

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE**

-----X
In Re:) Chapter 11
)
MUZAK HOLDINGS LLC, et al.,¹) Case No. 09-10422 (KJC)
)
) Jointly Administered
-----X

**COVER SHEET FOR FIRST MONTHLY APPLICATION OF FTI CONSULTING, INC FOR
ALLOWANCE OF COMPENSATION
FOR SERVICES RENDERED AND REIMBURSEMENT OF EXPENSES AS
FINANCIAL ADVISOR TO THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS
FOR THE PERIOD FROM FEBRUARY 24, 2009 THROUGH MARCH 31, 2009**

Name of Applicant: FTI Consulting, Inc

Authorized to Provide Services to: Official Committee of Unsecured Creditors

Date of Retention: Retention order entered April 16, 2009
Effective as of February 24, 2009

Period for which Compensation/
Reimbursement is Sought: February 24, 2009 through March 31, 2009

Compensation Sought as Actual,
Reasonable and Necessary: \$ 147,321.43

Expense Reimbursement Sought as
Actual, Reasonable and Necessary: \$ 6,634.12

This is a: X monthly ___ final application

Prior Fee Applications Filed by Applicant: 0

¹ The Debtors in these chapter 11 case, together with the last four digits of each Debtor's federal tax identification number, are: Muzak Holdings LLC (3730); Muzak Holdings Finance Corp. (3728); Muzak LLC (3729); Background Music Broadcasters, Inc. (3014); Muzak Capital Corporation (2302); MLP Environmental Music, LLC (6098); Business Sound, Inc. (9525); BI Acquisition, LLC (6049); Muzak Finance Corp. (7963); Electro-Systems Corporation (6059); Audio Environments, Inc. (4111); Telephone Audio Productions, Inc. (4894); Vortex Sound Communications Company, Inc. (3711); Muzak Houston, Inc. (9984); and Music Incorporated (3710). The location of the Debtors' corporate headquarters and the service address for all the Debtors is: 3318 Lakemont Boulevard, Fort Mill, South Carolina 29708.

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ALLOWANCE OF COMPENSATION FOR SERVICES RENDERED AND
REIMBURSEMENT OF EXPENSES AS FINANCIAL ADVISOR TO THE OFFICIAL
COMMITTEE OF UNSECURED CREDITORS
FOR THE PERIOD FROM FEBRUARY 24, 2009 THROUGH MARCH 31, 2009**

TO: THE HONORABLE KEVIN J. CAREY,
CHIEF UNITED STATES BANKRUPTCY JUDGE

The Application (the "Application") of FTI Consulting, Inc., (the "Applicant," or "FTI"), as financial advisor to the Official Committee of Unsecured Creditors (the "Committee") of Muzak Holdings LLC., et al. (the "Debtors"), respectfully represents and alleges:

I. INTRODUCTION

1. Applicant, as financial advisor to the Committee, makes this First Application for payment of professional services rendered and expenses incurred in its representation of the Committee as provided under Sections 1103(a) and 328(a) of Title 11 of the United States Code (the "Bankruptcy Code") and Rule 2014 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") and Rule 2014-1 of the Local Rules of the United States Bankruptcy Court for the District of Delaware (the "Local Rules").

2. This Application is submitted pursuant to the terms of the Amended Order Authorizing the Debtors to Establish Procedures for Interim Compensation and Reimbursement of Expenses for Professionals and Statutory Committee Members entered on April 24, 2009 [Docket No. 252] (the “Administrative Fee Order”). Pursuant to the Administrative Fee Order, FTI is seeking payment of \$147,321.43 (80% of \$117,857.14) of fees and \$6,634.12 for reimbursement of expenses. These services were rendered, and disbursements recorded, from February 24, 2009 through March 31, 2009, both dates inclusive (the “First Monthly Period”).

II. BACKGROUND

3. On February 10, 2009 (the “Petition Date”), each of the Debtors filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the District of Delaware (the “Court”).

4. On February 12, 2009, the Court entered an order jointly administering these cases pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”) for procedural purposes only. The Debtors continue to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107 and 1108 of the Bankruptcy Code. No trustee or examiner has been appointed in these cases nor has any request for appointment of a trustee or examiner been made.

5. On February 20, 2009, pursuant to section 1102 of the Bankruptcy Code, the Office of the United States Trustee for the District of Delaware appointed the Committee. The Committee currently consists of seven members.² On February 20, 2009, pursuant to section 1103(a) of the Bankruptcy Code, the Committee selected Akin Gump Strauss Hauer & Feld LLP to serve as co-counsel to the Committee, and on February 24, 2009, the Committee selected FTI as its financial advisor.

III. JURISDICTION AND VENUE

6. This Court has jurisdiction over the Application pursuant to 28 U.S.C. §§ 157 and 1334. Venue is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). The statutory bases for the relief requested herein are sections 1103 and 328(a) of the Bankruptcy Code and Bankruptcy Rule 2014.

IV. PROFESSIONAL SERVICES RENDERED

7. In accordance with Local Rule 2014-1 and the Administrative Fee Order, and to assist the Court, the Debtors, the United States Trustee and other parties in interest in evaluating this Application for compensation, the primary services performed by Applicant during the First Monthly Period are summarized in the Summary attached hereto as Exhibit "B". The Summary reflects certain services of major importance which required the special attention, efforts and skill of Applicant. Applicant's services throughout the First Monthly Period have enhanced the Committee's understanding of many issues critical to these cases. Furthermore, Applicant's efforts have enabled the Committee to act in an informed, efficient manner and to

² The Committee is comprised of the following entities: Bronwen M. DuKate; MFC Global Investment Management; Wells Fargo Bank, N.A., as Trustee; U.S. Bank National Association, as Trustee; HSBC Bank USA, National Association, as Trustee; Dish Network; and Monarch Alternative Capital.

actively participate in these cases and to significantly assist in the maximization of value to the estates.

8. In accordance with FTI's retention order, a summary sheet of the professionals and the number of hours incurred by each during the First Monthly Period is annexed hereto as Exhibit "C". A summary sheet which includes identification of services performed by the professionals, categorized by Applicant into "task codes" in order to group related time entries in a certain subject area, is annexed hereto as Exhibit "D".

9. In accordance with FTI's retention order, a detailed sheet which includes identification of Applicant's disbursements, necessarily incurred in the performance of Applicant's duties as financial advisor to the Committee, is annexed hereto as Exhibit "E".

10. Applicant has worked closely with the Debtors' financial advisors, the other case professionals and the Committee to avoid unnecessary duplication of services charged to the Debtors' estates.

V. CONCLUSION

11. Applicant has necessarily and properly expended 580.2 hours of services in performance of its duties as financial advisor to the Committee during the First Monthly Period. Applicant respectfully requests a monthly fee allowance for professional services rendered in the amount of \$147,321.43. Pursuant to the Compensation Procedures Order, Applicant requests that upon the expiration of the applicable objection period, the Debtors remit to the Applicant eighty (80%) percent of the fees, or \$117,857.14. Applicant has also necessarily incurred disbursements in the amount of \$6,634.14 in the performance of

Applicant's duties as financial advisor to the Committee during the First Monthly Period.

Applicant respectfully requests reimbursement of disbursements in the sum of \$6,634.14.

12. As stated in the Affidavit of Steven Simms, annexed hereto as Exhibit "A", Applicant has not agreed to share any compensation to be received herein with any other person.

WHEREFORE, Applicant respectfully requests a first monthly award of compensation for professional services rendered as financial advisor to the Committee during the First Monthly Period in the sum of \$147,321.43, together with reimbursement of disbursements in the amount of \$6,634.12; and for such other and further relief as this Court deems just and proper.

Dated: New York, New York
April 24, 2009

FTI CONSULTING, INC.

By: /s/ Steven Simms
Steven Simms
Senior Managing Director
Financial Advisor for the Official
Committee of Unsecured
Creditors of Muzak Holdings LLC., et al.
3 Times Square
New York, New York 10036
212-841-9369

EXHIBIT

“A”

3. In accordance with Bankruptcy Rule 2016(a) and section 504 of the Bankruptcy Code, no agreement or understanding exists between the Applicant and any other person for the sharing of compensation to be received in connection with these cases.

4. I have reviewed the requirements of Rule 2016-2 of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware and submit that the Application substantially complies with such rule.


Steven Simms

Sworn to before me this
24th day of April, 2009


Notary Public

KARIN JACOBSON
Notary Public, State of New York
No. 31-4900115
Qualified in New York County
Commission Expires Oct. 19, 20 09

EXHIBIT

“B”

FTI CONSULTING, INC
FINANCIAL ADVISOR TO THE OFFICIAL COMMITTEE OF
UNSECURED CREDITORS OF MUZAK HOLDINGS LLC., ET AL.

SUMMARY OF PRINCIPAL SERVICES BY TASK CODES PERFORMED FOR THE
PERIOD FROM
FEBRUARY 24, 2009 THROUGH AND INCLUDING MARCH 31, 2009

The following is not intended to be a complete statement of all professional services rendered, but serves only to list certain of the services of major task codes rendered by FTI during the First Monthly Period.

Task Code 2 – Cash & Liquidity Analysis (23.5 hours)

During the Compensation Period, FTI reviewed and analyzed the Company's weekly cash flow reports, analyzed variances to the budget, and monitored for compliance with the cash collateral order. Time in this task code includes weekly calls with the Debtors and Debtors' advisors in order to understand the drivers behind weekly variances from budget.

Task Code 7 – Analysis of Business Plan (218.3 hours)

FTI spent a considerable amount of time analyzing the Debtors' business plan and model. This included numerous calls with the Debtors and the Debtors' advisors and an on-site visit in order to fully understand the assumptions incorporated in the plan as well as the mechanics of the model. FTI then evaluated and analyzed sensitivities to assumptions within the plan, and quantified the impact of each scenario upon projected free cash flows.

Key observations of the business plan, as well as the results of our sensitivity analysis, were shared and reviewed with the Committee.

Task Code 9 – Analysis of Employee Compensation Program (104.9 hours)

During the Compensation Period, FTI reviewed and analyzed the Debtors' proposed key employee incentive plan. FTI reviewed the key assumptions with the Debtors' compensation advisor and counsel. FTI then analyzed each scenario contemplated under the incentive plan, compared the plan to historical incentive payments and company performance, and prepared and reviewed a summary of its analysis and suggested plan modifications with the Committee.

FTI continued conversations with the Committee's and Debtors' counsels, culminating in a revised plan supported by the Committee.

Task Code 20 – General Meetings with Debtor and Debtors’ Professionals (28.9 hours)

FTI held in-person and telephonic meetings with the Debtors and the Debtors’ professionals to discuss a range of topics, including the Debtors’ business plan and cash collateral motion.

Task Code 21 – General Meetings with UCC and UCC Counsel (48.3 hours)

FTI prepared for, and participated in, numerous conference calls with the Committee in order to apprise them of all pertinent events taking place during the proceedings of the case. These calls included discussions with respect to the retention of the Debtors’ financial advisor, key employee incentive plan, preliminary business plan review and preliminary restructuring proposals. In preparation for these calls, FTI prepared numerous memos and reports summarizing the aforementioned topics.

Task Code 30 – Prepare Miscellaneous Financial Analysis (34.1 hours)

FTI prepared an analysis of the Debtors’ financial advisor retention motion, including a detailed comparison to other recent retention agreements. FTI prepared and reviewed a report on the motion with the Committee, and successfully negotiated a competitive rate with the Debtors’ counsel.

EXHIBIT

“C”

MUZAK HOLDINGS, LLC, CASE NO. 09-10422
SUMMARY OF HOURS BY PROFESSIONAL
FOR THE PERIOD FEBRUARY 24, 2009 THROUGH MARCH 31, 2009

<u>Professional</u>	<u>Position</u>	<u>Hours</u>
Simms, Steven	Senior Managing Director	50.1
Spragg, Mark C	Senior Managing Director	48.3
Greenberg, Mark	Managing Director	10.6
Korsower, Joshua	Director	204.9
Laber, Mark	Director	216.4
Farber, Arnold	Senior Consultant	1.2
Korsman, Lynn	Senior Consultant	0.6
Singh, Amandeep	Senior Consultant	27.1
Heller, Justin	Consultant	5.2
Yang, Victor	Consultant	14.0
Goldberg, Kristina	Associate	1.5
Pearson, Linda	Administrative	0.3
Total		580.2

EXHIBIT

“D”

MUZAK HOLDINGS LLC, et al., CASE NO. 09-10422
SUMMARY OF FEES BY TASK
FOR THE PERIOD FEBRUARY 24, 2009 THROUGH MARCH 31, 2009

<u>Task Code</u>	<u>Description</u>	<u>Hours</u>
1	Current Operating Results & Events	7.0
2	Cash & Liquidity Analysis	23.5
3	Financing Matters (DIP, Exit, Other)	0.6
5	Real Estate Issues	0.4
7	Analysis of Business Plan	218.3
9	Analysis of Employee Compensation Program	104.9
13	Analysis of Other Miscellaneous Motions	11.2
16	Analysis, Negotiate & Form of POR & DS	14.7
19	Case Management.	20.1
20	General Meetings with Debtor and Debtors' Professionals	28.9
21	General Meetings with UCC and UCC Counsel	48.3
22	Meetings with Other Parties	4.1
23	Firm Retention	36.8
25	Travel Time	13.0
30	Prepare Miscellaneous Financial Analysis	34.1
32	Analyze and Assess Merger Partners	5.6
33	Analyze and Assess Customer Profitability	2.1
34	Analyse and Review Franchise Agreements	4.9
35	Analyze and Review Licensing Contracts	1.7
TOTAL		580.2

EXHIBIT

“E”

MUZAK HOLDINGS, LLC, CASE NO. 09-10422

SUMMARY OF EXPENSES BY CATEGORY

FOR THE PERIOD FEBRUARY 24, 2009 THROUGH MARCH 31, 2009

<u>Expense Category</u>	<u>Expenses</u>
Airfare	\$4,475.92
Lodging	1,071.94
Meals	295.35
Other	107.01
Transportation	683.90
Total	\$6,634.12