Warren H. Smith

SERVICE LIST

Notice Parties

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EXHIBIT "A"

Andrew Sagat	8/16/2010	0.5	Update of inter-debtor balance summary
Michael Eisenberg	8/16/2010	0.5	Update of inter-debtor balance summary
Andrew Sagat	8/12/2010	1.3	Preparation of draft claims reserve analysis
Michael Eisenberg	8/12/2010	1.4	Preparation of draft claims reserve analysis
Andrew Sagat	8/12/2010	3.1	Review of June liquidation model by legal entity and for updated claims information
Michael Eisenberg	8/12/2010	3.1	Prepare and review June liquidation model for updated claims information
Andrew Sagat	8/16/2010	0.9	Review of draft claims reserve analysis and updates
Michael Eisenberg	8/16/2010	0.9	Review of draft claims reserve analysis and updates
Andrew Sagat	9/29/2010	0.5	Review of updated cost reserve analysis.
Michael Eisenberg	9/29/2010	0.5	Review of updated cost reserve analysis.
Andrew Sagat	9/30/2010	2.3	Review of shared services intercompany balance bridge and related discussions.
Michael Eisenberg	9/30/2010	2.3	Review of shared services intercompany balance bridge and related discussions.
Andrew Sagat	9/30/2010	0.6	Review of updated cost reserve bridge and related discussions.
Michael Eisenberg	9/30/2010	0.6	Review of updated cost reserve bridge and related discussions.
Andrew Sagat	9/30/2010	1.9	Review of intercompany balance reconciliations and support schedules and participation in related discussions.
Michael Eisenberg	9/30/2010	1.9	Review of intercompany balance reconciliations and support schedules and participation in related discussions.
Andrew Sagat	9/21/2010	0.5	Review of MOR draft.
Michael Eisenberg	9/21/2010	0.6	Review of MOR draft.
Andrew Sagat	9/9/2010	0.4	Review of initial draft of 9/15 monthly forecast.
Michael Eisenberg	9/9/2010	0.5	Review of initial draft of 9/15 monthly forecast.
Andrew Sagat	9/14/2010	1.0	Review of monthly forecast materials.

Michael Eisenberg	9/14/2010	0.8	Review of monthly forecast materials.
Andrew Sagat	9/7/2010	0.7	Review of monthly 2011 expense forecast for Best Interests Test.
Michael Eisenberg	9/7/2010	0.7	Review of monthly 2011 expense forecast for Best Interests Test.
Andrew Sagat	10/12/2010	1.0	Review of blackline to draft Chapter 11 plan and correspondence related to trust assets.
Michael Eisenberg	10/12/2010	1.2	Review of blackline to draft Chapter 11 plan and correspondence related to trust assets.
Andrew Sagat	10/18/2010	0.2	Review of additional comments to the Plan and Disclosure Statement from Latham.
Michael Eisenberg	10/18/2010	0.2	Review of additional comments to the Plan and Disclosure Statement from Latham.
Andrew Sagat	10/20/2010	1.9	Prepare and review model to allocate cash amounts to liquidating trusts and distribute internally for review.
Michael Eisenberg	10/20/2010	2.1	Prepare and review model to allocate cash amounts to liquidating trusts and distribute internally for review.
Andrew Sagat	10/22/2010	0.3	Review of omnibus order regarding the first interim fee application.
Michael Eisenberg	10/22/1010	0.3	Review of omnibus order regarding the first interim fee application.

RESPONSE EXHIBIT “1”

Response to ¶3 of the Initial Report

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. Joint Work and Review: As described in the response to the “*Fee Auditor’s Initial Report Regarding the Second Interim Fee Application of Alvarez & Marsal North America, LLC*,” 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 are a productive and a time efficient means of accomplishing the tasks identified in these entries.

2. Description Update: These entries should have stated “*Review*” for Mr. Sagat, and “*Preparation*” for Mr. Eisenberg. It is customary that the associate level professional prepares, updates and revises analyses, 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. Individual Entries: The entries listed do not reflect a duplication of effort, but rather time spent independently reviewing materials and deliverables in these cases for which both individuals were involved. Each professional’s review of the materials was necessary to both stay current on case matters and because each professional had special insights based on what aspects of the materials they were most familiar with. The time reflected for both professionals is accurate.

RESPONSE EXHIBIT “1” (Cont’d.) - SCHEDULE “A”

Category 1 - Joint Work and Review			
<u>Time Entries:</u>			
Eisenberg	8/12/10	3.1	Review of June liquidation model by legal entity and for updated claims information.
Sagat	8/12/10	3.1	Prepare and review June liquidation model for updated claims information.
Eisenberg	8/16/10	0.9	Review of draft claims reserve analysis and updates.
Sagat	8/16/10	0.9	Review of draft claims reserve analysis and updates.
Eisenberg	8/16/10	0.5	Update of inter-debtor balance summary.
Sagat	8/16/10	0.5	Update of inter-debtor balance summary.
Eisenberg	9/7/10	0.7	Review of monthly 2011 expense forecast for Best Interests Test.
Sagat	9/7/10	0.7	Review of monthly 2011 expense forecast for Best Interests Test.
Eisenberg	9/29/10	0.5	Review of updated cost reserve analysis...
Sagat	9/29/10	0.5	Review of updated cost reserve analysis...
Eisenberg	9/30/10	2.3	Review of shared services intercompany balance bridge and related discussions.
Sagat	9/30/10	2.3	Review of shared services intercompany balance bridge and related discussions.

Eisenberg	9/30/10	0.6	Review of updated cost reserve bridge and related discussions.
Sagat	9/30/10	0.6	Review of updated cost reserve bridge and related discussions.
Eisenberg	9/30/10	1.9	Review of intercompany balance reconciliations and support schedules and participation in related discussions.
Sagat	9/30/10	1.9	Review of intercompany balance reconciliations and support schedules and participation in related discussions.
Eisenberg	10/20/10	2.1	Prepare and review model to allocate cash amounts to liquidating trusts and distribute internally for review.
Sagat	10/20/10	1.9	Prepare and review model to allocate cash amounts to liquidating trusts and distribute internally for review.

Category 2 - Description Update			
<u>Time Entries:</u>			
Eisenberg	8/12/10	1.4	Preparation of draft claims reserve analysis
Sagat	8/12/10	1.3	Review of draft claims reserve analysis

Category 3 – Individual Time Entries			
<u>Time Entries:</u>			
Eisenberg	9/9/10	0.5	Review of initial draft of 9/15 monthly forecast.
Sagat	9/9/10	0.4	Review of initial draft of 9/15 monthly forecast.

Eisenberg	9/14/10	0.8	Review of monthly forecast materials.
Sagat	9/14/10	1.0	Review of monthly forecast materials.
Eisenberg	9/21/10	0.6	Review of MOR draft.
Sagat	9/21/10	0.5	Review of MOR draft.
Eisenberg	10/12/10	1.2	Review of blackline to draft Chapter 11 plan and correspondence related to trust assets.
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Eisenberg	10/18/10	0.2	Review of additional comments to the Plan and Disclosure Statement from Latham
Sagat	10/18/10	0.2	Review of additional comments to the Plan and Disclosure Statement from Latham
Eisenberg	10/22/10	0.3	Review of omnibus order regarding the first interim fee application.
Sagat	10/22/10	0.3	Review of omnibus order regarding the first interim fee application.