

**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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: **Re: Docket No. 428**
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**DECLARATION OF JAY A. DUBOW IN SUPPORT OF MOTION
FOR AUTHORITY TO SELL STOCK OF ADVANTA LIFE INSURANCE
COMPANY FREE AND CLEAR OF LIENS, CLAIMS, AND ENCUMBRANCES**

I, Jay A. Dubow, hereby declare:

1. I am Senior Vice President, Chief Administrative Officer and General Counsel of Advanta Corp., a Delaware corporation (“*Advanta*”), and I am familiar with the day-to-day operations, business, and legal affairs of Advanta and its affiliated debtors, which are debtors and debtors in possession in the above-referenced chapter 11 cases (collectively, the “*Debtors*”), and of Advanta Life Insurance Company (“*ALIC*”, and together with the Debtors,

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). 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*”).

the “*Advanta Group*”), a non-debtor subsidiary of Advanta. I have served as Senior Vice President, Chief Administrative Officer and General Counsel of Advanta since May 2008. I am intimately familiar with the Advanta Group’s financial and legal affairs as they relate to agreements and contracts.

2. I submit this declaration (the “*Declaration*”) in support of Advanta’s *Motion for Authority to Sell Stock of Advanta Life Insurance Company Free and Clear of Liens, Claims, and Encumbrances* [Docket No. 428] (the “*Motion*”). Any capitalized term not expressly defined herein shall have the meaning ascribed to that term in the Motion. All facts set forth in this Declaration are based on my personal knowledge, upon information supplied to me by people who report to me, upon information supplied to me by the Advanta Group’s professionals and consultants, upon my review of relevant documents, or upon my opinion based on my experience and knowledge with respect to the Advanta Group’s operations, financial condition and related business issues. Any documents attached hereto, referenced herein or otherwise relied upon by me for purposes of this Declaration are the business records of the Advanta Group, prepared and kept in ordinary and regularly conducted business activity of the Advanta Group, and used by me for those purposes. If I were called upon to testify, I could and would testify competently to the facts set forth herein, and I am authorized to submit this Declaration on behalf of the Advanta Group.

Advanta Life Insurance Company

3. Advanta indirectly owns all of the issued and outstanding shares of common stock in ALIC.² ALIC is a life and health insurance company domiciled in Arizona. ALIC possesses authority to issue life and health insurance in 29 states and the District of Columbia (the “*Licenses*”). ALIC has no ongoing business and no plans to develop new business.

4. The annual cost to the Debtors’ estates of maintaining the Licenses is approximately \$130,000, comprised of \$70,000 in licensing fees and taxes, \$30,000 in professional fees, and \$30,000 in employee costs incurred on a yearly basis. The majority of regulatory and tax filings take place before March 1 of each year, with more than half of these costs borne at that time.

ALIC Restructuring Options

5. Advanta has actively considered both the sale of ALIC (the “*Sale*”) as well as the dissolution of ALIC (an “*ALIC Liquidation*”) as viable alternatives to maximize a return to its estate. For Advanta to pursue an ALIC Liquidation, however, all remaining risk from legacy ALIC business must be transferred to third parties either through recapture agreements or reinsurance contracts. Once the risk transfer process is complete, regulatory approval would then be sought to dissolve ALIC, and the proceeds (net of the cost of dissolution) would belong to AIC, which could then pay a dividend to Advanta representing these proceeds.

² Advanta Insurance Company (“*AIC*”), a non-debtor subsidiary, is the record and beneficial owner of 100% of the common stock, par value \$1.00 per share, of ALIC. Advanta, in turn, owns 100% of the outstanding common stock of AIC. The Prosperity SPA (as defined herein) contemplates that, prior to consummation of the Sale, AIC will transfer the Shares to Advanta, and Advanta will sell the Shares (as defined in the Motion) to Prosperity Life (as defined herein). The Prosperity SPA provides at § 5.22 that all references to AIC as the seller of the Shares shall refer to Advanta once this transfer has been executed.

I estimate that the cost of an ALIC Liquidation, including legal and professional fees, would be approximately \$20,000.

6. As an alternative to an ALIC Liquidation, Advanta has been actively marketing ALIC for the past year, employing the services of Prisco Consulting, Inc. (“*Prisco*”), a professional consulting firm that has been engaged in the sale of shell properties since 1996. As part of Prisco’s work in assisting Advanta to find potential buyers for ALIC, Prisco has utilized a proprietary database that includes nearly every US insurance company, approximately 75 private equity firms with an interest in acquiring insurance operations and shell platforms, wholesalers with an interest in acquiring shell platforms, approximately 250 of the largest surety producers, the largest and most prominent insurance, regulatory and insurance transaction law firms, investment banks with insurance practices, several hundred reinsurance brokers, actuarial consultants and other brokers.

The Prosperity Offer

7. In July 2009, Advanta received an offer (the “*Prosperity Offer*”), for ALIC that consisted of a bid of approximately \$35,000 per License (or approximately \$1,000,000 in total for the Licenses) plus the fair market value of certain of ALIC’s assets, less certain adjustments, from a prospective buyer, Black Diamond Capital Partners I L.P.

(“*Prosperity*”), obtained through Prosperity’s finder, The Shapiro Network, Inc. (“*Shapiro*”).

8. On July 7, 2009, Advanta and Prosperity entered into an exclusive dealing agreement, which, after being extended a number of times, was allowed to lapse on December 16, 2009 to allow Advanta to further utilize Prisco’s services to establish whether a higher bid could be found for ALIC. Since that date, Advanta has continued to work with Prisco to find further potential buyers for ALIC, but has been unable to obtain a superior offer to the Prosperity

Offer.³ As a result, Advanta concluded that it is in the best interest of its estates to pursue the Prosperity Offer as an alternative to the ALIC Liquidation. Advanta and Prosperity have since negotiated the terms of a stock purchase and sale agreement for ALIC (the “*Prosperity SPA*”), and it is intended that Prosperity’s subsidiary, Prosperity Life Insurance Corp. (“*Prosperity Life*”), should acquire ALIC pursuant to the Prosperity SPA.

Reimbursement of Fees, Costs and Expenses

9. The Prosperity SPA provides for the reimbursement of Prosperity Life for its actual out-of-pocket fees, costs, and expenses incurred in connection with the negotiation, drafting, execution and delivery of the Prosperity SPA, including the fees, costs, and expenses of Prosperity Life’s legal counsel and advisors, as reflected on invoices provided by Prosperity Life to Advanta, if Prosperity Life is outbid by an Alternative Buyer and Advanta does not sell the ALIC Shares to Prosperity Life (the “*Reimbursement Provision*”). The Motion seeks approval of the Reimbursement Provision.

Good Faith

10. The Prosperity SPA is being entered into after arms-length, good-faith negotiations between the Debtors, Prosperity and Prosperity Life. I am not aware of, and have no reason to suspect, any bid collusion or other improper conduct by Prosperity or Prosperity Life in the Sale.

11. There are sound business reasons for Advanta to enter into the Prosperity SPA with the Prosperity Life. As described in this Declaration, extensive marketing has been undertaken to sell ALIC. The Prosperity SPA allows for a higher bid for ALIC from an Alternative Buyer to be accepted by Advanta, with the only consequence being the trigger of the

³ Although Prisco has been assisting Advanta to find buyers for ALIC, Prisco is not claiming a finder’s fee for the Sale.

Reimbursement Provision. The Sale will enhance Advanta's liquidity position by (i) generating net cash proceeds of approximately \$1,000,000 from Prosperity Life, and (ii) eliminating licensing fees and taxes related to ALIC's operations, as well as other future management and/or other future fees associated with ALIC. Accordingly, I believe the sale of the stock of ALIC is in the best interests of the Debtors, their estates and their creditors.

I declare under penalty of perjury pursuant to 28 U.S.C. § 1746 that the foregoing is true and correct to the best of my information, knowledge and belief.

Dated: May 7, 2010
Wilmington, Delaware

/s/ Jay A. Dubow
Jay A. Dubow
Senior Vice President, Chief Administrative
Officer and General Counsel