

**IN THE 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)
: :
: **Re: Docket No. 899**
: :
: **Hearing Date: Dec. 16, 2010 at 3:30 p.m.**
: **Obj. Deadline: Dec. 7, 2010 at 5:00 p.m.**
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**OBJECTION OF THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS TO
THE DEBTORS’ MOTION FOR AN ORDER (I) APPROVING THE PROPOSED
DISCLOSURE STATEMENT, (II) APPROVING NOTICE AND OBJECTION
PROCEDURES FOR THE DISCLOSURE STATEMENT HEARING, (III)
ESTABLISHING SOLICITATION AND VOTING PROCEDURES, (IV) SCHEDULING
A CONFIRMATION HEARING, AND (V) ESTABLISHING NOTICE AND
OBJECTION PROCEDURES FOR CONFIRMATION OF THE PROPOSED PLAN**

The Official Committee of Unsecured Creditors (the “Committee”) of Advanta Corp. (“Advanta”) and its affiliated debtors and debtors in possession (collectively, and together with Advanta, the “Debtors”) submit this Objection (the “Objection”) to the Debtors’ *Motion for an Order (I) Approving the Proposed Disclosure Statement, (II) Approving Notice and Objection Procedures for the Disclosure Statement Hearing, (III) Establishing Solicitation and Voting Procedures, (IV) Scheduling a Confirmation Hearing, and (V) Establishing Notice and Objection*

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., f/k/a 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). Advanta Ventures Inc., BizEquity Corp., Ideablob Corp. and Advanta Credit Card Receivables Corp. commenced their chapter 11 cases on November 20, 2009. All other Debtors commenced their chapter 11 cases on November 8, 2009.

Procedures for Confirmation of the Proposed Plan [D.I. 899] (the “Disclosure Statement Motion”). In support of this Objection, the Committee respectfully submits as follows:

PRELIMINARY STATEMENT

1. This Court should deny approval of the Debtors’ proposed disclosure statement (the “Disclosure Statement”) because approving the Disclosure Statement and permitting solicitation of votes on the Debtors’ proposed chapter 11 plan (the “Debtors’ Plan”) would be futile and impose significant and unnecessary expense and delay on the Debtors’ estates associated with rejection of the Debtors’ Plan and a second solicitation process. Indeed, in light of the positions taken by the Debtors with respect to Exculpation,² this Court’s post-confirmation retention of jurisdiction over Estate Claims (as defined below) and the absence of Committee consent rights with respect to fundamental provisions of the Debtors’ Plan, coupled with the Committee’s unanimous opposition to the Debtors’ Plan, it is highly likely that the vast majority of creditors will vote to reject the Debtors’ Plan and render it unconfirmable, necessitating a second solicitation process after rejection of the Debtors’ Plan.³ Accordingly, the Committee submits that approving the Disclosure Statement and greenlighting solicitation of the Debtors’ Plan in the current circumstances would simply waste limited estate resources and would be contrary to the best interests of all of the Debtors’ non-insider creditors.⁴

² Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Committee’s Objection to the Debtors’ Motion to Extend Exclusivity and Expedited Motion for an Order, Pursuant to Section 1121(d) of the Bankruptcy Code, (A) Terminating the Debtors’ Exclusivity Periods, and (B) Authorizing the Committee Propose and Solicit Acceptances to a Chapter 11 Plan (the “Exclusivity Objection and Motion”) or the Debtors’ Plan, as applicable.

³ This conclusion is supported by the joinders to this Objection filed by The Bank of New York Mellon, in its capacity as Indenture Trustee for holders of the Investment Notes and RediReserve Certificates, and Law Debenture Trust Company of New York, in its capacity as Indenture Trustee for the holders of Subordinated Notes, whose claims collectively represent in excess of \$240.31 MM or approximately 50% of the claims filed by creditors against the Debtors in these cases.

⁴ In addition to the likely rejection of the Debtors’ Plan by creditors, the Committee believes—as set forth in detail in the Exclusivity Objection and Motion and as will be established at the Confirmation Hearing—that the

2. The Committee further objects to the form and content of the Disclosure Statement itself because the Disclosure Statement fails to provide critical information that would enable creditors to determine whether the Debtors' Plan maximizes the value of the estates and is in the best interests of creditors. Key among the several deficiencies of the Disclosure Statement is the misleading omission of any disclosure of the Committee's opposition to the Debtors' Plan and the basis for such opposition. The Disclosure Statement trumpets that the Debtors have "worked closely" with the Committee "concerning . . . formulation of the Plan," but then stops short of providing any indication that the Committee has fundamental concerns about specific provisions of the Debtors' Plan that it believes harm the rights and interests of unsecured creditors and recommends that unsecured creditors reject the Debtors' Plan as currently proposed. Complete and accurate disclosure of the Committee's opposition to the Debtors' Plan and the nature of the Committee's disputes with the Debtors on the terms of their plan is essential to ensure that the Disclosure Statement does not affirmatively misinform creditors.

3. In another glaring and self-serving omission, the Disclosure Statement lacks information concerning potentially valuable pre- and post-petition claims of the estates (the "Estate Claims") that may be prosecuted for the benefit of creditors and the potential effect of the Debtors' Plan on the Estate Claims. The Disclosure Statement does not inform creditors that the Debtors have not investigated Estate Claims and have instead placed the responsibility to investigate Estate Claims on the Committee. The Disclosure Statement also fails to inform creditors that based on the Committee's ongoing investigation, the Committee believes Estate Claims may exist against the Debtors' officers and directors based on pre- and post-petition

Debtors' Plan is not confirmable because, among other things, due to the inherent conflicts of interest between the personal interests of the Debtors' insiders and the interests of the estates and all other creditors it has not been proposed and pursued in good faith. As such, approval of the Disclosure Statement and solicitation of the Debtors' Plan will not, and cannot, maximize the value of the Debtors' estates.

conduct.

4. The Debtors' Plan also undermines the ability of the Trustees to pursue the Estate Claims by exculpating insiders from liability, including potential Estate Claims, arising in connection with these chapter 11 cases. In fact, by reading the Disclosure Statement, a creditor would have no basis to determine if potential Estate Claims exist, the nature of such claims, whether such claims are potentially valuable or whether provisions of the Debtors' Plan materially impact the Trustees' ability to pursue such claims under the Debtors' Plan. Creditors should be made aware that a vote to accept the Debtors' Plan, as currently proposed, will operate as a release of liability for the Debtors' insiders in connection with potential Estate Claims based on, among other things, post-petition breaches of fiduciary duty and self-dealing and could foreclose opportunities to augment creditor recoveries.

5. The Disclosure Statement similarly fails to provide adequate disclosure regarding conflicts between the personal interests of insiders and the interests of the estates. For example, in addition to the investigation of Estate Claims, the Debtors have also abandoned to the Committee the Debtors' responsibility to investigate the Alter & Rosoff Claims. The Disclosure Statement inadequately describes (i) that litigation on allowance of the Alter & Rosoff Claims is the largest unresolved contingency of these chapter 11 cases, (ii) that the Alter & Rosoff Claims are the largest individual claims asserted in these cases, (iii) how these claims purportedly arose, (iv) whether the estates possess defenses or challenges to such claims and (v) whether confirmation of the Debtors' Plan could alter the estates' rights and defenses with respect to such claims. The Committee also asserts, and creditors should be made aware, that the proposed Exculpation in the Debtors' Plan, which releases insiders, including Alter and Rosoff, from liability arising from post-petition conduct, will impair the ability of the Trustees to defend,

offset, subordinate or otherwise assert counterclaims against the Alter & Rosoff Claims based on post-petition conduct of Alter and Rosoff and the Debtors' other insiders. Omitting such important information precludes creditors from having a fair and reasonable opportunity to reach an informed judgment when voting on the Debtors' Plan.

6. The Disclosure Statement is further deficient in its failure to advise creditors that the Debtors' Plan provides neither the Committee nor creditors generally with any consent, consultation or approval rights with respect to fundamental aspects of the Debtors' Plan, liquidation of the Debtors' assets and/or administration of the Liquidating Trusts after the Effective Date. Indeed, the Disclosure Statement is completely silent with respect to the fact that the Debtors' Plan leaves the Debtors with complete and unfettered discretion to make fundamental plan decisions that could materially impact creditor recoveries including, without limitation, the selection of the Trustees who have discretion under the Debtors' Plan to, among other things, compromise, settle and/or abandon Estate Claims against the Debtors' officers and directors and object to and seek to subordinate the Alter & Rosoff Claims.

7. In view of the Committee's serious concerns and objections concerning the Debtors' Plan and the conduct of the plan process by the Debtors' officers and directors generally, and pursuant to its statutory right to advise unsecured creditors of its determinations as to the Debtors' Plan, the Committee respectfully requests that, to the extent the Court decides to approve the Disclosure Statement and permit solicitation of the Debtors' Plan, this Court require the Debtors to include in the solicitation package a letter—in paper and electronic form (to the extent solicitation materials are distributed in CD-ROM format)—from the Committee to unsecured creditors recommending that unsecured creditors reject the Debtors' Plan and setting forth the reasons for such recommendation.

8. Finally, the Committee believes that certain of the Debtors' proposed solicitation, voting, confirmation and notice procedures are objectionable and as proposed do not provide the Committee and other creditors with sufficient notice and time to review, assess and object to various aspects of the Debtors' Plan, the Plan Supplement and the confirmation process. To this end, the Committee submits that such solicitation, voting, confirmation and notice procedures not be approved until the Committee has had the opportunity to negotiate reasonable modifications to such procedures with the Debtors, including a proposed discovery schedule with respect to the Committee's anticipated objections to confirmation of the Debtors' Plan.

BACKGROUND

9. On November 8, 2009 (the "Petition Date"), Advanta and certain other Debtors each commenced a chapter 11 case in this Court by filing a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"), and on November 20, 2009, the remaining Debtors filed chapter 11 petitions in this Court. The Debtors continue to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. No examiner or trustee has been requested or appointed in any of the Debtors' chapter 11 cases.

10. On November 19, 2009, the Office of the United States Trustee for Region 3 appointed the Committee in these chapter 11 cases.

11. On November 2, 2010, without the support of the Committee, the Debtors filed the Debtors' Plan [D.I. 894] and the Disclosure Statement [D.I. 896].

I. THE COMMITTEE OPPOSES THE DEBTORS' PLAN AS CURRENTLY PROPOSED

12. On August 31, 2010, the Debtors provided the Committee with drafts of the Debtors' Plan and Disclosure Statement. The Committee engaged in good faith negotiations with the Debtors concerning the terms of the Debtors' Plan. Throughout those negotiations, the

Committee made clear that certain core issues of disagreement surrounding the Estate Claims and the Alter & Rosoff Claims must be resolved to achieve a consensual plan. Unfortunately, despite the Committee's efforts to make simple proposals that the Debtors could adopt to advance a consensual plan, the Debtors responded by cutting off plan negotiations with the Committee and filing their plan. As described in greater detail in its Exclusivity Objection and Motion, the Committee is compelled to oppose the Debtors' Plan because the Debtors' Plan:

- exculpates the Debtors' insiders from liability arising from potentially valuable claims of the estates and may jeopardize valid defenses of the estates and Trustees to challenge, subordinate, offset or otherwise contest the Alter & Rosoff Claims arising out of post-petition conduct that may have advanced the Alter & Rosoff Claims, which claims the Debtors admit they have not and will not assess, and that remain the subject of an ongoing investigation by the Committee;
- potentially hinders the prosecution of prepetition claims of the estates by omitting language requested by the Committee to ensure this Court retains post-confirmation jurisdiction over any claims asserted by the Liquidating Trusts under the Debtors' Plan; and
- eliminates previously negotiated and agreed upon consent, consultation and approval rights for the Committee with respect to fundamental aspects of the Debtors' Plan (including selection of the Trustees who have discretion to pursue, or not pursue, claims against the Debtors' insiders and to challenge, or not challenge, the Alter & Rosoff Claims under the Debtors' Plan), leaving unsecured creditors—who are the primary stakeholders of the Debtors' estates—with no opportunity to provide input concerning the most important elements of the Debtors' Plan.

13. Notably, the specific modifications proposed by the Committee to resolve these core disagreements would not in any way prevent Alter and Rosoff from having a full and fair opportunity to pursue their claims and present all arguments they deem appropriate to this Court. Indeed, the Committee's proposals would not harm or cause any prejudice at all to Alter, Rosoff or the Debtors. To the contrary, the intent and effect of the Committee's proposals are only to ensure that the Debtors' Plan does not damage the *estates'* ability to defend against the Alter & Rosoff Claims and to preserve the rights of third party creditors. Nevertheless, the

Debtors rejected the Committee’s proposals without providing any explanation or undertaking any analysis of the issues the Committee has raised. Rather, the Debtors seek to solicit votes on a plan that is patently unconfirmable and not in the best interests of creditors of the Debtors’ estates.

ARGUMENT

14. Section 1125 of the Bankruptcy Code requires the distribution of a disclosure statement before or at the time of solicitation on a plan of reorganization, “[I]t is understood that the general purpose of the disclosure statement is to provide ‘adequate information’ to enable ‘impaired’ classes of creditors and interest holders to make an informed judgment about the proposed plan.” *In re Phoenix Petroleum Co.*, 278 B.R. 385, 392 (Bankr. E.D. Pa. 2001) (citation omitted). The Bankruptcy Code defines “adequate information” in relevant part as:

information of a kind, and in sufficient detail, as far as reasonably practicable in light of the nature and history of the debtor and the condition of the debtor’s books and records, . . . that would enable . . . a hypothetical reasonable investor of the relevant class to make an informed judgment about the plan

11 U.S.C. § 1125(a)(1).

15. A disclosure statement “must clearly and succinctly inform the average [] creditor what it is going to get, when it is going to get it, and what contingencies there are to getting its distribution.” *In re Ferretti*, 128 B.R. 16, 19 (Bankr. D.N.H. 1991); *see also In re Copy Crafters Quickprint, Inc.*, 92 B.R. 973, 981 (Bankr. N.D.N.Y. 1988) (The disclosure statement must contain “simple and clear language delineating the consequences of the proposed plan, [creditors’] claims and the possible [Bankruptcy] Code alternatives so that creditors can intelligently accept or reject the Plan.”).

16. The Third Circuit has long emphasized the importance of a debtor’s “full” and “honest” disclosure. *Oneida Motor Freight, Inc. v. United Jersey Bank*, 848 F.2d 414, 417 (3d Cir. 1988) (“The importance of full disclosure is underlaid by the reliance placed upon the disclosure statement by the creditors and the court. Given this reliance, we cannot overemphasize the debtor’s obligations to provide sufficient data”); *see also Ryan Operations G.P. v. Sanitam-Midwest Lumber Co.*, 81 F.3d 355, 362 (3d Cir. 1996) (“Because creditors and the bankruptcy court rely heavily on the debtor’s disclosure statement in determining whether to approve a proposed reorganization plan, the importance of full and honest disclosure cannot be overstated.”). Mere “boilerplate” language does not satisfy the Bankruptcy Code’s standard of adequate information. *In re Krystal Cadillac-Oldsmobile GMC Truck, Inc. v. General Motors Corp.*, 337 F.3d 314, 321 (3d Cir. 2003). A disclosure statement should include, without limitation:

- (i) a complete description of the available assets and their value;
- (ii) information regarding claims against the estate;
- (iii) information relevant to the risks to be taken by the creditors;
- (iv) the actual or projected value that can be obtained from avoidable transfers;
- (v) the relationship of the debtor with affiliates; and
- (vi) the existence, likelihood and possible success of non-bankruptcy litigation.

See, e.g., In re Cardinal Congregate I, 121 B.R. 760, 765 (Bankr. S.D. Ohio 1990) (citing *In re Scioto Valley Mortgage Co.*, 88 B.R. 168, 170-71 (Bankr S.D. Ohio 1988)).

17. As discussed in greater detail below, the Disclosure Statement fails to provide adequate information with respect to certain material topics central to the Debtors’ Plan and its impact on the rights and recoveries of creditors, including the Estate Claims, the Alter & Rosoff Claims and the potential for a Change of Control in connection with the Alter & Rosoff

Claims, such that creditors cannot possibly make an informed judgment about the Debtors' Plan without fundamental revisions to the Disclosure Statement. To assist the Court and the Debtors in revising the Disclosure Statement to include adequate information, attached hereto as Exhibit A, is a chart of proposed revisions of the Disclosure Statement including (i) a blackline marked to show proposed additional disclosures and/or modifications to existing sections of the Disclosure Statement and/or (ii) in some instances where the Committee does not possess sufficient information, marked sections to show where additional disclosures should be inserted.⁵ Described in more detail below are certain of the key deficiencies where the Committee submits the corrected or supplemented disclosure is required.

I. THE DISCLOSURE STATEMENT MISLEADS CREDITORS WITH RESPECT TO THE COMMITTEE'S LACK OF SUPPORT FOR THE DEBTORS' PLAN

18. Section IV(B)(1) of the Disclosure Statement states that “[t]he Debtors have worked closely with the Creditors’ Committee concerning the administration of the Chapter 11 Cases, and the formulation of the Plan.” *See* Disclosure Statement, § IV(B)(1). This statement is the only reference in the Disclosure Statement to the Committee’s participation in the plan process. The Debtors fail to disclose—in the Debtors’ Plan, the Disclosure Statement or the Disclosure Statement Motion—any of the Committee’s objections to the Debtors’ Plan, the nature of such objections or the Committee’s decision to recommend that unsecured creditors reject the Debtors’ Plan. Moreover, there is no information from which a creditor could understand or infer that plan negotiations between the Debtors and the Committee have broken down over key plan provisions and that the Committee believes that the Debtors’ Plan improperly exculpates the Debtors’ officers and directors, compromises defenses of the estates to

⁵ Notably, the Committee shared many of these very same proposed revisions to the Disclosure Statement prior to the filing of the Debtors’ Plan, but such suggested modifications were rejected.

the Alter & Rosoff Claims and otherwise fails to maximize value for the estates. In contrast, a creditor reading the Disclosure Statement would very likely be led to believe that the Committee was supportive of the Debtors' Plan. In fact, the only indication in the Disclosure Statement of how creditors should vote on the Debtors' Plan is a prominently-placed, bolded statement in capital letters that the Debtors recommend creditors accept the plan. *See* Disclosure Statement, § I(A)(5). In these cases, where many creditors voting on the plan are individuals and older investors who are likely not represented by financial advisors or legal counsel, it is misleading, unfair and inappropriate to give the impression that the Debtors' Plan is a collaboration between the Debtors and the Committee.

19. Indeed, from the outset of plan negotiations, the Committee has made clear that the proposed Exculpation of the Debtors' insiders, non-disclosure of information pertaining to the Estate Claims and the failure to take appropriate and sufficient steps to avoid enhancing and impairing defenses to the Alter & Rosoff Claims were material concerns and that a consensual plan depended upon an appropriate resolution of these issues. Instead of addressing these issues in a constructive manner, the Debtors have filed a plan that strips away previously agreed to Committee consent rights and leaves the Debtors with complete and unfettered discretion to make fundamental plan decisions that could materially impact creditor recoveries, like the selection of the Trustees who will pursue – or not pursue – potential Estate Claims against the Debtors' officers and directors and challenge – or not challenge – the Alter & Rosoff Claims. Thus, when determining whether to accept or reject the Debtors' Plan, the Debtors' unsecured creditors should know that the statutory body appointed to represent their interests does not believe the Debtors' Plan is in the best interests of unsecured creditors or the estates.

20. Furthermore, the Disclosure Statement provides no disclosure of the risks

associated with the inability to confirm the Debtors' Plan over the Committee's objection to confirmation and recommendation to unsecured creditors to reject the plan. "Generally, a disclosure statement must contain all pertinent information bearing on the success or failure of the proposals in the plan of reorganization." *In re Cardinal Congregate I*, 121 B.R. at 765. Absent adequate disclosure regarding the possible impact of the Committee's opposition to the Debtors' Plan and the likelihood that the vast majority of creditors will vote to reject it, creditors are left with the false impression that the Debtors' Plan may be supported by the Committee or, at a minimum, that the Committee does not intend to object to its confirmation.

II. THE DISCLOSURE STATEMENT DOES NOT CONTAIN ADEQUATE INFORMATION

A. *The Disclosure Statement Fails to Describe the Estate Claims and Their Potential Value.*

21. Based on its ongoing investigation of the Estate Claims, the Committee believes that the estates may possess potential and valuable claims arising from both pre- and post-petition conduct in the nature of, among other things, breaches of fiduciary duty, self-dealing, intentional or negligent misrepresentation or other negligent or reckless acts or omissions, all as more fully disclosed as part of the Committee's recommended modifications to the Disclosure Statement to describe potential Estate Claims as set forth in Exhibit A. The Committee has offered to share the results of its investigation with the Debtors. The Debtors not only refused this offer, they also refused the Committee's request to include language in the Disclosure Statement and the Debtors' Plan that would sufficiently apprise creditors of these potential Estate Claims.

22. The Estate Claims, termed "Causes of Action" in the Disclosure Statement, are described, using boiler plate language, as essentially any claim against or with respect to any person. *See* Debtors' Plan, at § 1.91. This description of the Estate Claims is

inadequate and no creditor relying on the Disclosure Statement could make an informed decision on the propriety of the Debtors' treatment of the Estate Claims in the Debtors' Plan. The Disclosure Statement describes the Debtors' Plan as a "modified plan of liquidation" that will establish seven Trusts, and unsecured creditors will receive beneficial interests in such Trusts in accordance with the Debtors' Plan. *See* Disclosure Statement, at § II(A). The Trusts will be established for the sole purpose of liquidating and distributing their assets and the beneficial interests will entitle holders thereof to receive distributions from the Trusts ratably. *Id.* at § V(E)(4). Unsecured creditors' recoveries depend upon the assets in the Trusts, and creditors voting on the Debtors' Plan should have a full understanding of existing and potential assets that will be included in the Trusts applicable to them, including the Estate Claims. *See In re Cardinal Congregate I*, 121 B.R. at 767 ("[A]n identification and discussion of all causes of action which the debtor may pursue under the Bankruptcy Code or other applicable law should be included in the Disclosure Statement. The debtor's intentions as to these causes of action must also be disclosed.").

23. Moreover, the Disclosure Statement does not include any information regarding the Debtors' conduct and intentions as to the Estate Claims. For example, the Disclosure Statement fails to disclose that the Debtors' have not conducted an investigation of the Estate Claims and that the Debtors' Board has expressly declined to conduct such an investigation. In fact, the Committee (and only the Committee) has assumed responsibility to investigate Estate Claims and, based on its ongoing investigation, the Committee believes that valuable Estate Claims may exist against the Debtors' insiders. The Disclosure Statement further omits that certain Estate Claims related to post-petition conduct and defenses of the estates against the Alter & Rosoff Claims and other claims asserted against the estates, may be released

and/or impaired under the Debtors' Plan. Yet, a creditor depending on the Disclosure Statement as currently drafted to make an informed decision on whether to vote to accept or reject the Debtors' Plan, would not know: (i) if any potential Estate Claims exist; (ii) who the potential defendants of such claims might be; (iii) the likelihood that prosecution of such claims will result in distributable value to creditors; or (iv) any impact that other plan provisions may have with respect to the value of the Estate Claims to the Debtors' estates. The Debtors may take the position that, despite not having conducted an investigation of Estate Claims, they do not believe there are any Estate Claims worth pursuing, but if this is their belief it should be fully disclosed to creditors, including the fact that the only entity that has conducted an investigation of Estate Claims, the Committee, does believe potentially valuable Estate Claims may exist. In other words, the Debtors may disagree with the Committee's view on the viability of the Estate Claims, but the Disclosure Statement should still identify the potential claims and explain the possible value such claims may provide to the Debtors' estates.

24. Expanded disclosure with respect to the Estate Claims is further warranted to ensure this Court retains post-confirmation Bankruptcy Court jurisdiction to adjudicate the Estate Claims. Notwithstanding the Committee's efforts to convince the Debtors to include language similar to that proposed on Exhibit A as a means of confirming retention of jurisdiction over the Estate Claims, the Debtors rejected the Committee's proposed language. Such refusal is problematic because the Third Circuit has held that the Bankruptcy Court's post-confirmation jurisdiction over non-core matters is limited to situations in which there is a "close nexus" between the terms of the confirmed chapter 11 plan and such non-core matter. *See, e.g., In re Resorts Int'l, Inc.*, 372 F.3d 154,161, 168-69 (3d Cir. 2005). This Court has provided guidance that a close nexus can be preserved where the plan and disclosure statement identify the non-core

claims or potential claims as assets to be liquidated and distributed to creditors. *See, e.g., In re Insilco Tech., Inc.*, 330 B.R. 512, 524 (Bankr. D. Del. 2005) (Carey, C.J.). As such, the Disclosure Statement should be modified to provide a more fulsome description of the potential Estate Claims and their possible value to creditors of the Debtors' estates.

25. As currently drafted, there is only limited information in the Disclosure Statement from which a creditor could glean that pre- and post-petition conduct of the Debtors' insiders may give rise to potential Estate Claims. Indeed, other than cursory paragraphs describing in summary form existing class actions regarding ERISA and securities law violations and mortgage litigation claims, the Disclosure Statement is completely silent with respect to the Committee's ongoing investigation and assessment of potential Estate Claims against the Debtors' insiders and other third parties. Moreover, although the Debtors have proposed a carve-out in their proposed Exculpation for liability resulting from "actions of the Board of Directors of Advanta on December 10, 2009 relating to the decision to liquidate Advanta," *see* Disclosure Statement, at IV(B)(3), V(J)(7), there is no explanation anywhere in the Disclosure Statement as to why the Debtors have decided to include such carve-out, thus leaving creditors with no basis to consider why those particular actions of the Board on this one date relating to the decision to liquidate Advanta warrant a special exception from Exculpation and/or why that decision is important or should be significant to creditors.

26. Accordingly, the Disclosure Statement should provide a sufficient description of potential Estate Claims, should disclose that the Committee regards such potential claims as material assets of the Debtors' estates that may materially enhance recoveries to creditors under the Debtors' Plan, and should otherwise provide sufficient disclosure and information concerning such Estate Claims to confer and confirm post-confirmation Bankruptcy

Court jurisdiction over such claims as set forth in Exhibit A.

B. *The Disclosure Statement Should Describe the Impact of Exculpation on the Estates and the Debtors' Justification for Granting Exculpation.*

27. The Exculpation in the Debtors' Plan is described in Section V(J)(7) of the Disclosure Statement, in pertinent part, as follows:

as of the Effective Date, none of the Debtors, . . . and their respective officers, directors, employees, managing directors, . . . and each of their respective agents and representatives (but solely in their capacities as such) shall have or incur any liability for any Claim, Cause of Action [i.e., Estate Claims] or other assertion of liability for any act taken or omitted to be taken in connection with, or arising out of, the Chapter 11 Cases, the formulation, dissemination, confirmation, consummation or administration of the Plan, property to be distributed under the Plan or any other act or omission in connection with the Chapter 11 Cases, the Plan (or any prior proposed version of the Plan), the Disclosure Statement or any contract, instrument, document or other agreement related thereto; and such claims shall be deemed expressly waived and forever relinquished as of the Effective Date; provided, however, that the foregoing shall not affect the liability of any Person that otherwise would result from (i) any such act or omission to the extent such act or omission is determined by a Final Order to have constituted willful misconduct, gross negligence, intentional fraud, or criminal conduct of any such Person, or (ii) any actions of the Board of Directors of Advanta on December 10, 2009 relating to the decision to liquidate Advanta.

Disclosure Statement, at § V(J)(7).

The Disclosure Statement further provides that the Exculpation will operate as a release of any Estate Claim against a director or officer of the Debtors based on any conduct covered by the exculpation.⁶

28. As an initial matter, it bears emphasis that as currently drafted and

⁶ Section V(J)(8) of the Disclosure Statement provides, "*[o]ther than any releases granted in the Plan*, in the Confirmation Order or in a Final Order of the Bankruptcy Court from and after the Effective Date, the Trusts will have the right to prosecute any and all Causes of Action including, but not limited to, any and all avoidance or equitable subordination actions, recovery Causes of Action [i.e., Estate Claims] and objections to Claims under sections 105, 502, 510, 542 through 551, and 553 of the Bankruptcy Code or other applicable law that belong to the Debtors, Debtors in Possession or the Debtors' Estates. *For the avoidance of doubt, nothing contained in the Plan will operate as a release of any Cause of Action against any of the current or former officers, directors or employees of the Debtors or their affiliates, except as provided in Section 10.7 of the Plan.*" See Disclosure Statement, at § V(J)(8) (emphasis added).

described in the Disclosure Statement the temporal scope of Exculpation is unclear under the Debtors' Plan. Exculpation is not by its terms limited to the period after the Petition Date and applies broadly to liability for acts or omissions—and not merely post-petition acts or omissions—in connection with, or arising out of, the chapter 11 cases, the Debtors' Plan, the Disclosure Statement and “property to be distributed under the [Debtors'] Plan.” The Committee assumes that the Debtors intend that Exculpation applies only to liability arising after the Petition Date, and the Debtors have themselves stated that “Section 10.7 of the Plan is clear [sic] that it only applies to postpetition conduct.” *See* Debtors' Objection to the 2004 Motion [D.I. 921] at ¶4(b). Nonetheless, given the potential ambiguity with respect to the current version of the exculpation provisions of the Debtors' Plan, the Committee believes that such provision should be clarified to make it absolutely clear that Exculpation applies only to post-petition acts or omissions. The Committee has previously shared such clarifying language with the Debtors and has included such clarifying language in its proposed modifications to the Disclosure Statement as attached on Exhibit A.

29. Given that the Debtors' Plan seeks to insulate and exculpate the Debtors' insiders from Estate Claims related to post-petition conduct, it is incumbent upon the Disclosure Statement to make crystal clear to creditors the potential consequences of the Exculpation. More specifically, the Debtors' Disclosure Statement should be modified to inform creditors that as a result of Exculpation under the Debtors' Plan: (i) the ability of the Trustees to prosecute potential Estate Claims based on post-petition conduct will be impaired; and (ii) the defenses of the estates against the Alter & Rosoff Claims and the ability of the estates to challenge the Alter & Rosoff Claims will also be compromised. Whether the impact of the Exculpation on creditor recoveries is material or not is a determination creditors must make when voting to accept or reject the

Debtors' Plan; however, absent sufficient information concerning the impact of the Exculpation on potential Estate Claims and on the estates' potential defenses against the Alter & Rosoff Claims and other claims against the estates, it is nearly impossible for a creditor to determine the propriety of Exculpation.

30. Furthermore, creditors are entitled to know that as part of the Committee's ongoing investigation into the Estate Claims and the Alter & Rosoff Claims, it has already found information that may support the assertion of potential Estate Claims based on pre- and post-petition conduct against the Debtors' insiders. Without such information, creditors will be hamstrung in their ability to reach a rational judgment regarding not only the viability of potential Estate Claims, but also the propriety of the Exculpation that will impair both the pursuit of potential Estate Claims and potential estate defenses to and rights to challenge the Alter & Rosoff Claims, including but not limited to equitable subordination. Accordingly, the Committee has proposed modified language for the Disclosure Statement to address these issues in Exhibit A to this Objection.

C. The Disclosure Statement Fails to Disclose Sufficient Information Concerning Issues Where the Debtors are Subject to Conflicts Between Personal Interests of Insiders and the Interests of the Estates.

31. On information and belief, the Debtors' decision not to disclose information in the Disclosure Statement and the Debtors' Plan regarding the Estate Claims and the bases for the Alter & Rosoff Claims has been influenced by clear conflicts between the personal interests of the Debtors' insiders and the interests of the estates and all other creditors. While the Debtors have claimed a desire to be "neutral" with respect to the Alter & Rosoff Claims and Estate Claims, their post-petition actions and the provisions of the Debtors' Plan may in fact, advance the Alter & Rosoff Claims, impair potential estates' defenses to such claims and

hinder investigation and pursuit of potential Estate Claims.

32. At the time that the Alter & Rosoff Claims were filed in May 2010, the Debtors informed the Committee that they would not investigate, contest or otherwise challenge the Alter & Rosoff Claims because the Debtors lack independence to oppose the claims of their controlling insiders. Therefore, the burden to undertake an independent analysis of the Alter & Rosoff Claims fell on the Committee, and the Committee has pursued such investigation in tandem with its investigation of the Estate Claims. The Alter & Rosoff Claims are only briefly described in Section IV(B)(3)(f) of the Disclosure Statement as follows:

Claims against Advanta have been filed by certain directors and officers of Advanta. Dennis Alter, Advanta's Chairman of the Board and Chief Executive Officer, asserted a Claim in an unliquidated amount for approximately \$47.2 million, for amounts (i) under Advanta's Supplemental Executive Retirement Plan; (ii) under Advanta's Supplemental Executive Insurance Program; and (iii) related to certain indemnification rights. William Rosoff, Advanta's President and Vice Chairman of the Board, asserted a Claim in an unliquidated amount for approximately \$4.6 million, for amounts (i) under Mr. Rosoff's employment agreement; (ii) under Advanta's Supplemental Executive Insurance Program; and (iii) related to certain indemnification rights. These are Unresolved Claims.

Disclosure Statement, at § IV(B)(3)(f).

33. Significantly, there is no information provided in the Disclosure Statement regarding Advanta's Supplemental Executive Insurance Program (the "SEIP") and Advanta's Supplemental Executive Retirement Plan (the "SERP"), under which Alter and Rosoff are the sole and exclusive beneficiaries, how and under what circumstances these benefit plans were approved and what provisions of these benefit plans give rise to the Alter & Rosoff Claims. The Disclosure Statement also fails to disclose any information regarding the roles of Alter and Rosoff in pre- and post-petition management of the Debtors, which is particularly relevant given the materiality of the aggregate amount of their claims and questions concerning whether they or their actions played any role in the events that they believe give rise to the Alter & Rosoff

Claims or to enhancement of such claims. Furthermore, as the Alter & Rosoff Claims are the largest “Unresolved Claims” under the Debtors’ Plan, it is material for creditors to know that if the Alter & Rosoff Claims are allowed in the asserted amount of \$51.8 million, Alter and Rosoff together will be the largest individual beneficiaries in these cases and their recoveries will materially dilute recoveries to other unsecured creditors. Thus, an understanding of the genesis of the Alter & Rosoff Claims, the Debtors’ pre- and post-petition conduct with respect to such claims and the results of any investigation of such claims is necessary for creditors to make an informed vote on the Debtors’ Plan. A creditor relying on the description of the Alter & Rosoff Claims in the Disclosure Statement has no basis to determine how these claims arose, whether these claims are attributable in part to pre- or post-petition conduct of Alter and Rosoff or how confirmation of the Debtors’ Plan may affect the allowance and priority of these claims and the ability of the Trustees to offset or otherwise contest them. *See In re Cardinal Congregate I*, 121 B.R. at 767 (finding disclosure statement contained inadequate discussion of claims held by debtor affiliates and should include “more detailed information regarding the nature of these claims”).

34. Creditors should also be aware that the Committee’s ongoing investigation of the Alter & Rosoff Claims has revealed that these claims may rely, in part, upon the occurrence of a Change of Control. If a Change of Control has occurred or will occur, Alter and Rosoff allegedly would be entitled to full benefits under the SEIP and the SERP. The Disclosure Statement should clearly inform creditors whether the Debtors are aware of any events that have occurred pre- or post-petition that may have triggered a Change of Control or that Alter & Rosoff will contend have triggered a Change of Control giving rise to enhancement of the Alter & Rosoff Claims. Additionally, creditors should know if any of the formulation, filing, prosecution

or confirmation of the Debtors' Plan has triggered or may trigger a Change of Control and/or whether the Debtors have taken any precautionary measures to avoid any actions or omissions in the future that might trigger, or be argued by Alter and Rosoff to have triggered, a Change of Control, so that they can determine if acceptance of the Debtors' Plan could negatively impact their recoveries.

35. On information and belief, the decisions of the Board to liquidate Advanta and to approve the filing of the Debtors' Plan were made in reliance on information provided, and agreements proposed, by Alter and Rosoff. Thus, if the post-petition conduct of Alter and Rosoff advances or furthers in any way the Alter & Rosoff Claims, then creditors should be so informed. Additionally, pursuant to the Exculpation, Alter and Rosoff generally will be released from liability arising from post-petition conduct. Disclosure of any post-petition conduct that may have enhanced the Alter & Rosoff Claims is necessary to enable creditors to make a more informed decision on the propriety and scope of the Exculpation and the impact it may have on the ability of the Trustees to investigate, contest, object to, recharacterize, subordinate or otherwise challenge the Alter & Rosoff Claims or to bring Estate Claims against Alter and Rosoff (or other insiders) based on post-petition conduct. Furthermore, if it is the Debtors' position that post-petition conduct of Alter and Rosoff in no way gives rise to the Alter & Rosoff Claims and that the Exculpation does not in any way impair the ability of the Trustees to offset, subordinate or otherwise challenge such claims, then the Disclosure Statement should make the Debtors' position clear and provide a comparison to the Committee's position on the same.

D. *The Disclosure Statement Fails to Describe Essential Components of the Plan That May Have Significant Consequences for Recoveries of Creditors Under the Plan.*

36. The Debtors' Plan fails to provide any mechanism for the appointment of

the board of directors that will govern Reorganized Advanta following the Effective Date, and the Disclosure Statement similarly makes no mention of the manner in which the Debtors intend to appoint and/or elect any new directors of Reorganized Advanta. Under the circumstances of these chapter 11 cases, the manner in which any new directors of Reorganized Advanta are appointed and/or elected could significantly impact creditors because the method by which directors of Reorganized Advanta are appointed/elected could potentially cause a Change of Control, thereby enhancing the Alter & Rosoff Claims. More specifically, under the SERP and the SEIP, a Change of Control may be triggered:

[W]hen directors are elected such that a majority of the Board of Directors shall have been members of the Board of Directors for less than two (2) years, unless the nomination for election of each new director who was not a director at the beginning of such two (2) year period was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of such period.⁷

37. Given the potential importance of this issue, the Disclosure Statement should disclose information explaining that: (i) that Debtors' Plan fails to address how the Debtors will appoint and/or elect the directors of Reorganized Advanta; (ii) the potential impact that the method of appointment/election of the directors of Reorganized Advanta may have with respect to the triggering of a Change of Control, the enhancement of the Alter & Rosoff Claims and the dilution of the recoveries of other creditors; and (iii) whether the Debtors have taken any precautionary measures to guard against the potential triggering of a Change of Control as a result of the manner in which any new directors of Reorganized Advanta are appointed and/or elected. The Committee has proposed what it believes to be appropriate language concerning

⁷ The SERP and the SEIP are available at (i) <http://sec.gov/Archives/edgar/data/96638/000089322006000479/w18203exv10wxey.htm> and (ii) <http://sec.gov/Archives/edgar/data/96638/000089322009000538/w73054exv10wi.htm>, respectively.

these issues as set forth on Exhibit A.

E. *The Disclosure Statement Fails to Inform Creditors That the Committee Will Not Have Consent Rights With Respect to Fundamental Aspects of the Plan, the Liquidation of the Debtors' Assets and the Terms and Governance of the Trusts post the Effective Date.*

38. The Disclosure Statement fails to advise creditors that the Debtors' Plan provides neither the Committee nor creditors generally with any consent, consultation or approval rights with respect to fundamental aspects of the Debtors' Plan, liquidation of the Debtors' assets and/or administration of the Trusts after the Effective Date. Moreover, as noted above, the Disclosure Statement's misleading statement that the Debtors' Plan was formulated with the Committee further disguises the fact that the Debtors' Plan leaves the Debtors with complete and unfettered discretion to make fundamental plan decisions that could materially and negatively impact creditor recoveries.

39. Prior to the filing of the Debtors' Plan, the Debtors and the Committee agreed that because unsecured creditors were the primary beneficiaries of the Debtors' Plan, it was appropriate and in the best interests of creditors that the Committee have certain consent rights pertaining to plan provisions that impact creditor recoveries, including, among other things, the terms of the Trust Agreements and the selection of the Trustees. However, once the Committee signaled it could not support the Debtors' Plan until its limited, but important, issues concerning the Debtors' Plan were resolved, the Debtors retaliated by stripping away all of the Committee's consent rights. The Debtors have now taken the position that the only purpose of giving consent rights to the Committee would be for purposes of obtaining the Committee's support of the Debtors' Plan. Such position is clearly at odds with the Debtors' prior position regarding maximizing the best interests of unsecured creditors, and the Debtors now appear intent on holding such consent rights hostage as means to force the Committee into supporting

the Debtors' Plan and to exercise maximum control over the plan and post-reorganization processes for the benefit of their insiders, including with respect to such fundamental provisions of the Debtors' Plan as follows:

- selection of the Trustees;
- the Trust Agreements;
- the Confirmation Order;
- the Plan Supplement;
- the modification or amendment of the Debtors' Plan or any Plan Supplement;
- the Disclosure Statement and Disclosure Statement Order;
- the selection of the assets that will be left with Reorganized Advanta; and
- the selection of which of the Debtors' executory contracts and leases should be assumed, assigned or rejected, and the related selection as to which of the Debtors' compensation and benefits programs should be terminated.

40. The Debtors' Plan strips the Committee of any role in implementation of the plan and thus provides for no oversight of the Debtors' implementation of the plan by a party representing the interests of unsecured creditors. Such oversight is particularly essential in these cases because (i) the Debtors have abdicated their responsibility to represent the estates on a disinterested basis with respect to the Estate Claims, the Alter & Rosoff Claims and analysis of the potential actions that could cause a Change of Control in the future and (ii) unsecured creditors are the only parties with an economic stake in the plan's implementation. The Disclosure Statement should therefore make clear that the Committee has had no input and will have no ability to provide input on fundamental aspects of the Debtors' Plan and the structure and processes for liquidation of the Debtors' assets after the Effective Date, as well as the reasons why the Committee has been denied such customary rights by the Debtors with respect

to the Debtors' Plan.

III. THE SOLICITATION PACKAGE SHOULD INCLUDE A LETTER FROM THE COMMITTEE ADVISING UNSECURED CREDITORS OF ITS DETERMINATIONS AND RECOMMENDATIONS CONCERNING THE DEBTORS' PLAN

41. The Committee respectfully requests that, if the Court decides to approve the Disclosure Statement over the Committee's objection, the Court require the Debtors include in the solicitation package to be distributed with the Disclosure Statement an informational letter – in both paper and electronic form (to the extent solicitation materials are distributed in CD-ROM format) – from the Committee to unsecured creditors (as amended, modified or supplemented, the "Committee Letter"). The Committee Letter, a draft of which is attached hereto as Exhibit B, shall describe the Committee's recommendation that unsecured creditors should reject the Debtors' Plan and the basis for the Committee's opposition to the Debtors' Plan, including a description of the information lacking in the Disclosure Statement as described in this Objection and as set forth in Exhibit B hereto. The Committee also respectfully requests permission from this Court (i) to post a copy of the Committee Letter to its website (the "Committee Website") at <http://www.advantacommittee.com>, (ii) to provide, through its counsel, copies of the Committee Letter to those unsecured creditors that contact the Committee or its counsel for further information on the Debtors' Plan or the Committee's position with respect thereto and (iii) to permit members of the Committee who serve as Indenture Trustees to distribute copies of the Committee Letter to their constituencies as part of any informational correspondence that such Indenture Trustees would otherwise be distributing.⁸

⁸ During the course of these cases, the Debtors have not permitted The Bank of New York Mellon ("BONY"), in its capacity as trustee for the Retail Notes to send notices to the holders of such notes without first subjecting the notices to the Debtors' review. Under the indentures governing the Retail Notes (the "Retail Notes Indentures"), Advanta is the securities registrar and paying agent, and as such, it maintains the register of the holders

42. The Bankruptcy Code expressly provides the Committee with the right to “advise those represented by such committee of such committee’s determinations as to any plan formulated.” 11 U.S.C. § 1103(c)(3). The Committee’s exercise of its statutory authority to inform unsecured creditors of its determination on the Debtors’ Plan would be efficiently and effectively accomplished by including a letter in the solicitation package.⁹ The Committee respectfully requests that such a letter be included in the solicitation materials even if the Court denies the relief requested in the Committee’s Exclusivity Motion and Objection. *See generally In re Temple Retirement Community, Inc.*, 80 B.R. 367, 369 (Bankr. W.D. Tex. 1987) (noting that exclusivity does not prohibit a creditor from soliciting rejections of the proposed plan). This Court and others have approved a request of a creditors’ committee to include a letter to unsecured creditors in numerous cases where the committee opposed the debtors’ plan, including those in which the debtors maintained exclusivity. *See, e.g., In re Extended Stay, Inc.*, No. 09-13764 (JMP) (Bankr. S.D.N.Y. June 17, 2010), Transcript of Hearing at 121-23 (allowing inclusion in the solicitation package of a letter from the Committee where the Debtors did not oppose the letter, and cautioning the Committee to avoid reference to a pending motion to terminate exclusivity); *In re Spansion, Inc.*, No. 09-10690 (KJC) (Bankr. D. Del. Dec. 14, 2009), Transcript of Hearing at 51 (noting that “to the extent I deny [the Committee’s cross-

of the Retail Notes. Because the holders do not hold their Retail Notes through The Depository Trust Company, each of the approximately 7,000 holders must each individually be mailed notices that BONY regularly sends to holders pursuant to the Retail Notes Indentures. The Garden City Group, Inc., the claims agent for the Debtors, has the holder register on its computer system and it had agreed to forward BONY’s notices to the holders. Most recently, BONY requested that a notice it drafted be sent to the holders regarding the filing of the Debtors’ Plan and Disclosure Statement. In the context of a description in the notice of the motion filed by the Committee to conduct an examination of the Debtors in which the Committee stated that it anticipated it would file an objection to the approval of the Disclosure Statement, BONY stated that the Committee does not support the Plan. The Debtors refused to send such notice to the holders containing this statement despite the fact that the notices are clearly communications solely from BONY to its holders.

⁹ The Committee requests that if the Court permits the Committee to transmit the Committee Letter to creditors, such letter be distributed with the Debtors’ solicitation materials in a conspicuous manner such that creditors can easily access and review the Committee Letter.

motion to terminate exclusivity], I would certainly permit such a letter to go out.”). Further, in *In re Adelpia Commc’ns Corp.*, Judge Gerber articulated certain standards for reviewing “supplemental solicitation material” submitted for distribution with the disclosure statement. No. 02-41729 (REG) (Bankr. S.D.N.Y. Sept. 21, 2006), Bench Decision on Open Disclosure Statement Issues and on Propriety of Supplemental Solicitation Material, at 13-19. Those standards included among other things, that the supplemental material (i) need not be “boring” and may be “punchy”, (ii) may not contain *ad hominem* attacks or mocking words to describe opponents’ positions, (iii) should allow the reader to distinguish between opinions and established facts and (iv) may describe in general terms the nature of the interest held by the author and the author’s participation in the case. *Id.*

43. In these cases, where the Committee is the statutory representative of all unsecured creditors entitled to vote on the Debtors’ Plan and, as admitted by the Debtors, is the only entity investigating Estate Claims and the Alter & Rosoff Claims, its position on the Debtors’ Plan and its recommendation to reject the Debtors’ Plan should be made known to its constituency – the creditors with the most to lose if the Estate Claims are undermined and the Alter & Rosoff Claims are enhanced and defenses and counterclaims to the Alter & Rosoff Claims are compromised by the Debtors’ Plan. The Committee’s message is not a complicated or controversial one. It simply desires to give creditors adequate information regarding the fruits of its ongoing investigation and the impact certain provisions of the Debtors’ Plan may have on the Trustees’ ability to pursue Estate Claims or offset, contest, subordinate or otherwise challenge the Alter & Rosoff Claims for the benefit of all creditors. Without adequate disclosure concerning the Committee’s position on the Debtors’ Plan and a letter included in the Debtors’ solicitation packages setting forth the Committee’s positions and respective bases for such

positions, it would be materially misleading for the Debtors to solicit the votes of creditors for the Debtors' Plan on the current basis.

IV. SOLICITATION OF THE DEBTORS' PLAN IS LIKELY FUTILE AND WILL RESULT IN AN UNNECESSARY WASTE OF JUDICIAL ECONOMY AND ESTATE RESOURCES TO THE DETRIMENT OF SUBSTANTIALLY ALL OF THE CREDITORS OF THE DEBTORS' ESTATES

44. The Committee believes that the Disclosure Statement should not be approved because solicitation of the Debtors' Plan will be futile and will lead to the unnecessary expense and delay of a second solicitation period. Given the Debtors' positions on Exculpation, post-confirmation retention of jurisdiction over Estate Claims, the absence of Committee consent rights over fundamental plan provisions that affect unsecured creditors and the Committee's recommendation to reject the Debtors' Plan, it is highly likely that the majority of creditors will reject the Debtors' Plan and thus make it unconfirmable. The Committee respectfully requests that the Court deny approval of the Disclosure Statement in order to avoid the requirement of a second solicitation process, as it would involve considerable expense and delay, to the detriment of creditors.

45. Additionally, the Committee believes that solicitation will be futile because the Debtors' Plan is unconfirmable where, among other things, it has not been proposed or promoted in good faith as evidenced by obvious conflicts between the interests of the Debtors' insiders and the interests of the Debtors' estates and their creditors. *See In re Coram Healthcare, Inc.*, 271 B.R. 228 (Bankr. D. Del. 2001) (denying confirmation of debtors' plan, finding that a conflict of interest prevented the debtors from proposing a plan in good faith, where the debtors' CEO was subject to the control of a large creditor by virtue of a consulting agreement with that creditor worth almost \$1 million per year); *In re Global Ocean Carriers, Ltd.*, 251 B.R. 31, 48-49 (Bankr. D. Del. 2000) (finding that the debtors' proposed plan was unconfirmable because it violated the absolute priority rule by advantaging a controlling shareholder to permit the sale of

the debtors' equity to the company of such shareholder's daughter). The Committee submits that the Debtors' Plan has not been proposed or promoted in good faith because the plan process is being used to force creditors to accept a plan that seeks to insulate the Alter & Rosoff Claims at the expense of the remaining creditors by impairing the estates' ability to offset or otherwise challenge the Alter & Rosoff Claims. Thus given the choice between (i) maximizing the ability of the Trustees to augment recoveries for creditors or (ii) ensuring the Debtors' insiders would be released from potential liability arising from post-petition conduct, the Debtors chose the latter. The Debtors are duty-bound to protect the interests of their creditors, and they have failed to do so by promoting the interests of insiders at the expense of creditors. *See Citicorp Venture Capital, Ltd. v. Committee of Creditors Holding Unsecured Claims*, 323 F.3d 228, 235 (3d Cir. 2003) (affirming bankruptcy court's subordination of attorney's fees, on a finding that an insider and fiduciary of the debtor engaged in self-dealing by attempting to use the plan process to benefit itself over creditors to whom it owed a duty).

V. SPECIFIC OBJECTIONS TO THE DEBTORS' PROPOSED SOLICITATION, VOTING, CONFIRMATION AND NOTICE PROCEDURES

46. The Committee submits that the Debtors' proposed solicitation, voting, confirmation and notice procedures (collectively, the "Solicitation and Confirmation Procedures") are objectionable and as proposed do not provide sufficient time to review, assess, take discovery regarding and object to the Debtors' Plan, the Plan Supplement and the confirmation process. In filing the Disclosure Statement Motion, the Debtors failed to consult or seek the Committee's input with respect to any of the Solicitation and Confirmation Procedures. Approval of the current Solicitation and Confirmation Procedures could interfere with the Committee's and any creditor's ability to challenge integral aspects of the Debtors' Plan. The Committee hereby submits that the Solicitation and Confirmation Procedures not be approved

until the Committee has had the opportunity to negotiate reasonable modifications to such procedures with the Debtors, including a discovery schedule with respect to the Committee's anticipated objections to confirmation of the Debtors' Plan.

A. *The Solicitation and Confirmation Procedures Should Be Revised to Provide Sufficient Time Between the Voting Deadline and the Confirmation Objection Deadline for Parties-in-Interest to Review, Assess, Take Discovery Regarding and Object to the Debtors' Plan and Plan Supplement.*

47. As an initial matter, under the proposed Solicitation and Confirmation Procedures, the Voting Deadline and the Confirmation Objection Deadline are set for the same day: twenty-eight (28) days after the Solicitation Date. This schedule may likely create unnecessary litigation expenses by requiring the Committee and other creditors to conduct discovery and draft objection papers while the solicitation remains outstanding. As explained above, the Committee believes that it is highly likely that the majority of creditors will reject the Debtors' Plan such that confirmation of the Debtors' Plan may be rendered impossible. By setting the Voting Deadline and the Confirmation Objection Deadline for the same day, the Committee and other creditors will be forced to conduct discovery and draft an objection to a plan that is not likely to be confirmable based on the results of solicitation. Accordingly, and subject to the filing of a mutually acceptable discovery scheduling order, the Solicitation and Confirmation Procedures should be revised such that the Confirmation Objection Deadline will be twenty-eight (28) days after the Voting Deadline. This period will allow the Debtors to tabulate and report the outcome of the solicitation and then if necessary, permit the Committee and other creditors to conduct and complete discovery and prepare their objections to confirmation.

48. Additionally, under the Solicitation and Confirmation Procedures, the Debtors' proposed solicitation is scheduled to take place during the holiday season with

solicitation starting on or around December 23, 2010. Since many creditors will not be around to receive the mail during this time of year, creditors will effectively be given less than twenty-eight (28) days to review the solicitation materials, make a decision with respect to the Debtors' Plan and properly complete and submit their ballots. The Solicitation and Confirmation Procedures should be amended to account for the holiday season by extending the period between the Solicitation Date and the Voting Deadline by seven (7) calendar days. Similarly, the Solicitation and Confirmation Procedures provide that a Voting Nominee (as defined in the Disclosure Statement Motion) must provide the beneficial holder of any voting interest with solicitation materials within five (5) business days of receipt of the Solicitation Packages. In order to account for the holiday season, the Solicitation and Confirmation Procedures should be amended to allow a Voting Nominee ten (10) business days to provide the solicitation materials.

B. *The Solicitation and Confirmation Procedures are Deficient Because they Fail to Establish Timeframes and Deadlines Integral to the Plan Process.*

49. The Solicitation and Confirmation Procedures must be revised because, as currently proposed, they fail to set dates or timelines by which:

- the Debtors must file and serve a voting report;
- the Debtors must file and serve copies of all ballots (whether or not disputed) in order to permit the Debtors' creditors or the Committee sufficient time for inspection of such ballots;
- the Debtors must notify the Committee of any ballots being challenged by the Debtors and provide the Committee time to respond to such challenges;
- the Debtors must file and serve the proposed form of confirmation order, brief in support of confirmation and affidavit in support of confirmation; and
- the Trustees will be selected and appointed in anticipation of plan effectiveness.

50. By omitting a deadline by which the Trustees and the Advanta Trustee

must be selected, the Debtors' Plan and Solicitation and Confirmation Procedures currently have the effect of granting sole trustee appointment authority to the Debtors while also requiring creditors to cast their ballots on the Debtors' Plan without any knowledge as to who will be appointed.

C. *The Solicitation and Confirmation Procedures Improperly Provide for Distribution of Solicitation Materials on CD-ROM.*

51. Given the makeup of the creditor body in these cases, it is improper to distribute the solicitation materials containing the Disclosure Statement, which will include the Debtors' Plan, on CD-ROM without the simultaneous distribution of paper copies. As the Court is aware, many of the creditors in these cases do not regularly participate in bankruptcy proceedings. Rather, a significant number of creditors are "mom and pop" type investors, many of whom are elderly. Since many creditors may not have access to computers, much less know how to open the material on a CD-ROM, sending the materials by CD-ROM would not serve the interests of creditors in these cases. Instead of establishing an inefficient and costly process of requiring each of these creditors to call Debtors' counsel to obtain a copy of the materials in paper form, the Committee believes that it makes the most sense to simply distribute the materials in hard copy in the first instance.¹⁰ Accordingly, the Solicitation and Confirmation Procedures should be modified to make clear that the Disclosure Statement and the Debtors' Plan will be sent by hard copy and not via CD-ROM.

¹⁰ Moreover, on information and belief, providing solicitation materials (including the Committee Letter) in paper form will not be any more expensive than the cost of providing creditors with solicitation materials in CD-ROM format.

52. In view of the foregoing objections and concerns, among others, the Committee submits that the Solicitation and Confirmation Procedures not be approved until the Committee has had the opportunity to negotiate a mutually acceptable resolution of its objections to the proposed Solicitation and Confirmation Procedures and to reach agreement on an acceptable schedule in connection with such Solicitation and Confirmation Procedures with the Debtors, including a discovery schedule with respect to the Committee's anticipated objections to confirmation of the Debtors' Plan.

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CONCLUSION

WHEREFORE, the Committee respectfully requests that the Court (i) decline to approve the Debtors' Disclosure Statement, (ii) condition any further consideration of the Disclosure Statement on the incorporation of modifications proposed herein, and (iii) grant such other and further relief it deems just and proper.

Dated: December 7, 2010
Wilmington, Delaware

Respectfully Submitted,

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EXHIBIT A

EXHIBIT A

COMMITTEE’S PROPOSED REVISIONS TO DISCLOSURE STATEMENT

Subject	Current Language	Proposed Language
<p>Debtors’ Recommendation to Accept the Plan</p>	<p><u>Section I(A)(5):</u></p> <p>The Debtors believe that the Plan accomplishes the objectives of chapter 11 and that acceptance of the Plan is in the best interests of the Debtors and their creditors.</p> <p style="text-align: center;">THE DEBTORS URGE THEIR CREDITORS TO VOTE TO ACCEPT THE PLAN.</p>	<p>The Debtors believe that the Plan accomplishes the objectives of chapter 11 and that acceptance of the Plan is in the best interests of the Debtors and their creditors.</p> <p style="text-align: center;">THE DEBTORS URGE THEIR CREDITORS TO VOTE TO ACCEPT THE PLAN.</p> <p style="text-align: center;"><u>The Creditors’ Committee opposes the Plan because it believes that the Plan does not maximize the value of the Debtors’ Estates and favors the interests of the Debtors’ controlling insiders over the interests of the Debtors’ Estates.</u></p> <p style="text-align: center;"><u>THE CREDITORS COMMITTEE RECOMMENDS THAT UNSECURED CREDITORS VOTE TO REJECT THE PLAN.</u></p>
<p>Committee Involvement in Plan Negotiations</p>	<p><u>Section IV(B)(1):</u></p> <p>The Debtors have worked closely together with the Creditors’ Committee concerning the administration of the Chapter 11 Cases, and the formulation of the Plan.</p>	<p>The Debtors and Creditors’ Committee <u>initially</u> worked closely together concerning the administration of the Chapter 11 Cases, and <u>initially with respect to</u> the formulation of the Plan.</p> <p style="text-align: center;"><u>Over the course of negotiations between the Debtors and Creditors’ Committee concerning the Plan and Disclosure Statement, the Creditors’ Committee and the Debtors failed to reach agreement on certain</u></p>

Subject	Current Language	Proposed Language
		<p><u>issues raised by the Plan and Disclosure Statement, particularly with respect to the exculpation of insiders of the Debtors from liability arising after the Commencement Date. The Creditors' Committee opposes the Plan because it believes that the Plan does not maximize the value of the Debtors' Estates and favors the interests of the Debtors' controlling insiders over the interests of the Debtors' Estates.</u></p> <p><u>THE CREDITORS COMMITTEE RECOMMENDS THAT UNSECURED CREDITORS VOTE TO REJECT THE PLAN.</u></p>
Estate Claims	Disclosure omitted by Debtors.	<p><u>The Creditors' Committee has undertaken and is continuing an investigation of potential Causes of Action of the Debtors' Estates. The Creditors' Committee believes that the Debtors' Estates may possess potential Causes of Action in the nature of, among other things, (i) fraud, fraudulent inducement and/or intentional or negligent misrepresentation or omission, under applicable state law, including without limitation Delaware and Pennsylvania law, (ii) breach of fiduciary duty, including but not limited to breaches of the duties of care, loyalty and good faith based on gross mismanagement, corporate waste, intentional or negligent misrepresentation or fraud, (iii) wrongful distribution pursuant to section 174 of the Delaware Corporate Law or any other applicable state law in connection with the repurchase of stock or dividends issued by the Debtors' or their affiliates, (iv) equitable subordination pursuant to section 510 of the Bankruptcy Code, (v) actual and constructive fraudulent transfers pursuant to section 548 of the Bankruptcy Code and</u></p>

Subject	Current Language	Proposed Language
		<p><u>applicable state law, including without limitation Delaware and Pennsylvania law, (vi) preference pursuant to section 547(b) of the Bankruptcy Code, (vii) Claims and counterclaims, sounding in contract or in tort, for fraud, malpractice, negligence, breach of contract, mistake, duress and usury, (viii) declaratory or injunctive relief, and (ix) intentional or negligent misrepresentation, aiding and abetting and inducement, including without limitation fraudulent and intentional inducement, in connection with any of the Causes of Action described above or in section 1.91 of the Plan.</u></p> <p><u>The Committee is investigating whether such Causes of Action can be asserted against certain of the Debtors' current and former directors, officers, employees, insiders, agents, advisors, attorneys, accountants, auditors, investment bankers, consultants and/or other professionals, and other third parties, including without limitation Dennis Alter, Advanta's Chairman of the Board and Chief Executive Officer, and William Rosoff, Advanta's President and Vice Chairman of the Board, related to the financial condition of the Debtors and their affiliates; management and operation of the Debtors and their affiliates; the Debtors' compensation and benefits and incentives programs; compliance with applicable law and regulations by the Debtors and their affiliates; credit issuance practices and other credit and loan programs and practices of the Debtors and their affiliates; the Debtors' and their affiliates' interactions, negotiations, agreements and other relationships with the FDIC and other regulatory bodies; purchases,</u></p>

Subject	Current Language	Proposed Language
		<p><u>distributions, issuances and other transactions in connection with equity interests in and securities of the Debtors; and other conduct, omissions and events that occurred prior to and/or after the Commencement Date.</u></p> <p><u>The Creditors' Committee believes that the Causes of Action may be material and potentially valuable assets of the Debtors' Estates. The Plan provides that the Trusts may investigate and prosecute the Causes of Action of the Debtors' Estates before the Bankruptcy Court. To the extent that proceeds of such Causes of Action are recovered by the Trusts, such recoveries may materially enhance the recoveries of the Debtors' creditors under the Plan.</u></p>
<p>Exculpation</p>	<p><u>Section V(J)(7):</u></p> <p>Notwithstanding anything in the Plan to the contrary, as of the Effective Date, none of the Debtors, the Trusts, the Trustees (solely in their capacity as such), the Indenture Trustees, the members of the Creditors' Committee (solely in their capacity as such), and their respective officers, directors, employees, managing directors, accountants, financial advisors, investment bankers, agents, restructuring advisors, and attorneys, and each of their respective agents and representatives (but solely in their capacities as such) will have or incur any liability for any Claim, Cause of Action or other assertion of liability for any act taken or omitted to be taken in connection with, or arising out of, the Chapter 11 Cases, the formulation, dissemination, confirmation, consummation or</p>	<p>Notwithstanding anything in the Plan to the contrary, as of the Effective Date, none of the Debtors, the Trusts, the Trustees (solely in their capacity as such), the Indenture Trustees, the members of the Creditors' Committee (solely in their capacity as such), and their respective officers, directors, employees, managing directors, accountants, financial advisors, investment bankers, agents, restructuring advisors, and attorneys, and each of their respective agents and representatives (but solely in their capacities as such) will have or incur any liability for any Claim, Cause of Action or other assertion of liability for any act taken or omitted to be taken in connection with, or arising out of, the Chapter 11 Cases, the formulation, dissemination, confirmation, consummation or</p>

Subject	Current Language	Proposed Language
	<p>administration of the Plan, property to be distributed under the Plan or any other act or omission in connection with the Chapter 11 Cases, the Plan (or any prior proposed version of the Plan), the Disclosure Statement or any contract, instrument, document or other agreement related thereto; and such claims will be deemed expressly waived and forever relinquished as of the Effective Date; provided, however, that the foregoing will not affect the liability of any Person that otherwise would result from (i) any such act or omission to the extent such act or omission is determined by a Final Order to have constituted willful misconduct, gross negligence, intentional fraud, or criminal conduct of any such Person, or (ii) any actions of the Board of Directors of Advanta on December 10, 2009 relating to the decision to liquidate Advanta.</p>	<p>administration of the Plan, property to be distributed under the Plan or any other act or omission in connection with the Chapter 11 Cases, the Plan (or any prior proposed version of the Plan), the Disclosure Statement or any contract, instrument, document or other agreement related thereto; and such claims will be deemed expressly waived and forever relinquished as of the Effective Date; provided, however, that the foregoing will not affect the liability of any Person that otherwise would result from (i) any such act or omission to the extent such act or omission is determined by a Final Order to have constituted willful misconduct, gross negligence, intentional fraud, or criminal conduct of any such Person, or (ii) any actions of the Board of Directors of Advanta on December 10, 2009 relating to the decision to liquidate Advanta.</p> <p><u>For the avoidance of doubt, Section 10.7 of the Plan applies only to acts taken or omitted to be taken after the Commencement Date.</u></p> <p><u>Section 10.7 of the Plan, described above, operates to (1) release the Debtors' insiders and other Parties from liability to any Party, including the Debtors' Estates arising from Causes of Action, arising from the acts taken or omitted to be taken described in Section 10.7 of the Plan and (2) compromises the ability of the Debtors' estates to defend against, subordinate and otherwise challenge based on acts taken or omitted to be taken after the Commencement Date (a) the Claims for an</u></p>

Subject	Current Language	Proposed Language
		<p><u>aggregate of approximately \$51.8 million asserted by Dennis Alter, Advanta’s Chairman of the Board and Chief Executive Officer, and William Rosoff, Advanta’s President and Vice Chairman of the Board, and (b) any other Claims that may be asserted by any Party that is exculpated under Section 10.7 of the Plan</u></p> <p><u>The Debtors have not conducted any investigation with respect to potential Claims or Causes of Action against or liability of any Party that is exculpated under Section 10.7 of the Plan. The Committee believes the Debtors’ decision to propose Section 10.7 of the Plan, and certain other provisions that favor their insiders over other creditors generally, has been influenced by admitted conflicts between the personal interests of the Debtors’ insiders and the interests of the estates and all other creditors. Accordingly, the Committee believes that an investigation of the potential Claims and Causes of Action of the Estates and potential liability of other Persons that would be released by Section 10.7 of the Plan should be completed before Section 10.7 of the Plan takes effect and that Section 10.7 of the Plan is inappropriate as drafted.</u></p> <p>The Committee lacks sufficient information to propose a complete disclosure and explanation with respect to the rationale of the Debtors’ proposal to carve out of exculpation under Section 10.7 of the Plan “any actions of the Board of Directors of Advanta on December 10, 2009 relating to the decision to liquidate Advanta”, including whether any acts were taken or omitted to be taken in connection with the board’s</p>

Subject	Current Language	Proposed Language
		<p>decision to liquidate (a) by Parties other than “the Board of Directors of Advanta” or (b) on a date other than December 10, 2009.</p>
<p>Alter & Rosoff Claims</p>	<p><u>Section IV(B)(3)(f):</u></p> <p><i>Certain Employee Claims.</i> Claims against Advanta have been filed by certain directors and officers of Advanta. Dennis Alter, Advanta’s Chairman of the Board and Chief Executive Officer, asserted a Claim in an unliquidated amount for approximately \$47.2 million, for amounts (i) under Advanta’s Supplemental Executive Retirement Plan; (ii) under Advanta’s Supplemental Executive Insurance Program; and (iii) related to certain indemnification rights. William Rosoff, Advanta’s President and Vice Chairman of the Board, asserted a Claim in an unliquidated amount for approximately \$4.6 million, for amounts (i) under Mr. Rosoff’s employment agreement; (ii) under Advanta’s Supplemental Executive Insurance Program; and (iii) related to certain indemnification rights. These are Unresolved Claims.</p>	<p><i>Certain Employee Insider Claims.</i> Claims against Advanta have been filed by certain directors and officers of Advanta. <u>On May 14, 2010,</u> Dennis Alter, Advanta’s Chairman of the Board and Chief Executive Officer, asserted a Claim in an unliquidated amount for approximately <u>\$55.0 million.</u> <u>On October 19, 2010, Mr. Alter filed an amended Proof of Claim waiving certain of his previously-asserted Claims and asserting Claims in an unliquidated amount of approximately \$47.2 million;</u> for amounts (i) under Advanta’s Supplemental Executive Retirement Plan; (the “SERP”) and (ii) under Advanta’s Supplemental Executive Insurance Program; and (iii) (the “SEIP”), plus unliquidated amounts related to certain indemnification rights. <u>All Claims of Mr. Alter are Unresolved Claims under the Plan.</u></p> <p><u>On May 14, 2010,</u> William Rosoff, Advanta’s President and Vice Chairman of the Board, asserted a Claim in an unliquidated amount for approximately <u>\$9.1 million.</u> <u>On October 19, 2010, Mr. Rosoff filed an amended Proof of Claim waiving certain of his previously-asserted Claims and asserting Claims in an unliquidated amount of approximately \$4.6 million;</u> for amounts (i) under Mr. Rosoff’s employment agreement; and (ii) under Advanta’s Supplemental Executive Insurance Program; and (iii) the SEIP, <u>plus unliquidated amounts</u> related to certain indemnification rights. These</p>

Subject	Current Language	Proposed Language
		<p data-bbox="1171 233 1881 302"><u>All Claims of Mr. Rosoff</u> are Unresolved Claims <u>under the Plan.</u></p> <p data-bbox="1171 337 1864 443">The Committee lacks sufficient information to propose a disclosure concerning the proposal, negotiation and approval of the SEIP and SERP.</p> <p data-bbox="1171 479 1892 657"><u>The Claims of both Messrs. Alter and Rosoff are premised, in part, upon the alleged occurrence of a “change in control” and/or “change in control” (collectively, a “Change of Control”) under the SEIP and SERP.</u></p> <p data-bbox="1171 693 1856 909"><u>The Creditors’ Committee is investigating the Claims asserted by Messrs. Alter and Rosoff and reserves all of its rights and the rights of the Debtors’ Estates, the Trusts and the Trustees to investigate, contest, object to, recharacterize, subordinate or otherwise challenge such Claims.</u></p> <p data-bbox="1171 945 1875 1123"><u>If the Claims asserted by Messrs. Alter and Rosoff are allowed, they would substantially dilute the Claims of unsecured creditors of the Consolidated Debtors and could result in lower recoveries for all unsecured creditors of the Consolidated Debtors.</u></p> <p data-bbox="1171 1159 1892 1375"><u>The exculpation provisions proposed by the Debtors in Section 10.7 of the Plan will compromise the ability of the Debtors’ estates to defend against, subordinate and otherwise challenge the claims filed by Messrs. Alter and Rosoff based on acts taken or omitted to be taken after the Commencement Date.</u></p>

Subject	Current Language	Proposed Language
		<p>The Committee lacks sufficient information to propose a complete disclosure with respect to events before and after the Commencement Date that may have caused a Change of Control or that otherwise could affect the allowance or magnitude of the Claims asserted by Messrs. Alter and/or Rosoff.</p> <p>The Committee lacks sufficient information to propose a complete disclosure with respect to whether the Debtors have taken any precautionary measures to prevent the unnecessary or inadvertent triggering of a Change of Control.</p>
Roles of Alter and Rosoff in pre- and postpetition management	Disclosure omitted by Debtors.	The Committee lacks sufficient information to propose a complete disclosure.
Appointment of the post-Effective Date Board of Directors of Advanta	Disclosure omitted by Debtors.	<p><u>The manner in which members of the post-Effective Date Board of Directors of Reorganized Advanta are appointed may cause a Change of Control, which could result in a substantial increase in the Claims of Alter and Rosoff under the SEIP and SERP up to the full alleged amount of \$51.8 million. The Plan makes no provision that would control the manner of appointment of the post-Effective Date Board of Directors of Reorganized Advanta.</u></p> <p>The Committee lacks sufficient information to propose a complete disclosure with respect to whether the Debtors have taken any precautionary measures to prevent the unnecessary or inadvertent triggering of a Change of Control as a result of the manner in which</p>

Subject	Current Language	Proposed Language
Committee Consent Rights	Disclosure omitted by Debtors.	<p>any new directors of Reorganized Advanta are appointed and/or elected.</p> <p><u>The Plan provides the Debtors with sole and complete discretion to consummate the Plan and determine the form and substance of all documents binding on creditors and other parties under the Plan, such as the Trust Agreements. The absence of oversight of the Debtors in connection with consummation of the Plan by a party representing creditors is one reason why the Creditors' Committee opposes the Debtors' Plan and recommends that unsecured creditors reject the Debtors' Plan. In particular, in view of the admitted conflicts between the personal interests of the Debtors' insiders and the interests of the estates and all other creditors, the Creditors' Committee believes it is unjust, unfair and inappropriate for the Debtors to have sole and complete discretion to appoint the Trustees under the Plan, who will have the discretion (1) to pursue, not pursue or settle Causes of Action of the Estates, including those Causes of Action that the Creditors' Committee believes may exist against controlling insiders of the Debtors, and (2) to contest, not contest or settle the Claims asserted by Dennis Alter, Advanta's Chairman of the Board and Chief Executive Officer, and William Rosoff, Advanta's President and Vice Chairman of the Board, in an aggregate amount of approximately \$51.8 million.</u></p>
Risk of Non-Confirmation of the Plan	<u>Section VI(A)(1):</u>	

Subject	Current Language	Proposed Language
	<p><u>1. Risk of Non-Confirmation of the Plan</u></p> <p>Although the Debtors believe that the Plan will satisfy all requirements necessary for confirmation by the Bankruptcy Court, there can be no assurance that the Bankruptcy Court will reach the same conclusion or that modifications of the Plan will not be required for confirmation or that such modifications would not necessitate resolicitation of votes. In addition, there can be no assurance that the Bankruptcy Court will approve the Plan as to each Debtor. If the Bankruptcy Court does not approve the Plan with respect to a specific Debtor, the Debtors reserve the right to withdraw the Plan as to that specific Debtor only.</p>	<p><u>1. Risk of Non-Confirmation of the Plan</u></p> <p>Although the Debtors believe that the Plan will satisfy all requirements necessary for confirmation by the Bankruptcy Court, there can be no assurance that the Bankruptcy Court will reach the same conclusion or that modifications of the Plan will not be required for confirmation or that such modifications would not necessitate resolicitation of votes. In addition, there can be no assurance that the Bankruptcy Court will approve the Plan as to each Debtor. If the Bankruptcy Court does not approve the Plan with respect to a specific Debtor, the Debtors reserve the right to withdraw the Plan as to that specific Debtor only.</p> <p><u>Furthermore, there can be no assurance that, in light of the Creditors' Committee's recommendation to unsecured creditors that they vote to reject the Plan, that any Class that is entitled to vote will accept the Plan. If no Class that is entitled to vote accepts the Plan, the Plan may not be confirmed.</u></p>

EXHIBIT B

**OFFICIAL COMMITTEE OF UNSECURED CREDITORS
OF ADVANTA CORP., et al. (Case No. 09-13931 (KJC))**

December [], 2010

TO: Unsecured Creditors of Advanta Corp. (“Advanta”) and affiliated debtors (the “Debtors”)

The Official Committee of Unsecured Creditors (the “Creditors’ Committee”)¹ of Advanta and the Debtors was appointed by the Office of the United States Trustee (an arm of the U.S. Department of Justice) on November 19, 2009 pursuant to federal law to represent the interests of unsecured creditors of Advanta and the other Debtors, such as you. The Creditors’ Committee has analyzed the terms of the Debtors’ Joint Plan Under Chapter 11 of the Bankruptcy Code dated as of November 2, 2010 (the “Debtors’ Plan”) that is enclosed in this package and writes to inform you of its determinations and recommendations regarding the Debtors’ Plan.²

The Creditors’ Committee unanimously recommends you

VOTE TO REJECT THE DEBTORS’ PLAN

on the ballot enclosed in this package.

The Debtors’ Plan, if accepted by unsecured creditors, such as yourself, and confirmed by the Bankruptcy Court, will govern how and what you are entitled to recover on your claims against Advanta and the other Debtors. Accordingly, the Creditors’ Committee believes it is important for you to consider the effect of the Debtors’ Plan on your claims against Advanta and

¹ The Creditors’ Committee consists of the following members: (i) The Bank of New York Mellon, in its capacity as Indenture Trustee for holders of the Investment Notes and RediReserve Certificates; (ii) Stonehill Capital Management LLC (“Stonehill”); (iii) DVL Incorporated; (iv) Brandywine Operating Partnership; and (v) Law Debenture Trust Company of New York, in its capacity as Indenture Trustee for the holders of Subordinated Notes. The Creditors’ Committee selected Stonehill as its chair. The members of the Creditors’ Committee constitute the Indenture Trustees for both the Investment Notes and RediReserve Certificates (collectively with the Investment Notes, the “Retail Notes”) and the Subordinated Notes, a holder of the Retail Notes and the Subordinated Notes and holders of unsecured claims against the Debtors. Pursuant to orders entered by the Bankruptcy Court, the Creditors’ Committee retained Latham & Watkins LLP and Drinker Biddle & Reath LLP as its attorneys and FTI Consulting, Inc. as its financial advisor.

² The Bankruptcy Court has authorized the Creditors’ Committee to send this letter. Such authorization, however, neither represents an endorsement or rejection by the Bankruptcy Court of the positions set forth in this letter. Any capitalized terms used but not defined herein have the meaning ascribed to such terms in the Debtors’ Plan.

the other Debtors. This letter explains why the Creditors' Committee recommends that you vote to reject the Debtors' Plan.

The Committee, based on the advice of its attorneys and financial advisors and on its own analysis, has concluded that the Debtors' Plan undermines the rights of unsecured creditors and fails to maximize recoveries for unsecured creditors. The Creditors' Committee believes that the Disclosure Statement included in this package fails to make clear the negative and costly implications of confirmation of the Debtors' Plan. For example, the Disclosure Statement fails to sufficiently disclose the facts and circumstances surrounding approximately \$51.8 million in claims filed by Dennis Alter ("Alter"), the Debtors' chief executive officer and chairman of the Board, and William Rosoff ("Rosoff"), the Debtors' president and vice chairman of the Board, and the potential that allowance of those claims may significantly dilute the recoveries of other unsecured creditors. The Disclosure Statement also fails to explain that the Creditors' Committee believes that claims may exist against the Debtors' directors and officers for their conduct both before and after the Debtors filed for bankruptcy. While the Creditors' Committee has begun and continues to investigate these claims and believes them to be valuable, the Debtors' Plan may fail to preserve the unsecured creditors' rights to pursue the claims and will impair the ability of the Debtors' estates to defend against and challenge the claims filed by Alter and Rosoff.

Taken together, the Creditors' Committee believes that the Debtors' Plan, and the manner in which the Debtors have put forth the Debtors' Plan, harms the rights of unsecured creditors by, among other things:

1. Releasing current and former directors and officers of the Debtors, including Alter and Rosoff, for potentially actionable conduct taken by such directors and officers after the Debtors filed for bankruptcy. This release could make it impossible for the unsecured creditors to bring claims against any director or officer for wrongful acts and omissions that took place after these bankruptcy cases began and this release will also harm the ability of the Debtors' estates to defend against and challenge the approximately \$51.8 million in claims filed by Alter and Rosoff against Advanta in these bankruptcy cases;
2. Potentially hindering the prosecution of claims that the Debtors may have against current and former directors and officers of the Debtors and other third parties by omitting language requested by the Creditors' Committee to ensure that the Bankruptcy Court will be the court in which any such claims are litigated and decided; and
3. Providing the Debtors with exclusive authority and sole and unfettered discretion to administer certain key provisions of the Debtors' Plan without the consent of the Creditors' Committee despite the fact that, in the current liquidation setting, such provisions only impact the rights and recoveries of the unsecured creditors. The Committee strongly believes that the unsecured creditors, by way of the Creditors' Committee, should be granted consultation, consent and approval rights with respect to such provisions. In particular, given the admitted conflicts of interest between the personal interests of the Debtors' insiders and the interests of the estates and all other

creditors, the Creditors' Committee believes it is inappropriate and unfair for the Debtors to have the sole authority under the Debtors' Plan to appoint the Trustees who will be tasked with, among other things, (a) liquidating the Debtors' assets, (b) objecting to claims against the Debtors' estates that would dilute the claims of other creditors, such as the approximately \$51.8 million in claims asserted by Alter and Rosoff, and (c) investigating and prosecuting the Debtors' claims for the benefit of creditors, including claims that the Creditors' Committee believes may exist against Alter, Rosoff and the Debtors' other officers and directors.

As a result of these and other terms of the Debtors' Plan, the Creditors' Committee unanimously believes that the Debtors' Plan severely undermines the rights and interests of all unsecured creditors and that **ALL UNSECURED CREDITORS SHOULD VOTE TO REJECT THE DEBTORS' PLAN.**

Please keep in mind: If any unsecured creditor votes to reject the Debtors' Plan but the Debtors' Plan is nevertheless confirmed by the Bankruptcy Court, any such unsecured creditor that voted to reject the Debtors' Plan will still receive all distributions that such creditor is entitled to received under the Debtors' Plan.

Voting Deadlines and Creditors' Committee Internet Updates: The deadline to submit all votes to either reject or accept the Debtors' Plan is January [], 2011 (the "Voting Deadline"). All unsecured creditors should consult and review the Debtors' solicitation materials contained in this package, including the voting ballots and instructions for casting a vote to reject or accept the Debtors' Plan, before submitting any ballot. Finally, from time to time until the Voting Deadline, the Creditors' Committee may provide important updates regarding these matters on its website (the "Committee Website") at <http://www.advantacommittee.com/>.

Please be advised that all unsecured creditors should cast a vote on the Debtors' Plan even if a third party such as, The Bank of New York Mellon, Law Debenture Trust Company of New York or a predecessor-in-interest, filed a proof of claim on his, her, or its behalf. The Bank of New York Mellon, as trustee, will NOT be voting on the Debtors' Plan in these bankruptcy cases on behalf of any unsecured creditor, including those holders of obligations under the indenture dated October 23, 1995 between Advanta Corp. as issuer, and The Bank of New York Mellon, as trustee.

Recommendation: The Creditors' Committee unanimously recommends that all unsecured creditors entitled to vote under the Debtors' Plan vote to **REJECT THE DEBTORS' PLAN.**

The Debtors provided you with a ballot in connection with the Debtors' Plan. In order to have your vote counted with respect to the Debtors' Plan, you must complete and return the ballot in accordance with the procedures found within the Debtors' Plan. **Please follow the voting instructions carefully and complete your ballot in its entirety before the Voting Deadline.**

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For further information and details concerning the Debtors' Plan and the Creditors' Committee's determinations and recommendations in this letter, please review the Creditors' Committee's objections to the Debtors' *Motion to Extend Exclusive Periods for Filing a Chapter 11 Plan and Solicitation of Acceptances Thereto* [D.I. 903] and the Debtors' *Motion for an Order (I) Approving the Proposed Disclosure Statement, (II) Approving Notice and Objection Procedures for the Disclosure Statement Hearing, (III) Establishing Solicitation and Voting Procedures, (IV) Scheduling a Confirmation Hearing, and (V) Establishing Notice and Objection Procedures for Confirmation of the Proposed Plan* [D.I. 899]. The Creditors' Committee's objections can be found on the Bankruptcy Court's docket as docket entries [] and [], respectively. The Creditors' Committee's objections can also be found on the Committee Website.

If you have any questions concerning the Debtors' Plan or the Creditors' Committee's recommendation set forth in this letter, please contact the following:

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THE OFFICIAL COMMITTEE OF UNSECURED
CREDITORS OF ADVANTA CORP., *et al.*