

**UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF PENNSYLVANIA**

Underland, et al. v. Alter, et al.
Case No. 10-Civ-3621 (CMR)

NOTICE OF PROPOSED SETTLEMENT OF CLASS ACTIONS

TO: ALL PERSONS WHO, BETWEEN FEBRUARY 28, 2008 AND NOVEMBER 8, 2009, PURCHASED OR OTHERWISE ACQUIRED ADVANTA CORP. (“ADVANTA” OR THE “COMPANY”) REDIRESERVE VARIABLE RATE CERTIFICATES AND/OR INVESTMENT NOTES (“REDIRESERVE NOTES”) ISSUED PURSUANT OR TRACEABLE TO THE COMPANY’S REGISTRATION STATEMENT/PROSPECTUS FILED ON AUGUST 18, 2006, AS AMENDED (INCLUDING BY OPERATION OF LAW) (COLLECTIVELY, THE “REGISTRATION STATEMENTS”)

THIS NOTICE WAS AUTHORIZED BY THE COURT. IT IS NOT A LAWYER SOLICITATION. PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY.

WHY SHOULD I READ THIS NOTICE?

This Notice is given pursuant to an order issued by the United States District Court for the Eastern District of Pennsylvania (the “Court”). This Notice serves to inform you of the proposed settlement of the above class action lawsuit (the “Settlement”) and the hearing (the “Settlement Fairness Hearing”) to be held by the Court to consider the fairness, reasonableness, and adequacy of the Settlement, as set forth in the Stipulation and Agreement of Settlement dated January 21, 2014 (the “Stipulation”), by and between Plaintiffs William Underland and Mark Schaller (“Plaintiffs”) and Defendants Dennis Alter, William A. Rosoff, Philip M. Browne, David B. Weinstock, Max Botel, Thomas Costello, Dana Becker Dunn, Ronald Lubner, Olaf Olafsson, Michael Stolper (the “Advanta Defendants”), and KPMG LLP (“KPMG”) (the Advanta Defendants, collectively with KPMG, are referred to herein as “Defendants”). This Notice is intended to inform you of how this lawsuit and proposed Settlement may affect your rights and what steps you may take in relation to it. This Notice is not an expression of any opinion by the Court as to the merits of the claims or defenses asserted in the lawsuit.

1. WHAT IS THIS LAWSUIT ABOUT?

A. The Allegations

On June 24, 2010, Plaintiffs commenced this putative class action (the “Action”) against the Defendants for alleged violations of the Securities Act of 1933 (“1933 Act”), with respect to the dissemination of allegedly false and misleading statements in the Registration Statements filed with the Securities and Exchange Commission (“SEC”) in connection with Advanta’s sale of the RediReserve Notes.¹ Plaintiffs filed an Amended Class Action Complaint on January 13, 2011, and a Second Amended Class Action Complaint for Violation of the Securities Act of 1933 (the “SAC”) on October 7, 2011.

In the SAC, Plaintiffs alleged claims under Sections 11 (false and misleading statements and omissions in a registration statement), Section 12 (false and misleading statements in offering prospectuses), Section 15 (control person liability) of the 1933 Act against the Advanta Defendants, and a claim under Section 11 of the 1933 Act against KPMG for the period from February 28, 2008 to November 8, 2009 (the “Class Period”). More specifically, Plaintiffs alleged that the Registration Statements used to conduct the Offerings contained false and misleading statements regarding Advanta’s: (i) compliance with capital adequacy requirements; (ii) loan loss reserves; and (iii) credit card repricing practices. With respect to KPMG, Advanta’s auditor, Plaintiffs alleged that the firm improperly certified in its February 28, 2009 audit report that the loan loss reserve calculations accurately reflected Advanta’s financial health, ignoring significant adverse credit data in violation of generally accepted auditing standards. On November 8, 2009, Advanta filed for bankruptcy and stopped making payments to investors on the RediReserve Notes. Investors have subsequently received payments on their RediReserve Notes via Advanta’s bankruptcy proceedings.

Defendants deny all of Plaintiffs’ allegations, including that the Registration Statements contained any material misstatements or omissions, that KPMG failed to comply with professional auditing standards, or that Plaintiffs or the Class were harmed by the conduct alleged in the SAC. Defendants further deny that they did anything wrong and maintain that their conduct was at all times in compliance with applicable law and professional standards.

The Court has not ruled in favor of Plaintiffs or Defendants. This Notice is not intended to be an expression of any opinion by the Court with respect to the truth of the allegations in this lawsuit or the merits of the claims or defenses asserted. This Notice is solely to advise you of the pendency of the Action and proposed Settlement thereof and your rights in connection with that Settlement.

¹ All capitalized terms used herein have the same meaning as the terms defined in the Stipulation.

B. Status of the Case

This Action was initiated on June 24, 2010, in the Court of Common Pleas of Montgomery County, Pennsylvania. On July 23, 2010, Defendants removed the case to this Court. Plaintiffs moved for their appointment as co-lead plaintiffs on October 8, 2010, and they were appointed by the Court on December 13, 2010. Plaintiffs filed an Amended Class Action Complaint on January 13, 2011, asserting claims against the Advanta Defendants and KPMG. Both sets of Defendants filed motions to dismiss. On September 9, 2011, the Court granted in part the Advanta Defendants' motion, granted KPMG's motion, and granted Plaintiffs leave to amend. *Underland v. Alter*, No. 10-3621, 2011 WL 4017908 (E.D. Pa. Sept. 9, 2011) ("*Underland I*").

On October 7, 2011, pursuant to *Underland I*, which granted Plaintiffs leave to file an amended complaint, Plaintiffs filed the operative complaint in the Action, the SAC. In the SAC, Plaintiffs renewed their claims against KPMG, maintained the 1933 Act claims that had previously been sustained by the Court against the Advanta Defendants, and added a new claim that asserted that the Advanta Defendants failed to disclose allegedly improper credit card repricing practices.

On November 18, 2011, the Advanta Defendants and KPMG filed motions to dismiss the SAC. On July 16, 2012, the Court denied Defendants' motions to dismiss in full. *Underland v. Alter*, No. 10-3621, 2012 WL 2912330 (E.D. Pa. July 16, 2012) ("*Underland II*"). On August 29, 2012, the Advanta Defendants filed their answers. The Advanta Defendants denied that they violated any laws, made any misstatements or omissions, or committed any improper acts or wrongdoing whatsoever, and they asserted numerous defenses. KPMG subsequently filed a motion for reconsideration, which the Court denied on September 18, 2012. *Underland v. Alter*, No. 10-3621, 2012 WL 4108998 (E.D. Pa. Sept. 18, 2012) ("*Underland III*"). On October 25, 2012, KPMG filed its answer. KPMG denied that it had violated any laws or professional standards, made any misstatements or omissions, or committed any improper acts or wrongdoing whatsoever, and asserted numerous defenses.

Beginning in early 2012, the parties engaged in extensive discovery, which included the production of over 6 million pages of documents, depositions of the Plaintiffs, and numerous discovery motions. On December 17, 2012, Plaintiffs moved for class certification. That motion was fully briefed at the time the Parties reached an agreement to settle the Action. On May 23 and 24, 2013, the Parties participated in a mediation with the Hon. Layn R. Phillips, U.S. District Court Judge (Ret.). The Parties were not able to reach a settlement at that time. On October 15, 2013, Judge Phillips (Ret.) made a "mediator's recommendation" setting forth recommended settlement terms. The Parties agreed to accept the "mediator's recommendation" on October 23, 2013, and, the next day, asked the Court to stay all proceedings. The Parties subsequently negotiated the details of the Settlement, which are set forth in the Stipulation, the material terms of which are described herein.

Defendants have denied, and continue to deny, that they did anything wrong.

2. HOW DO I KNOW IF I AM A SETTLEMENT CLASS MEMBER?

If, between February 28, 2008 and November 8, 2009, you acquired (or are the legal representative, heir, executor, administrator, successor, or assign of a person who acquired) RediReserve Notes issued pursuant or traceable to the Registration Statements, and claim to be damaged thereby, you are a Class Member. As set forth in the Stipulation, excluded from the Class are Defendants, members of their immediate family, and their legal representatives, heirs, successors or assigns, any entity in which Defendants have or had a controlling interest, and partners of KPMG.

3. WHAT IS THE MONETARY VALUE OF THE PROPOSED SETTLEMENT?

The Settlement, if approved, will result in the creation of a cash settlement fund in the amount of \$3,550,000 (the "Settlement Fund"). The Settlement Fund, plus accrued interest and minus the costs of this Notice, attorneys' fees and expenses, the reimbursement of Plaintiffs' costs and expenses, and administrative costs as approved by the Court, will be distributed to Class Members pursuant to the Plan of Allocation that is described in the next section of this Notice.

4. WHAT IS THE PROPOSED PLAN OF ALLOCATION?

The cost of this Notice and any Court-approved costs and attorneys' fees will be deducted from the Settlement Fund. The remainder of the Settlement Fund, plus accrued interest, will be paid to Class Members in accordance with the following Plan of Allocation:

The proceeds of the Settlement, net of administrative expenses and Court-approved fees and expenses, will be distributed *pro rata* based on the principal balances outstanding at the time of the filing of the bankruptcy petition.

5. DO I NEED TO CONTACT PLAINTIFFS' COUNSEL IN ORDER TO PARTICIPATE IN DISTRIBUTION OF THE SETTLEMENT FUND?

No. If you have received this Notice and timely submit your Proof of Claim to the designated address, you need not contact the Plaintiffs' Counsel. If you did not receive this Notice but believe you should have, or if your address changes, please contact the Claims Administrator at:

Advanta RediReserve Notes Securities Litigation Settlement
P.O. Box 4655
Portland, OR 97208-4655
Telephone: (877) 866-6619
www.advantasecuritieslitigation.com

6. THERE WILL BE NO PAYMENTS IF THE STIPULATION IS TERMINATED.

The Stipulation may be terminated under several circumstances outlined in it. If the Stipulation is terminated, the certification of the Class for settlement purposes will be vacated, and the Action will proceed as if the Stipulation had not been entered into.

7. WHAT ARE THE REASONS FOR SETTLEMENT?

The Court has not reached any final decisions in connection with Plaintiffs' claims against Defendants. Instead, Plaintiffs and Defendants have agreed to this Settlement. In reaching the Settlement, they have avoided the cost, delay, and uncertainty of further litigation.

As in any litigation, Plaintiffs and the proposed Class would face an uncertain outcome if they did not agree to the proposed Settlement. The Parties expected that the case could continue for a lengthy period of time and that, if Plaintiffs succeeded, Defendants would file appeals that would postpone final resolution of the case. Continuation of the case against Defendants could result in a judgment greater than this Settlement. Conversely, continuing the case could result in no recovery at all or a recovery that is less than the amount of the Settlement.

Plaintiffs and Plaintiffs' Counsel believe that this Settlement is fair and reasonable to the members of the Class. They have reached this conclusion for several reasons. If the Settlement is approved, the Class will receive a significant monetary recovery. Additionally, Plaintiffs' Counsel believes that the significant and immediate benefits of the proposed Settlement are an excellent result for the Class, especially given the risks and uncertainties of continued litigation.

Defendants deny any wrongdoing and their agreement to settle this Action shall in no event be construed or deemed to be evidence of an admission or concession on the part of any Defendants with respect to any claim or of any fault, liability, wrongdoing, or damage.

8. WHO REPRESENTS THE SETTLEMENT CLASS?

The following attorneys are counsel for the Class:

SCOTT+SCOTT, ATTORNEYS AT LAW, LLP
Thomas L. Laughlin IV
The Chrysler Building
405 Lexington Avenue, 40th Floor
New York, NY 10174
Telephone: (212) 223-6444
Facsimile: (212) 223-6334

THE WEISER LAW FIRM, P.C.
Robert B. Weiser
22 Cassatt Avenue
Berwyn, PA 19312
Telephone: (610) 225-2677
Facsimile: (610) 408-8062

SCOTT+SCOTT, ATTORNEYS AT LAW, LLP
Michael Burnett
156 South Main Street
P.O. Box 192
Colchester, CT 06415
Telephone: (800) 404-7770
Facsimile: (860) 537-4432

If you have any questions, you are entitled to consult with Plaintiffs' Counsel by contacting counsel at the phone numbers listed above.

You may obtain a copy of the Stipulation by contacting the Claims Administrator at:

Advanta RediReserve Notes Securities Litigation Settlement
P.O. Box 4655
Portland, OR 97208-4655
Telephone: (877) 866-6619
www.advantasecuritieslitigation.com

9. HOW WILL THE LAWYERS BE PAID?

Lead Counsel will file a motion for an award of attorneys' fees and expenses that will be considered at the Settlement Fairness Hearing. Lead Counsel will limit their application for an award of attorneys' fees to no more than 33 1/3 % of the Settlement Fund, plus reimbursement of expenses incurred in connection with the Action in an amount not to exceed \$330,000. In addition, each Plaintiff may seek reimbursement of up to \$5,000 for time and expenses (including lost wages) incurred in representing the Class. Such sums, as may be approved by the Court, will be paid from the Settlement Fund. Class Members are not personally liable for any such fees or expenses.

The attorneys' fees and expenses requested will be the only payment to Lead Counsel for their efforts in achieving this Settlement and for their risk in undertaking this representation on a wholly contingent basis. Lead Counsel have committed significant time and expenses in litigating this case for the benefit of the Class. To date, Lead Counsel have not been paid for their services in conducting this Action on behalf of the Plaintiffs and the Class, or for their expenses. The fees requested will compensate Lead Counsel for their work in achieving the Settlement. The Court will decide what is a reasonable fee award and may award less than the amount requested by Lead Counsel.

10. CAN I EXCLUDE MYSELF FROM THE SETTLEMENT?

If you do not want to receive a payment from this Settlement, and you want to keep the right to sue or continue to sue Defendants on your own about the legal issues in this case, then you must take steps to get out of the Class. This is called excluding yourself from, or "opting out" of, the Class.

To exclude yourself from the Class, you must send a letter by mail saying that you want to be excluded from the Class and do not wish to participate in the Settlement of the following Action: *Underland v. Alter, et al.*, Case No. 10-Civ-3621 (CMR). Be sure to include your name, address, telephone number, and the date(s) and price(s) of securities that you acquired that are subject to the Action. You must also include documents evidencing such acquisition(s) and your signature. Your exclusion request must be postmarked no later than August 9, 2014 and sent to the Claims Administrator at:

Advanta RediReserve Notes Securities Litigation Settlement
P.O. Box 4655
Portland, OR 97208-4655
Telephone: (877) 866-6619
www.advantasecuritieslitigation.com

You cannot exclude yourself by phone or by e-mail. If you make a proper request for exclusion, you will not receive a Settlement payment, and you cannot object to the Settlement. You will not be legally bound by anything that happens in this lawsuit.

11. CAN I OBJECT TO THE PROPOSED SETTLEMENT, THE REQUESTED ATTORNEYS' FEES, THE REQUESTED REIMBURSEMENT OF COSTS AND EXPENSES, AND/OR THE PLAN OF ALLOCATION?

Yes. If you are a Class Member, you may object to the terms of the Settlement. Whether or not you object to the terms of the Settlement, you may also object to the requested attorneys' fees, costs and expenses, and/or the Plan of Allocation. In order for any objection to be considered, you must file a written statement, accompanied by proof of Class membership, with Michael E. Kunz, Clerk of Court, United States District Court, Eastern District of Pennsylvania, U.S. Courthouse, 601 Market Street, Room 2609, Philadelphia, PA 19106-1797, and with Class Counsel and Defendants' counsel at the addresses listed herein, by August 9, 2014. Attendance at the Settlement Fairness Hearing is not necessary; however, persons wishing to be heard orally at the Settlement Fairness Hearing are required to indicate in their written objection their intention to appear at the hearing and the identity of any witnesses they may call to testify, and exhibits, if any, they intend to introduce into evidence.

12. WHAT ARE MY RIGHTS AND OBLIGATIONS UNDER THE SETTLEMENT?

If you are a Class Member and you do not exclude yourself from the Settlement, you may receive the benefit of, and you will be bound by, the terms of the proposed Settlement described in this Notice and set forth more fully in the Stipulation, upon approval by the Court.

13. HOW CAN I GET A PAYMENT?

In order to qualify for a payment, you must timely complete and return the Proof of Claim form that accompanies this Notice. Read the instructions carefully; fill out the Proof of Claim form; sign it; and mail it postmarked no later than September 23, 2014. If you do not submit a timely Proof of Claim form with all of the required information, you will not receive a payment from the Settlement Fund; however, unless you expressly exclude yourself from the Settlement as described above, you will still be bound in all other respects by the Settlement, the Judgment, and the release contained in them.

14. WHAT CLAIMS WILL BE RELEASED BY THE SETTLEMENT?

If the Settlement is approved by the Court, the Court will enter a Final Judgment. Upon the Effective Date, Plaintiffs and all Class Members, on behalf of themselves and each of the Releasing Persons, shall be deemed to have, and by operation of the Final Judgment shall have, fully, finally, and forever waived, released, relinquished, and discharged all Settled Claims against the Released Parties, regardless of whether such Class Member executes and delivers a Proof of Claim. The terms:

- “Released Parties” means Defendants and former Defendant Robert Blank and each of their current and former respective parent entities, affiliates, subsidiaries, predecessors, successors, families, associates, executors, personal representatives, heirs, beneficiaries, estates, agents, and assigns, and, as to each of the foregoing, all of their past, present, or future officers, directors, employees, managers, members, managing members, fiduciaries, managing directors, principals, advisors, agents, managing agents, direct or indirect equity holders, controlling persons, stockholders, current or former partners and principals, as well as general or limited partners or partnerships, attorneys, legal counsel, consultants, insurers, co-insurers, reinsurers, accountants, auditors, underwriters, engineers, advisors, financial advisors, investment advisors, commercial bank lenders, banks, investment bankers, associates, member firms, joint ventures, limited liability companies, corporations, divisions, shareholders, trusts, trustees, foundations, family members, beneficiaries, distributors, heirs, executors, personal or legal representatives, estates, administrators, predecessors, successors, indemnitors, indemnitees, related or affiliated entities, and any other representatives of any of these persons or entities or their successors. The definition of Released Parties shall include Advanta Corp.
- “Settled Claims” means all actions, claims, debts, demands, causes of action and rights and liabilities whatsoever (including, but not limited to, any claims for damages, interest, attorneys’ fees, expert or consulting fees, and any other costs, expenses, losses, or liabilities whatsoever), at law or in equity, matured or unmatured, foreseen or unforeseen, known or unknown, suspected or unsuspected, contingent or non-contingent, whether class or individual in nature, against the Released Parties, belonging to Plaintiffs and/or any or all Class Members and/or their present or past heirs, executors, estates, administrators, predecessors, successors, assigns, parents, subsidiaries, associates, affiliates, employers, employees, agents, insurers, reinsurers, directors, managing directors, officers, partners, principals, members, managing members, attorneys, financial and other advisors, investment bankers, underwriters, lenders, any other representatives of any of these persons and entities, and any other Person claiming through or on behalf of them, and any Persons they represent, arising under federal, state, local, statutory, or common law, or any other law, rule, or regulation, whether foreign or domestic, based upon, arising out of, or relating to, in any way, the purchase or acquisition of Advanta RediReserve Notes pursuant or traceable to the Registration Statements, including, but not limited to, any claims: (i) asserted or that could have been asserted in the Action; (ii) arising out of, relating to, or in connection with the facts and circumstances alleged in the SAC; and (iii) arising out of, relating to, or in connection with the prosecution or settlement of the Action, except for claims to enforce any of the terms of the Stipulation. “Settled Claims” includes “Unknown Claims” as defined in the Stipulation. Nothing in this definition shall prevent any Class Member from pursuing his or her Proof of Claim in the Advanta bankruptcy, or shall in any way constitute a waiver or release of any Class Member’s Proof of Claim in the Advanta bankruptcy, provided, however, that no Class Member may assert any Settled Claim in the Advanta bankruptcy against any of the Released Parties.

The above description of the proposed Settlement is only a summary. The complete terms, including the definitions of the Effective Date and Unknown Claims, are set forth in the Stipulation (including its exhibits), which may be obtained at www.advantasecuritieslitigation.com, or by contacting Class Counsel listed on Page 3 above.

15. THE SETTLEMENT FAIRNESS HEARING

The Settlement Fairness Hearing will be held on September 8, 2014, at 10:30 a.m., before The Honorable Cynthia M. Rufe, United States District Court, Eastern District of Pennsylvania, James A. Byrne U.S. Courthouse, 601 Market Street, Courtroom 12A, Philadelphia, Pennsylvania 19106-1797, for the purpose of determining whether: (1) the proposed Settlement of the Action for \$3,550,000 in cash should be approved by the Court as fair, reasonable, and adequate; (2) the Final Judgment, as provided under the Stipulation, should be entered, dismissing the SAC filed in the Action on the merits and with prejudice; (3) the release by the Class of the Settled Claims, as set forth in the Stipulation, should be provided to the Released Parties; (4) this Action satisfies the applicable prerequisites for class action treatment under Rule 23 of the Federal Rules of Civil Procedure; (5) to award Lead Counsel attorneys' fees and expenses out of the Settlement Fund; (6) to reimburse Plaintiffs the costs and expenses (including lost wages) they incurred in prosecuting this Action on behalf of the Class out of the Settlement Fund; and (7) the Plan of Allocation should be approved by the Court. The Court may adjourn or continue the Settlement Fairness Hearing without further written notice.

Any Class Member may appear at the Settlement Fairness Hearing and be heard on any of the foregoing matters; provided, however, that no such person shall be heard unless his, her, or its objection is made in writing and is filed -- together with proof of membership in the Class and with copies of all other papers and briefs to be submitted by him, her, or it to the Court at the Settlement Fairness Hearing -- with the Court no later than August 9, 2014, and showing proof of service on the following counsel:

SCOTT+SCOTT, ATTORNEYS AT LAW, LLP
Thomas L. Laughlin IV
The Chrysler Building
405 Lexington Avenue, 40th Floor
New York, NY 10174

Counsel for Plaintiffs and the Class

DECHERT LLP
Michael L. Kichline
Cira Centre
2929 Arch Street
Philadelphia, PA 19104

Counsel for Defendants Dennis Alter, William A. Rosoff, Philip M. Browne, Max Botel, Thomas Costello, Dana Becker Dunn, Ronald Lubner, Olaf Olafsson, and Michael Stolper

BALLARD SPAHR LLP
Geoffrey A. Kahn
1735 Market Street, 51st Floor
Philadelphia, PA 19103

Attorneys for Defendant KPMG LLP

AJAMIE LLP
Thomas R. Ajamie
Pennzoil Place-South Tower
711 Louisiana, Suite 2150
Houston, TX 77002

Counsel for Defendant David B. Weinstock

Unless otherwise directed by the Court, any Class Member who does not make his, her, or its objection in the manner provided above shall be deemed to have waived all objections to this Settlement and shall be foreclosed from raising (in this proceeding or on any appeal) any objection to the Settlement, and any untimely objection shall be barred.

16. INJUNCTION

The Court has issued an order enjoining Plaintiffs and all Class Members, and anyone who acts or purports to act on their behalf, from instituting, commencing, maintaining, or prosecuting any action in any court or tribunal that asserts Settled Claims against any Released Party, pending final determination by the Court of whether the Settlement should be approved.

17. HOW DO I OBTAIN ADDITIONAL INFORMATION?

This Notice contains only a summary of the terms of the proposed Settlement. The records in this litigation may be examined and copied at any time during regular office hours, and subject to customary copying fees, at the office of the Clerk of Court, United States District Court, Eastern District of Pennsylvania. In addition, Settlement Documents, including a Proof of Claim form, may be obtained by contacting the Claims Administrator at:

Advanta RediReserve Notes Securities Litigation Settlement
P.O. Box 4655
Portland, OR 97208-4655
Telephone: (877) 866-6619
www.advantasecuritieslitigation.com

DO NOT WRITE TO OR TELEPHONE THE COURT FOR INFORMATION.

**BY ORDER OF THE HONORABLE
CYNTHIA M. RUFÉ
UNITED STATES DISTRICT COURT JUDGE,
EASTERN DISTRICT OF PENNSYLVANIA**