

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

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In re : Chapter 11
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ADVANTA CORP., *et al.*, : Case No. 09-13931 (KJC)
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Debtors. ¹ : (Jointly Administered)
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-----X **Re: Docket No. 346**

**DECLARATION OF WILLIAM A. ROSOFF IN SUPPORT OF
THE DEBTORS' MOTION FOR AUTHORITY TO IMPLEMENT
POSTPETITION SEVERANCE PLAN AND OTHER RELATED RELIEF**

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*”).

¹ The Debtors in these jointly administered chapter 11 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), Advanta Ventures Inc. (5127), BizEquity Corp. (8960), Ideablob Corp. (0726), Advanta Credit Card Receivables Corp. (7955), Great Expectations International Inc. (0440), Great Expectations Franchise Corp. (3326), and Great Expectations Management Corp. (3328). Each of the Debtors (other than Advanta Credit Card Receivables Corp. and the Great Expectations entities) maintains its principal corporate office at Welsh & McKean Roads, P.O. Box 844, Spring House, Pennsylvania 19477. Advanta Credit Card Receivables Corp. maintains its principal corporate office at 2215 B. Renaissance Drive, Suite 5, Las Vegas, Nevada 89119, and the Great Expectations entities maintain their principal corporate office at 1209 Orange Street, Wilmington, Delaware 19801. Additional information regarding the Debtors’ businesses and the background relating to events leading up to these chapter 11 cases can be found in (i) the Declaration of William A. Rosoff in Support of the Debtors’ Chapter 11 Petitions and First-Day Motions, filed on November 8, 2009 (the “*Rosoff Declaration*”), the date the majority of Debtors filed their petitions under chapter 11 of title 11 of the United States Code (the “*Bankruptcy Code*”), and (ii) that certain supplement thereto, filed on November 20, 2009, the date Advanta Ventures Inc., BizEquity Corp., Ideablob Corp. and Advanta Credit Card Receivables Corp. filed their chapter 11 cases. The Debtors are authorized to continue to operate their businesses and manage their properties as debtors and debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. Further, in accordance with an order of this Court, the Debtors’ cases are being jointly administered pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure (the “*Bankruptcy Rules*”).

2. Unless otherwise stated, all facts set forth in this declaration (the “*Declaration*”) are based upon my personal knowledge, my discussions with other members of Advanta’s and the Debtors’ senior management, my review of relevant documents, information provided to me by employees and consultants working under my supervision, or my opinion based upon experience, knowledge, and information concerning the operations of Advanta generally. I am authorized to submit this Declaration on behalf of the Debtors. If called upon to testify, I would testify competently to the facts set forth in this Declaration.

3. I make this Declaration in support of the Debtors’ *Motion for Authority to Implement Postpetition Severance Plan and Other Related Relief* (the “*Motion*”) [Docket No. 346], filed on March 19, 2010.² The bases for my support are set forth below.

**Ample Business Justification Exists for Implementing
The Postpetition Severance Plan and Making Payments Thereunder**

4. The Compensation Committee of Advanta’s Board of Directors (the “*Compensation Committee*”) has determined, as an exercise of its business judgment, that implementation of the Postpetition Severance Plan is desirable and in the best interests of the

² As set forth more fully in the Motion, the Debtors seek this Court’s authority to (a) implement and make payments under a new postpetition severance program (the “*Postpetition Severance Plan*”) applicable to all of the Debtors’ full-time hourly and salaried employees, other than Dennis Alter (the Chief Executive Officer of Advanta and the Chairman of Advanta’s Board of Directors) and myself, terminated after the Postpetition Severance Plan takes effect for any reason other than “for cause” or of their own volition, and not transferred to any affiliate (the “*Eligible Employees*”), and (b) pay to one Eligible Employee considered an “insider” under section 101(31) of the Bankruptcy Code a performance-based incentive bonus (the “*Incentive Bonus*”), and (ii) other related relief, including (a) ratifying Interim Severance Payments (as defined in the Motion) made or owing to former hourly or salaried employees of the Debtors who were or will be terminated postpetition, but before the Postpetition Severance Plan takes effect (the “*Former Employees*”), including Interim Severance Payments owing or expected to be owed but not yet paid to four Former Employees who qualify as “insiders” under section 101(31) of the Bankruptcy Code (the “*Insider Employees*”), and (b) terminating all of the Debtors’ existing severance and change of control plans for all of the Debtors’ current employees as of the date the Postpetition Severance Plan takes effect, other than with respect to Dennis Alter and myself.

Debtors and their creditors. The Postpetition Severance Plan is intended to supersede all existing severance and change of control plans for Eligible Employees.³

5. Because the Debtors have announced their intent to liquidate their business, their employees know that they will inevitably lose their jobs. In this environment, employees are, understandably, concerned about their severance benefits and other employment options during these chapter 11 cases. The Postpetition Severance Plan is intended to alleviate such concerns. Without the reassurance that terminated employees will receive severance payments, the Debtors believe morale and loyalty among employees will decline, and employees may perform their duties at less-than optimal levels, or seek other employment. To date, the Debtors have lost several key employees, and can ill-afford to lose more, as any new employees would lack current employees' knowledge of the Debtors' business.

6. Current employees' knowledge and dedication are vital to the wind-down of the Debtors' operations and recovery of assets to repay their creditors. The Debtors believe that maintaining their existing workforce in good morale is essential to maximizing creditor recoveries. The Postpetition Severance Plan is intended to incentivize remaining employees to work towards a speedy and efficient resolution of these chapter 11 cases. In addition, the Postpetition Severance Plan will relieve the Debtors from any claims of current employees as of the date of entry of the order approving the Motion, other than Dennis Alter and myself, under the employee severance pay plan in effect as of the commencement of these chapter 11 cases (the "***Prepetition Severance Plan***") and the Change of Control Plans (as defined in the Motion). Therefore, the Debtors believe that the Postpetition Severance Program is the most cost-effective manner to preserve the value of their estates.

³ Dennis Alter and I are not Eligible Employees. The relief requested herein will not affect any of our or the Debtors' rights and obligations with respect to prepetition severance or change of control obligations to Dennis Alter and myself.

7. The Debtors' senior management formulated the Postpetition Severance Plan after a significant amount of consultation with the Debtors' professionals and the statutory committee of unsecured creditors appointed in these chapter 11 cases (the "*Creditors' Committee*"). The Postpetition Severance Plan amounts were calculated using historical compensation data and by attempting to estimate the monetized value that individual employees are expected to contribute to the resolution of these chapter 11 cases. Although an individual Eligible Employee's role, base salary, and years of service were a starting point for formulating his or her proposed compensation under the Postpetition Severance Plan, the number of weeks of severance pay proposed for each individual Eligible Employee is based on the Debtors' determination of that Eligible Employee's going-forward utility to the chapter 11 estates.

8. Accordingly, I and the Compensation Committee believe that approval of the Postpetition Severance Plan is in the best interest of the Debtors' estates and their creditors.

Debtors' Review of Proposed Payments Pursuant to the Postpetition Severance Plan to Ensure Compliance with Section 503(c) of the Bankruptcy Code

9. Prior to filing the Motion, the Debtors reviewed the Postpetition Severance Plan to ensure that any payments that might be made to insiders of the Debtors would comply with the requirements set forth in section 503(c)(2) of the Bankruptcy Code. This review was conducted by certain employees and professionals under my supervision.

10. First, the Postpetition Severance Plan satisfies section 503(c)(2)(A) because it is applicable to all of the Debtors' full-time employees, other than Dennis Alter and myself (who each voluntarily abstained). Thus, the Postpetition Severance Plan is generally applicable to all of the Debtors' full-time employees.

11. To ascertain that the Postpetition Severance Plan complies with section 503(c)(2)(B), the Debtors first determined that the mean severance payable to non-insider

Former Employees or Eligible Employees during 2010 will equal approximately \$37,500. The Debtors calculated the mean severance amount referenced in section 503(c)(2)(B) by estimating the mean severance payments the Debtors anticipate making for the 2010 calendar year for all Former Employees and Eligible Employees who are not insiders of the Debtors. This estimate is based on the reduction of workforce contemplated for 2010, the severance payments made or owing to Former Employees, and the individualized assessment of severance proposed for each employee under the Postpetition Severance Plan. After arriving at the mean severance calculation for non-insider employees, the Debtors determined the payment limitation to insiders under section 503(c)(2)(B) would be approximately \$375,000, or ten times the mean severance of \$37,500 payable to non-insider Former Employees and Eligible Employees.

12. The maximum amount of severance any Eligible Employee, including those who are insiders, could be paid under the Postpetition Severance Plan is approximately \$304,000, which is well below the payment limitation to insiders under section 503(c)(2)(B). Therefore, the Debtors believe the Postpetition Severance Plan fully complies with section 503(c)(2)(B) of the Bankruptcy Code.

The Incentive Bonus Is a Reasonable Exercise of the Debtors' Business Judgment

13. The Compensation Committee, in its business judgment, has deemed it desirable and in the Debtors' best interests to pay an Incentive Bonus to one insider Eligible Employee for his role in achieving a successful resolution of these chapter 11 cases, in addition to payments under the Postpetition Severance Plan. The Incentive Bonus is based on asset recovery amounts, and is designed to encourage and motivate this key member of the Debtors' workforce to maximize the value of the estates for all stakeholders. The knowledge and expertise of the employee eligible for the Incentive Bonus is critical to the Debtors' ability to

maximize creditor recoveries. The employee also likely has a variety of alternative employment options.

14. The performance metrics for the Incentive Bonus were developed in consultation with the Debtors' financial advisers and the Creditors' Committee and its financial advisers. If approved by this Court, the Compensation Committee has authorized the Incentive Bonus to be paid on the effective date of Advanta's chapter 11 plan in an amount ranging from \$50,000 to \$200,000, depending on the estimated proceeds that will become available for distribution to the Debtors' creditors, using a calculation agreed upon with the Creditors' Committee. The Debtors believe that paying the Incentive Bonus is a reasonable exercise of the Debtors' business judgment.

The Interim Severance Payments to Non-Insider Former Employees Should Be Ratified

15. As discussed more fully in the Motion, subsequent to the commencement of the Debtors' chapter 11 cases, but prior to implementation of the Postpetition Severance Plan, the Debtors have entered – or expect to enter – into separation agreements with approximately 22 Former Employees, including four Insider Employees. The separation agreements provide for payments under the Prepetition Severance Plan of (i) certain amounts of severance as postpetition severance and (ii) any prepetition severance claim amounts, which, combined with other prepetition employment benefit claim payments made to such Former Employee, do not exceed \$10,950 (all such severance payments or severance payment obligations under a separation agreement, an “*Interim Severance Payment*”). No Interim Severance Payments have been made to the Insider Employees.

16. The Debtors have provided or intend to provide to non-insider Former Employees the Interim Severance Payments, according to the terms of the Prepetition Severance

Plan. Due to an oversight in calculating which portions of severance payments under the Prepetition Severance Plan would be entitled to administrative priority (absent granting the relief requested in the Motion), the Debtors made Interim Severance Payments corresponding to prepetition severance claims in excess of \$10,950 to certain of the non-insider Former Employees under their respective separation agreements. As a result, six (6) non-insider Former Employees received total combined amounts of approximately \$110,000 of prepetition severance claims as Interim Severance Payments in excess of the \$10,950 threshold.⁴ Upon realizing such oversight, the Debtors ceased making such payments. Notwithstanding this oversight, the Debtors believe that the Interim Severance Payments should be ratified in all respects.

17. First, the Former Employees provided valuable postpetition services to enable the Debtors' estates to recover value for their creditors. Many of these employees likely would have been entitled to severance payments under the Postpetition Severance Plan, if not for the time it took to formulate and negotiate such plan. Second, the Debtors have reviewed the Interim Severance Payments paid or owing to each Former Employee, and no Former Employee will receive Interim Severance Payments in an aggregate amount greater than severance payments that a comparable Eligible Employee may receive under the Postpetition Severance Plan. Third, ceasing or denying Interim Severance Payments to Former Employees may adversely impact morale and loyalty among the Debtors' remaining employees – many of whom have developed strong and lasting relationships with terminated employees. Low employee morale and attrition among valuable employees would hamper the Debtors' ability to efficiently operate their business and maximize the value of their estates for the benefit of all creditors.

⁴ This calculation does not take into account any reimbursements for prepetition expenses, which the Debtors will seek in the final Wage Order (as defined in the Motion) to exclude from amounts included in calculating the \$10,950 threshold.

Finally, ceasing or denying Interim Severance Payments will cause hardship to the Former Employees, who are relying on these payments while they obtain new employment.

The Interim Severance Payments to Insiders Should Be Approved

18. In addition, the Debtors believe they should be authorized to make Interim Severance Payments to the four Insider Employees. If authorized, the aggregate amount of Interim Severance Payments to each Insider Employee will be comparable to severance payments that an insider Eligible Employee may receive under the Postpetition Severance Plan. Pursuant to a review conducted by certain employees and professionals under my supervision, the Debtors have ascertained that the amount owing to each Insider Employee is substantially less than ten times the mean of severance payments to be made to non-insider employees during 2010, and therefore, the Debtors believe that the Interim Severance Payments to the Insider Employees meet the requirements of section 503(c)(2) of the Bankruptcy Code.

I declare under the penalty of perjury under the laws of the United States of America that, to the best of my knowledge, information and belief, the foregoing is true and correct.

Dated: March 25, 2010

By: /s/ William A. Rosoff
Name: William A. Rosoff
Title: President and Vice Chairman of the Board