

MEMORANDUM

April 3, 2009

To: Official Committee of Unsecured Creditors of Muzak Holdings, LLC, *et al.* (the "Committee")

From: Akin Gump Strauss Hauer & Feld LLP ("Akin Gump")

Re: ***In re Muzak Holdings, LLC, et al., Summary of Pleading Scheduled for April 15, 2009 Omnibus Hearing***

PwC Application – Application of the Debtor for Entry of an Order Authorizing the Employment and Retention of PricewaterhouseCoopers LLC as Auditors and Tax Advisors for the Debtors and Debtors In Possession *Nunc Pro Tunc* to the Petition Date

By the PwC Application, the Debtors request entry of an order authorizing the employment and retention of PricewaterhouseCoopers LLC ("PwC") as auditor and tax advisor for the Debtors, *nunc pro tunc* to February 10, 2009 (the "Petition Date"), and in accordance with the terms set forth in the agreements between the Debtors and PwC dated (i) November 10, 2008, with respect to an audit of the Debtors' consolidated financial statements (the "Audit Engagement Letter"); (ii) January 15, 2009, with respect to the provision of tax consulting services (the "Tax Consulting Engagement Letter"); and (iii) January 15, 2009, with respect to the preparation of federal and state tax returns (the "Tax Preparation Engagement Letter" and, collectively with the Audit Engagement Letter and the Tax Consulting Engagement Letter, the "Engagement Letters").

Services

According to the PwC Application, the Debtors seek to retain PwC to provide auditing and tax accounting services as appropriate in these cases, including, but not limited to, the following:

- a) audit the consolidated financial statements of Muzak Holdings LLC as of December 31, 2008 and provide an audited report related thereto;
- b) provide advice, answers to questions and/or opinions on tax planning or reporting matters, including research, discussions, preparation of memoranda, and attendance at meetings relating to such matters, as mutually determined to be necessary;
- c) provide advice and/or assistance with respect to matters involving the IRS or other tax authorities on an as-needed or as-requested basis; and
- d) prepare the Debtors' federal and state income tax returns for the year ended December 31, 2008.

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At the request of the Debtors, PwC may render additional services deemed appropriate and necessary to benefit the Debtors' estates.

Qualifications

The Debtors submit that PwC is qualified to perform the services described in the PwC Application because PwC has extensive experience providing services of this kind. In addition, the Debtors note that PwC has provided the Debtors with tax related services for over ten years, giving them a familiarity with the business operations and finances of the Debtors.

Compensation

According to the PwC Application, PwC intends to apply to the Court for allowance of compensation and reimbursement of expenses in accordance with the applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, and any other applicable procedures and orders of the Court. The PwC Application asserts that PwC intends to file applications with the Court for allowance of compensation and reimbursement of expenses in accordance with sections 330 and 331 of the Bankruptcy Code, and an order of the Court establishing procedures for monthly compensation and reimbursement of expenses for professionals.

Pursuant to the terms and conditions of the Engagement Letters, and subject to Court approval, PwC intends to (i) seek compensation for the Audit Engagement Letter and Tax Preparation Engagement Letter based on a fixed fee structure; (ii) charge for all other professional services on an hourly basis (including those contemplated by the Tax Consulting Engagement Letter) in accordance with its ordinary rates in effect on the date such services are rendered; and (iii) charge on a monthly basis for its reasonable out-of-pocket expenses and internal per ticket charges for booking travel.

The Audit Engagement Letter

The Audit Engagement Letter provides for a flat fee schedule. A payment of \$105,000 is due March 2009, which is the final payment due under the Audit Engagement Letter.¹ The PwC Application states that PwC will notify the Debtors if additional fees are necessary to complete the audit services.

¹ The Debtor made prepetition payments to PwC totaling \$310,000 pursuant to the Audit Engagement Letter.

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The Tax Preparation Engagement Letter

Pursuant to the terms of the Tax Preparation Engagement Letter, the Debtors paid PwC \$100,000 upon execution of the agreement on January 16, 2009. The Debtors have further agreed to a flat fee schedule for preparation of federal and state income tax returns, the remaining payments of which are as follows:

Date	Payment
March 2, 2009	\$30,000
April 15, 2009	\$30,000
June 1, 2009	\$20,000
Upon Completion	\$20,000

The Tax Consulting Engagement Letter

Pursuant to the terms of the Tax Consulting Engagement Letter, the Debtors and PwC have agreed to the following hourly rates for any tax consulting services:

Title	Hourly Rate
Partner	\$525
Director	\$375
Manager	\$250
Senior Associate	\$175
Associate	\$140
Assistant	\$95

The Debtors submit that the Engagement Letters contain standard indemnification language with respect to services to be provided by PwC. The Debtors request that the Court approve the indemnification provisions in the Engagement Letters as part of the PwC Application.

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Prepetition Payments and Services

PwC received total payments of \$268,459 within 90 days of the Petition Date. PwC is also owed approximately \$30,000 in connection with tax research and consultation provided to the Debtors prior to the Petition Date. The PwC Application states that PwC has agreed to waive any and all entitlement to these unpaid fees so that it is not a “creditor” of the Debtors within the meaning of section 101(10) of the Bankruptcy Code.

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