

HEARING DATE AND TIME: March 21, 2013 at 2:00 p.m. (Eastern Time)
OBJECTION DEADLINE: March 14, 2013 at 4:00 p.m. (Eastern Time)

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

-----X	
	:
In re	:
	:
RDA HOLDING CO., et al.,	:
	:
Debtors.¹	:
	:
-----X	

Chapter 11 Case No.
13-22233 (RDD)
(Jointly Administered)

**APPLICATION OF DEBTORS PURSUANT TO 11 U.S.C. §§ 327(a) AND
328 AND FED. R. BANKR. P. 2014(a) AND 2016 FOR AUTHORITY
TO RETAIN AND EMPLOY FTI CAPITAL ADVISORS, LLC AS
INTERNATIONAL FINANCIAL ADVISOR AND INVESTMENT
BANKER NUNC PRO TUNC TO THE COMMENCEMENT DATE**

¹ The Debtors in these cases, along with the last four digits of the federal tax identification number for each of the Debtors, are RDA Holding Co. (7045); The Reader's Digest Association, Inc. (6769); Ardee Music Publishing, Inc. (2291); Direct Entertainment Media Group, Inc. (2306); Pegasus Sales, Inc. (3259); Pleasantville Music Publishing, Inc. (2289); R.D. Manufacturing Corporation (0230); Reiman Manufacturing, LLC (8760); RD Publications, Inc. (9115); Home Service Publications, Inc. (9525); RD Large Edition, Inc. (1489); RDA Sub Co. (f/k/a Books Are Fun, Ltd.) (0501); Reader's Digest Children's Publishing, Inc. (6326); Reader's Digest Consumer Services, Inc. (8469); Reader's Digest Entertainment, Inc. (4742); Reader's Digest Financial Services, Inc. (7291); Reader's Digest Latinoamerica S.A. (5836); WAPLA, LLC (9272); Reader's Digest Sales and Services, Inc. (2377); Taste of Home Media Group, LLC (1190); Reiman Media Group, LLC (1192); Taste of Home Productions, Inc. (1193); World Wide Country Tours, Inc. (1189); W.A. Publications, LLC (0229); WRC Media Inc. (6536); RDCL, Inc. (f/k/a CompassLearning, Inc.) (6535); RDA Digital, LLC (5603); RDWR, Inc. (f/k/a Weekly Reader Corporation) (3780); Haven Home Media, LLC (f/k/a Reader's Digest Sub Nine, Inc.) (2727); Weekly Reader Custom Publishing, Inc. (f/k/a Lifetime Learning Systems, Inc.) (3276); and World Almanac Education Group, Inc. (3781).

TO THE HONORABLE ROBERT D. DRAIN
UNITED STATES BANKRUPTCY JUDGE:

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 in the above-captioned chapter 11 cases (collectively, including RDA Holding and Reader’s Digest, the “**Debtors**,” and together with their non-Debtor subsidiaries, “**RDA**”²), respectfully represent:

Background

1. Commencing on February 17, 2013 (the “**Commencement Date**”) and continuing immediately thereafter, the Debtors each commenced with this Court a voluntary case under chapter 11 of title 11, United States Code (the “**Bankruptcy Code**”). The Debtors are authorized to continue to operate their business and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. No trustee, examiner, or statutory creditors’ committee has been appointed in these chapter 11 cases.

2. The Debtors’ chapter 11 cases are being jointly administered for procedural purposes only pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure (the “**Bankruptcy Rules**”).

3. On February 28, 2013, the United States Trustee for the Southern District of New York (the “**U.S. Trustee**”) appointed the Official Committee of Unsecured Creditors (the “**Creditors Committee**”).

4. Information regarding the Debtors’ business, capital structure, and the circumstances leading to the commencement of these chapter 11 cases is set forth in the

² The direct and indirect international subsidiaries of RDA Holding are not debtors in these chapter 11 cases.

Declaration of Robert E. Guth (the “**Guth Declaration**”) pursuant to Rule 1007-2 of the Local Bankruptcy Rules of the Southern District of New York (the “**Local Rules**”) (ECF No. 3).

Jurisdiction

5. This Court has jurisdiction to consider this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

Relief Requested

6. The Debtors submit this application (the “**Application**”), pursuant to sections 327(a) and 328 of the Bankruptcy Code, Bankruptcy Rules 2014(a) and 2016, and Local Rules 2014-1 and 2016-1, for authority to retain and employ FTI Capital Advisors, LLC (“**FTI**”), as international financial advisor and investment banker for the Debtors in accordance with the terms and conditions set forth in that certain engagement letter between the Debtors and FTI dated as of January 24, 2012 (together with any amendments or addendums thereto, including that certain addendum dated December 1, 2012, collectively, the “**Engagement Letter**”), *nunc pro tunc* to the Commencement Date. A proposed form of order with respect to the relief sought in this Application is annexed hereto as **Exhibit “A.”**³

7. In support of this Application, the Debtors submit the Declaration of Christopher T. Nicholls (the “**Nicholls Declaration**”), annexed hereto as **Exhibit “B.”**

FTI’s Qualifications

8. Together with its parent company, FTI Consulting, Inc. (“**FTIC**”) and its other subsidiaries, FTI is a global business advisory firm with over 3,000 professionals located in

³ A copy of the Engagement Letter is annexed as an exhibit to the proposed order. The services provided pursuant to the Engagement Letter are expected to be provided by employees of FTI, FTIC, and certain international subsidiaries of FTIC.

major business centers around the world. FTIC and FTI provide services in areas ranging from corporate finance and interim management to economic consulting, forensic and litigation consulting, strategic communications and technology. FTIC's and FTI's clients include many corporations in the Global 1000, as well as a majority of the largest 25 banks and top 100 law firms in the world. FTI and FTIC have advised management, senior lenders and unsecured creditors in several significant restructurings and turnarounds in recent years, including Northwest Airlines, American Home Mortgage, The Bombay Company, Calpine Corporation, Global Power, Tower Automotive, Winn Dixie, Refco, Delphi Corporation and Dana Corporation.

9. FTI has the necessary background to assist the Debtors in dealing effectively with certain needs and problems that may arise in the context of these chapter 11 cases. Prior to the Commencement Date, the Debtors retained FTI, as their investment banker with respect to the Debtors' international operations, to commence work on effectuating a series of processes for the sale or license of the assets or stock of one or more of the Debtors' direct or indirect foreign subsidiaries. In addition, since December 2012, FTI has been providing certain financial advisory services to the Debtors with respect to the Debtors' international operations. Specifically, FTI has been assisting the Debtors in preparing a country by country analysis of the finances and operations of each of the Debtors' direct and indirect international subsidiaries. As the completion of certain international sale and intellectual property licensing transactions are currently under discussion, continued efforts toward new international sale or intellectual property licensing transactions, and the outcome of the country-by-country analysis are of significant importance to the Debtors' ongoing business plan. Accordingly, it is critical that FTI

be retained and permitted to continue their work as international financial advisor and investment banker.

10. In providing prepetition professional services to the Debtors, FTI has become familiar with the Debtors and their business. Having worked with the Debtors' management and their other advisors for over a year prior to the Commencement Date, FTI has developed relevant knowledge regarding the Debtors that will assist it in providing effective and efficient services in these chapter 11 cases. Accordingly, the Debtors submit that the retention of FTI, on the terms and conditions described herein, is necessary, appropriate, and in the best interests of the Debtors' estates, creditors, and all other parties in interest, and should be granted in all respects.

Scope of Services

11. The terms and the conditions of the Engagement Letter were negotiated between the Debtors and FTI and reflect the parties' mutual agreement as to the substantial efforts that will be required in this engagement. Subject to Court approval of the Engagement Letter, the Debtors propose that FTI provide the financial advisory and investment banking services with respect to the Debtors' international operations set forth below pursuant to the Engagement Letter:⁴

(a) FTI has provided, and will continue to provide, subject to Court approval certain investment banking services with respect to the Debtors' direct and indirect foreign subsidiaries (the "**International Investment Banking Services**"), including without limitation, the following:

⁴ To the extent that the Application and the terms of the Engagement Letter are inconsistent, the terms of the Engagement Letter shall control. Capitalized terms both otherwise defined herein shall have the meanings ascribed to them in the Engagement Letter.

- (i) Work with the Debtors' management team to make determinations with respect to marketing processes, sales structures, and tax considerations;
- (ii) Conduct a solicitation of third party companies and potential financial investors to engage in sale and intellectual property licensing transactions on terms acceptable to the Debtors;
- (iii) Work with the Debtors' management to prepare confidential information memorandums about the Debtors' international businesses;
- (iv) Assist the Debtors with the preparation of management presentation materials for meetings with interested third parties;
- (v) Assist the Debtors in establishing criteria for potential buyers, and identifying, screening and ranking prospective buyers,
- (vi) Establish a process for soliciting third parties for the sale transactions, including bidding procedures and timing;
- (vii) Establish appropriate data rooms and support prospective buyer due diligence processes;
- (viii) Solicit indications of interest and assist the Debtors in valuing initial bids, investigating the feasibility of proposed transactions, and determining which prospective buyers to select for final bids;
- (ix) Support the Debtors in negotiating asset sale and licensing agreements with prospective purchasers;
- (x) Advise the Debtors in negotiations with other stakeholders that are necessary to effectuate smooth transitions; and
- (xi) Work with the Debtors' inside and outside counsel to ensure that sales transactions move toward timely closings.

(b) FTI has provided, and will continue to provide, subject to Court approval, certain financial advisory and restructuring services with respect to the Debtors' direct and indirect foreign subsidiaries (the "**International Financial Advisory Services**" and together

with the International Investment Banking Services, the “**Services**”), including without limitation, the following:

- (i) Work with the Debtors and Evercore Group L.L.C. (“**Evercore**”) in a complementary manner to assist with the Debtors restructuring;
- (ii) Provide financial cash flow forecasting by country and for the overall international business, both pre and post-shut down of entities in various countries;
- (iii) Quantify the potential wind down / liquidation costs by country, including severance liability, trade claims, etc.;
- (iv) Evaluate termination liabilities relating to key contracts by region, both in the context of a restructuring and in the ordinary course;
- (v) Analyze the impact that key contracts may have upon the operational costs of the remaining business;
- (vi) Analyze the impact of intercompany liabilities and cash pooling on potential recoveries and solvency or liabilities by country or legal entity;
- (vii) Confirm and quantify decisions regarding which countries should be shut down or operated and the timing of potential shut downs and, if requested to do so by the Debtors, provide project management and other advisory services to support the Debtors’ implementation of such decisions;
- (viii) Evaluate the financial impacts of different restructuring regimes on wind down costs and procedures by country;
- (ix) Assist in the preparation of plan of reorganization documentation, liquidation analyses, required financial reporting, liquidity management, first day motions and schedules;
- (x) Analysis of liquidating trust scenarios as outlined by counsel to the Debtors, Weil, Gotshal & Manges, LLP; and
- (xi) Other work as directed by the Debtors that is acceptable to FTI.

12. The Debtors require the Services to be provided by FTI throughout these chapter 11 cases. The services that FTI has provided, and will continue to provide, to the

Debtors are necessary to enable the Debtors to maximize the value of their estates. Although there is currently no engagement agreement to do so, one or more of the Debtors' non-debtor international subsidiaries may in the future also engage FTI, FTIC or an affiliate to provide supplemental services not in conflict with the services being provided to the Debtors. FTI will seek the Debtors' consent to any such supplemental engagement. All of the services that FTI will provide to the Debtors will be undertaken at the Debtors' request and will be appropriately directed by the Debtors so as to avoid duplicative efforts among the professionals retained in these chapter 11 cases. Although the Debtors have contemporaneously hereto filed an application to retain Evercore as their investment banker, such retention explicitly carves out services related to the Debtors' direct and indirect foreign subsidiaries. FTI will use reasonable efforts to coordinate with the Debtors' other retained professionals, including Evercore, to avoid any unnecessary duplication of services.

Professional Compensation

13. Subject to Court approval, and in compliance with the Amended Order Establishing Procedures for Monthly Compensation and Reimbursement of Expenses of Professionals, dated December 21, 2010, the Amended Guidelines for Fees and Disbursements for Professionals in the Southern District of New York, dated January 23, 2013, and the applicable U.S. Trustee Fee Guidelines (collectively, the "**Fee Guidelines**"), the applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, and any applicable orders of the Court, the Debtors will compensate FTI in accordance with the terms and conditions of the Engagement Letter, which provide a compensation structure (the "**Fee and Expense Structure**") in relevant part as follows:

- (a) *Retainer*: The Debtors have paid FTI non-refundable retainers totaling \$300,000. As described under paragraph (b) below, this amount may under certain circumstances be credited against any Success Fees (as herein defined) earned and payable.
- (b) *Success Fees*: Upon the closing of the first sale transaction, the Debtors will pay FTI a success fee (“**Success Fee**”) equal to the greater of (i) \$500,000 and (ii) (x) the product of the Gross Value (as defined in the Engagement Letter) of the transaction and 1% (y) less \$300,000 (representing the retainer amounts previously received). To the extent any additional transactions close, the Debtors will pay FTI additional Success Fees if the sum of the Gross Value of all transactions exceeds \$80 million, and in such case, the Success Fee for each transaction shall equal 1% of the Gross Value of all transactions which have closed less all prior Success Fees and retainers paid.
 - (i) *Success Fee Tail Rights*: If the Debtors terminate the engagement, FTI shall receive Success Fees for any transaction closed by the Debtors (i) six months from the termination date if the transaction is with a third party contacted by FTI on the Debtor’s behalf or (ii) twelve months from the termination date if the transaction is with a third party with whom the Debtors were in Material Discussions during the term.⁵
- (c) *Post-December 1, 2012 Advisory Fees*: In addition to the retainer amounts previously paid and the Success Fees, FTI had charged the Debtors for advisory services provided from December 1, 2012 on an hourly rate schedule (the “**Hourly Rates**”) provided in **Schedule “A”** to the Engagement Letter, with rates ranging from \$315 for a consultant to \$895 per hour for a senior managing director for FTI and FTIC employees based in the United States. The range of hourly rates for FTI employees based in the United States was changed to \$325 to \$895 effective January 1, 2013 following the annual increase referred to in paragraph 13. The range of hourly billing rates for FTIC employees based outside the United States effective January 1, 2013 is from \$280 for an analyst to \$1,110 for a senior managing director.
- (d) *Guarantee of Non-Debtor Subsidiary*: Pegasus Netherlands Services CV, a Netherlands partnership, has guaranteed the obligations of The Reader’s Digest Association, Inc., as debtor, under the Engagement Letter.

⁵ The Debtors have the right to terminate the Engagement Letter with or without cause at any time on written notice to FTI. FTI may terminate the agreement at any time upon thirty (30) days written notice.

14. In the ordinary course of business, FTI revises its Hourly Rates to reflect changes in responsibilities, increased experience, and increased costs of doing business. In the event that FTI's rates increase, FTI will file a notice detailing the new Hourly Rates and serve such notice on the Debtors, the Debtors' counsel, and the U.S. Trustee.

15. The Debtors understand that in connection with rendering the Services, FTI will also seek reimbursement for necessary and reasonable out-of-pocket expenses incurred. FTI will follow its customary expense reimbursement guidelines and practices in seeking expense reimbursement from the Debtors.

16. FTI intends to file interim and final fee applications for the allowance of compensation for services rendered and reimbursement of expenses incurred in accordance with applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, the Fee Guidelines, and any applicable orders of this Court. Such applications will include time records setting forth, in a summary format, a description of the services rendered by each professional, and the amount of time spent on each date by each such individual in rendering services on behalf of the Debtors in one-tenth hour (.1) increments.

17. The Debtors submit that FTI has obtained valuable institutional knowledge of the Debtors' businesses and financial affairs as a result of providing services to the Debtors before the Commencement Date and that FTI is both well qualified and uniquely able to perform these services and assist the Debtors in these chapter 11 cases. Moreover, the Debtors believe that the Fee and Expense Structure is reasonable under the standards set forth in sections 328 and 330 of the Bankruptcy Code in light of industry practice, market rates both in and out of chapter 11 cases, FTI's experience in reorganizations, the scope of work to be performed pursuant to FTI's retention under the Engagement Letter, and FTI's importance to these cases.

Furthermore, FTI has not shared or agreed to share any of its compensation from the Debtors with any other person, other than as permitted by section 504 of the Bankruptcy Code.

18. Accordingly, the Debtors believes that the Court should approve FTI's retention subject to the standard of review set forth in section 328(a) of the Bankruptcy Code and that FTI's compensation should not be subject to any additional standard of review under section 330 of the Bankruptcy Code.

Indemnification

19. As part of the overall compensation payable to FTI under the terms of the Engagement Letter, the Debtors have agreed to certain indemnification and contribution provisions described in the Engagement Letter (the "**Indemnification Provisions**"). The Indemnification Provisions provide that the Debtors will indemnify and hold harmless FTI, its controlling person and each of their respective directors, officers, members, agents, representatives, employees and any affiliate (each of the foregoing, including FTI, an "**Indemnified Person**") from and against any and all claims, losses, liabilities, reasonable out-of-pocket expenses and damages arising from or relating to the Services or any sales transaction contemplated by the Engagement Letter, except to the extent finally determined to have resulted from an Indemnified Person's gross negligence, bad faith or intentional misconduct relating to such Services. The Debtors also agree to reimburse any Indemnified Person for all reasonable out-of-pocket expenses incurred in connection with or relating to investigating, preparing to defend or defending any pending or threatened actions, claims, or other proceedings related to or arising out of the Services or any sales transaction contemplated by the Engagement Letter.

20. The terms of the Engagement Letter, including the Indemnification Provisions, were fully negotiated between the Debtors and FTI at arm's length and the Debtors

respectfully submit that the Indemnification Provisions are reasonable and in the best interests of the Debtors, their estates and creditors. Accordingly, as part of this Application, the Debtors request that this Court approve the Indemnification Provisions.

FTI's Disinterestedness

21. As set forth in the Nicholls Declaration, FTI has represented to the Debtors that, except as provided herein, it has not represented and will not represent any parties other than the Debtors in these chapter 11 cases or in connection with any matter that would be adverse to the Debtors arising from, or related to, these cases. Any supplemental services provided with the Debtors' consent to non-debtor affiliates will not conflict with its services to the Debtors. Upon review of its client database, FTI has learned that it has, or has had in the past three years, business relationships with certain creditors of the Debtors and other parties in interest, as more fully discussed in the Nicholls Declaration.

22. During the ninety-day period prior to the Commencement Date, FTI received from the Debtors (i) the sum of \$500,000 as "Cash on Account" (received December 21, 2012) as an advance payment for its fees for services and reimbursable expenses and (ii) payments aggregating \$1,040,240.73 in respect of invoices for services and reimbursement of expenses (\$410,902.50 received January 18, 2013 and \$629,338.23 received February 15, 2013). On February 15, 2013, FTI applied \$364,314.10 of the Cash on Account to unpaid invoices for services and reimbursement of expenses. As of the Commencement Date, FTI has a remaining Cash on Account credit balance in favor of the Debtors for future professional services to be performed and expenses to be incurred in the approximate amount of \$135,685.90. The Debtors do not owe FTI any amounts for professional services rendered prior to the Commencement Date.

23. To the best of the Debtors' knowledge and except to the extent disclosed herein and in the Nicholls Declaration: (a) FTI is a "disinterested person" within the meaning of section 101(14) of the Bankruptcy Code, as required by section 327(a) of the Bankruptcy Code and does not hold or represent an interest adverse to the Debtors' estates; and (b) FTI has no connection to the Debtors, their creditors, the U.S. Trustee, or any other party with an actual or potential interest in the Debtors' cases or their attorneys or accountants except as may be disclosed in the Nicholls Declaration. To the extent that any new relevant facts or relationships bearing on the matters described herein during the period of the Debtors' retention are discovered or arise, FTI will use reasonable efforts to file promptly a supplemental declaration, as required by Bankruptcy Rule 2014(a).

Basis for Relief

24. The Debtors seek authority to employ and retain FTI as their as international financial advisor and investment banker under section 327 of the Bankruptcy Code, which provides that a debtor is authorized to employ professional persons "that do not hold or represent an interest adverse to the estate, and that are disinterested persons, to represent or assist the [Debtor] in carrying out the [Debtor's] duties under this title." 11 U.S.C. § 327(a). Section 1107(b) of the Bankruptcy Code elaborates upon sections 101(14) and 327(a) of the Bankruptcy Code in cases under chapter 11 of the Bankruptcy Code and provides that "a person is not disqualified for employment under section 327 of [the Bankruptcy Code] by a debtor in possession solely because of such person's employment by or representation of the debtor before the commencement of the case." 11 U.S.C. § 1107(b).

25. The Debtors seek approval of the Fee and Expense Structure and the Engagement Letter pursuant to section 328(a) of the Bankruptcy Code, which provides, in

relevant part, that the Debtors “with the court’s approval, may employ or authorize the employment of a professional person under section 327 . . . on any reasonable terms and conditions of employment, including on a retainer, on an hourly basis, on a fixed or percentage fee basis, or on a contingent fee basis.” 11 U.S.C. § 328(a). Accordingly, section 328 of the Bankruptcy Code permits the compensation of professionals, including consultants, on flexible terms that reflect the nature of their services and market conditions. Thus, section 328 is a significant departure from prior bankruptcy practice relating to the compensation of professionals. Indeed, as the United States Court of Appeals for the Fifth Circuit recognized in *Donaldson Lufkin & Jenrette Securities Corp. v. National Gypsum (In re National Gypsum Co.)*, 123 F.3d 861, 862 (5th Cir. 1997):

Prior to 1978 the most able professionals were often unwilling to work for bankruptcy estates where their compensation would be subject to the uncertainties of what a judge thought the work was worth after it had been done. That uncertainty continues under the present § 330 of the Bankruptcy Code, which provides that the court award to professional consultants “reasonable compensation” based on relevant factors of time and comparable costs, etc. Under present § 328 the professional may avoid that uncertainty by obtaining court approval of compensation agreed to with the trustee (or debtor or committee) (internal citations omitted).

26. Furthermore, the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 amended section 328(a) of the Bankruptcy Code as follows:

The trustee, or a committee appointed under section 1102 of this title, with the court’s approval, may employ or authorize the employment of a professional person under section 327 or 1103 of this title, as the case may be, on any reasonable terms and conditions of employment, including on a retainer, on an hourly basis, *on a fixed or percentage fee* basis, or on a contingent fee basis.

11 U.S.C. § 328(a) (emphasis added). This change makes clear that debtors may retain a professional on a fixed fee basis with Court approval, such as the Fee and Expense Structure for FTI in the Engagement Letter.

27. The Debtors believe that the Fee and Expense Structure set forth in the Engagement Letter set forth reasonable terms and conditions of employment and should be approved under section 328(a) of the Bankruptcy Code. The Fee and Expense Structure adequately reflects: (a) the nature of the services to be provided by FTI; and (b) fee and expense structures typically utilized by FTI and other investment banker and financial advisory firms. In addition, as noted above, FTI is “disinterested” and all of its fees and expenses are subject to approval of the Court in accordance with the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, the Fee Guidelines, and further orders of the Court.

28. Accordingly, the Debtors submit that the relief requested in the Application is in the best interests of their estates, creditors, and all parties-in-interest to these chapter 11 cases and the Court should approve the employment and retention of FTI pursuant to the terms set forth in the Engagement Letter.

Notice

29. Notice of this Motion has been provided to FTI and parties in interest in accordance with the Order Pursuant to 11 U.S.C. §§ 105(a) and (d) and Bankruptcy Rules 1015(c), 2002(m), and 9007 Implementing Certain Notice and Case Management Procedures, dated February 21, 2013 (ECF No. 30). The Debtors submit that, in view of the facts and circumstances, such notice is sufficient and no other or further notice need be provided.

30. No previous request for the relief sought herein has been made by the Debtors to this or any other Court.

WHEREFORE the Debtors respectfully request entry of an order granting the relief requested herein and such other and further relief as is just.

Dated: New York, New York
March 6, 2013

/s/ Joseph H. Smolinsky
Marcia L. Goldstein
Joseph H. Smolinsky

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Attorneys for Debtors
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EXHIBIT A

Proposed Order

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

-----X	
	:
In re	:
	:
RDA HOLDING CO., et al.,	:
	:
Debtors.	:
	:
-----X	

Chapter 11 Case No.

13-22233 (RDD)

(Jointly Administered)

**ORDER PURSUANT TO 11 U.S.C. §§ 327(a) AND 328 AND
FED. R. BANKR. P. 2014(a) AND 2016 FOR AUTHORITY TO
RETAIN AND EMPLOY FTI CAPITAL ADVISORS, LLC AS
INTERNATIONAL FINANCIAL ADVISOR AND INVESTMENT
BANKER *NUNC PRO TUNC* TO THE COMMENCEMENT DATE**

Upon the Application, dated March 6, 2013 (the “**Application**”),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, the “**Debtors**”), pursuant to sections 327(a) and 328 of title 11, United States Code (the “**Bankruptcy Code**”), Rules 2014(a) and 2016 of the Federal Rules of Bankruptcy Procedure (the “**Bankruptcy Rules**”), and Rules 2014-1 and 2016-1 of the Local Bankruptcy Rules of the Southern District of New York (the “**Local Rules**”) for entry of an order authorizing the Debtors to retain and employ FTI Capital Advisors, LLC (“**FTI**”) as international financial advisor and investment banker in accordance with the terms and conditions set forth in that certain engagement letter dated as of January 24, 2012 as amended pursuant to a certain addendum dated December 1, 2012 (together with any amendments or addendums thereto, including that certain addendum dated December 1, 2012, collectively, the “**Engagement Letter**”), *nunc pro tunc* to

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

the Commencement Date, all as more fully described in the Application; and upon the Declaration of Christopher T. Nicholls in support of the Application (the “**Nicholls Declaration**”); and the Court having jurisdiction to consider the Application and the relief requested therein in accordance with 28 U.S.C. §§ 157 and 1334 and Amended Standing Order of Reference M-431, dated January 31, 2012 (Preska, C.J.); and consideration of the Application 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 Application having been provided; and a hearing having been held to consider the relief requested in the Motion (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 being satisfied, based on the representations made in the Application and in the Nicholls Declaration, that FTI is a “disinterested person” as such term is defined in section 101(14) of the Bankruptcy Code, as modified by section 1107(b) of the Bankruptcy Code, and, as required by section 327(a) and referenced by section 328(c) of the Bankruptcy Code, neither represents nor holds an interest adverse to the Debtors and their estates; 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 Application is granted as provided herein; and it is further

ORDERED that the Debtors are authorized pursuant to sections 327(a) and 328 of the Bankruptcy Code, Bankruptcy Rules 2014(a) and 2016, and Local Rules 2014-1 and 2016-1 to retain and employ FTI as their international financial advisor and investment banker in

accordance with the Application and the terms and conditions set forth in the Engagement Letter annexed hereto as **Exhibit “1,”** including, without limitation, the Indemnification Provisions set forth in the Engagement Letter as modified herein, *nunc pro tunc* to the Commencement Date, and to pay fees and reimburse expenses to FTI on the terms set forth in the Engagement Letter; and it is further

ORDERED that the terms of the Engagement Letter are reasonable terms and conditions of employment and are approved, as hereinafter modified; and it is further;

ORDERED that notwithstanding anything to the contrary in the Engagement Letter, the Application, or the Nicholls Declaration, to the extent that the Debtors request FTI to perform any services other than those detailed in the Engagement Letter, the Debtors shall seek further application for an order of approval by the Court for a supplement to the retention and any related modifications to the Engagement Letter and such application shall set forth, in addition to the additional services to be performed, the additional fees sought to be paid; and it is further

ORDERED that FTI shall be compensated for fees and reimbursed for out-of-pocket expenses in accordance with the terms of the Application and Engagement Letter, as modified herein, and all fees and out-of-pocket expense reimbursements to be paid to FTI, including without limitation any Success Fees, shall be subject to Section 328(a) of the Bankruptcy Code, except as set forth herein; and it is further

ORDERED that notwithstanding anything to the contrary contained herein, the U.S. Trustee retains all rights to respond or object to FTI’s interim and final applications for compensation (including without limitation any Success Fees) and reimbursement of out-of-pocket expenses on all grounds including, but not limited to, reasonableness pursuant to Section

330 of the Bankruptcy Code, and the Court retains jurisdiction to consider the U.S. Trustee's response or objection to FTI's interim and final fee on all grounds, including, but not limited to, reasonableness pursuant to Section 330 of the Bankruptcy Code; and it is further

ORDERED that FTI shall include in its fee applications, among other things, time records setting forth a description of the services rendered by each professional, and the amount of time spent on each date by each such individual in rendering services on behalf of the Debtors in one-tenth of an hour increments; and it is further

ORDERED that FTI shall be reimbursed only for reasonable and necessary expenses provided by the Fee Guidelines; and it is further

ORDERED, that prior to any increases in FTI's hourly rates, FTI shall file a supplemental affidavit with the Court and provide ten business days' notice to the Debtors, the U.S. Trustee and any official committee. The supplemental affidavit shall explain the basis for the requested rate increases in accordance with Section 330(a)(3)(F) of the Bankruptcy Code and state whether FTI's client has consented to the rate increase. The U.S. Trustee retains all rights to object to any rate increase on all grounds including, but not limited to, the reasonableness standard provided for in section 330 of the Bankruptcy Code, and the Court retains the right to review any rate increase pursuant to Section 330 of the Bankruptcy Code; and it is further

ORDERED that all requests by for the payment of indemnification, contribution or otherwise pursuant to the Engagement Letter shall be made by means of an application to the Court and shall be subject to review by the Court; *provided, however*, that in no event shall an Indemnified Party be indemnified pursuant to the Engagement Letter in the case of its own bad faith, self-dealing, breach of fiduciary duty (if any), gross negligence, or willful misconduct; and it is further

ORDERED that in no event shall an Indemnified Party be indemnified pursuant to the Engagement Letter if the Debtors or a representative of the estates, assert a claim for, and a court determines by final order that such claim arose out of, FTI's own bad faith, self-dealing, breach of fiduciary duty (if any), gross negligence, or willful misconduct; and it is further

ORDERED that in the event an Indemnified Party seeks reimbursement from the Debtors for attorneys' fees and expenses in connection with the payment of an indemnity claim pursuant to the Engagement Letter, the invoices and supporting time records from such attorneys shall be included in FTI's own applications, both interim and final, and such invoices and time records shall be subject to the Fee Guidelines and the approval of the Bankruptcy Court pursuant to sections 330 and 331 of the Bankruptcy Code without regard to whether such attorneys have been retained under section 327 of the Bankruptcy Code and without regard to whether such attorneys' services satisfy section 330(a)(3)(C) of the Bankruptcy Code; and it is further

ORDERED that FTI shall use its best efforts to avoid any duplication of services provided by any of the Debtors' other retained professionals in these chapter 11 cases; and it is further

ORDERED that, notwithstanding any provision to the contrary in the Application and/or Engagement Letter, any dispute relating to the services provided by FTI shall be referred to arbitration consistent with the terms of the Application and/or Engagement Letter only to the extent that this Court does not have, retain or exercise jurisdiction over the dispute; and it is further

ORDERED that to the extent that there may be any inconsistency between the terms of the Application, the Engagement Letter, and this Order, the terms of this Order shall govern; and it is further

ORDERED that the Debtors are authorized to take all actions necessary to effectuate the relief granted pursuant to this Order in accordance with the Application; and it is further

ORDERED that notice of the Application as provided therein shall be deemed good and sufficient notice of such motion and the requirements of the Local Rules are satisfied by such notice; and it is further

ORDERED that the terms and conditions of this Order shall be immediately effective and enforceable upon its entry; and it is further

ORDERED that the relief granted herein shall be binding upon any chapter 11 trustee appointed in these chapter 11 cases, or upon any chapter 7 trustee appointed in the event of a subsequent conversion of these chapter 11 cases to cases under chapter 7; and it is further

ORDERED this Court retains jurisdiction with respect to all matters arising from or related to the implementation of this Order.

Dated: White Plains, New York
_____, 2013

UNITED STATES BANKRUPTCY JUDGE

EXHIBIT 1

Engagement Letter



FTI Capital Advisors, LLC is a member of FINRA/SIPC.

Carlyn Taylor
FTICA Capital Advisors, LLC
1001 17th Street, Suite 1100
Denver, CO 80202
Office 303.689.8858
Mobile 213.304.0112
carlyn.taylor@fticonsulting.com

January 24, 2012

Bob Guth, CEO
Dawn Zier, President International
The Reader's Digest Association, Inc.
750 Third Avenue
New York, New York 10017

Re: International Licensing and Asset Sale Process

Dear Mr. Guth and Ms. Zier:

I. Introduction

This letter is to confirm our understanding of the basis upon which FTI Capital Advisors, LLC ("FTICA") is being engaged by The Reader's Digest Association, Inc. (collectively with all its subsidiaries the "Company" or "RDA"), to act as financial advisor and exclusive agent for the purpose of effectuating a series of processes for sale of the assets or stock of one or more direct or indirect foreign (i.e., outside of North America) subsidiaries of RDA (anticipated to be done in conjunction with a license of certain intellectual property of RDA and/or its Dutch subsidiary Uitgeversmaatschappij The Reader's Digest BV) except the businesses in Spain & Portugal and Ukraine (at RDA's option) (the "Transaction(s)"). For avoidance of doubt, a sale of substantially all of the stock or assets of RDA does not constitute a Transaction hereunder. The Transaction will be done on a best efforts basis, and this Agreement does not represent a commitment of capital by FTICA in any form to the Company.

FTICA is a wholly-owned subsidiary of FTI Consulting, Inc. ("FTI"), and the engagement of FTICA by the Company becomes effective as of the date hereunder (the "Agreement"). While the engagement may be staffed by personnel from both FTICA and FTI, and by a sub-contracting firm in Russia, all matters pertaining to rules and regulations governed Financial Industry Regulatory Authority ("FINRA") related to this Agreement will be under the authority and direction of FTICA as required by applicable law. For the purpose of this Agreement, references to FTICA will include FTI, FTICA, and all affiliates.

II. Scope of Services & FTICA Personnel

Objective

RDA currently operates through its subsidiaries business in dozens of countries in which it markets published and non-published products to consumers through direct mail and other channels. The objective of this project is to conduct a solicitation of third party companies and potential financial investors to engage in Transactions on terms acceptable to RDA.

Bob Guth, CEO
 Dawn Zier, President, International
 January 24, 2012
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Strategic Planning for the Licensing Process

Prior to launching the Transaction processes, FTICA will work with the designated management team within RDA led by the President of International to answer the following key questions that impact the process:

- How should RDA structure the licensing program and should RDA provide more than one option to licensees with respect to the level of support that RDA will provide to licensees after the asset sales?
- How will RDA internally structure its support processes for licenses with respect to:
 - Content creation and the global funding process
 - Promotion design, including sweepstakes methodologies
 - Merchandising and product selection
 - Product sourcing, including book printing
- What licensing fees should RDA establish? Should there be different rates for different levels of service or only one level of service offered?
- What country groupings should be marketed together?
- Should the marketing processes be staged or conducted all simultaneously?
- How should RDA handle the possibility that management buyouts may be a viable option in some countries?
- Should RDA provide different licensing structures to different kinds of strategic or financial buyers?
- What transition services should RDA provide and how will the transition services be structured and priced?
- Are there any tax considerations that RDA must consider in structuring the transactions?¹

Conducting the Licensing & Asset Sale Processes

FTICA will conduct multiple marketing processes to strategic buyers and financial buyers for the country groupings that RDA and FTICA agree to market. FTICA will market the business both to in country buyers and to North American buyers as appropriate for each geographic region of the business. FTICA's primary tasks in this phase of the engagement will include the following:

- Work with designated management of RDA to prepare Confidential Information Memorandums about the businesses in each country grouping. The CIMs will describe the licensing opportunity highlighting the strategic value of the assets, the potential to transform the assets into multi-channel direct marketing businesses, the synergy potential with specific types of strategic buyers, the market conditions and state of the direct marketing industry in specific countries, and the licensing structure. RDA and FTICA agree that multiple CIMs will be necessary for the geographic groupings that we mutually agree to use for the marketing process and that some geographic groupings may end up being broken up if better values can be obtained by doing so during the process.
- Assisting the Company with the preparation of management presentation materials for meetings with interested third parties
- Assist the Company in establishing criteria for potential buyers, identifying, screening and ranking prospective buyers

¹ FTI Consulting's International Tax group in London will be available for verbal consultation as part of FTICA's fee structure; however, should RDA require any written tax analysis or opinions, such work would be the subject of a separate scope and fee agreement.

Bob Guth, CEO
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January 24, 2012
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- Establish a process for soliciting third parties for the licensing and asset sale transactions, including bidding procedures and timing
- Establish appropriate data rooms and support prospective buyer diligence processes
- Solicit indications of interest and assist the Company in valuing initial bids, investigating the feasibility of proposed transactions, and determining which prospective buyers to select for final bids
- Support the Company in negotiating asset sale and licensing agreements with prospective purchasers
- Advise the Company in negotiations with other stakeholders that are necessary to effectuate smooth transitions, such as employees, suppliers, IT service providers, etc.
- Work with the Company's inside and outside counsel to ensure that the Transactions move toward timely closings

FTICA will keep confidential any non-public information or other confidential information regarding the Company and shall use such information solely for the purposes contemplated by this Agreement, unless otherwise expressly agreed to in writing by the Company or as required by law.

The Company agrees to disclose to FTICA on a timely basis, present or future inquiries from any party regarding a possible Transaction so that FTICA can record the party's interest and, if appropriate, contact the party and assist in any subsequent discussions. FTICA shall disclose to any potential acquirer the existence of this Agreement as appropriate.

FTICA understands that it is being retained for this assignment largely because of its prior operational work with RDA International and its expertise and experience in the operations of the business, and agrees to use such operational expertise in the context of the licensing and asset sale process to design and structure the Transactions. RDA agrees that this engagement does not include operational implementation work for effectuating the transitions to the licensing business model. Should the Company request such work or any other operational work beyond the scope of what is normally provided by an investment banker in conducting sale and licensing processes, then the Company and FTI will enter into a separate written addendum for such work.

FTI Personnel

The work on this engagement will be led by the following people:

- Carlyn Taylor, Senior Managing Director ("SMD"), Communications, Media & Entertainment ("CME") Corporate Finance Practice Leader, will be the overall project leader and will maintain day to day involvement in the project
- Chris Nicholls, SMD, CME FTICA, will be the investment banker responsible for coordinating all of FTICA's work
- Glenn Tobias, Managing Director ("MD"), CME Corporate Finance, will be the investment banker assisting Carlyn Taylor and Chris Nicholls in running the processes
- Jonty Yamisha, Senior Manager, will assist in preparing the CIMs and the management presentations

During the marketing process, FTI will involve additional personnel as needed in Germany, UK, France, Hong Kong, Australia, Brazil, Mexico, and a subcontracting firm in Moscow (and in such other countries in which FTI may need additional resources with RDA's prior consent). FTI will have sole responsibility for compensating its subcontractors and will hold RDA harmless against any claims from its subcontractors.

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III. Term of Engagement

The term of this engagement will continue until the earlier of twelve (12) months from the date hereof or until terminated in the manner provided for in this Section. RDA may terminate this engagement, in whole or with respect to specific countries, at any time with written notice. FTICA may terminate this engagement in whole at any time with 30 days written notice. If RDA terminates, it will be subject to the tail obligations on the Success Fees. If FTICA terminates, then RDA will be obligated to pay only retainers earned on a pro rata basis up through the termination date, out of pocket expenses of FTICA, and Success Fees for any Transactions closed prior to the termination date.

At the end of the twelve month term, this engagement shall remain in effect only with respect to countries designated by RDA as described below. At least 10 days prior to the end of the term, FTICA will provide RDA with a list in writing of the specific countries or regions where it believes Transaction processes are still in progress and should continue to be pursued to closings, and RDA will respond by notifying FTICA as to the countries or regions with respect to which this engagement will remain in effect following expiration of the term. RDA will use commercially reasonable efforts to deliver this notice prior to the expiration of the term. For avoidance of doubt, FTICA agrees that if RDA requests continued assistance for a particular country after the twelve-month term as described above, then FTICA will continue to assist under this engagement without additional retainer unless it elects to terminate this engagement with respect to such country as provided herein and forego the associated Success Fee for a Transaction involving such country.

IV. Survival of Certain Provisions

The provisions of Section (V)(D) entitled "Indemnification", Section (V)(F) entitled "Sale of Exempt Securities from Registration Requirements under the Act of 1933", Section (V)(G) entitled "SEC Compliance", Section (VI)(B) entitled "Engagement for the Benefit of the Company", Section (VI)(C) entitled "Public Announcement", and Section (VI)(F) entitled "Arbitration" and those provisions which expressly state that they continue for a period of time following such termination or expiration shall survive any expiration or termination of this Agreement.

V. Compensation/Payment for Services Performed

As compensation for services rendered by FTICA under this Agreement, the Company agrees to pay FTICA certain fees on the terms outlined below.

- i. **Retainers.** For the services to be performed by FTICA as detailed above, the Company shall pay FTICA non-refundable retainer fees of \$75,000 per month for the first four (4) months of the engagement. FTICA will credit the retainers against any Success Fees above \$700,000 (i.e. for Success Fees otherwise earned of \$700,001 to \$1,000,000). For example, if RDA closes on several small transactions first where FTICA's fees are small amounts that don't aggregate to \$700,000, then RDA will pay the respective fees at each closing and retainers will not be credited unless and until the aggregate Success Fees under this engagement reach \$700,000.
- ii. **Success Fees.** During the Term of FTICA's engagement hereunder, the Company will pay FTICA in cash upon closing of each Transaction a fee (the "Success Fee") of 1.00% of the Gross Value of the Transaction. RDA agrees that if a Transaction with respect to which FTICA is entitled to a Success Fee closes that includes all or

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substantially all the assets in at least one of the following countries: Germany, Russia, or Brazil, then all payments (i.e., retainer fees plus Success Fees) paid to FTICA with respect to this engagement shall equal at least \$1 million and RDA shall pay FTICA any shortfall at the conclusion of this engagement.

iii. **FTICA Tail Rights on the Success Fees.** If a Transaction should close (i) following expiration of the 12-month term of this engagement if this engagement is not extended by RDA with respect to the applicable country or region, or (ii) following RDA's earlier or later termination of this engagement with respect to the applicable country or region, then FTICA shall be entitled to receive Success Fees for such Transaction under this agreement as follows:

- a. If RDA terminates with respect to the applicable country or region during the initial 12 month term of this engagement, then FTICA shall receive Success Fees for any Transaction closed by the Company prior to the later of (a) the end of the original 12 month period of this engagement or (b) six months from the termination date if the Transaction is with a third party contacted by FTICA on RDA's behalf with respect to the applicable country or region prior to the termination date; or (c) twelve months from the termination date if the Transaction is with a third party with whom RDA was in Material Discussions during the term.
- b. If RDA does not terminate during the initial 12 month term, then FTICA shall receive Success Fees:
 - i. on any Transaction completed by the Company within a 6- month period from the expiration or termination date with respect to the applicable country or region, with a third party contacted by FTICA on RDA's behalf during the term with respect to the applicable country or region and
 - ii. on any Transaction completed by the Company within a 12- month period from the expiration or termination date with respect to the applicable country or region ,with any third party with whom RDA was in Material Discussions during the term with respect to the applicable country or region as part of the FTICA marketing process,
- c. "Material Discussions" must include at least some form of written indication of interest from the third party.
Within 10 days of expiration of the agreement or termination of this agreement by RDA in whole or part, FTICA shall submit a list of the third parties that FTICA believes would be covered under this provision.

For purposes of this Agreement "Gross Value" shall include, without limitation, the total value of all cash, securities, other property, payments made in installments and any contingent, earned or other consideration paid or payable (including future licensing payments), directly or indirectly, by a buyer or licensee pursuant to a Transaction plus the face value of any funded debt (e.g., revolving credit facility, senior term debt, mezzanine debt and redeemable preferred stock) assumed, refinanced, or forgiven as part of a Transaction and the assumption by the buyer or licensee of any long term liabilities of RDA, defined as liabilities in excess of those associated with normalized working capital. For purposes of determining the Gross Value of contingent licensing payments, RDA and FTICA agree to use the present value, using a pre-agreed discount rate of 10%, of all guaranteed licensing payments for a 10 year period (excluding any terminal value). The value of any securities or other property or items of value shall be valued at the time of closing without regard to any restrictions on transferability and determined as follows: (i) if such securities are traded on a stock exchange, the value of securities in an established public market shall be the last closing market price of such securities prior to consummation of the sale;

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(ii) if such securities have no established public market, or if the consideration utilized consists of property other than securities, the value of such securities or other property shall be the fair market value thereof as determined by FTICA and the Company in good faith. If any consideration to be paid is computed in a foreign currency, the value of such foreign currency shall, for purposes hereof, be converted into U.S. Dollars at the prevailing exchange rate on the date or dates on which such consideration is paid and future payments in foreign securities, such as for licensing payments, shall be converted to U.S. Dollars using the exchange rate in effect at the closing.

In addition to the retainers and Success Fees described above, the Company will pay all of FTICA's reasonable out-of-pocket expenses, including document printing and presentation material expenses, on a monthly basis within 30 days of receiving the invoice for such expenses. FTICA will obtain preapproval from RDA for any international travel expenses for trips costing in excess of \$1,000 per trip per person.

VI. Representations, Warranties, Terms and Conditions

The Company hereby represents and warrants to, and agrees with, FTICA as follows:

A. Binding Agreement. This Agreement has been duly authorized and represents the legal, valid, binding and enforceable obligation of the Company and that neither this Agreement nor the consummation of the transactions contemplated hereby requires the approval or consent of any governmental or regulatory agency or violates any law, regulation, contract or order binding on the Company. The Company further represents and warrants that the Company is in all respects qualified and authorized (subject to Board approval of any specific Commitment) to accept the Commitments being arranged by FTICA.

B. Identified Parties. Before launching the marketing process in each country, FTICA shall present to the Company a list of strategic buyers and financial buyers identified during the term, and the Company shall present to FTICA a list of strategic buyers and financial buyers with whom the Company has had contact with respect to a potential transaction involving any assets covered by this engagement. The Company shall have final approval rights over any third party contacted during the marketing process.

C. Information. The Company will endeavor to furnish FTICA with all information and material concerning the Company which FTICA requests in connection with the performance of its obligations hereunder. The Company represents and warrants that it believes all information made available to FTICA by the Company or contained in the Documents will, at all times during the period of the engagement of FTICA hereunder and to the best of its knowledge, be complete and correct in all material respects and will not contain any knowingly untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading in light of the circumstances under which such statements are made. The Company further represents and warrants that any projections provided to FTICA or contained in the Documents will have been prepared in good faith and will be based upon assumptions which, in light of the circumstances under which they are made, are reasonable. The Company acknowledges and agrees that in rendering its services hereunder, FTICA will be using and relying, without any independent investigation or verification thereof, on all information that is or will be furnished to FTICA by or on behalf of the Company and on publicly available information, and FTICA will not in any respect be responsible for the accuracy or completeness of any of the foregoing kinds of information, and that FTICA will not undertake to make an independent appraisal of any of the assets of the Company. The Company understands that in rendering

Bob Guth, CEO
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services hereunder FTICA will also rely upon the advice of counsel to the Company and other advisors to the Company as to legal, tax and other matters relating to the Financing or any other transaction contemplated by this Agreement.

D. Indemnification. In connection with engagements of the nature covered by this Agreement, it is FTICA's practice to provide for indemnification, contribution, and limitation of liability. By signing this Agreement, the Company agrees to the provisions attached to this Agreement (Exhibit I), which provisions are expressly incorporated by reference herein.

E. Compliance with Securities Laws. The Company will fully cooperate with FTICA in complying with local securities laws having jurisdiction in any country.

F. Other M&A Involving the Company. The Company represents that it is not currently in active discussions to sell its stock or substantially all of its assets in an M&A process. If Company should undertake such a process or engage in active discussions with a potential buyer under circumstances in which Company believes the process could lead to market confusion by third parties who may be contacted, and to coordinate such simultaneous processes, Company will use commercially reasonable efforts to advise FTICA of such process and discuss any implications for the marketing process covered by this engagement.

VII. Miscellaneous

A. Confidentiality. Except as contemplated by the terms hereof or as required by applicable law, FTICA shall keep confidential all material non-public information provided to it by the Company, and shall not disclose such information to any third party, other than such of its employees and advisors as FTICA determines to have a need to know.

B. Engagement for the Benefit of the Company. FTICA is being retained to act as an independent contractor to serve as financial advisor and financing agent solely to the Company, and it is agreed that the engagement of FTICA is not, and shall not be deemed to be, on behalf of, and is not intended to, and will not, confer rights or benefits upon, or create duties of FTICA to, any shareholder or creditor of the Company or upon any other person or entity. No one other than the Company is authorized to rely upon this engagement of FTICA or any statements, conduct or advice of FTICA, and no one other than the Company is intended to be a beneficiary of this engagement. All opinions, advice or other assistance (whether written or oral) given by FTICA in connection with this engagement are intended solely for the benefit and use of the Company and will be treated by the Company as confidential, and no opinion, advice or other assistance of FTICA shall be used for any other purpose or reproduced, disseminated, quoted or referred to at any time, in any manner or for any purpose, nor shall any public or other references to FTICA (or to such opinions, advice or other assistance) be made without the express prior written consent of FTICA. FTICA shall have no authority to bind the Company.

C. Public Announcement. After the public announcement of a Transaction in which FTICA served as the Company's financial advisor hereunder by the Company, the Company acknowledges that FTICA may, at its option and expense, place a customary announcement in such newspapers, periodicals and electronic media as it may choose, stating that FTICA has acted as the exclusive financial advisor to the Company in connection with the Transaction. If requested by FTICA (and to the extent permitted under applicable securities law), the Company will include a reference to FTICA as its exclusive financial advisor in any press release or public announcement with respect to the Transaction or any such other transaction.

Bob Guth, CEO
Dawn Zier, President, International
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D. Compensation Owed to other Representatives or Agents. The Company represents and warrants that there are no brokers, representatives or other persons who have an interest in any compensation due to FTICA from any transaction contemplated herein who may be due a fee if a transaction contemplated by this Agreement is completed.

E. Standing and Choice of Law. The terms and provisions of this Agreement are solely for the benefit of the Company and FTICA and the other Indemnified Persons and their respective successors, assigns, heirs and personal representatives, and no other person shall acquire or have any right by virtue of this Agreement. This Agreement represents the entire understanding between the Company and FTICA with respect to the Financing and FTICA's engagement hereunder, and all prior discussions are merged herein. This agreement shall be governed by, and construed in accordance with, the laws of the State of New York without regard to such state's principles of conflicts of laws, and may be amended, modified or supplemented only by written instrument executed by each of the parties hereto.

F. Arbitration. Any dispute related to this Agreement, any transaction contemplated hereby, or any other matter contemplated hereby shall be settled by arbitration in the City of New York in accordance with the commercial arbitration rules then in effect of the American Arbitration Association, before a panel of three arbitrators. Any award entered by the arbitrators shall be final, binding and non-appealable and judgment may be entered thereon by any party in accordance with applicable law in any court of competent jurisdiction. This arbitration provision shall be specifically enforceable. The fees of the American Arbitration Association and the arbitrators and any expenses relating to the conduct of the arbitration shall be split between the Company and FTICA.

G. Attorneys Fees. If any action or proceeding is instituted to enforce or interpret this Agreement, the party prevailing in such proceeding shall be entitled to recover its reasonable attorney fees.

H. Money Laundering Activities. To help the government fight the funding of terrorism and money laundering activities, Federal law requires all broker dealers to obtain, verify, and record information that identifies each entity that becomes a new client of FTICA. In establishing a new client relationship with the Company, FTICA is required to ask for certain information including but not limited to Employer Identification Numbers (EIN) and other corporate documents that will allow FTICA to identify the legal existence of the Company.

I. Business Continuity Plan. FTICA has developed a Business Continuity Plan on how we will respond to events that significantly disrupt our business. If after a significant business disruption you cannot contact us as you usually do, you should go to the www.ftica.com website or call 202-312-9100 for emergency contact.

J. Notice. All notices provided under this Agreement shall be in writing and shall be considered effective (i) when delivered personally to the party for whom intended, or (ii) five (5) days following deposit of the same into the United States mail, certified mail, return receipt requested, first class postage prepaid, addressed to the party at the address set forth below:

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If to FTICA:

Carlyn Taylor
FTI Capital Advisors, LLC.
1001 17th Street, Suite 1100
Denver, CO 80202
carlyn.taylor@fticonsulting.com

If to the Company:

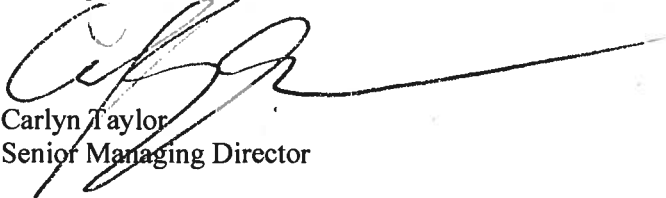
Andrea Newborn, General Counsel
The Reader's Digest Association, Inc.
750 Third Avenue
New York, New York 10017

K. Assignment. This Agreement and all rights, liabilities and obligations hereunder are solely for the benefit of the Company, FTICA and the Indemnified Persons (as defined in Exhibit I), and shall be binding upon and inure to the benefit of each party's successors, but shall not be assigned to any party without the prior written approval of the other party.

If the foregoing correctly sets forth the entire understanding and agreement between FTICA and the Company, please so indicate in the space provided for that purpose below and return an executed copy to us, whereupon this letter shall constitute a binding agreement as of the date first above written.

Sincerely,

FTI Capital Advisors, LLC



Carlyn Taylor
Senior Managing Director

The Reader's Digest Association, Inc.

By: _____

Date: _____

Bob Guth, CEO
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EXHIBIT I

INDEMNIFICATION

The Company and its successors and assigns (collectively, the "Indemnifying Persons") shall indemnify and hold harmless FTICA, its controlling person and each of their respective directors, officers, members, agents, representatives, employees and any affiliate (collectively, the "Indemnified Persons") from and against any and all claims, liabilities, losses, reasonable out-of-pocket expenses and damages (and any actions, mediations, arbitrations, and administration, regulatory or other proceedings, inquiry or investigation in respect thereof), joint or several (each a "Loss" and collectively, the "Losses") incurred by an Indemnified Person and related to or arising in any manner from, or based upon the Transaction (as defined in the agreement to which this Exhibit I is attached (the "Agreement")) or the services performed by FTICA pursuant to the Agreement at the direction of the Company and the Company agrees that no Indemnified Person shall have any liability to the Company or its owners, parents, affiliates, security holders or creditors for any losses that arise out of this engagement. Notwithstanding the foregoing, the Company shall not be responsible for any Loss to the extent the same is determined in a judgment by a court of competent jurisdiction to have resulted from the gross negligence, bad faith or willful misconduct of any Indemnified Party. The Company's obligations hereunder shall be in addition to any rights that any Indemnified Person may have at common law or otherwise. The Company shall also promptly reimburse any Indemnified Person for all reasonable out-of-pocket expenses, including, without limitation, any reasonable legal and other reasonable fees or expenses (the "Expenses"), as incurred in connection with or relating to investigating, preparing to defend or defending any pending or threatened actions, claims or other proceedings (including any administrative or other investigation or inquiry) related to or arising out of any Transaction or the services performed by FTICA pursuant to the Agreement at the direction of the Company (whether or not such Indemnified Person is a named party in such proceeding).

If so requested by FTICA, the Company shall assume the defense of any such Loss, including the employment of counsel satisfactory to FTICA. FTICA shall have the right to retain counsel of its own choice and the Company shall pay the expenses of its counsel.

The Company, without FTICA's prior written consent, shall not settle, compromise or consent to the entry of any judgment in any pending or threatened claim, action or proceeding in respect of which indemnification could be sought hereunder (whether or not FTICA or any other Indemnified Person is an actual or potential party to such claim, action or proceeding), unless such settlement, compromise or consent includes an unconditional release of each Indemnified Person from all liability arising out of such claim, action or proceeding.

If any of FTICA's past, present or future managers, directors, senior managing directors, managing directors, officers, members, agents, representatives, employees and affiliates is requested or required to appear as a witness in connection with any action, claim or proceeding related to or arising out of the Transaction or the services performed by FTICA pursuant to the Agreement, the Company shall reimburse FTICA for all reasonable out-of-pocket expenses incurred by it in connection with any such individual appearing and preparing to appear as a witness, including, without limitation, the reasonable fees and disbursements of its legal counsel. The Company shall compensate FTICA in an amount to be mutually agreed upon per person per day for each day that such personnel is involved in preparation, discovery proceedings or testimony pertaining to such action, claim or proceeding.

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The indemnity, reimbursement and contribution obligations of the Company shall be binding upon and inure to the benefit of successors, assigns, heirs and personal representatives of the Company and any Indemnified Person.

The provisions of this Exhibit I shall apply to FTICA's engagement by the Company as described in the Agreement (including related activities prior to the date hereof) and any modification thereof and shall remain in full force and effect, notwithstanding (i) any withdrawal, termination, consummation of or failure to initiate or consummate any transaction referred to in the Agreement, (ii) any investigation made by or on behalf of any Indemnified Party, or (iii) any termination, completion or expiration of the Agreement or FTICA's engagement by the Company.

The provisions of this Exhibit I shall be governed by, and construed in accordance with, the laws of the State of Delaware applicable to agreements made and to be performed entirely in such State.

The Company hereby consents, solely for the purpose of allowing an indemnified party to enforce its rights hereunder, to personal jurisdiction and service and venue in the courts of the State of New York. **THE COMPANY ALSO HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY CLAIM BASED UPON OR ARISING OUT OF THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY AND CONSENTS TO PERSONAL JURISDICTION, SERVICE OF PROCESS AND VENUE IN ANY COURT IN WHICH ANY CLAIM COVERED BY THE PROVISIONS OF THIS EXHIBIT I MAY BE BROUGHT AGAINST AN INDEMNIFIED PERSON.**

The terms of this Exhibit I may not be amended or otherwise modified except by an instrument signed by both the Company and FTICA. If any provision hereof shall be determined to be invalid or unenforceable in any respect, such determination shall not affect such provision in any other respect or any other provision of this Agreement, which shall remain in full force and effect. If there are more indemnitors than one hereunder, each indemnifying person agrees that its liabilities hereunder shall be joint and several.



FTI Capital Advisors, LLC is a member of FINRA/SIPC.

3 Times Square

New York, NY 10036

www.fticonsulting.com

December 1, 2012

Bob Guth
Chief Executive Officer
The Reader's Digest Association, Inc.
750 Third Avenue
New York, NY 10017

RE: Reader's Digest International – Addendum to Engagement Letter Dated January 24, 2012

Bob:

In furtherance of our recent discussions regarding the terms of the engagement between RDA and FTICA dated January 24, 2012 (the "Engagement Letter"), RDA and FTICA have agreed to amend certain terms of the Engagement Letter, as evidenced by this addendum (the "Addendum"). Key terms of the Engagement Letter to be amended include extending the term of the engagement, modifying our fees and expanding the scope of services to include certain restructuring, wind down and business plan development work, as further described herein.

This Addendum should be read in conjunction with the Engagement Letter. Other than the revised terms detailed below, all other terms of the Engagement Letter will remain in full force and effect. All capitalized terms used shall be defined as they are defined in the Engagement Letter or as they are defined herein.

1. III. Term

- a. The Term of the Engagement will be extended until the completion of the RDA restructuring, unless voluntarily terminated, prior to that time, by either party. Under the terms of the Engagement Letter, RDA may terminate this Addendum and the Engagement Letter at will with written notice.
- b. The words "At the end of the twelve month term" at the start of the first sentence of the second paragraph of Section III of the Engagement Letter will be replaced with the words "At the termination of the engagement".

2. V. Compensation/Payment for Services Performed

- a. **Work Fee** – In addition to the Retainer and Success Fees provided for in the Engagement Letter, commencing on the date of this Addendum, RDA agrees to pay FTICA a "Work Fee"

pursuant to the hourly rates detailed in Schedule A for time worked performing the Services detailed in Section II of the Engagement Letter, Scope of Services and FTI Personnel, as detailed in the Engagement Letter and as expanded by this Addendum. The Work Fee will be billed monthly and payable upon receipt. As we approach a bankruptcy filing date, FTI will have the right to bill RDA bi-weekly vs. monthly.

To provide context, FTI's M&A related costs for the last 4 months were as follows: August - \$409k; September - \$305k; October \$196k; November \$175k, and we would estimate that the hourly fees relating to the RDA Restructuring detailed below are likely to be in the range of \$500,000 per month during the intensive phase of the wind down analysis. Please be advised that these fees are provided for illustration only, as the Work Fee may be more or less than the above amounts in any month.

- b. **Success Fees** – The second sentence of Section V.ii. Success Fees is hereby amended by replacing it with the following sentence: “RDA agrees:
- i. upon the first Transaction to close, RDA will pay FTICA a Success Fee equal to the greater of:
 1. \$500,000, and
 2. the Success Fee payable based on: (i) the product of the Gross Value of the Transaction and 1%, less; (ii) \$300,000;
 - ii. To the extent any additional Transactions close, RDA will pay FTICA additional Success Fees if the sum of the Gross Value of all Transactions closed exceeds \$80 million, and in such case, the Success Fee for each Transaction shall equal 1% of the Gross Value of all Transactions which have closed less all prior Success Fees and Retainers paid.

The intent of the above changes are to lower the minimum Success Fee payable to FTICA in the event a Transaction closes to \$800,000 (including the \$300,000 in Retainer Payments which have been paid by RDA) and to extend the obligation of RDA to make the one time minimum \$500,000 payment to all Transactions rather than just the three countries listed in the Engagement Letter.

3. **Restructuring Work** – As RDA, FTICA and FTI Consulting Inc. (“FTI”) intend to expand the scope of Services such that, FTI will assist RDA with restructuring its balance sheet and operations (the “RDA Restructuring”), the Services provided under Section II of the Engagement Letter, Scope of Services and FTI Personnel, are hereby amended to include the following:
- a. **Restructuring Scope of Services** - FTICA will work with RDA and Evercore in a complementary manner to assist with the restructuring of RDA. Our function will be to supplement management with the execution of the bankruptcy preparation and related restructuring work. The areas of work that FTI will assist with include:
 - Financial cash flow forecasting by country and for the overall business, both pre and post shut-down of various countries;
 - Quantifying the potential wind down / liquidation costs by country, including severance liability, trade claims, etc.;
 - Evaluating termination liabilities relating to key contracts by region, both in the context

of a restructuring and in the ordinary course;

- Analyzing the impact that key contracts may have upon operational costs of the remaining business;
- Analyzing the impact of intercompany liabilities and cash pooling on potential recoveries and solvency or liabilities by country or legal entity;
- Confirming and quantifying decisions regarding which countries should be shut down or operated and the timing of potential shut downs;
- Evaluating the financial impacts of different restructuring regimes on wind down cost and procedures by country;
- Assisting in the preparation of plan of reorganization documentation, required financial reporting, liquidity management, first day motions and schedules;
- Analysis of the liquidating trust scenarios as outlined by Weil Gotshall
- Other work as directed by RDA that is acceptable to FTI

- b. FTICA/FTI Personnel - The RDA Restructuring work will be performed by our US personnel and, to the extent required, by FTI professionals in our international offices across the US, Europe and Asia.

4. **Cash on Account** - Upon execution of the Addendum, the Company will forward to us the amount of \$500,000, which funds will be held "on account" to be applied to our professional fees, charges and disbursements for the Engagement (the "Initial Cash on Account"). To the extent that this amount exceeds our fees, charges and disbursements upon the completion of the Engagement, we will refund any unused portion. The Company agrees to increase or supplement the Initial Cash on Account from time to time during the course of the Engagement in such amounts as the Company and we mutually shall agree are reasonably necessary to increase the Initial Cash on Account to a level that will be sufficient to fund Engagement fees, charges, and disbursements to be incurred.

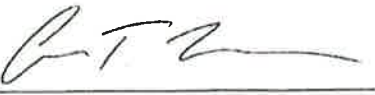
We will send the Company periodic invoices (not less frequently than monthly) for services rendered and charges and disbursements incurred on the basis discussed above, and in certain circumstances, an invoice may be for estimated fees, charges and disbursements through a date certain. Each invoice constitutes a request for an interim payment against the fee to be determined at the conclusion of our Services. Upon transmittal of the invoice, we may immediately draw upon the Initial Cash on Account (as replenished from time to time) in the amount of the invoice. The Company agrees upon submission of each such invoice to promptly wire the invoice amount to us as replenishment of the Initial Cash on Account (together with any supplemental amount to which we and the Company mutually agree), without prejudice to the Company's right to advise us of any differences it may have with respect to such invoice. We have the right to apply to any outstanding invoice (including amounts billed prior to the date hereof), up to the remaining balance, if any, of the Initial Cash on Account (as may be supplemented from time to time) at any time subject to (and without prejudice to) the Company's opportunity to review our statements.

5. **Terms and Conditions** - The Engagement Letter and this Addendum comprise the entire agreement for the provision of the Services to the exclusion of any other express or implied terms, whether expressed orally or in writing, including any conditions, warranties and representations, and supersede all previous proposals, letters of engagement, undertakings, agreements, understandings, correspondence and other communications, whether oral or written, regarding the Services.

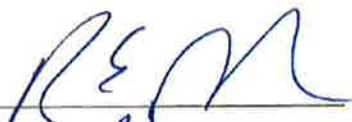
6. Acknowledgement and Acceptance - Please acknowledge your acceptance of the terms of the Addendum by countersigning this letter and returning a copy to us at the above address.

If you have any questions regarding this letter please do not hesitate to contact me on 212-499-3605

Yours sincerely,


By: 
Chris Nicholls
Senior Managing Director
FTI Capital Advisors, LLC

Agreed and signed for on behalf of The Readers Digest Association, Inc.

By: 
Print Name: Rozanne E. Green
Date: 1/4/12

The following party hereby guarantees the performance by The Reader's Digest Association, Inc. of all terms of the Engagement Letter and the Addendum:

W.A. Publications, LLC
Solely acting in its capacity as General Partner and for the benefit of
Pegasus Netherlands Service CV

By: 
Print Name: William H. Magill, President
Date: January 4, 2013

Schedule A

**FTI Hourly Rates – 2012
(As of December, 2012, subject to change as of January 1, 2013)**

Carlyn Taylor	\$895
Chris Nichols	\$895
Glenn Tobias	\$745
Jonty Yamisha	\$695
Heath Gray	\$465
Justin Eisenband	\$315
FTI International individuals – as per standard billing rates for each individual performing services under this Engagement	

EXHIBIT B

Nicholls Declaration

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

-----X	
	:
In re	:
	:
RDA HOLDING CO., <i>et al.</i> ,	:
	:
Debtors.	:
	:
-----X	

Chapter 11 Case No.
13-22233 (RDD)
(Jointly Administered)

**DECLARATION OF CHRISTOPHER T. NICHOLLS IN SUPPORT OF
APPLICATION OF DEBTORS PURSUANT TO 11 U.S.C. §§ 327(a) AND 328 AND FED.
R. BANKR. P. 2014(a) AND 2016 FOR AUTHORITY TO RETAIN AND EMPLOY FTI
CAPITAL ADVISORS, LLC AS INTERNATIONAL FINANCIAL ADVISOR AND
INVESTMENT BANKER *NUNC PRO TUNC* TO THE COMMENCEMENT DATE**

I, Christopher T. Nicholls, under penalty of perjury, declare as follows:

1. I am a Senior Managing Director of FTI Capital Advisors, LLC (“**FTI**”), which has an office at 3 Times Square, New York, New York 10036.
2. I am duly authorized to make and submit this Declaration on behalf of FTI in support of the application (the “**Application**”)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 in the above-captioned chapter 11 cases (collectively, the “**Debtors**”), for entry of an order authorizing the employment and retention of FTI as international financial advisor and investment banker in accordance with the terms and conditions set forth in that certain engagement letter dated as of January 24, 2012 (together with

¹ All capitalized terms used but otherwise not defined herein shall have the meanings set forth in the Application or the Engagement Letter, as applicable. The services provided pursuant to the Engagement Letter are expected to be provided by employees of FTI, FTIC, and certain international subsidiaries of FTIC.

any amendments or addendums thereto, including that certain addendum dated December 1, 2012, collectively, the “**Engagement Letter**”), *nunc pro tunc* to the Commencement Date.

3. I submit this Declaration in accordance with sections 327 and 328 of title 11 of the United States Code (the “**Bankruptcy Code**”), Rules 2014(a) and 2016 of the Federal Rules of Bankruptcy Procedure (the “**Bankruptcy Rules**”), and Rules 2014-1 and 2016-1 of the Local Bankruptcy Rules for the Southern District of New York (the “**Local Rules**”). Unless otherwise stated in this Declaration, I have personal knowledge of the matters set forth herein, or have been informed of such matters by professionals of FTI, and, if called as a witness, I would testify thereto.

FTI’s Qualifications

4. Together with its parent company, FTI Consulting, Inc. (“**FTIC**”) and its other subsidiaries, FTI is a global business advisory firm with over 3,000 professionals located in major business centers around the world. FTIC and FTI provide services in areas ranging from corporate finance and interim management to economic consulting, forensic and litigation consulting, strategic communications and technology. FTIC’s and FTI’s clients include many corporations in the Global 1000, as well as a majority of the largest 25 banks and top 100 law firms in the world. FTIC and FTI have advised management, senior lenders and unsecured creditors in several significant restructurings and turnarounds in recent years, including Northwest Airlines, American Home Mortgage, The Bombay Company, Calpine Corporation, Global Power, Tower Automotive, Winn Dixie, Refco, Delphi Corporation and Dana Corporation.

5. FTI has the necessary background to assist the Debtors in dealing effectively with certain needs and problems that may arise in the context of these chapter 11 cases. Prior to the Commencement Date, the Debtors retained FTI, as their investment banker

with respect to the Debtors' international operations, to commence work on effectuating a series of processes for the sale or license of the assets or stock of one or more of the Debtors' direct or indirect foreign subsidiaries. In addition, since December 2012, FTI has been providing certain financial advisory services to the Debtors with respect to the Debtors' international operations. Specifically, FTI has been assisting the Debtors in preparing a country by country analysis of the finances and operations of each of the Debtors' direct and indirect international subsidiaries. As the outcome of this analysis is of significant importance to the Debtors' ongoing business plan, it is critical that FTI be retained and permitted to continue their work as international financial advisor and investment banker.

6. In providing prepetition services to the Debtors, FTI's professionals have worked closely with the Debtors' management and other professionals and have become well acquainted with the Debtors' business and operations, and related matters. Accordingly, I believe that FTI has developed significant relevant experience and expertise regarding the Debtors that will assist it in providing effective and efficient services in this chapter 11 case.

Proposed Services²

7. The terms and the conditions of the Engagement Letter were negotiated between the Debtors and FTI and reflect the parties' mutual agreement as to the substantial efforts that will be required in this engagement. Subject to Court approval of the Engagement Letter, the Debtors propose that FTI provide the financial advisory and investment banking services with respect to the Debtors' international operations set forth below pursuant to the Engagement Letter:

² The summaries of the Engagement Letter contained in this Declaration are provided for purposes of convenience only. In the event of any inconsistency between the summaries contained herein and the terms and provisions of the Engagement Letter, the terms of the Engagement Letter shall control.

(a) FTI has provided, and will continue to provide, subject to Court approval, certain investment banking services with respect to the Debtors' direct and indirect foreign subsidiaries (the "**International Investment Banking Services**"), including without limitation, the following:

- (i) Work with the Debtors' management team to make determinations with respect to marketing processes, sales structures, and tax considerations;
- (ii) Conduct a solicitation of third party companies and potential financial investors to engage in sale and intellectual property licensing transactions on terms acceptable to the Debtors;
- (iii) Work with the Debtors' management to prepare confidential information memorandums about the Debtors' international businesses;
- (iv) Assist the Debtors with the preparation of management presentation materials for meetings with interested third parties;
- (v) Assist the Debtors in establishing criteria for potential buyers, and identifying, screening and ranking prospective buyers,
- (vi) Establish a process for soliciting third parties for the sale transactions, including bidding procedures and timing;
- (vii) Establish appropriate data rooms and support prospective buyer due diligence processes;
- (viii) Solicit indications of interest and assist the Debtors in valuing initial bids, investigating the feasibility of proposed transactions, and determining which prospective buyers to select for final bids;
- (ix) Support the Debtors in negotiating asset sale and licensing agreements with prospective purchasers;
- (x) Advise the Debtors in negotiations with other stakeholders that are necessary to effectuate smooth transitions; and
- (xi) Work with the Debtors' inside and outside counsel to ensure that sales transactions move toward timely closings.

(b) In addition, FTI has provided, and will continue to provide, subject to Court approval, certain financial advisory services with respect to the Debtors' direct and indirect foreign subsidiaries (the "**International Financial Advisory Services**" and together with the International Investment Banking Services, the "**Services**"), including without limitation, the following:

- (i) Work with the Debtors and Evercore Group L.L.C. ("**Evercore**") in a complementary manner to assist with the Debtors restructuring;
- (ii) Provide financial cash flow forecasting by country and for the overall international business, both pre and post-shut down of entities in various countries;
- (iii) Quantify the potential wind down / liquidation costs by country, including severance liability, trade claims, etc.;
- (iv) Evaluate termination liabilities relating to key contracts by region, both in the context of a restructuring and in the ordinary course;
- (v) Analyze the impact that key contracts may have upon the operational costs of the remaining business;
- (vi) Analyze the impact of intercompany liabilities and cash pooling on potential recoveries and solvency or liabilities by country or legal entity;
- (vii) Confirm and quantify decisions regarding which countries should be shut down or operated and the timing of potential shut downs and, if requested to do so by the Debtors, provide project management and other advisory services to support the Debtors' implementation of such decisions;
- (viii) Evaluate the financial impacts of different restructuring regimes on wind down costs and procedures by country;
- (ix) Assist in the preparation of plan of reorganization documentation, liquidation analyses, required financial reporting, liquidity management, first day motions and schedules;
- (x) Analysis of liquidating trust scenarios as outlined by counsel to the Debtors, Weil, Gotshal & Manges, LLP; and

- (xi) Other work as directed by the Debtors that is acceptable to FTI.

8. All of the services that FTI will provide to the Debtors will be undertaken at the Debtors' request and will be appropriately directed by the Debtors so as to avoid duplicative efforts among the professionals retained in these chapter 11 cases. Although there is currently no engagement agreement to do so, one or more of the Debtors' non-debtor international subsidiaries may in the future also engage FTI, FTIC or an affiliate to provide supplemental services not in conflict with the services being provided to the Debtors. FTI will seek the Debtors' consent to any such supplemental engagement. It is my understanding that the Debtors have also filed an application to retain Evercore as their investment banker, however, such retention explicitly carves out services related to the Debtors' direct and indirect foreign subsidiaries. FTI will use reasonable efforts to coordinate with the Debtors' other retained professionals, including Evercore, to avoid any unnecessary duplication of services.

Professional Compensation

9. Subject to Court approval, and in compliance with the Amended Order Establishing Procedures for Monthly Compensation and Reimbursement of Expenses of Professionals, dated December 21, 2010, the Amended Guidelines for Fees and Disbursements for Professionals in the Southern District of New York, dated January 23, 2013, and the applicable United States Trustee Fee Guidelines (collectively, the "**Fee Guidelines**"), the applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, and any applicable orders of the Court, the Debtors will compensate FTI in accordance with the terms and conditions of the Engagement Letter, which provides a compensation structure (the "**Fee and Expense Structure**") in accordance with the terms and conditions of the Engagement

Letter, which provide a compensation structure (the “**Fee and Expense Structure**”) in relevant part as follows:

- (a) *Retainer*: The Debtors have paid FTI non-refundable retainers totaling \$300,000. As described under paragraph (b) below, this amount may under certain circumstances be credited against any Success Fees (as herein defined) earned and payable.
- (b) *Success Fees*: Upon the closing of the first sale transaction, the Debtors will pay FTI a success fee (“**Success Fee**”) equal to the greater of (i) \$500,000 and (ii) (x) the product of the Gross Value (as defined in the Engagement Letter) of the transaction and 1% (y) less \$300,000 (representing the retainer amounts previously received). To the extent any additional transactions close, the Debtors will pay FTI additional Success Fees if the sum of the Gross Value of all transactions exceeds \$80 million, and in such case, the Success Fee for each transaction shall equal 1% of the Gross Value of all transactions which have closed less all prior Success Fees and retainers paid.
 - (i) *Success Fee Tail Rights*: If RDA terminates the engagement, FTI shall receive Success Fees for any transaction closed by the Debtors (i) six months from the termination date if the transaction is with a third party contacted by FTI on the Debtor’s behalf or (ii) twelve months from the termination date if the transaction is with a third party with whom RDA was in Material Discussions during the term.³
- (c) *Post-December 1, 2012 Advisory Fees*: In addition to the retainer amounts previously paid and the Success Fees, FTI had charged the Debtors for advisory services provided from December 1, 2012 on an hourly rate schedule (the “**Hourly Rates**”) provided in **Schedule “A”** to the Engagement Letter, with rates ranging from \$315 for a consultant to \$895 per hour for a senior managing director for FTI and FTIC employees based in the United States. The range of hourly rates for FTI employees based in the United States was changed to \$325 to \$895 effective January 1, 2013 following the annual increase referred to in paragraph 13. The range of hourly billing rates for FTIC employees based outside the United States effective January 1, 2013 is from \$280 for an analyst to \$1,110 for a senior managing director.

³ The Debtors have the right to terminate the Engagement Letter with or without cause at any time on written notice to FTI. FTI may terminate the agreement at any time upon thirty (30) days written notice.

- (d) *Guarantee of Non-Debtor Subsidiary*: Pegasus Netherlands Services CV, a Netherlands partnership, has guaranteed the obligations of The Reader's Digest Association, Inc., as debtor, under the Engagement Letter.

10. In the ordinary course of business, FTI revises its Hourly Rates to reflect changes in responsibilities, increased experience, and increased costs of doing business. In the event that FTI's rates increase, FTI will file a notice detailing the new rate structure and serve such notice on the Debtors, the Debtors' counsel, and the U.S. Trustee.

11. The Fee and Expense Structure is comparable to what is generally charged by other firms of similar stature to FTI for comparable engagements, both in and out of bankruptcy, and represent FTI's standard fee amounts. I believe that the foregoing compensation arrangement is both reasonable and market-based and consistent with FTI's normal and customary billing levels for comparably sized and complex cases, both in and out-of-court, involving the services to be provided in these chapter 11 cases.

12. The Debtors understand that in connection with rendering the Services, FTI will also seek reimbursement for necessary and reasonable out-of-pocket expenses incurred. FTI will follow its customary expense reimbursement guidelines and practices in seeking expense reimbursement from the Debtors.

13. FTI intends to file interim and final fee applications for the allowance of compensation for services rendered and reimbursement of expenses incurred in accordance with applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, the Fee Guidelines and any applicable orders of this Court. Such applications will include time records setting forth, in a summary format, a description of the services rendered by each professional, and the amount of time spent on each date by each such individual in rendering services on behalf of the Debtors in one-tenth (.1) of an hour increments. FTI will also maintain detailed

records of any actual and necessary costs and expenses incurred in connection with the services discussed above.

Indemnification

14. As part of the overall compensation payable to FTI under the terms of the Engagement Letter, the Debtors have agreed to certain indemnification and contribution provisions described in the Engagement Letter (the “**Indemnification Provisions**”). The Indemnification Provisions provide that the Debtors will indemnify and hold harmless FTI, its controlling person and each of their respective directors, officers, members, agents, representatives, employees and any affiliate (each of the foregoing, including FTI, an “**Indemnified Person**”) from and against any and all claims, losses, liabilities, reasonable out-of-pocket expenses and damages arising from or relating to the Services or any sales transaction contemplated by the Engagement Letter, except to the extent finally determined to have resulted from an Indemnified Person’s gross negligence, bad faith or intentional misconduct relating to such Services. The Debtors also agree to reimburse any Indemnified Person for all reasonable out-of-pocket expenses incurred in connection with or relating to investigating, preparing to defend or defending any pending or threatened actions, claims, or other proceedings related to or arising out of the Services or any sales transaction contemplated by the Engagement.

FTI’s Disinterestedness

15. To the best of my knowledge, information, and belief, based on reasonable inquiry, FTI does not hold or represent any interest adverse to any of the Debtors with respect to the matters on which FTI is to be retained in these chapter 11 cases and FTI has no undisclosed relationship to the Debtors or to the other parties-in-interest in these chapter 11 cases whose names were supplied by the Debtors to FTI (the “**Potential Parties-in-Interest**”). In connection

with its proposed retention by the Debtors in these chapter 11 cases, FTI undertook to determine whether it had any conflicts or other relationships with the Potential Parties-in-Interest that might cause it not to be disinterested or to hold or represent an interest adverse to the Debtors. FTI has researched its internal client databases and performed reasonable due diligence to determine its connections with the Potential Parties-in-Interest listed on **Exhibit “1”** hereto.

16. From this internal search, FTI has determined that, except as disclosed in **Exhibit “2”** attached hereto, or as set forth in paragraphs 16 and 17, below, FTI had not provided in the past three years and does not currently provide, services to any of the Potential Parties-in-Interest in these chapter 11 cases or in connection with any matter that would be adverse to the Debtors arising from, or related to, these cases, except those expressly disclosed in this Declaration. Thus, FTI has determined that it currently has no adverse relationship to the Debtors. In addition, except as set forth in this Declaration, FTI will not in the future represent any parties other than the Debtors in these chapter 11 cases or in connection with any matter that would be adverse to the Debtors arising from, or related to, these cases.

17. FTI provides, and in the past three years has provided, expert witness, litigation support, e-discovery, and trial support services to a broad cross-section of law firms in support of their representation of their clients, including many or all of the law firms in the relevant categories covered by **Exhibit “1.”** No such services currently relate to or have related to the Debtors in the past three years. Further, FTI and/or its employees may have immaterial business or commercial relationships with parties covered by **Exhibit “1”** for the purchase of goods, services, or financial products at market prices.

18. Despite the efforts described above to identify and disclose FTI’s connections with the Potential Parties-in-Interest in these chapter 11 cases, because FTI is a

globally-operating firm and because the Debtors are enterprises that transact with a great number of parties, FTI is unable to state with absolute certainty that every client relationship or other connection has been identified and, thus, disclosed. In this regard, if FTI discovers additional material information that it determines requires disclosure, it will promptly file a supplemental disclosure with the Court.

19. During the ninety-day period prior to the Commencement Date, FTI received from the Debtors (i) the sum of \$500,000 as “Cash on Account” (received December 21, 2012) as an advance payment for its fees for services and reimbursable expenses and (ii) payments aggregating \$1,040,240.73 in respect of invoices for services and reimbursement of expenses (\$410,902.50 received January 18, 2013 and \$629,338.23 received February 15, 2013). On February 15, 2013, FTI applied \$364,314.10 of the Cash on Account to unpaid invoices for services and reimbursement of expenses. As of the Commencement Date, FTI has a remaining Cash on Account credit balance in favor of the Debtors for future professional services to be performed and expenses to be incurred in the approximate amount of \$135,685.90. The Debtors do not owe FTI any amounts for professional services rendered prior to the Commencement Date.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

Dated: New York, New York
March 6, 2013

/s/ Christopher T. Nicholls
Christopher T. Nicholls
Senior Managing Director
FTI Capital Advisors, LLC

Exhibit 1 to Nicholls Declaration

RDA – PARTIES LISTED IN RETENTION CHECKLIST

Debtors, Affiliates & Subsidiaries (including trade names and aliases (up to 8 years) (a/k/a, f/k/a, d/b/a)

RDA Holding Co;
The Reader's Digest Association, Inc.
Ardee Music Publishing, Inc.
Direct Entertainment Media Group, Inc.
Pegasus Sales, Inc.
Pleasantville Music Publishing, Inc.
R.D. Manufacturing Corporation
Reiman Manufacturing, LLC
RD Publications, Inc.
Home Service Publications, Inc.
RD Large Edition, Inc.
RDA Sub Co. (f/k/a Books Are Fun, Ltd.)
Reader's Digest Children's Publishing, Inc.
Reader's Digest Consumer Services, Inc.
Reader's Digest Entertainment, Inc.
Reader's Digest Financial Services, Inc.
Reader's Digest Latinoamerica, S.A.
WAPLA, LLC
Reader's Digest Sales and Services, Inc.
Taste of Home Media Group, LLC
Reiman Media Group, LLC
Taste of Home Productions, Inc.
World Wide Country Tours, Inc.
W.A. Publications, LLC
WRC Media, Inc.
RDCL, Inc. (f/k/a Compasslearning, Inc.)
RDA Digital, LLC
RDWR, Inc. (f/k/a Weekly Reader Corporation)
Haven Home Media, LLC (f/k/a Reader's Digest Sub Nine, Inc.)
Weekly Reader Custom Publishing, Inc. (f/k/a Lifetime Learning Systems, Inc.)
World Almanac Education Group, Inc.

Trade Names and Aliases (up to 8 years) (a/k/a, f/k/a, d/b/a)

Books Are Fun, Ltd.
CompassLearning, Inc.
DMS, Inc.
EAC I Inc.
EAC II
Funk & Wagnalls Corporation
Home Media Group, Inc.
Homemaker Ventures, Inc.

JLC Learning Corporation
Joshua Morris Publishing, Inc.
K-III Reference Corporation
Lifetime Learning Systems, Inc.
LLS Acquisition Corporation
Primedia Reference Inc.
Reader's Digest Media Group, Inc.
Reader's Digest Special Products, Inc.
Reader's Digest Sub Nine, Inc.
Reader's Digest HV, Inc.
Reader's Digest RAP, Inc.
Reader's Digest Sub Five, Inc.
Reader's Digest WWCT, Inc.
Reading's Fun, Ltd.
Reading's Fun/Books Are Fun, Ltd.
Reiman Advertising & Promotion, Inc.
Reiman Media Group, LLC
Travel Publications, Inc.
W.A. Publications, Inc.
Weekly Reader Corporation

Top 100 Accounts Payable

Adobe Systems Inc.
Aegis Usa Inc.
AEP Industries, Inc.
Akibia, Inc.
Allen Systems Group Inc.
American Customer Care
Ana White Omnimedia
Anetorder, Inc.
Angel.Com
Berryville Graphics Inc.
Brad Eggleston
C. H. Robinson International, Inc.
Canon Business Solutions
CDS
Cellmark Paper, Inc.
Clancy Moving Systems
Comscore Networks Inc.
Datapoint Media, Inc.
Dba Lewis Stafford Company
Delivery Net, Inc.
Dell Marketing L.P.
Deloitte & Touche LLP
Deti Group LLC

Digital Divide Data
Directsourcing Germany Gmbh
Disney Publishing Worldwide
Doubleclick Techsolutions
Duff & Phelps
Elevation Management LLC
Epsilon Data Management
Evensonbest LLC
Evercore Group LLC
Federal Express Corporation
First Quality Maintenance
Getty Images Inc. (merged With Supplier #316169 On 9TH May 2012)
Glazer Enterprises, Inc.
Goodman Media International, Inc.
Google Inc.
HCL Great Britain Ltd.
HCL Technologies Limited
Hung Hing Offset Printing Company
IBM
Infocrossing Incorporated
Infogroup Inc.
Informatica Corporation
International Business Publications Inc.
International Delivery Solutions LLC
Inventiv Communications Inc.
Ivy Press Ltd
JP Morgan Chase
Kbase Technologies, Inc.
Kirkland & Ellis LLP
Knowlera Media, LLC
Kofax, Inc.
Kwittken and Company
Leo Paper Products Ltd.
Mandel Media Group Inc.
MBI Group Inc.
Media People Inc.
Moving Interactive Inc.
Mrs. Jeanette L Stone
National Publishers Exchange
Ness USA, Inc.
North Shore Agency Inc.
Oakridge Staffing
Opinion Access Corp.
Oracle America, Inc.
Outbrain
Outsourced Ad Ops

Premier Group
Pricewaterhousecoopers Belastingadviseurs N.V.
Procurement and Publishing Solutions Ltd
Professional Systems Corp d/b/a Revspring
Quad Graphics (Previously World Color (USA) Corp)
Quad/Graphics Inc.
Questar Incorporated
Raydan and Richards Inc.
Realogy Corporation
Robert Half Technology
RR Donnelley Receivables Inc.
Simon & Schuster Inc.
Softchoice Corp.
Starlite Development Intl Ltd
Sun Kwong Plastic Industrial Co., Ltd
Sun Vigor Industrial Co Ltd
Technologent
The Vanguard Group
Thomson Reuters (Tax & Accounting) Inc.
Total Cleaning Systems
Tricore Solutions, LLC
U.S. Postal Service
Unica Corporation
USPS Disbursing Officer
Vivat Direct Limited
Vuneex LLC
W. J. Totten
Westaff
Williams Lea
Wilmer Cutler Pickering Hale and Dorr LLP
Yahoo! Inc.
Zinio

Regulatory Agencies (Federal, State and Local)

Federal Trade Commission
Internal Revenue Service
New York City Department of Finance
New York State Department of Taxation & Finance
New York State Unemployment Insurance Fund
[Texas]
United States Attorney Office, Southern District of Florida
United States Attorney's Office Southern District of New York
United States Securities and Exchange Commission

Members of Ad Hoc or Unofficial Creditors' Committees & Professionals

Apollo Investment Management, L.P.
Empyrean Capital Partners, L.P.
GoldenTree Asset Management, LP
Kirkland & Ellis LLP
Moelis & Company LLP

Significant Holders of RDA's Senior Secured Notes(more than 5%)

GoldenTree Asset Management, LP
Empyrean Capital Partners, L.P.
Credit Suisse Asset Management, LLC (U.S.)
Fidelity Management & Research Company

Holdings of RDA's Senior Secured Notes(less than 5%)

Apollo Capital Management, L.P.
Fort Hill Investment Advisors, L.P.
Morgan Stanley Smith Barney LLC / Ruderman Group
THL Credit Senior Loan Strategies, LLC
Harbert Fund Advisors, Inc.
Nomura Securities International, Inc.
UBS Securities, LLC
Armory Funds, LLC
Water Island Capital, LLC
Cohanzick Management, LLC
Deltec Asset Management, LLC
Aegis Financial Corporation
Barclays Capital
Millstreet Capital Management, LLC
Albert Freid & Company LLC
Bank of America Merrill Lynch
J.P. Morgan Securities (U.S.)
Goldman Sachs Asset Management

Officers and Directors (current & former up to last 3 years)

Directors:

Current Directors

Curran, Randall
Cyprus, Nick
Drewry, William
Guth, Robert E.
Richman, Keith
Schaper, Ryan
Teitelbaum, Douglas
Wade, Martin

Directors:

Former Directors

Matthews, Norman
Berner, Mary
Hawkes, James
Osar, Karen
Reynolds, Fredric
Steiner, Donald
Stern, Peter
Wilson, Carl
Shapiro, Steven
Sequiera, Neil
Freeman, Heath

Officers:

Current Officers

Berndt, Bryan
Guth, Robert E.
Held, Joseph
Cummiskey, Susan
Fichera, Michael
Klein, Alison
Magill, William H.
Newborn, Andrea
Oliver, Alan
Perruzza, Albert L.
Ruiz, Stephen
Tomkins, Paul R.

Former Officers

Berner, Mary
Williams, Tom
D'Emic, Susana
Vagnini, Michael
Thomas, Brad
Spivack, Lisa
Grimes, Suzanne
Lagani, Dan
Sharples, Lisa
Zier, Dawn M.

Officers and Directors (current & former up to last 3 years)

Cavallo, Thomasina
Clarke, Harold
Diplock, Lynn
Gillow, Paul
Jacobs, Marilyn
Nehila, Thomas
Russ, Susan Fraysse
Schlanger, Cara
Sirota, Mark A.
White, Devin

Affiliation of Officers and Directors (current & former up to last 3 years)

AT&T
AT&T Business Solutions
Board of Trustees for Hudson River Museum
Bowne & Co., Inc.
Integra Telecom
Lumos Networks
Otelco
Readers' Digest Partners for Sight Foundation
Robert Bowne Foundation
RR Donnelley & Sons Company
Telos Holdings, Corp.
Volunteer Center of Bergen County
Westchester Volunteer Center

Indenture Trustee

Wells Fargo, N.A.

Professionals to be Retained

Deloitte & Touche LLP
Duff & Phelps, LLC
Ernst & Young LLP
Evercore Group L.L.C
FTI Capital Advisors, LLC
Pricewaterhouse Coopers LLP
Weil, Gotshal & Manges LLP

Ordinary Course Professionals

Brann & Isaacson

Cooley LLP
Davis & Gilbert LLP
Deloitte & Touche LLP
DLA Piper
Duff & Phelps
Ernst & Young LLP
FTI Capital Advisors, LLC
Gibson, Dunn & Crutcher LLP
Jackson Lewis LLP
Lockton Companies
Manatt, Phelps & Phillips LLP
Mercer Investment Consulting, Inc.
PricewaterhouseCoopersLLP
Proskauer Rose LLP
Quarles & Brady LLP
Shipman & Goodwin LLP
Sitrick And Company
Tax Partners, LLC, a division of Thomson Corporation
TaxConnex LLC
The Law Offices of Paul B. Burns
Thompson Hine LLP
Wilmer Cutler Pickering Hale and Dorr LLP

Insurance Providers

ACE Insurance Co. USA
ACE Property & Casualty Insurance Co.
Aetna Inc.
American International Life Assurance Co. of NY
American International Life Assurance Company of New York
Aon PLC
Chartis/Ill. Nat'l Insurance Co.
Chartis/National Union Fire Insurance Co. of Pittsburgh
Chartis/The Insurance Company of the State of Pennsylvania
Chubb Group of Insurance Cos.
Great American Ins. Co.
HCC Global Financial Products
Hyatt Legal Plans, a subsidiary of Metlife
Hyatt Legal Plans, a subsidiary of Metlife
Illinois National Insurance Co.
MetLife
Ohio Casualty Insurance Co.
The Ayco Company, LP
U.S. Specialty Insurance Co.
XL Specialty Insurance Co.

Zurich-American Insurance Co.

Litigation Parties

Alicia Roshong
Alexandra Wolph
Federal Trade Commission
Fitness Brands, Inc.
Shanghai Press & Publishing Development Company
Leslie Golba

Taxing Authorities (Federal, State, Local)

Aberdeen County, South Dakota - Sales and Use Tax Department
Alabama - Sales and Use Tax Department
Alabama City, Sales and Use Tax Department - Sales and Use Tax Department
Alabama IRS
Alabama IRS -Sales and Use Tax Department
Arizona IRS -Sales and Use Tax Department
Arkansas IRS -Sales and Use Tax Department
Arvada, Colorado Sales and Use Tax
Aurora, Colorado Sales and Use Tax
California IRS -Sales and Use Tax Department
Campbell County, Wyoming - Sales and Use Tax Department
Colorado IRS -Sales and Use Tax Department
Colorado Springs, Colorado Sales and Use Tax
Connecticut IRS
Connecticut IRS -Sales and Use Tax Department
Delaware IRS- Commercial Rent Tax Division
Demopolis County, Alabama - Sales and Use Tax Department
Denver, Colorado Sales and Use Tax
District of Columbia IRS
District of Columbia IRS -Sales and Use Tax Department
Dothan County, Alabama- Sales and Use Tax Department
Florence County, Alabama- Sales and Use Tax Department
Florida IRS
Florida IRS -Sales and Use Tax Department
Fort Collins, Colorado Sales and Use Tax
Georgia IRS
Georgia IRS -Sales and Use Tax Department
Grand Junction, Colorado Sales and Use Tax
Hawaii IRS -Sales and Use Tax Department
Houston County, Alabama- Sales and Use Tax Department
Idaho IRS -Sales and Use Tax Department
Illinois IRS

Illinois IRS -Sales and Use Tax Department
Indiana IRS
Indiana IRS -Sales and Use Tax Department
Iowa - Sales and Use Tax Department
Iowa IRS
Iowa IRS -Sales and Use Tax Department
Iowa IRS -Sales and Use Tax Department
Kansas IRS -Sales and Use Tax Department
Kentucky IRS
Kentucky IRS -Sales and Use Tax Department
Laramie County, Wyoming - Sales and Use Tax Department
Lauderdale County, Alabama- Sales and Use Tax Department
Littleton, Colorado Sales and Use Tax
Louisiana IRS
Louisiana IRS -Sales and Use Tax Department
Maine IRS
Maine IRS -Sales and Use Tax Department
Maryland IRS -Sales and Use Tax Department
Massachusetts IRS
Massachusetts IRS -Sales and Use Tax Department
Michigan Sales IRS -Sales and Use Tax Department
Minnesota - Sales and Use Tax Department
Minnesota IRS
Minnesota IRS -Sales and Use Tax Department
Mississippi IRS -Sales and Use Tax Department
Missouri IRS -Sales and Use Tax Department
Montgomery County, Alabama- Sales and Use Tax Department
MS – Tupelo -Sales and Use Tax Department
Nebraska IRS -Sales and Use Tax Department
Nevada IRS -Sales and Use Tax Department
New Hampshire IRS
New Jersey - Sales and Use Tax Department
New Jersey IRS
New Jersey IRS -Sales and Use Tax Department
New Mexico IRS
New Mexico IRS -Sales and Use Tax Department
New York City Department of Taxation
New York IRS- Commercial Rent Tax Division
New York IRS -Sales and Use Tax Department
New York- Sales and Use Tax Department
New York State IRS
North Carolina IRS -Sales and Use Tax Department
North Dakota IRS -Sales and Use Tax Department
Oacoma County, South Dakota - Sales and Use Tax Department
Ohio IRS
Ohio IRS- Commercial Rent Tax Division

Ohio IRS -Sales and Use Tax Department
Ohio- Sales and Use Tax Department
Oklahoma IRS -Sales and Use Tax Department
Pennsylvania IRS
Pennsylvania IRS -Sales and Use Tax Department
Pueblo, Colorado Sales and Use Tax
Rapid City County, South Dakota - Sales and Use Tax Department
Rhode Island IRS
Rhode Island IRS -Sales and Use Tax Department
Sheridan County, Wyoming - Sales and Use Tax Department
South Carolina IRS -Sales and Use Tax Department
South Dakota - Sales and Use Tax Department
South Dakota IRS -Sales and Use Tax Department
Tennessee IRS -Sales and Use Tax Department
Texas IRS
Texas IRS -Sales and Use Tax Department
Utah IRS
Utah IRS -Sales and Use Tax Department
Vermont IRS -Sales and Use Tax Department
Virginia IRS
Virginia IRS -Sales and Use Tax Department
Washington IRS -Sales and Use Tax Department
Washington- Sales and Use Tax Department
Watertown County, South Dakota - Sales and Use Tax Department
West Virginia IRS -Sales and Use Tax Department
Wisconsin IRS
Wisconsin IRS – Real Property Tax Division
Wisconsin IRS -Sales and Use Tax Department
Wisconsin- Sales and Use Tax Department
Wyoming IRS -Sales and Use Tax Department

Utility Companies

Abovenet Communications, Inc.
AT&T
AT&T Mobility
Avaya Inc.
Black Box Network Services
Cablevision Lightpath, Inc.
Century link
Comed
Efax Corporate
Global Crossing Conferencing
Global Crossing Telecommunications
Minnesota Energy Resources
Neustar, Inc.

TW Telecom
Verizon
Verizon Business
Verizon Conferencing
Verizon Wireless
Village of Greendale
WE Energies
XO Communications

Vendors

Anetorder, Inc.
Arvato Digital Services Ltd.
C.H. Robinson International, Inc.
CDS
Cellmark Paper, Inc.
CH Robinson Worldwide Inc.
CINRAM
CT Printing Limited
DLS
Federal Express Corporation
Hung Hing Offset Printing Company
International Delivery Solutions
Leo Paper Products Ltd.
Quad Logistics
Starlite Development Intl Ltd.
Sun Kwong Plastic Industrial Co
Sun Vigor Industrial Co. Ltd.
U.S. Postal Service

Significant Advertising and Other Strategic Partners

Astellas Pharma US, Inc.
Author Solutions, Inc.
Bayer Corporation
Boehringer Ingelheim Corp.
The Bradford Group
Campbell Soup Company
Chartis
Citigroup
Clorox Company
Dean Foods

Discover Financial Services
Domino Foods Inc.
Dream Products, Inc.
E.& J. Gallo Winery
Eggland's Best Inc.
Eisai Inc.
Eli Lilly & Company
Geico Auto Insurance
Georgia Pacific Corporation
Glaxo Smithkline
Great Call
H.J. Heinz Company
Hallmark, Inc.
Harbor Freight Tools
HealthMarkets
The Home Depot, Inc.
Humana
Ikea North America
Johnson & Johnson
Johnsonville Sausage
Kellogg Company
Kraft Foods Group
MBI, Inc.
Merck & Company, Inc.
National Pork Producers
Nestle
Novo Nordisk Pharmaceuticals
Pfizer, Inc.
Procter & Gamble Company
Progressive Casualty
RD Travel Section
Reckitt Benckiser
Regal Ware, Inc.
Safe Step Walk-In Tub Co.
Select Comfort Mattress
The Sherwin-Williams Company
Stauer Collections
Technobrand, Inc.
Texas Tourism
The Thompson's Company
UCB Pharmaceuticals
Wyndham Worldwide Corp.

Landlords

44 South Broadway Property LLC
Advance Magazine Publishers Inc.
Beacon Capital Partners LLC
California Diversified LLC
HUB Properties Trust c/o REIT Management & Research LLC
The Irvine Company
Irvine Company Office Properties
REIT Management & Research LLC
RPMC (Roseville Properties Management Company)
Sabin, Bermant & Gould (Counsel to Advance Magazine Publishers Inc.)

United States Bankruptcy Judges for the S.D.N.Y.

Honorable Stuart M. Bernstein
Honorable Shelley C. Chapman
Honorable Robert D. Drain
Honorable Robert E. Gerber
Honorable Martin Glenn
Honorable Allan L. Gropper
Honorable Sean H. Lane
Honorable Burton R. Lifland
Honorable Cecelia G. Morris
Honorable James M. Peck

Office of the United States Trustee

Linda A. Riffkin
Victor Abriano
Catletha Brooks
Maria Catapano
Danny A. Choy
Stephanie B. Crowder
Elizabeth C. Dub
Marilyn Felton
Myrna R. Fields
Elisabetta Gasparini
Susan Golden
Nadkarni Joseph
Nazar Khodorovsky
Anna M. Martinez
Brian S. Masumoto
Ercilia A. Mendoza
Mary V. Moroney

Richard C. Morrissey
Serene Nakano
Savitri Nguyen
Andrea B. Schwartz
Paul K. Schwartzberg
Sylvester Sharp
Andy Velez-Rivera
Greg M. Zipes

Shareholders

8an Capital Management LLC
Adam Brown
Alcentra Inc.
Alden Global Capital
Andrew & Monique Rechtschaffen J
Ann Marie Morrow
Apidos Capital Management LLC
Bank of America, N.A.
Blackwell Partners LLC
BNP Paribas VPG Readers Digest Assoc. LLC
BRF High Value LP
Cantor Fitzgerald & Co.
Corsair Capital Management
Credit Suisse Securities (USA) LLC
Cumberland Associates LLC
Dac Value Group LP
Empyrean Investments Inc.
Event Driven, A Series of Underlying Funds Trust
Frontfour Capital Group LLC
Gef-Cred LP
General Electric Capital Corporation
Goldentree Asset Management LP
Goldman Sachs Asset Management LP as Agent
Golub Capital
Guggenheim Investment Management LLC
Highvista Strategis LLC
Jefferies High Yield Holdings LLC
Jonathan R. Silverman
JPMorgan Chase Bank NA
Kenneth D. Smalley
Luxor Capital Partners LP
Matthew P. Stedman
Matthew T. Brown
Metropolitan Life Insurance Company

Millstreet Capital Partners
MJX Asset Management LLC
New York Life Investment Management as Agent
Nomura Corporate Research & Asset Management Inc.
Ore Hill Partners LLC
Point Lobos
Point Lobos Capital LLC
Point Lobos Master Fund LP
Point Lobos Special Opportunities LLC
Point Lobos Special Opportunities II LLC
Point Lobos Special Opportunities III LLC
Present Directors
Ptolemy Capital LLC
Putnam Advisory Co LLC as Agent
Rebecca Siegel Baron
Riversource Investments LLC as Agent
Ronin Capital LLC
Royal Bank of Scotland PLC
Sea Port Group Securities LLC
Soundpost Partners LP
Stephen R Hansen
Talamod Asset Management LLC
UBS AG
Wells Fargo Foothill Inc.
Zabby LLC

Holders of 5 Largest Secured Claims

Wells Fargo Bank, National Association, as Administrative Agent
Wells Fargo Bank, National Association, as Trustee
Paymentech, LLC
State of New York
JPMorgan Chase Bank, National Association

Parties to Secured Loan

Wells Fargo, N.A.

Parties to Unsecured Term Loan

Blackwell Partners LLC
GAM Equity Six Inc.
Luxor Capital Group, LP
Luxor Capital Partners Offshore Master Fund, LP
Luxor Capital Partners, LP

Luxor Spectrum Offshore Master Fund, LP
Luxor Spectrum, LLC
Luxor Wavefront, LP
OC 19 Master Fund, L.P.
Point Lobos Master Fund L.P.

Former/Present Executives

Albert L. Perruzza
Andrea Newborn
Carl Wilson
Daniel Lagani
Dawn Zier
Donald Steiner
Fredric Reynolds
James Hawkes
Joann Murray
Karen Osar
Kevin Graveline
Lisa Karpinski
Lisa Sharples
Margaretta Northrop
Mary Berner
Michael Fichera
Neil Sequeira
Norman Matthews
Peter Stern
Renee Jordan
Rich Lee
Susan Fraysse Russ
Suzanne Grimes
Thomas Williams
Werner Neunzig

Exhibit 2 to Nicholls Declaration

List of FTI Client Relationships with Interested Parties Set Forth in Exhibit 1

1. In the course of providing services to the Debtors, FTI has had extensive dealings with the Debtors and with non-debtor affiliates of the Debtors, including the guarantee by Pegasus Netherlands Services CV of the obligations of The Reader's Digest Association, Inc. under the Engagement Letter.
2. FTI has, or has had in the last three years, client relationships with the parties listed below. None of the services provided to these parties were in relation to the Debtors or their non-debtor affiliates.

Discover Financial Services
Informatica Corporation
Apollo Investment Management
DLA Piper Rudnick Gray Cary
Federal Trade Commission
Gibson Dunn & Crutcher
GoldenTree Asset Management
Internal Revenue Service
Questar Corp.
Realology Corporation
Thomson Reuters (Tax & Accounting) Inc. (affiliate)
US Attorney's Office
Weil Gotshal & Manges
Wilmer Hale
Yahoo! Inc.
AT&T Corporation
AT&T Business Solutions
Integra Telecom
Kirkland & Ellis
Normura Securities International, Inc.
Wells Fargo Bank, NA
Ace USA Insurance
Aon Corporation
Barclays Capital
Bayer Corporation
Chartis Insurance
Chartis Europe Limited
Cooley, LLP
Davis & Gilbert
Goldman Sachs Asset Management (affiliate)
Google, Inc.
Jackson Lewis LLP
Jackson Lewis Schnitzer & Krupman

Manatt Phelps & Phillips
Merck & Co., Inc.
Metlife
Morgan Stanley & Company, Inc.
Pfizer, Inc.
Proskauer Rose, LP
Quarles & Brady
Shipman & Goodwin
Thompson Hine & Flory
UBS Securities, LLC (affiliate)
UBS AG
Johnson & Johnson
Novo Nordisk Pharmaceuticals, Inc.
Proctor & Gamble
Reckitt Benckiser
The Irvine Company
UCB Pharma
Cinram, Inc.
Clorox Company
Dean Foods
Eisai Inc.
Eli Lilly & Company
Georgia-Pacific Corporation
Georgia-Pacific LLC
GlaxoSmithKline
Kellogg Company
MBI International
BNP Paribas
Credit Suisse Asset Management
Credit Suisse Securities
JPMorgan Chase & Co.
New York Life Investment Management
Citigroup
Citibank
State of Texas
State of New York
Deloitte & Touche
PriceWaterhouse Coopers
Merrill Lynch
Ernst & Young
Bank of America
General Electric Capital Corporation
Royal Bank of Scotland