

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

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: *In re* : Chapter 11
: :
: ADVANTA CORP., *et al.*, : Case No. 09-13931 (KJC)
: :
: Debtors.¹ : (Jointly Administered)
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: Re: Docket No. 848
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**DECLARATION OF JAY A. DUBOW IN SUPPORT OF MOTION FOR AUTHORITY
TO SELL STOCK OF NON-DEBTOR SUBSIDIARY ADVANTA 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

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), BE 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., BE 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*").

debtors and debtors in possession in the above-referenced chapter 11 cases (collectively, the “*Debtors*”), and of Advanta Insurance Company (“*AIC*”, and together with the Debtors, 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 Non-Debtor Subsidiary Advanta Insurance Company Free and Clear of Liens, Claims, and Encumbrances* (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 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 Insurance Company

3. Advanta owns all of the issued and outstanding shares of capital stock of AIC (the “*Shares*”). AIC was the holding company for Advanta Life Insurance Company, Advanta Insurance Agency, Inc. and First Advanta Insurance Agency, Inc., the stock of all of which were recently transferred to Advanta. AIC has approximately \$5.5 million of assets, consisting almost entirely of cash and bonds, and no liabilities.

4. As a regulated insurance entity domiciled in the State of Arizona, AIC is required to file statutory financial statements with the Department of Insurance of the State of Arizona on a quarterly basis. It must also pay various periodic fees to maintain its insurance licenses in numerous jurisdictions.

AIC Restructuring Options

5. Advanta has actively considered both the sale of AIC (the “*AIC Sale*”) as well as the liquidation of AIC (an “*AIC Liquidation*”) as viable alternatives to maximize a return to its estate. Despite Advanta having taken steps to elicit prospective buyers for AIC over the past several months, as of September 3, 2010, Advanta had not obtained any *bona fide* offers for AIC. Seeking to avoid ongoing costs associated with AIC, Advanta submitted the *Motion for Order Authorizing Dissolution of Non-Debtor Affiliate Advanta Insurance Company Pursuant to Section 363(B) of the Bankruptcy Code* [Docket No. 771] (the “*Dissolution Motion*”). The *Order Authorizing Dissolution of Non-Debtor Affiliate Advanta Insurance Company Pursuant to Section 363(B) of the Bankruptcy Code* [Docket No. 819] (the “*Dissolution Order*”) was entered on September 21, 2010. The Dissolution Order authorized Advanta to dissolve AIC, but did not mandate its dissolution. Advanta reserved the right in the Dissolution Motion to continue to

market a sale of AIC and not to proceed with an AIC Liquidation should such a sale become a possibility.

The AIC Offer

6. In late September 2010, following the entry of the Dissolution Order, Advanta received several offers to purchase the stock of AIC. Agrinational Insurance Company (the “**Buyer**”) made the highest offer with the most favorable terms: \$16,666.66 per valid Insurance Permit belonging to AIC (or approximately \$500,000 in total for AIC’s insurance licenses) plus the fair market value of certain of AIC’s assets, reimbursement of a pro-rated portion of certain fees and taxes of AIC, less certain adjustments, as described in detail in the Motion (the “**AIC Offer**”).

7. As a result of Advanta’s persistent efforts to sell AIC, yielding no higher offer, and the projection that the AIC Offer will return greater value to Advanta than an AIC Liquidation, Advanta concluded that it is in the best interest of its estate to pursue the AIC Offer as an alternative to an AIC Liquidation.

8. On October 1, 2010, Advanta and the Buyer entered into a stock purchase and sale agreement for AIC (the “**AIC SPA**”), and it is intended that the Buyer should acquire the Shares pursuant to the terms of the AIC SPA.

Payment of Termination Fee

9. The AIC SPA allows for an alternate buyer to submit a bid for AIC prior to the consummation of the AIC Sale (a “**Competing Transaction**”). In the event that Advanta decides to pursue a Competing Transaction, the AIC SPA provides for a termination fee of \$25,000 to be paid to the Buyer (the “**Termination Fee**”). The Motion seeks approval of the Termination Fee.

Good Faith

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

11. There are sound business reasons for Advanta to complete the AIC Sale. Extensive marketing has been undertaken to sell AIC. The AIC SPA allows for a Competing Transaction to be accepted by Advanta, with the only consequence being the payment of a modest Termination Fee. The AIC Sale will enhance Advanta's liquidity position by (i) generating net cash proceeds from the AIC Sale (which would otherwise have been dissolved pursuant to the Dissolution Order), and (ii) eliminating licensing fees and taxes related to AIC's operations, as well as other future management and/or other future fees associated with AIC. Accordingly, I believe the AIC Sale 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: October 6, 2010
Conshohocken, Pennsylvania

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