

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

-----X		
In re	:	Chapter 11 Case No.
	:	
RDA HOLDING CO., et al.,	:	13-22233 (RDD)
	:	
Debtors.	:	(Jointly Administered)
	:	
-----X		

**ORDER PURSUANT TO 11 U.S.C. §§ 105(a) AND 331 ESTABLISHING
PROCEDURES FOR INTERIM COMPENSATION AND
REIMBURSEMENT OF EXPENSES OF PROFESSIONALS**

Upon the motion, dated February 17, 2013 (the “**Motion**”),¹ of RDA Holding Co. (“**RDA Holding**”), The Reader’s Digest Association, Inc. (“**Reader’s Digest**”), and certain of their subsidiaries and affiliates, as debtors and debtors in possession (collectively, including RDA Holding and Reader’s Digest, the “**Debtors**”), pursuant to sections 105(a) and 331 of title 11, United States Code (the “**Bankruptcy Code**”), Rule 2016(a) of the Federal Rules of Bankruptcy Procedure (the “**Bankruptcy Rules**”), and Rule 2016-1 of the Local Bankruptcy Rules for the Southern District of New York (the “**Local Rules**”) for entry of an order authorizing the establishment of certain procedures for interim compensation and reimbursement of professionals, all as more fully described in the Motion; and the Court having jurisdiction to consider the Motion and the relief requested therein in accordance with 28 U.S.C. §§ 157 and 1334; and consideration of the Motion and the relief requested therein being a core proceeding pursuant to 28 U.S.C. § 157(b); and venue being proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409; and due and proper notice of the Motion having been provided to (i) the

¹ Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Motion.

Office of the United States Trustee for the Southern District of New York (the “**U.S. Trustee**”), (ii) the holders of the five largest secured claims against the Debtors (on a consolidated basis), (iii) the holders of the forty largest unsecured claims against the Debtors (on a consolidated basis), (iv) the attorneys for Wells Fargo, N.A., as administrative agent under that certain Credit and Guarantee Agreement dated as of March 30, 2012, (v) the attorneys for Wells Fargo, N.A., as trustee under that certain Indenture dated as of February 11, 2010, (vi) the attorneys for Wilmington Trust FSB, as collateral agent under that certain Security Agreement dated as of February 19, 2010, (vii) the attorneys for the Ad Hoc Committee of Senior Secured Noteholders, (viii) the Internal Revenue Service, (ix) the Securities and Exchange Commission, (x) the United States Attorney’s Office, Southern District of New York, (xi) the Federal Trade Commission, and (xii) the Retained Professionals, and it appearing that no other or further notice need be provided; and a hearing having been held to consider the relief requested in the Motion on March 21, 2013 (the “**Hearing**”); and upon the Declaration of Robert E. Guth Pursuant to Local Bankruptcy Rule 1007-2 and the record of the Hearing and all of the proceedings had before the Court; and the Court having found and determined that the relief sought in the Motion is in the best interests of the Debtors, their estates, creditors, and all parties in interest, and that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and after due deliberation and sufficient cause appearing therefor, it is

ORDERED that the Motion is granted as provided herein; and it is further

ORDERED that except as may otherwise be provided in Court orders authorizing the retention of specific professionals, all professionals in these cases (the “**Retained Professionals**”) may seek interim compensation in accordance with the following procedure:

- (a) On or before the **20th day** of each month following the month for which compensation is sought, each Retained Professional seeking compensation

shall serve a monthly statement (the “**Monthly Statement**”), by hand or overnight delivery, on (i) The Debtors c/o The Reader’s Digest Association, Inc., 44 South Broadway, White Plains, New York 10601 (Attn: Andrea Newborn, Esq.); (ii) the attorneys for the Debtors, Weil, Gotshal & Manges LLP, 767 Fifth Avenue, New York, New York 10153 (Attn: Joseph H. Smolinsky, Esq.); (iii) the U.S. Trustee, 33 Whitehall Street, 22nd Floor, New York, New York 10004 (Attn: Susan Golden, Esq.); and (iv) the attorneys for any statutory committees appointed in these chapter 11 cases (collectively, the “**Notice Parties**”). In addition, each Retained Professional shall serve the U.S. Trustee with a disk containing an electronic version of the Monthly Statement.

- (b) On or before the **20th day** of each month following the month for which compensation is sought, each Retained Professional shall file a Monthly Statement with the Court; however, a courtesy copy need not be delivered to Chambers because this Motion is not intended to alter the fee application requirements outlined in sections 330 and 331 of the Bankruptcy Code. Retained Professionals shall still be required to serve and file interim and final applications for approval of fees and expenses in accordance with the relevant provisions of the Bankruptcy Code, the Bankruptcy Rules, and the Local Rules.
- (c) Each Monthly Statement shall contain a list of the individuals who provided services during the period covered by the Monthly Statement, their respective titles (e.g., attorney, paralegal, etc.), their respective billing rates, the aggregate hours spent by each individual, a reasonably detailed breakdown of the disbursements incurred (no professional should seek reimbursement of an expense that would otherwise not be allowed pursuant to the Bankruptcy Court’s Administrative Orders dated June 24, 1993 and April 21, 1995 or the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed under 11 U.S.C. § 330 dated May 17, 1996), and contemporaneously maintained time entries for each individual in increments of **tenths (1/10) of an hour** unless otherwise ordered by the Court.²
- (d) Each Notice Party shall have at least **35 days** after receipt of a Monthly Statement to review it and, if such party has an objection to the compensation or reimbursement sought in a particular Monthly Statement (an “**Objection**”), such party shall, by no later than the **36th day** following receipt of the Monthly Statement (the “**Objection Deadline**”), serve upon the Retained Professional whose Monthly Statement is the subject of an Objection, and the other persons designated to receive statements in paragraph (a) above, a written “Notice of Objection to Fee

² The Debtors may seek to modify this requirement in the retention application of certain professionals.

Statement,” setting forth the nature of the Objection and the amount of fees or expenses at issue.

- (e) At the expiration of the Objection Deadline, the Debtors shall promptly pay **80%** of the fees and **100%** of the expenses identified in each Monthly Statement to which no Objection has been served in accordance with paragraph (d) above.
- (f) If an Objection to a particular Monthly Statement is served, the Debtors shall withhold payment of that portion of the Monthly Statement to which the Objection is directed and promptly pay the remainder of the fees and disbursements in the percentages set forth in paragraph (e) above.
- (g) If an Objection is resolved and if the party whose Monthly Statement was the subject of the Objection serves on all Notice Parties a statement indicating that the Objection has been withdrawn and describing in detail the terms of the resolution, then the Debtors shall promptly pay, in accordance with paragraph (e) above, that portion of the Monthly Statement that is no longer subject to the Objection.
- (h) All Objections that are not resolved by the parties shall be preserved and presented to the Court at the next interim or final fee application hearing to be heard by the Court in accordance with paragraph (j) below.
- (i) The service of an Objection in accordance with paragraph (d) above shall not prejudice the objecting party’s right to object to any fee application made to the Court in accordance with the Bankruptcy Code on any ground, whether raised in the Objection or not. Furthermore, the decision by any party not to object to a Monthly Statement shall not be a waiver of any kind or prejudice that party’s right to object to any fee application subsequently made to the Court in accordance with the Bankruptcy Code.
- (j) Commencing with the period ending June 30, 2013, and at four-month intervals thereafter (the “**Interim Fee Period**”), each of the Retained Professionals shall file with the Court an application (an “**Interim Fee Application**”) for interim Court approval and allowance, pursuant to sections 330 and 331 of the Bankruptcy Code (as the case may be), of the compensation and reimbursement of expenses requested in the Monthly Statements served during such Interim Fee Period. Each Retained Professional shall file its Interim Fee Application no later than **45 days** after the end of the Interim Fee Period. Each Retained Professional shall file its first Interim Fee Application on or before August 15, 2013 and the first Interim Fee Application shall cover the Interim Fee Period from the Commencement Date through and including June 30, 2013. All professionals not retained as of the Commencement Date shall file their first Monthly Statement for the period from the effective date of their retention through the end of the first full month following the effective

date of their retention and otherwise in accordance with the procedures set forth in this Order.

- (k) The Debtors' attorneys shall obtain a date from the Court for the hearing to consider Interim Fee Applications for all Retained Professionals (the "**Interim Fee Hearing**"). At least **30 days** prior to the Interim Fee Hearing, the Debtors' attorneys shall file a notice with the Court, with service upon the U.S. Trustee and all Retained Professionals, setting forth the time, date, and location of the Interim Fee Hearing, the period covered by the Interim Fee Applications, and the objection deadline. Any Retained Professional unable to file its own Interim Fee Application with the Court shall deliver to the Debtors' attorneys a fully executed copy with original signatures, along with service copies, 3 business days before the filing deadline. The Debtors' attorneys shall file and serve such Interim Fee Application.
- (l) Any Retained Professional who fails to timely file an Interim Fee Application seeking approval of compensation and expenses previously paid pursuant to a Monthly Statement shall (1) be ineligible to receive further monthly payments of fees or reimbursement of expenses as provided herein until such Interim Fee Application is filed, and (2) may be required to disgorge any fees paid since retention or the last fee application, whichever is later.
- (m) The pendency of an Interim Fee Application or a Court order that payment of compensation or reimbursement of expenses was improper as to a particular Monthly Statement shall not disqualify a Retained Professional from the future payment of compensation or reimbursement of expenses as set forth above, unless otherwise ordered by the Court.
- (n) Neither the payment of, nor the failure to pay, in whole or in part, monthly compensation and reimbursement as provided herein shall have any effect on this Court's interim or final allowance of compensation and reimbursement of expenses of any Retained Professionals.
- (o) The attorneys for the Creditors Committee may, in accordance with the Interim Compensation Procedures, collect and submit statements of expenses, with supporting vouchers, from members of the Creditors Committee; *provided, however*, that these reimbursement requests must comply with this Court's Administrative Orders dated June 24, 1991 and April 21, 1995.

And it is further

ORDERED that until such time as an official committee of unsecured creditors (the "**Creditors Committee**") is appointed in these chapter 11 cases, the creditors holding the

forty largest unsecured claims against the Debtors' estates (on a consolidated basis) shall be served as set forth herein. Upon the formation of a Creditors Committee, the top forty creditors will be removed as "Notice Parties" under these Interim Compensation Procedures; and it is further

ORDERED that the Debtors shall include all payments to Retained Professionals on their monthly operating reports, detailed so as to state the amount paid to each Retained Professional; *provided however*, that amounts paid to Ordinary Course Professionals may be stated in the aggregate on any monthly operating reports; and it is further

ORDERED that any party may object to requests for payments made pursuant to this Order on the grounds that the Debtors have not timely filed monthly operating reports or remained current with their administrative expenses and 28 U.S.C. § 1930 fees, or that a manifest exigency exists by seeking a further order of this Court; and it is further

ORDERED that all time periods set forth in this Order shall be calculated in accordance with Rule 9006(a) of the Federal Rules of Bankruptcy Procedure; and it is further

ORDERED that the Debtors shall serve a copy of this Order on each of the Retained Professionals; and it is further

ORDERED that notice of hearings to consider Interim Fee Applications and final fee applications shall be limited to the Notice Parties and any party who files a notice of appearance and requests notice in these chapter 11 cases; and it is further

ORDERED that the amount of fees and disbursements sought be set out in U.S. dollars, with the conversion amount calculated at the time of the submission of the Monthly Statement, to the extent practicable, or as soon thereafter as possible; and it is further

ORDERED that, in the event that an Ordinary Course Professional seeks more than \$50,000 per month and files a fee application for the full amount of its fees and expenses for that month, then the Debtors' attorneys shall obtain a date from the Court for the hearing of such fee application, which shall be scheduled no earlier than 30 days after the fee application is served on the Notice Parties; and it is further

ORDERED that this Court shall retain jurisdiction to hear and determine all matters arising from or related to this Order.

Dated: White Plains, New York
March 25, 2013

/s/Robert D. Drain
United States Bankruptcy Judge