

AKIN GUMP
STRAUSS HAUER & FELD LLP

Attorneys at Law

MEMORANDUM

July 1, 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 Pleadings Scheduled for July 16, 2009 Hearing***

1. “Work Fees Motion” – Motion of the Debtors for Entry of an Order Authorizing, but not Directing, the Debtors to Pay Certain Exit Financing-Related Diligence Fees and Expenses

By the Work Fees Motion, the Debtors seek entry of an order authorizing them to pay reasonable Work Fees (as defined below) and reasonable expenses to potential exit lenders in connection with the Debtors’ efforts to secure exit financing. The Debtors anticipate that any potential exit financing lender will need to undertake extensive due diligence in a short time frame to accommodate the Debtors’ exit timeline. The Debtors assert that such due diligence will result in out-of-pocket costs and expenses, including fees and expenses of legal and other advisors (collectively, the “Work Fees”) that the potential exit financing lender will expect the Debtors to pay.

The Debtors contend that the Work Fees Motion will provide them with the flexibility to attract potential exit financing lenders and facilitate an expedient reorganization process. At this point, the Debtors have not provided an estimated amount of the Work Fees or the identity of potential lenders that may receive the Work Fees. Instead, the Debtors currently seek authority to pay Work Fees to potential lenders as the need arises. The Debtors contend that vesting them with such blanket authority now will promote the efficiency and expediency of the plan process. The Debtors propose that counsel to the Committee, along with counsel to other parties-in-interest and the office of the United States Trustee (collectively, the “Notice Parties”), have two business days (the “Notice Period”) to consider the payment of proposed Work Fees. If any of the Notice Parties object within the Notice Period to proposed Work Fees, the Debtors will schedule the matter for a hearing.

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2. “Lease Assumption Motion” – Motion of the Debtors for Entry of an Order Authorizing the Debtors to Assume the Amended Industrial Lease between Muzak LLC and CAL/AZ Portfolio No. 1 LLC

By the Lease Assumption Motion, the Debtors seek to assume that certain amended industrial lease of office space (the “Lease”) between Muzak LLC (“Muzak”) and CAL/AZ Portfolio No. 1 LLC (“CAL/AZ”, and together with Muzak, the “Parties”). The Parties entered into the Lease, which consists of 12,940 square feet in an office building at 15083 Wick Boulevard, San Leandro, California (the “Premises”), on September 30, 2004. The Premises functions as a sales office, service center, storage facility, and general corporate office. The Lease is set to expire on October 1, 2009. In contemplation of the expiration of the Lease, the Parties negotiated a second amendment to the Lease (the “Amended Lease”), which they seek to assume. The salient terms of the Amended Lease are as follows:

- **Term:** The term (the “Term”) of the Amended Lease is October 1, 2009 through and including December 31, 2014.
- **Base Rent:** The base rent (the “Base Rent”) of the Amended Lease will be adjusted annually for the duration of the Term in approximately 3% increments. The Base Rent schedule is as follows (illustrated on a monthly basis):
 - 10/01/09 – 9/30/10: \$6,729.00 per month
 - 10/01/10 – 9/30/11: \$6,931.00 per month
 - 10/01/11 – 9/30/12: \$7,139.00 per month
 - 10/01/12 – 9/30/13: \$7,353.00 per month
 - 10/01/13 – 9/30/14: \$7,573.00 per month
 - 10/01/14 – 12/31/14: \$7,801.00 per month
- **Base Rent Credit:** CAL/AZ will provide Muzak with a credit equal to the monthly Base Rent for the months of October 2009, November 2009, and December 2009, resulting in a \$20,187.00 credit.

The Debtors submit that the Premises is used primarily as a sales support office, allowing the Debtors to provide sales, installation and support services to their Northern California clients. The Debtors assert that the Amended Lease provides a benefit by securing a long-term lease at reasonable rent in a strategic location that is vital to their ability to serve their clients within Northern California. Accordingly, the Debtors believe that assumption of the Amended Lease is an exercise of sound business judgment.