MOOD MEDIA CORPORATION

Annual Information Form
Year Ended December 31, 2013

March 31, 2014

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FORWARD-LOOKING INFORMATION

This Annual Information Form (the "AIF") contains "forward-looking statements" which reflect the current expectations of management of Mood Media Corporation ("Mood Media" or the "Company") regarding the Company's future growth, results of operations, performance, business prospects and opportunities. Wherever possible, words such as "may", "would", "could", "should", "will", "anticipate", "believe", "plan", "expect", "intend", "estimate", "aim", "endeavour", "seek", "predict", "potential" and similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs with respect to future events and are based on information currently available to management of the Company. Forward-looking statements involve significant risks, uncertainties and assumptions, including without limitation, expected growth, results of operations, performance, and business prospects and opportunities. In particular, such forward-looking statements assume that the Company's current products, technology, and pricing models, remain competitive in a rapidly changing digital music market. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements. Such factors include, but are not limited to: the impact of general market, industry, credit and economic conditions, currency fluctuations, and the factors discussed in greater detail in the "Risk Factors" section of this AIF. The following AIF should be read in conjunction with the audited consolidated financial statements and the annual Management Discussion and Analysis of the Company filed on SEDAR at www.sedar.com.

The Company assumes no obligation to publicly release any revision to any forward-looking statements contained in this AIF, except as required by law.

DATE OF INFORMATION

Unless otherwise stated in this AIF, the information contained herein is at March 28, 2013.

CURRENCY

Unless otherwise stated in this AIF, all currency references are in U.S. dollars.

1. CORPORATE STRUCTURE

1.1. Name, Address and Incorporation

The Company was continued under the *Canada Business Corporations Act* on June 17, 2008 under the name “Fluid Music Canada, Inc.”. On June 28, 2010, the Company changed its name to “Mood Media Corporation” by filing articles of amendment. The head office of the Company is located at 1703 W. Fifth Street, Suite 600, Austin, Texas 78703 and the registered office of the Company is located at 199 Bay Street, 5300 Commerce Court West, Toronto, Ontario, M5L 1B9. The Company’s common shares are listed on the Toronto Stock Exchange (“TSX”) and the AIM Market of the London Stock Exchange (“AIM”) under the trading symbol “MM” (the “Common Shares”) and the 10% convertible unsecured subordinated debentures of the Company are listed on the TSX under the trading symbol MM.DB.U.

1.2. Intercorporate Relationships

The following chart sets forth the material subsidiaries of the Company as of the date of this AIF:

Name of Subsidiary	**Jurisdiction of Incorporation**	**Proportion of Ownership Interest Held by Mood Media (directly or indirectly)**
Muzak, LLC	Delaware	100%
DMX, Inc.	Texas	100%
Mood Media SAS	France	100%
Technomedia Solutions, LLC	Florida	100%
Mood Media GmbH	Germany	100%
BIS Bedrijfs lnformatie Systemen B.V.	Netherlands	100%

2. GENERAL DEVELOPMENTS OF THE BUSINESS

2.1. History

Mood Media is the combination of a number of businesses, consolidated following a policy of acquisitive growth. Mood Media started as a Canadian private label music aggregation and distribution company. On June 19, 2008, the Company completed its initial public offering of 13,500,000 Common Shares (the “IPO”) in Canada listing on the TSX.

On February 16, 2011, Mood Media GmbH, a German subsidiary of the Company, acquired all of the issued and outstanding shares of PelikaNet Oy (the “Pelika Acquisition”), a company incorporated under the laws of Finland that provides digital background music services pursuant to a share purchase agreement dated February 16, 2011 in consideration for $10,148,000. On February 11, 2011 the Company completed a private placement of 7,500,000 shares for a subscription price of 125 pence per share for gross proceeds of $15,027,000. The proceeds of the private placement were used to satisfy the purchase price under the Pelika Acquisition, to pay transaction expenses and to partially repay the term loan of the Company’s then existing credit facility.

On May 6, 2011, the Company completed its acquisition of Muzak Holdings LLC (“Muzak”) for $345,000,000 including net debt repaid on closing (the “Muzak Acquisition”). Muzak designs, delivers and installs custom music, voice messaging, digital signage networks, drive-thru equipment and professional sound systems to a variety of clients in North America in multiple industries including retail, hospitality and restaurant.

In connection with the Muzak Acquisition, the Company entered into new credit facilities with Credit Suisse AG ("Credit Suisse") as agent, consisting of a $20,000,000 5-year First Lien revolving credit facility, a $355,000,000 7-year First Lien term loan and a $100,000,000 7.5-year Second Lien term loan (collectively the "Credit Facilities"). $5,000,000 of the First Lien revolving credit facility was drawn on closing of the Muzak Acquisition and was subsequently repaid in June 2011.

On May 6, 2011, the Company also issued new convertible unsecured subordinated debentures (the "Consideration Debentures") with a principal amount of $5,000,000 as part of the consideration for the Muzak Acquisition. The Consideration Debentures have a conversion price of $2.43 per Common Share. There are a maximum of 2,057,613 Common Shares of the Company issuable upon conversion of the Consideration Debentures. During the twelve month period ended December 31, 2012 the holders converted $356,000 of Consideration Debentures resulting in the issuance of 146,500 Common Shares.

On May 6, 2011, in connection with the Muzak Acquisition, the Company granted warrants to purchase 4,407,543 Common Shares of the Company at an exercise price of $3.50 and expiring five years from the date of issuance (the "Muzak Acquisition Warrants").

Also in connection with the Muzak Acquisition, the Company completed a private placement of 5,396,015 Common Shares at a subscription price of CDN$2.51 per Common Share for gross proceeds of $14,073,000. The proceeds of the private placement were used by the Company to satisfy in part the cash consideration for acquiring Muzak, transaction expenses and for general corporate purposes.

On May 27, 2011, the Company completed a private placement of new convertible unsecured subordinated debentures (the "New Debentures") with a principal amount of $13,500,000. The New Debentures were issued for a subscription price of $0.9875 per $1 principal amount, resulting in gross proceeds of $13,331,000 which was used for general corporate purposes. The New Debentures have a conversion price of $2.80 per Common Share. There are a maximum of 4,821,429 Common Shares of the Company issuable upon conversion of the Convertible Debentures.

On March 20, 2012, the Company completed its acquisition of DMX Holdings, Inc. ("DMX") for $80,294,000 in cash including net debt repaid on closing (the "DMX Acquisition"). In connection with the DMX Acquisition, the Company completed a private placement of 31,800,000 Common Shares, issued at 231 pence per Common Share (CDN$3.60 per Common Share), raising £73,458,000 (CDN$114,480,000) before expenses. The proceeds of the private placement were used in part to satisfy the consideration payable in connection with the DMX Acquisition. The additional net proceeds of the private placement were used for general corporate purposes. Subsequent to the acquisition the working capital adjustment was finalized which resulted in additional cash consideration of $2,438,000.

On May 31, 2012, the Company acquired 100% of the issued and outstanding shares of the following private entities: Aplusk B.V., BIS Bedrijfs Informatie Systemen B.V., BIS Business Information Systems N.V., Avimotion Holding B.V. and BIS Elecktrotechniek B.V. (collectively, "BIS") for total consideration of $28,121,000. BIS, based primarily in the Netherlands, specializes in the design, installation, and supply of conference systems and digital signage solutions to private and public sector organizations in the Benelux region.

On October 19, 2012, Muzak, a subsidiary of the Company, acquired the assets of Independent Communications Inc. ("ICI") one of its largest franchisees for a cash consideration of $29,690,000. Of the cash consideration, 80% was payable on closing with the remaining 20% payable on the twelve month anniversary of closing, subject to certain post-closing purchase price adjustments. ICI offers a range of in-store audio, visual and scent solutions and operates in the U.S. mid-Atlantic region.

On October 19, 2012, the Company closed its offering of $350,000,000 aggregate principal amount of Senior Unsecured Notes (the "Notes") by way of private placement. The Notes are due October 15, 2020 and bear interest at an annual rate of 9.25%. The net proceeds of the Notes were used to repay the Credit Facilities; $140,000,000 of the First Lien term loan (and together with the First Lien revolving credit facility, the "First Lien Credit Facility") and the Second Lien term loan in its entirety. The First Lien term loan is repayable at $533,000 a quarter, with the remainder payable on maturity.

On October 19, 2012, in connection with the Notes, amendments were made to the Company's existing First Lien Credit Facility. The First Lien Credit Facility was amended to, among other things: (i) permit the incurrence of the debt represented by the Notes; (ii) revise the financial maintenance covenants contained therein, including, removing the maximum total leverage ratio financial maintenance covenant, adding a maximum senior secured leverage ratio financial maintenance covenant, reducing the minimum interest coverage ratio financial maintenance covenant and providing for customary equity cure rights related to financial maintenance compliance; and (iii) increase the size of the Company's First Lien revolving credit facility from $20,000,000 to $25,000,000. On December 4, 2013, the Company made an additional amendment to the First Lien Credit Facility to modify certain defined terms and financial covenants.

On December 24, 2012, the Company acquired all of the issued and outstanding shares of Technomedia Solutions, LLC, Technomedia NY, LLC, ServiceNET Exp, LLC and Convergence, LLC (collectively, "Technomedia") for a cash consideration of $23,331,188 and contingent consideration payable in 2015, based on the profitable growth of Technomedia's operations. Technomedia is a provider of advanced audio-visual and interactive media development, technology design, and integration services to a variety of industries including: retail, theme park, museum, restaurant, corporate, military, theatrical, special venue, corporate and educational markets.

On May 31, 2013, the Company sold a substantial majority of the retail point-of-purchase assets (including a catalog of over 1,600 master recordings) of its subsidiaries, Mood Media Entertainment Ltd. and Mood Entertainment Inc. to Somerset Group Ltd. for $2,000,000. As part of the disposition, the Company is exiting any residual activities related to the retail point-of-purchase assets.

On April 4, 2013, the Company announced that the board of directors of the Company (the "**Board of Directors**") had initiated a process to identify and consider a range of operational, financial and strategic alternatives to enhance shareholder value, including, among other things, enhancing the Company's existing strategic plan, a strategic combination with a third party or a potential sale of the Company. Together with its legal and financial advisors, the Board of Directors and senior management analyzed a wide range of potential operational, financial and strategic alternatives, including, among other potential options, a sale of the company, divestitures, and capital allocation policies. On September 23, 2013, the Company completed its strategic review. Following this comprehensive process, the Board of Directors determined that the continued execution of the Company's current business strategy was in the best interests of the Company and its shareholders.

3. DESCRIPTION OF THE BUSINESS

3.1. General

The Company is a leading global provider of integrated in-store marketing solutions including audio, visual, mobile and scent products in North America and Internationally to more than 500,000 commercial locations. The Company generates revenue from multiple product and service offerings across 41 countries and is a media and marketing solutions provider to more than 850 North American and international brands.

3.2. In-Store Media

Audio

The Company has a broad portfolio of audio solutions that address specific customer needs. These services include customizable in-store music and messaging, retail radio and advertising. The Company has an international team of music DJs and designers who work with the Company's clients to create tailored music and messaging playlists to match a client's brand and to influence their consumers' preferences. The Company has a total library of approximately 6 million tracks from all major labels. Offensive language screening is also offered to ensure that the correct edit of new-release music is broadcast in-store. Through a partnership with Pandora, certain clients of the Company can legally play Pandora internet radio in their business and commercial establishments. With retail radio, the Company builds in-store radio stations for clients tailored for their consumers, ranging from simple solutions where product promotion slots are inserted into music playlists to more complex solutions such as a professional radio broadcast. The Company's services are also provided through a wide variety of technologies that are suitable for its clients, such as satellite, internet, CD and other. The Company sells and rents audio equipment, such as sound systems and music receiving or playback equipment. Because the use of personal and internet playlists are legally prohibited in most commercial environments, the Company's audio solutions provide its clients with a source of music and messaging content, as well as the commercial rights necessary to utilize such content.

Recurring revenue from audio solutions constituted approximately 95% of the Company's recurring revenue for each of the years ended 2013 and 2012.

Visual

The Company's visual solutions include customized TV programs, digital signage solutions, interactive kiosks, video jukeboxes and sophisticated customer experience applications. Its visual solutions deliver specific messages and experiences to clients' consumers via display technologies including LCD, LED, plasma, window displays, interactive displays and tablets. Used in conjunction with the Company's audio solutions, a complete audiovisual package is available to the Company's clients. Through proprietary software, the Company can link its visual solutions to its clients' inventory systems in order to optimize the delivery of visual content with products that are in stock. The Company's visual solutions represent both a flexible way of changing in-store promotions and a convenient way of keeping consumers entertained and informed.

Digital signage is a growing component of the Company's business. Graphic designers are able to prepare creative content alongside music DJs to provide clients with a tailored, audio-visual package. Mood Media broadcasts the client's digital signage channel through a combination of its content management software solutions and a mix of screen and interactive technologies depending on the client's requirements.

Recurring revenue from visual solutions constituted approximately 5% of the Company's recurring revenue for each of the years ended 2013 and 2012.

Mobile

The Company's mobile solutions offer its customers the potential to bring e-commerce and advertising services to its retail clientele at the point of sale. Mood Media has developed a digital watermarking technology that encrypts songs played in a retail environment, enabling a customer's phone to receive personalized messages and promotions via retailer-owned and third party apps. This technology has the potential to drive unique interactions between the retailer and its clientele to drive purchasing activity and to create customer loyalty.

Scent

The Company's scent solutions include fragrance marketing and signature scent creation. Such scent solutions are offered to clients through a reseller agreement with ScentAir. Through this reseller agreement, the Company offers plug-and-play nebulization systems, which work by producing scheduled deliveries of ultra-fine nano-droplets that give a uniformed density and ultra-low concentration of a specific fragrance. The Company's scent solutions can be used to encourage positive consumer emotions and create signature brand scent exposures and experiences for clients in retail, hospitality and care verticals.

3.3. Business Strengths

Predictable and Contracted Recurring Revenues

The Company's business model is predominantly subscription-based, augmented by equipment sales and installation fees. Subscription revenue is generated through take-or-pay contracts, typically ranging from three to five years in length, pursuant to which the Company's clients pay a fixed fee per month per location for the term of the contract, even if terminated early. As such, the majority of overall revenue is recurring and long term in nature.

Long-standing and Diversified Client Base

The Company possesses a loyal client base of more than 850 North American and international brands, as well as hundreds of thousands of small businesses, with average tenure of contracted national clients at 11 years. Management believes that the product and service offerings are instrumental to clients in maximizing return on in-store investment and that its solutions increase in-store dwell times, which indirectly lead to purchases, reduce perceived waiting times and generate goodwill toward a brand based on value-added, informative content, such as promotions, consumer tips and news updates. Management believes that its in-store media and marketing solutions improve its clients' consumer return and retention rates. Additionally, because of the breadth of the Company's client base, the Company is not dependent on any single client, with no one client representing more than 2% of its total revenues. Mood Media's clients range from single location businesses to "blue-chip" companies in a broad range of consumer-facing industries, including fashion and cosmetics, financial services, food and beverage, leisure and hospitality, oil and gas, and telecommunications.

Unparalleled Media Library Providing Lower Cost Structure

The Company has a total library of approximately 6 million tracks from all major labels. The Company has agreements with multiple major labels and independent label performance rights organizations throughout the world that govern the use of their represented artists' works and enable the Company to provide North American and international brands with professionally managed media.

Meaningful Upside from Recent Acquisitions

The Company has achieved 100% of its targeted Wave 1 business efficiency and integration synergy program, focused on streamlining the Company's operating infrastructure resulting from acquisition activity to create efficiencies and enhance profitability, and position the Company to capture opportunities for growth across Local Audio, Visual Solutions and Mobile Services. The Company expects these improvements to deliver nearly $9 million in annual cost savings. Additionally, the Company has finalized the majority of its plans for Waves 2 and 3 that are expected to deliver substantial annualized savings in the range of $8 to $12 million once its implementation efforts are completed by June 30th for Wave 2 and year end for Wave 3 initiatives, respectively.

New and Experienced Management Team

The Company benefits from a new management team appointed mostly in fourth quarter of 2013, that brings over 30 collective years of experience and a proven track record for leading transformational success by achieving growth and profitability that can create value for all stakeholders. Under Mood Media's management team's guidance, the Company has established itself as the world's largest integrated provider of in-store customer experience solutions. With substantial industry expertise and innovative vision, the management team anticipates the needs of the Company's clients, creates tailored media, experiential and marketing solutions to address those needs, and delivers varied and unique product and solutions service offerings.

Product Development and Innovative Solutions

The Company is addressing the competitive landscape and changing technologies by creating new delivery technologies and new value added services for its current and potential client base to enhance their reach to their customers. The Company has developed a new web based music solution built to better address the needs of the business music customer and intended to take advantage of the improving broadband internet infrastructure installed in businesses world-wide. In addition, the same platform will be used to introduce the Company's own commercial web based music solution, Mood:Mix. This new service is intended to address the needs of subscribers wishing to influence their music experience, but who also require a solution that does not require the level of personal interaction that's often required with consumer facing personal internet radio. Mood:Mix was developed to specifically address the needs of the Company's subscriber base.

The Company has also developed a patent pending audio watermarking technology that can be digitally injected into any of the Company's music, messaging, or digital signage audio streams. The technology, called "Presence" will allow the Company to directly communicate to a consumer's mobile devices while they are inside a retail establishment who is a subscriber to one of the Company's audio services. Presence will work with any mobile phone operating system and leverages the vast installed base of existing sound systems already in use by the Company's subscribers.

3.4. Strategy

The Company intends to increase its revenue, margins and cash flow through the following business strategies:

Implement Integration Plans to Generate Targeted Cost Synergies

The Company has achieved 100% of its targeted Wave 1 business efficiency and integration synergy program, focused on streamlining the Company's operating infrastructure resulting from acquisition activity to create efficiencies and enhance profitability, and position the Company to capture opportunities for growth across Local services, Visual Solutions and Mobile promotional experiences.

The Company expects synergy and operational efficiency enhancements to deliver nearly $9 million in annual cost savings from efforts executed in Wave 1 of its consolidation efforts. Additionally, the Company has finalized the majority of its plans for Waves 2 and 3 that are expected to deliver substantial annualized savings in the range of $8 to $12 million once implementation efforts are completed by June 30th and year end 2014, respectively.

Drive Sales Performance by Investing in Local Market Segments

The Company is enhancing its local sales efforts by reorganizing its sales structure, by growing its local sales associates and by enhancing the number of innovative services it offers to local businesses. Management believes that it is developing new and compelling local audio and visual services that will enable it to attract new local business customers by offering an increasingly compelling blend of products and services.

Expand Visual Presence and Mobile Applications Growth

Management believes that its clients look to the same provider for audio and visual media and marketing solutions. The cross-selling and bundling of visual services with audio services provide an opportunity to increase overall average revenue per site per month. Management believes the conversion of existing audio clients to visual content will enable the Company to sell significantly more visual services, which will generate incremental revenue and profits.

Expand into Underpenetrated, Addressable Locations

The in-store media marketplace is significantly underpenetrated, as an estimated 74% of the potential addressable locations are without managed in-store media and marketing solutions. Mood Media's strategy focuses on increasing its penetration rate with established and new geographies through organic growth by driving and cross selling our subscriber revenue model and investing further in our local sales and distribution channels.

The "network effect"

The "network effect" is the virtuous circle that is generated by a network as the number of clients and shoppers increases. As the size of a network increases, it becomes more compelling to new users, and thereby increases the value of the network. Currently, Mood Media has an extensive global network of locations; however the value of the services it offers at each location is not tied or leveraged to the other locations. Installing local services on the Company's network has the potential to create that "network effect" and capitalize on the Company's footprint of more than 500,000 locations. These products and services allow Company clients to add an additional marketing channel, utilizing social and mobile media applications to communicate with their consumers at the point of purchase.

3.5. Geographic Footprint

The Company is divided into two key trading divisions: (1) Mood North America and (2) Mood International.

Mood North America makes up 62% of the revenue for the year ended December 31, 2013.

International makes up the remaining 38% of revenue. Geographically the most significant countries in the International division include France, the United Kingdom, Germany and Netherlands. There are also operations in Ireland, the Nordic region, Central and Eastern Europe, Australia, South America and Asia.

The Company has relationships with third-party businesses in 17 countries, including China, India, Croatia, Singapore and South Korea, while we have joint ventures in Japan and New Zealand. Management believes that Mood Media has the broadest geographical reach of any provider of in-store media solutions and that it has market leading positions based on the number of sites serviced in the United States, Australia, France, Germany, Netherlands and the United Kingdom. The acquisitions in the past several years and the further integration of Mood Media's operations to achieve and an improved cost structure which aligns more closely with revenue opportunities will lay a strong foundation for the Company's long-term growth.

3.6. Competitive Landscape

The in-store media and marketing solutions industry is dynamic and characterized by a variety of competitive formats and technology solutions. Management believes that the Company is unique among its competitors in the breadth of its product and service offerings, as well as in its geographic reach. The Company has over six times as many locations as its next largest competitor. Based on locations served, Imagesound, Headland, and POS Audio are currently among the Company's larger competitors in Europe and PlayNetwork, Retail Radio, and InStore Audio Network (IBN) are among the Company's larger competitors in North America.

The Company also competes against unlicensed alternatives. The music industry polices the illegal use of music, with the performance rights organizations being active in this process by inquiring into businesses using music directly. Unlicensed alternatives are not only illegal, but they also do not provide any messaging or tailoring capabilities, which are considered highly desired and essential for clients with more than one location.

3.7. Technology

Mood Media uses a number of audio and visual systems to deliver its products and services. The technology Mood Media deploys is an important part of the offerings to its clients. Clients cannot receive the Company's content without also renting or purchasing Mood Media hardware and/or software. The Company is able to deploy tailored technology to client sites and promotes its ability to easily integrate existing client infrastructure and support systems. Mood Media's delivery options include:

Online Delivery (Download and Stream)

Online delivery of content uses the client's broadband connection to either download content onto a hard drive player in-store or to continuously stream content and broadcast it in-store via a point-to-point connection. Both delivery methods require bandwidth from the client's network. Continuous streaming of content requires higher bandwidth and stability, whereas streaming content to a hard-drive is not continuous and can take place at night, therefore not occupying substantial bandwidth needs.

Satellite Delivery (Download and Stream)

Similar to online delivery, content delivery via satellite can take place either via download to a hard drive player in-store or via continuous streaming. Both technologies require the installation of a satellite dish at the client's premises. For visual content, satellite streaming is currently not a viable delivery option due to the high bandwidth cost to the provider. However, satellite can be used to download visual content to a large number of sites in an inexpensive way, as content can be sent only once and received by all sites.

Physical Delivery (Hard Drive Solution with Updated CDs / DVDs)

Audio or visual content can be delivered to customers via encrypted CDs, DVDs and tapes and then shipped to stores where they are loaded to proprietary hard-drive players for broadcasting. Content is downloaded from the CDs and DVDs onto the device hard drive and then played according to schedules and media play-lists, programmed for that store. Hard drive solutions allow for complex schedules and enable large content volumes to be broadcasted with little repetition. Hard drive technology and media applications include client messaging and advertising solutions.

Moving forward, we will continue to leverage all available delivery technologies based on clients' unique requirements. Store refurbishment cycles often trigger a review of the in-store media and marketing strategy, representing an opportunity for the Company to present new alternatives and up-sell advanced technological, refreshed content, and device solutions.

3.8. Social and Mobile Opportunities

By leveraging the Company's extensive platform of in-store media and marketing solutions, management believes that the Company is well positioned to take advantage of social and mobile opportunities that integrate brick and mortar store experiences with promotional digital content. Through the Company's partnerships with social/mobile/media companies, and the development of its own proprietary solutions, management believes there is a vast opportunity to engage with current retailers to broaden their omni-channel initiatives and develop new business solutions and recurring revenue relationships.

3.9. Intangible Properties

The Company has filed several patent applications relating to certain aspects of its music, messaging and mobile marketing delivery systems. In addition, the Company has registered, and/or has applied to register, trademarks and service marks in the U.S. and a number of foreign countries for trademarks and service marks that the Company may use in the future. Although the Company believes the ownership of such patents, trademarks and service marks is an important factor in its business and that its success does depend in part on the ownership thereof, the Company relies primarily on the skills, technical competence and marketing abilities of its personnel. Because of technological changes in the music industry, current patent coverage, and the rapid rate of issuance of new patents, it is possible certain components of the Company's products and business methods may unknowingly infringe existing patents or intellectual property rights of others. From time to time, the Company has been notified that it may be infringing certain patents or other intellectual property rights of third parties.

3.10. Employees

The Company and its subsidiaries currently employ more than 2,000 associates across its core markets in North America and International locations. Approximately 1,000 of Mood Media's employees work in operations. Operations provide equipment, installation and maintenance services at the Company's client's premises. In countries without an operations team, installation services are outsourced to a variety of third parties. The Company's operations team manages Mood Media customer service call centers and updates customers on available new media and marketing solutions. Almost a quarter of the Company's employees are in business development, sales, and after-sales support, which includes the account management of existing clients and the generation of new business. Account management is key to ensuring quality customer service and in retaining the customer base. Account management and sales support provide Mood Media with a platform for up-selling advanced and new solution technologies to existing clients in day-to-day ongoing operations.

The remainder of Mood Media's employees work in finance, technology, creative and content development, human resources, legal and licensing and other areas supporting the core business.

A minimal number of the Company's employees are unionized.

3.11. Seasonality

Revenues are derived primarily from service subscription billings on subscription agreements with terms ranging from three to five years. As a result, the Company is not as susceptible to significant seasonal fluctuations.

3.12. Reorganizations

Effective January 1, 2011, the Company dissolved Somerset Entertainment Income Fund, Somerset Entertainment Trust and Somerset Entertainment Limited Partnership in light of changes to the taxation of income trusts and to simplify its corporate structure.

3.13. Risk Factors

The results of operations, business prospects and the financial condition of the Company are subject to a number of risks and uncertainties, and are affected by a number of factors outside the control of the Company's management. These risks are noted below.

3.14. Risks related to the Company

Integration risks

Making strategic acquisitions and business combinations has been a significant part of Mood Media's growth plans. Its ability to expand in this manner depends in large part on its ability to identify suitable acquisition targets and compete successfully with other entities for these targets. Mood Media recently completed the acquisition of Technomedia in December 2012, ICI in October 2012, BIS in May 2012, DMX in March 2012, and Muzak in May 2011, with the expectation that these acquisitions would result in strategic benefits, economies of scale and synergies. These anticipated benefits, economies of scale and synergies will depend in part on whether the operations of Mood Media, Technomedia, ICI, BIS, DMX and Muzak can be integrated in an efficient and effective manner. It is possible that this may not occur as planned, or that the financial and other benefits may be less than anticipated. In addition, management believes that the integration will give rise to restructuring costs and charges, and these may be greater than currently anticipated. Furthermore, the contracts governing the Company's recent acquisitions do include, and the contracts governing the Company's future business combinations and/or acquisitions may include, post-closing purchase price adjustments that require it to make additional payments to the relevant selling party post-closing and such payments could be greater than anticipated. The integration of the Company's ERP systems presents a risk to the Company and requires resources to accomplish, including capital expenses and personnel time.

The Company has been built via a series of acquisitions. Failure to properly integrate these acquisitions will leave Mood Media less able to operate as a consolidated whole and may lead to depressed revenue and margin performance. This integration is ongoing and requires dedication and substantial management effort, time and resources which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. The integration process may result in loss of key employees and the disruption of the ongoing business, customer and employee relationships that may adversely affect the ability of Mood Media to achieve the anticipated benefits of the acquisitions. Further, the operating results and financial condition of Mood Media could be materially adversely impacted by the focus on integration.

Future business combinations and/or acquisitions could materially and adversely affect the Company's business, financial condition and results of operations if it is unable to integrate the operations of the acquired companies.

Completing business combinations and/or acquisitions could require use of a significant amount of our available cash. Furthermore, Mood Media may have to issue equity or equity linked securities to pay for future business combinations and/or acquisitions. Acquisitions and investments may also have negative effects on the Company's reported results of operations due to acquisition-related charges, amortization of acquired technology and other intangibles, failure to retain key employees or customers of acquired companies and/or actual or potential liabilities, known and unknown, associated with the acquired businesses or joint ventures. Any of these acquisition-related risks or costs could materially and adversely affect the Company's business, financial condition and results of operations.

Costly and protracted litigation may be necessary to defend usage of intellectual property

The Company may become subject to legal proceedings and claims in relation to its business. In particular, while management believes that it has the rights to distribute the music recordings used in connection with the Company's business, the Company may be subject to copyright infringement lawsuits for selling, performing or distributing music recordings if it does not have the rights to do so. Results of legal proceedings cannot be predicted with certainty. Regardless of their merits, litigation, arbitration and/or mediation of such claims may be both time-consuming and disruptive to the Company's operations and cause significant expense and diversion of management attention. The Company is currently defending itself against a number of legal claims. While the Company believes these claims to be without merit, and is vigorously defending itself, the Company cannot guarantee that it will be successful or that it will reach commercially reasonable settlement terms. Should Mood Media fail to prevail in such proceedings and claims, its financial condition and operating results could be materially and adversely affected.

If the current owners with which the Company contracts do not have legal title to the digital rights they grant the Company, the Company's business may be adversely affected

Mood Media's license agreements with content owners contain representations, warranties and indemnities with respect to the rights granted to Mood Media. If the Company were to acquire and make available on its service musical works from a person or entity who did not actually own such rights and the Company was unable to enforce on the representations, warranties and indemnities made by such person, the Company’s business may be adversely affected.

We face intense competition from our competitors that could negatively affect our results of operations

The market for acquiring exclusive digital rights from content owners is competitive, especially for the distribution of music catalogues owned by independent labels. The number of commercialized music recordings available for acquisition is large, but limited, and many of the more desirable music recordings are already subject to digital distribution agreements or have been directly placed with digital entertainment services. The Company faces competition in its pursuit to acquire additional content, which may reduce the amount of music content that it is able to acquire or license and may lead to higher acquisition prices. The Company’s competitors may from time to time offer better terms of acquisition to content owners. Increased competition for the acquisition of digital rights to music recordings may result in a reduction in operating margins and may reduce the Company’s ability to distinguish itself from its competitors by virtue of its music library.

The Company has different competitors in its local geographies but very few that operate across international markets. Some of these local competitors offer services at a lower price than Mood Media offers in order to promote their services and gain share. If these competitors are able to leverage such price advantages, it could harm the Company’s ability to compete effectively in the marketplace. Furthermore, there is a threat of new entrants to the competitive landscape, including traditional advertisers and media providers as well as start-up companies. The growth of social media could facilitate other forms of new entry that will compete with the Company.

Mood Media also competes with companies that are not principally focused on providing business music services. Such competitors include Sirius XM Satellite Radio, webcasters and traditional radio broadcasters that encourage workplace listening, video services that provide business establishments with music videos or television programming, and performing rights societies that license business establishments to play sources such as CDs, tapes, MP3 files and satellite, terrestrial and internet radio.

The Company competes on the basis of service, the quality and variety of its music programs, the availability of its non-music services and, to a lesser extent, price. Management believes that the Company can compete effectively due to the breadth of its in-store media. While management believes that the Company competes effectively, the Company’s competitors have established client bases and are continually seeking new ways to expand such client bases and revenue streams. As a result, competition may negatively impact the Company’s ability to attract new clients and retain existing clients.

If the Company is unable to generate demand for managed media services, its financial results may suffer

Mood Media’s current business plan contemplates deriving revenue from businesses that want a professional media service that is available for sale in-store or broadcast in-store. The Company’s ability to generate such revenues depends on the market demand for its media content and its ability to provide a robust service that delivers a return on investment.

Mood Media’s customers may choose to terminate their relationship with Mood Media or reduce their spending on its services, which could have a material adverse effect on its financial condition and results of operations.

The Company depends for a large portion of its revenues on the continued spending by its clients on in-store media services. The Company’s top clients for such services typically have lengthy tenures. However, should clients decide to stop using or to reduce their expenditures on in-store media or decide to terminate their agreements with the Company and to use one of its competitors; the Company will lose subscription income which will have an adverse effect on its financial position.

The Company's success will depend, in part, on its ability to develop and sell new products and services

The Company's success depends in part on the ability of its personnel to develop leading-edge media products and services and the ability to cross sell visual media and scent marketing to existing clients. The Company's business and operating results will be harmed if it fails to cross sell its services and/or fails to develop products and services that achieve widespread market acceptance or that fail to generate significant revenues or gross profits to offset development and operating costs. The Company may not successfully identify, develop and market new products and service opportunities in a timely manner. The Company also may not be able to add new content as quickly or as efficiently as its competitors, or at all. If the Company introduces new products and services, they may not attain broad market acceptance or contribute meaningfully to its revenues or profitability. Competitive or technological developments may require the Company to make substantial, unanticipated investments in new products and technologies, and the Company may not have sufficient resources to make these investments.

The Company's use of open source and third party software could impose unanticipated conditions or restrictions on its ability to commercialize its solutions

While Mood Media has developed its own proprietary software and hardware for the delivery of its media solutions, Mood Media may be restricted under existing or future agreements from utilizing certain licensed technology in all of the jurisdictions and/or industry sectors in which it operates. Failure to comply with such restrictions may leave the Company open to proceedings by third parties and such restrictions may, if alternative technology is not available, affect the Company's ability to deliver its services in such jurisdictions, in each case resulting in an adverse effect on the Company's financial position.

The Company's suppliers may choose to terminate their relationship with the Company, which could have a material adverse effect on the Company's financial condition and results of operations

The Company has licensing arrangements with suppliers of satellite services which are used in the delivery of content to its customers. If such licensing arrangements were terminated and alternative arrangements were not available, this would affect the Company's ability to deliver its services resulting in an adverse effect on its financial or trading position.

The imposition of the obligation to collect sales or other taxes on shipments into one or more states in the United States could create administrative burdens on the Company and decrease its future sales

The Company does not collect sales or other taxes on shipments by its foreign subsidiaries of most of its goods into most states in the United States. One or more states or foreign countries may seek to impose sales or other tax collection obligations on out-of-jurisdiction e-commerce companies. A successful assertion by one or more states or foreign countries that the Company should collect sales or other taxes on the sale of merchandise or services could result in substantial tax liabilities for past sales, decrease the Company's ability to compete with traditional retailers, and otherwise harm its business.

Currently, U.S. Supreme Court decisions restrict the imposition of obligations to collect state and local sales and use taxes with respect to sales made over the internet. However, a number of states, as well as the U.S. Congress, have been considering initiatives that could limit or supersede the Supreme Court's position regarding sales and use taxes on internet sales. If any of these initiatives were successful, Mood Media could be required to collect sales and use taxes in additional states. The imposition by state and local governments of various taxes upon internet commerce could create administrative burdens for the Company, put it at a competitive disadvantage if they do not impose similar obligations on all of its online competitors and decrease its future sales.

The Company is taxable on its worldwide income both in Canada and the United States, which could, in certain circumstances, have a material adverse effect on the Company

The Company is a resident in Canada for purposes of the Income Tax Act (Canada) and management believes that it will continue to be treated as a domestic corporation in the United States under the U.S. Internal Revenue Code 1986, as amended. As a result, Mood Media (but not its subsidiaries) is generally taxable on its worldwide income in both Canada and the United States (subject to the availability of any tax credits and deductions in either or both jurisdictions in respect of foreign taxes paid by Mood Media). Management believes that the Company’s status of being taxable both in Canada and the United States has not given rise to any material adverse consequences as of the date hereof. Management also believes that such status is not likely to give rise to any material adverse consequences in the future as it is not anticipated that it will have any material amounts of taxable income. Nevertheless, the Company’s status of being taxable on its worldwide income both in Canada and the United States could, in certain circumstances, have a material adverse effect on the Company.

As result of the Company being resident in both Canada and the United States, withholding taxes of both Canada and the United States will be relevant to holders of the Company’s securityholders and could, in certain circumstances, result in double taxation to certain investors and other consequences.

If the Company is unable to access additional equity or debt financing at a reasonable cost, it could affect our ability to grow

Given the sensitivity of capital markets worldwide, there is an increased risk that the Company may not be able to obtain additional equity or debt financing that it may require to consummate future acquisitions or to refinance its debt when it is due. While management believes that the Company possesses sufficient cash resources to execute the Company’s business plan, an inability to access financing at a reasonable cost could affect its ability to grow. If the realization of various risk factors results in poor financial performance it may make capital markets more difficult to access or closed completely to the Company for debt and equity financing and the Company could go out of business.

Failure to continue to generate sufficient cash revenues could materially adversely affect Mood Media’s business

The Company’s ability to be profitable and to have positive cash flow is dependent upon its ability to maintain and locate new customers who will purchase its products and use its services, and the Company’s ability to continue to generate sufficient cash revenues. Mood Media presently generates the majority of its revenue in the United States and Europe, with customers concentrated in the retail and hospitality sectors. These sectors continue to be negatively affected by ongoing economic difficulties and the Company’s revenues could be affected by bankruptcies or rationalization of a portion of its existing client base. A material reduction in revenue would negatively impact the Company’s financial position.

If the Company’s revenue grows more slowly than anticipated, or if the Company is unable to find additional acquisitions sufficiently profitable to support its cash outflows, or if the Company’s operating expenses are higher than expected, it may not be able to sustain or increase profitability, in which case its financial condition will suffer and its value could decline. Failure to continue to generate sufficient cash revenues could also cause the Company to go out of business.

The Company may not have the financial or technological resources to adapt to changes in available technology and its clients’ preferences, which may have a negative effect on the Company’s revenue

Mood Media’s product and service offerings compete in a market characterized by rapidly changing technologies, frequent innovations and evolving industry standards. There are numerous methods by which existing and future competitors can deliver programming, including various forms of recorded media, direct broadcast satellite services, wireless cable, fiber optic cable, digital compression over existing telephone lines, advanced television broadcast channels, digital audio radio service and the internet. Competitors may use different forms of delivery for the services that the Company offers, and clients may prefer these alternative delivery methods. The Company may not have the financial or technological resources to adapt to changes in available technology and the Company's clients' preferences, which may have a negative effect on its revenue.

The Company cannot provide assurance that it will be able to use, or compete effectively with competitors that adopt, new delivery methods and technologies, or keep pace with discoveries or improvements in the communications, media and entertainment industries. The Company also cannot provide assurance that the technology it currently relies upon will not become obsolete.

The Company pays royalties to license music rights and may be adversely affected if such royalties are increased

The Company pays public performance royalties to songwriters and publishers through agreements with performing rights societies such as The American Society of Composers Authors and Publishers ("ASCAP"), Broadcast Music, Inc. and SESAC, publishing or mechanical royalties to publishers and collectives that represent their interests, such as The Harry Fox Agency—a collective that represents publishers and collects royalties on their behalf.

If public performance or mechanical royalty rates for digital music are increased, there can be no assurance that the Company will be able to pass through such increased rates to its customers. As a result, the Company's results of operations and financial condition may be adversely affected.

Mood Media also secures rights related to use of sound recordings from SoundExchange as well as directly from record labels. There is no assurance that it will be able to secure such rights, licenses and content in the future on commercially reasonable terms, if at all. Limitations on the availability of certain musical works may result in the discontinuance of certain programs, and as a result, may lead to increased client churn.

The Company depends upon suppliers for the manufacture of its proprietary media players, and the termination of its arrangements with these suppliers could materially affect its business

The Company relies on suppliers to manufacture its proprietary media players. In the event these agreements are terminated, management believes that the Company will be able to find alternative suppliers. If it is unable to obtain alternative suppliers on a timely basis, or at all, or if it experiences significant delays in shipment, the Company may be forced to suspend or cancel delivery of products and services to new accounts which may have a material adverse effect upon its business. If the Company is unable to obtain an adequate supply of components meeting its standards of reliability, accuracy and performance, the Company would be materially and adversely affected.

Possible infringement by third parties of intellectual property rights could have a material adverse effect on the Company's business, financial condition and results of operations

The Company distributes digital music content to its business music consumers via its proprietary media players. The Company cannot be certain that the steps it has taken to protect its intellectual property rights will be adequate or that third parties will not infringe or misappropriate its proprietary rights. To protect its proprietary rights, Mood Media depends on a combination of patent, trademark, copyright and trade secret laws, confidentiality agreements with its employees and third parties and protective contractual provisions. These efforts to protect its intellectual property rights may not be effective in preventing misappropriation of its technology. These efforts also may not prevent the development and design by others of products or technologies similar to, competitive with or superior to those developed by the Company. Any of these results could reduce the value of the Company's intellectual property. In addition, any infringement or misappropriation by third parties could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company may be liable if third parties misappropriate its users' and customers' personal information

Third parties may be able to hack into or otherwise compromise the Company's network security or otherwise misappropriate its users' personal information or credit card information. If the Company's network security is compromised, the Company could be subject to liability arising from claims related to, among other things, unauthorized purchases with credit card information, impersonation or other similar fraud claims or other misuse of personal information, such as claims for unauthorized marketing purposes. In such circumstances, the Company also could be liable for failing to provide timely notice of a data security breach affecting certain types of personal information in accordance with the growing number of notification statutes. Consumer protection privacy regulations could impair the Company's ability to obtain information about its users, which could result in decreased advertising revenues.

Mood Media's network also uses "cookies" to track user behavior and preferences. A cookie is information keyed to a specific server, file pathway or directory location that is stored on a user's hard drive or browser, possibly without the user's knowledge, but is generally removable by the user. The Company uses information gathered from cookies to tailor content to users of its network and such information may also be provided to advertisers on an aggregate basis. In addition, advertisers may themselves use cookies to track user behavior and preferences. A number of internet commentators, advocates and governmental bodies in the United States and other countries have urged the passage of laws directly or indirectly limiting or abolishing the use of cookies. Other tracking technologies, such as so-called "pixel tags" or "clear GIFs", are also coming under increasing scrutiny by legislators, regulators and consumers, imposing liability risks on the Company's business. In addition, legal restrictions on cookies, pixel tags and other tracking technologies may make it more difficult for the Company to tailor content to its users, making the Company's network less attractive to users. Similarly, the unavailability of cookies, pixel tags and other tracking technologies may restrict the use of targeted advertising, making the Company's network less attractive to advertisers and causing it to lose significant advertising revenues.

Government regulation of the internet and e-commerce is evolving and unfavourable changes could harm our business

The Company is subject to general business regulations and laws, as well as regulations and laws specifically governing the internet and e-commerce. Existing and future laws and regulations may impede the growth of the internet or online services. These regulations and laws may cover taxation, privacy, data protection, pricing, content, copyrights, distribution, electronic contracts and other communications, consumer protection, and the characteristics and quality of products and services. It is not clear how existing laws governing issues such as property ownership, libel, and personal privacy apply to the internet and e-commerce. Unfavourable regulations and laws could diminish the demand for the Company's products and services and increase its cost of doing business.

The locations of the Company's users expose it to foreign privacy and data security laws and may increase the Company's liability, subject it to non-uniform standards and require it to modify its practices

Mood Media's users are located in the United States and around the world. As a result, the Company collects and processes the personal data of individuals who live in many different countries. Privacy regulators in certain of those countries have publicly stated that foreign entities (including entities based in the United States) may render themselves subject to those countries' privacy laws and the jurisdiction of such regulators by collecting or processing the personal data of those countries' residents, even if such entities have no physical or legal presence there. Consequently, the Company may be obligated to comply with the privacy and data security laws of certain foreign countries.

Mood Media's exposure to Canadian, European and other foreign countries' privacy and data security laws impacts its ability to collect and use personal data, and increases its legal compliance costs and may expose the Company to liability. As such laws proliferate, there may be uncertainty regarding their application or interpretation, which consequently increases the Company's potential liability. Even if a claim of noncompliance against the Company does not ultimately result in liability, investigating or responding to a claim may present a significant cost. Future legislation may also require changes in Mood Media's data collection practices which may be expensive to implement.

In addition, enforcement of legislation prohibiting unsolicited e-mail marketing in the European Union without prior explicit consent is increasing in several European countries, including France, Germany and Italy, which activities could negatively affect the Company's business in Europe and create further costs for it.

Evolving industry

The Company sells digital music at prices which are based, to a large extent, on the price third party digital music retailers charge to consumers. The Company has limited ability to influence the pricing models of the digital entertainment services. While the major record labels were unsuccessful in their recent attempt to change the pricing structure, there is no assurance that they will not attempt to change the pricing structure in the future or that the digital music retailers will not initiate such a change that could result in lower pricing or tiered pricing that could reduce the amount of revenue the Company receives. In addition, the popularity of digital music retailers that offer digital music through subscription and other pricing models is increasing. The revenue the Company earns per individual music recording is generally less under these models than what it receives through sales of music outside of a subscription service. Additionally, digital music services at present generally accept all the music content that the Company and other distributors deliver to them. However, if the digital music services in the future decide to limit the types or amount of music recordings they will accept from content owners and distributors like the Company, or limit the number of music recordings they will post for sale, or change their current stocking plans, for instance by removing music recordings that do not meet minimum sales thresholds or other criteria, the revenue of the Company may be reduced.

Piracy is likely to continue to negatively impact the potential revenue of the Company.

A portion of the Company's revenue comes from the sale of its digital content over the Internet and wireless, cable and mobile networks, which is subject to unauthorized consumer copying and widespread dissemination without an economic return to the Company. Global piracy is a significant threat to the entertainment industry generally and to the Company. Unauthorized copies and piracy have contributed to the decrease in the volume of legitimate sales of music and video content and have put pressure on the price of legitimate sales. This may result in a reduction in the Company's revenue.

The Company does not expect to pay dividends and there are potential adverse tax consequences from the payment of dividends on the Common Shares.

The Company has not paid any cash dividends with respect to its Common Shares, and it is unlikely that the Company will pay any dividends on the Common Shares in the foreseeable future. However, dividends received by shareholders could be subject to applicable withholding taxes and the Company recommends that such shareholders seek the appropriate professional advice in this regard.

Litigation

The Company is currently defending itself against a number of legal claims. While the Company believes these claims to be without merit, and is vigorously defending itself, it cannot guarantee that it will be successful or that it will reach commercially reasonable settlement terms. A negative judgment or the costs of a protracted defense could materially affect the Company's earnings.

Reliance on debt facilities

A portion of the Company's credit facilities bear interest at floating interest rates and, therefore, are subject to fluctuations in interest rates. Interest rate fluctuations are beyond the Company's control and there can be no assurance that interest rates will not have a material adverse effect on the Company’s financial performance. The Company has debt and owes money to creditors including banks and holders of convertible debentures and the Notes. Such debt is secured against the Company’s assets or guaranteed by certain of the Company’s subsidiaries and is subject to certain covenants being met. These covenants could reduce the Company’s flexibility in conducting its operations and may create a risk of default on its debt if the Company cannot satisfy or continue to satisfy these covenants. Should the Company fail to satisfy or continue to satisfy its covenants and if its debt is accelerated or required to be redeemed, the Company will need to find new sources of finance or else cede ownership of some or all of its assets which may have a material adverse effect on the business of the Company. The Company may also issue Common Shares to refinance some of its indebtedness. Issuances of a substantial number of additional Common Shares may adversely affect prevailing market prices for the Common Shares. With any additional issuance of Common Shares, investors will suffer dilution to their voting power and the Company may experience dilution in its earnings per Common Share.

Foreign currency exchange risk

The Company operates in the US, Canada and internationally. The functional currency of the Company is US dollars and a significant number of the Company's transactions are recorded in Canadian dollars and Euros. Foreign currency exchange risk arises because the amount of the local currency income, expenses, cash flows, receivables and payables for transactions denominated in foreign currencies may vary due to changes in exchange rates ("transaction exposures") and because the non-US denominated financial statements of the Company’s subsidiaries may vary on consolidation into US dollars (“translation exposures”).

The most significant translation exposure arises from the Euro currency. The Company is required to revalue the Euro denominated net assets of the European subsidiaries at the end of each period with the foreign currency translation gain or loss recorded in other comprehensive income. The Company does not currently hedge translation exposures. Since the financial statements of Muzak and DMX are denominated in US dollars, the risk associated with translation exposures has reduced following the acquisition of Muzak and DMX. The most significant transaction exposure arises as a result of a significant level of US dollar transactions occurring within the Canadian operations.

Interest rate risk

The Company’s interest rate risk arises on a debt drawn under the First Lien Credit Facility, which bear interest at a floating rate. However the level of interest rate risk is mitigated by the fact that the First Lien Credit Facility carries an interest rate floor which currently exceeds LIBOR. The Company also purchased an interest rate cap in 2011 to protect against increasing LIBOR rates, which matures August 4, 2014.

Liquidity risk

Liquidity risk arises through excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and through the availability of funding from the committed First Lien Credit Facility.

Credit risk

Credit risk arises from cash held with banks and credit exposure to customers on outstanding accounts receivable balances. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company assesses the credit quality of the counterparties, taking into account their financial position, past experience and other factors. Management also monitors payment performance and the utilization of credit limits of customers.

4. DIVIDENDS

The Company intends to retain all earnings in the near to mid-term to fund the development and growth of its business. Any future determination relating to its dividend policy will be at the discretion of the Company's Board of Directors and will depend on the Company's results of operations, financial condition, capital requirements and other factors deemed relevant.

5. DESCRIPTION OF CAPITAL STRUCTURE

The Company is authorized to issue an unlimited number of Common Shares and an unlimited number of preferred shares issuable in series. As of March 28, 2014, 172,195,503 Common Shares are issued and outstanding. The Company has issued the following convertible unsecured subordinated debentures: (i) the Convertible Debentures on October 1, 2010, with an aggregate principal amount of $32,768,000; (ii) the Consideration Debentures on May 6, 2011, with an aggregate principal amount of $5,000,000; and, (iii) the New Debentures on May 27, 2011 with an aggregate principal amount $13,500,000. On May 6, 2011, the Company granted the 4,407,543 Muzak Acquisition Warrants, each with the right to acquire one Common Share at a price of $3.50 per Common Share.

Common Shares

Each Common Share entitles the holder to receive notice of any meetings of shareholders of the Company, to attend and to vote at all such meetings. All Common Shares have equal voting rights, with one vote per share on all matters submitted to the shareholders for their consideration. The Common Shares do not have cumulative voting rights.

Holders of Common Shares are entitled to dividends, after the payment of any dividends payable to the holders of preferred shares, if, as and when declared by the directors by resolution.

Upon liquidation, dissolution, or winding up of the affairs of the Company, holders of Common Shares will be entitled to share ratably in the assets available for distribution to such shareholders, after the payment of all liabilities and subject to the prior rights of holders of preferred shares.

Subject to applicable law, the Company may at any time or times purchase or otherwise acquire all or any part of the Common Shares, which shares so purchased or otherwise acquired may then at the discretion of the directors be cancelled or returned to the status of authorized and unissued shares.

Preferred Shares

The preferred shares will be issuable by the Board of Directors of the Company from time to time in one or more series. Subject to the Company's constating documents, the Board of Directors will, prior to issue, fix the number of shares of each series and determine the designation, rights, privileges, restrictions and conditions attaching to the shares of each series, including, without limitation, the right to receive dividends (which may be cumulative, non-cumulative or partially cumulative, and variable or fixed), the currency of the payment of dividends (if any), the rights of redemption, as well as the rights of retraction (if any) and the prices and other terms and conditions of any rights of retraction, any voting rights, any conversion rights, any rights to receive the remaining property of the Company upon dissolution, liquidation or winding-up, any sinking fund or purchase fund and any other provision attaching to any such series of the preferred shares.

Convertible Debentures

The Convertible Debentures were issued under an indenture dated October 1, 2010 (the "Indenture") entered into between the Company and Computershare Trust Company of Canada (the "Indenture Trustee"). The following statements are subject to the detailed provisions of the Indenture and are qualified in their entirety by reference to the Indenture, which is available on SEDAR at www.sedar.com.

Unless previously converted, redeemed or purchased, as described below, the Convertible Debentures will mature on October 31, 2015 (the "Maturity Date"). The principal amount of the Convertible Debentures is payable on the Maturity Date in cash or, at Mood Media's option and subject to satisfaction of certain conditions, by delivery of Common Shares or a combination of cash and Common Shares.

The Convertible Debentures will bear interest at the rate of 10.00% per annum on the principal amount from the issue date, or from the most recent date to which interest has been paid or provided for. Interest will be payable semi-annually in arrears on April 30 and October 31 of each year (each an "Interest Payment Date"), beginning on April 30, 2011. Each payment of cash interest on the Convertible Debentures will include interest accrued for the period commencing on and including the immediately preceding interest payment date (or, if none, the initial issuance date of the Convertible Debentures) through the day before the applicable interest payment date (or redemption or purchase date, as the case may be). Any payment required to be made on any day that is not a business day will be made on the next succeeding business day. Interest for any period shorter than a full semi-annual period shall be computed on the basis of a 360-day year composed of twelve 30-day months. Interest will cease to accrue on a Convertible Debenture upon its redemption, purchase or repayment.

Rank

The Convertible Debentures are unsecured obligations of the Company subordinated in right of payment to the prior payment of any senior indebtedness of the Company, but rank equally with one another and with all other unsecured and subordinated indebtedness of the Company, except as prescribed by law. The Indenture does not limit the Company's ability to incur additional indebtedness, including indebtedness that ranks senior to the Convertible Debentures, or from mortgaging, pledging or charging the Company's properties to secure any indebtedness.

The Indenture provides that in the event of any dissolution, winding-up or liquidation or any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganization or other similar proceedings relative to the Company and its subsidiaries, or to its respective property or assets, or in the event of any proceedings for voluntary liquidation, dissolution or other winding-up of the Company, whether or not involving insolvency or bankruptcy, or any marshalling of the assets and liabilities of the Company, then holders of senior indebtedness will receive payment in full before the holders of Convertible Debentures will be entitled to receive any payment or distribution of any kind or character, whether in cash, property or securities, which may be payable or deliverable in any such event in respect of any of the Convertible Debentures or any unpaid interest accrued thereon.

The Convertible Debentures will also be effectively subordinate to claims of all creditors of the Company's subsidiaries except to the extent the Company is a creditor of such subsidiaries ranking at least *pari passu* with such other creditors.

Conversion Right

Holders may convert their Convertible Debentures at any time into Common Shares prior to the earlier of the last business day immediately preceding the Maturity Date and the last business day immediately preceding the date specified by the Company for redemption of the Convertible Debentures based on an initial conversion ratio of 411.5226 Common Shares per $1,000 principal amount of Convertible Debentures (equivalent to an initial conversion price of approximately $2.43 per Common Share). Holders of Convertible Debentures will receive accrued and unpaid interest thereon up to, but excluding, the date of conversion. Upon conversion, the Company may offer and the converting holder of Convertible Debentures may agree to the delivery of cash for all or a portion of the Convertible Debentures surrendered in lieu of Common Shares of Mood Media. A holder may convert fewer than all of such holder's Convertible Debentures so long as the Convertible Debentures converted are an integral multiple of $1,000 principal amount of Convertible Debentures. A holder of a Convertible Debenture otherwise entitled to a fractional Common Share will receive cash equal to the fraction of the Common Share multiplied by the current market price as at the date of conversion.

Redemption

Prior to October 31, 2013, the Convertible Debentures were not redeemable at the option of the Company except in the event of a Fundamental Change (as defined below). In the event of a Fundamental Change, Mood Media shall be required to offer to purchase all of the outstanding Convertible Debentures on the date that is 30 business days after the date of such offer, at a purchase price equal to 100% of the principal amount of the Convertible Debentures, plus accrued and unpaid interest, if any, to, but not including, the purchase date. If such date is after a record date but on or prior to an interest payment date, however, then the interest payable on such date will be paid to the holder of record of the Convertible Debentures on the relevant record date.

Under the Indenture, a "Fundamental Change" of Mood Media will be deemed to have occurred at such time after the original issuance of the Convertible Debentures when the following has occurred:

(i) the acquisition by a person that is not an affiliate of the Company, or group of such persons acting jointly and in concert, of Common Shares of the Company (and/or securities convertible into Common Shares of the Company) representing (on a diluted basis, but only giving effect to the conversion or exercise of convertible securities held by such person or group of persons) greater than 50% of the Common Shares of the Company;

(ii) members of the Board of Directors of the Company nominated by management of the Company (or any subsequent nominees of management of the Company) cease to constitute a majority of the Board of Directors (except if such changes results from actions initiated by any of the holders of the Convertible Debentures);

(iii) the Common Shares of the Company are delisted from the TSX; or

(iv) the approval of a plan relating to the liquidation or dissolution of the Company by the Company or its shareholders.

Prior to the Maturity Date, the Convertible Debentures may be redeemed, in whole or in part at the option of the Company, on not more than 60 days' and not less than 30 days' prior notice at a price equal to the principal amount outstanding on such Convertible Debentures, together with accrued and unpaid interest thereon; provided that the current market price preceding the date on which the notice of redemption is given is not less than 130% of the conversion price.

Consideration Debentures

The Consideration Debentures were issued under an indenture dated May 6, 2011 (the "Consideration Indenture") entered into between the Company and the Indenture Trustee. The Consideration Debentures are subject to the same terms as the Convertible Debentures, listed above, with the exception being that the Interest Payment Date commences on October 31, 2011 for the Consideration Debentures. The above statements subject to the detailed provisions of the Consideration Indenture and are qualified in their entirety by reference to the Consideration Indenture, which is available on SEDAR at www.sedar.com.

New Debentures

The New Debentures were issued under an indenture dated May 27, 2011 (the "Convertible Indenture") entered into between the Company and the Indenture Trustee. The New Debentures are subject to the same terms as the Convertible Debentures, listed above, with the exceptions being that the Interest Payment Date commences on October 31, 2011 for the New Debentures, and they are subject to an initial conversion ratio of 357.1429 Shares per $1,000 principal amount of New Debentures (equivalent to an initial conversion price of approximately $2.80 per Common Share). The above statements subject to the detailed provisions of the Consideration Indenture and are qualified in their entirety by reference to the Convertible Indenture, which is available on SEDAR at www.sedar.com.

Warrants

The Muzak Acquisition Warrants were issued pursuant to an indenture dated May 6, 2011 (the "Warrant Indenture") entered into between the Company and Computer Share Trust Company of Canada (the "Warrant Agent"). The Company issued 4,407,543 Muzak Acquisition Warrants, each of which entitles the holder thereof to acquire one Common Share at a price of $3.50 per Common Share, expiring May 6, 2016, five years from the date of issuance.

Notes

The Company issued $350,000,000 in aggregate principal amount of 9.25% Senior Unsecured Notes pursuant to a trust indenture dated October 19, 2012, among, inter alia, the Company, the Bank of New York Mellon, as U.S. trustee, and BNY Trust Company of Canada, as Canadian trustee. The Notes are due October 15, 2020 and bear interest at an annual rate of 9.25% payable semi-annually in cash on April 15 and October 15 of each year.

Rank

The Notes will be guaranteed on a senior unsecured basis by all of the Mood Media's existing and future U.S. subsidiaries (other than Mood Entertainment and Muzak Heart & Soul Foundation). The Notes and the subsidiary guarantees will rank equally and rateably with all of the Company's and the guarantors' existing and future senior indebtedness and senior to all of the Company's and the subsidiary guarantors' existing and future subordinated indebtedness. The Notes and the subsidiary guarantees will be effectively subordinated to all of the Company's and the subsidiary guarantors' existing and future secured indebtedness, including the Company's and the subsidiary guarantors' obligations under our First Lien Credit Facility, to the extent of the value of the collateral securing such indebtedness. In addition, the Notes will be structurally subordinated to all the obligations of any of the Company's existing and future subsidiaries that are not guarantors of the Notes.

Redemption

At any time on or after October 15, 2015, the Company may on any one or more occasions redeem all or a part of the 9.25% Senior Unsecured Notes, upon not less than 30 nor more than 60 days' notice, at redemption prices ranging from 100% to 106.938% of the principal amount of the Notes (plus accrued and unpaid interest, if any, to the date of redemption) based on the year that the Notes are redeemed.

At any time prior to October 15, 2015, the Company may on any one or more occasions redeem up to 35% of the aggregate principal amount of the Notes, upon not less than 30 nor more than 60 days' notice, with the proceeds of certain equity offerings at a redemption price of 109.250% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to the date of redemption.

At any time prior to October 15, 2015, the Company may on any one or more occasions also redeem all or part of the Notes, upon not less than 30 nor more than 60 days' notice, at a price equal to 100% of the principal amount of the notes redeemed, plus accrued and unpaid interest, if any, to the date of redemption, plus a "make-whole premium".

6. CREDIT RATINGS

The following information related to the Company's credit ratings is provided as it relates to the Company's financing costs and liquidity. In particular, a reduction in credit ratings may affect the Company's ability to obtain short-term and long-term financing and the terms of such financing.

The credit ratings and outlook of the Company's long term debt as of December 31, 2013, are outlined in the table below. Credit ratings are intended to provide investors with an independent measure of credit quality of an issue of securities. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating organization.

	Standard & Poor's Rating Service (S&P)	**Moody's Investors Service (Moody's)**
Long Term Rating	B	B2
Notes	B-	B3
Outlook	Stable	Developing

S&P's credit ratings range along a scale from AAA to D, representing the range from highest to lowest quality of such securities rated. Ratings may be modified by the addition of a plus (+) or a minus (-) sign to show the relative standing within a particular rating category. An obligor rated B is considered more vulnerable to adverse business, financial and economic conditions but currently has the capacity to meet financial commitments. A stable outlook from S&P means that a rating is not likely to change.

Moody's credit ratings range along a scale from Aaa to C, representing the range from highest to lowest quality of such securities rated. Moody's long-term ratings are assigned to issuers or obligations with an original maturity of one year or more and reflect both on the likelihood of a default on contractually promised payments and the expected financial loss suffered in the event of default. Obligations rated Baa are subject to the moderate credit risk. Obligations rated B are judged to be speculative and are subject to high credit risk. Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category. A developing outlook from Moody's indicates that it is contingent upon an event. On August 21, 2013, Moody's changed Mood's outlook to developing from stable based on the announcement that the company had received non-binding expressions of interest for a possible sale of the Company.

During the fiscal year 2013 the Company made payments to S&P and Moody's for valuations in the normal course of business.

7. MARKET FOR SECURITIES

7.1. Trading Price and Volume

The Common Shares and Convertible Debentures of the Company are listed on the TSX under the symbol "MM" and "MM.DB.U" respectively. The following table sets forth the reported minimum and maximum closing prices and total monthly trading volumes of the Common Shares and Convertible Debentures of the Company as reported by the TSX for the periods indicated.

Common Shares

Period - 2013	**High (CDN $)**	**Low (CDN$)**	**Volume**
December	0.83	0.59	4,718,852
November	0.65	0.44	12,911,074
October	0.69	0.60	4,149,406
September	1.08	0.60	10,299,262
August	1.23	0.77	7,100,433
July	1.23	1.03	2,851,153
June	1.13	0.99	5,951,158
May	1.22	0.94	12,319,718

April	1.11	0.93	11,730,073
March	1.89	1.03	19,774,797
February	1.99	1.85	7,128,937
January	1.97	1.84	3,832,574

Convertible Debentures

Period - 2013	High (CDN $)	Low (CDN$)	Volume (Principal Amount)
December	85.00	74.50	1,570,500
November	77.18	70.00	1,016,000
October	75.00	72.00	176,000
September	94.93	72.00	283,000
August	95.00	79.32	580,500
July	84.50	80.00	923,000
June	86.00	83.00	245,000
May	86.44	84.00	1,849,000
April	85.00	65.00	6,347,000
March	107.99	66.00	3,276,000
February	108.99	102.00	843,000
January	107.40	106.00	220,000

8. DIRECTORS AND OFFICERS

The Company's Board of Directors is currently comprised of Kevin Dalton, James Lanthier, Anatoli Plotkine, David V. Richards, Steven K. Richards, Gary Shenk, Harvey Solursh, Philippe von Stauffenberg and Richard Weil.

The following table sets forth the names, municipality of residence, positions held with the Company and principal occupations for the directors and executive officers of the Company and, in the case of directors of the Company, when they first became a director. The term of office for each of the directors will expire at the time of the next annual meeting of the shareholders of the Company. As of March 28, 2014, directors and executive officers of the Company own or control approximately 1,285,494 Common Shares representing approximately 0.75% of the issued and outstanding Common Shares of the Company.

8.1. Name, Address and Occupation

Directors and Officers

Name and Municipality of Residence	Present Office	Other Offices Held within Company during the Preceding Five Years	Principal Occupations held Within Five Preceding Years if Different from Office Held	Director / Officer Since[(i)]
KEVIN DALTON[(iii)] Toronto, Ontario, Canada	Lead Director	N/A	Vice Chairman, Head of Investment Banking of Desjardins Securities President of Blackmont Capital (now Stonecap	January 1, 2014

			Securities Inc.)	
KEN EISSING Austin, Texas, U.S.A.	President, Mood Media North America	Executive Vice-President, Local Sales and Marketing for the Company	Senior Vice President and General Manager of Transworld Systems, Inc.	October 11, 2013
THOMAS L. GARRETT JR. Parkland, Florida, USA	Executive Vice President and Chief Financial Officer	N/A	Senior Vice President & Chief Financial Officer of Caregiver Services, Inc. Executive Vice President & Chief Financial Officer of PRC, LLC	January 14, 2014
JAMES LANTHIER Toronto, Ontario, Canada	Director	Chief Operating Officer and Chief Financial Officer	Chief Executive Officer, Evolve Business Intelligence Inc.	June 17, 2008
CLAUDE NAHON London, United Kingdom	President, Mood Media International	President, Mood Europe Managing Director, Mood Media France	Managing Director, HighCo Group	January, 2014
ANATOLI PLOTKINE Toronto, Ontario, Canada	Director	N/A	Chief Technology Officer, Groove Inc.	June 2009
DAVID V. RICHARDS [(ii), (iii)] Calgary, Alberta, Canada	Director	N/A	Managing Director of Network Capital Management Inc. Director of Wilmington Capital Inc. Director of Standard Exploration Ltd	January 31, 2014
STEVEN K. RICHARDS[(iv)] Waxhaw, North Carolina, U.S.A	Director, President and Chief Executive Officer	N/A	Chief Executive Officer of Muzak Holdings LLC Chief Executive Officer of PRC, LLC	September 23, 2013
GARY SHENK[(ii)] Seattle, Washington, USA	Director	N/A	Chief Executive Officer, President, Senior	January 31, 2014

			Vice President of Corbis Corporation	
HARVEY SOLURSH(ii), (iii) Toronto, Ontario, Canada	Director	N/A	Chief Financial Officer, Q.T. Inc., a family owned company and Chief Financial Officer, Groove Inc.	June 2009
PHILIPPE VON STAUFFENBERG London, UK	Director (Chairman of the Board)	Chairman of Mood Media Group, S.A.	Founding Partner of Solidus Partners Vice Chairman of the Board of Klassik Radio AG	July 2010
RICHARD WEIL New York City, New York, USA	Director	N/A	Vice President Scientific Games International President, FUN Technologies Inc.	November 20, 2008

Notes:

(i) Each director holds office until the next annual meeting of shareholders or until a successor is elected or appointed.

(ii) Member of the Company's Audit Committee.

(iii) Member of the Company's Compensation and Governance Committee.

(iv) Steven K. Richards and David V. Richards are not related.

8.2. Bankruptcies

No director or executive officer of the Company is or has, within the last 10 years before the date of this AIF, been a director, chief executive officer or chief financial officer of any company that: (i) was subject to a cease trade order or other similar order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, or (ii) was subject to a cease trade order or other similar order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the director, chief executive officer or chief financial officer ceased to be a director, chief executive officer or chief financial officer, and which resulted from an event that occurred while that person was acting in such capacity.

To the best of the Company's knowledge, other than as disclosed below, no director or executive officer of the Company, or a shareholder holding a sufficient number of securities to affect materially the control of the Company:

(a) is, as of the date hereof, or within the 10 years prior to the date of this AIF has been, a director or executive officer of any company that while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(b) has, within the 10 years prior to the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangements or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that person.

Thomas L. Garrett, Jr. served in the capacity of Senior Vice President & Chief Financial Officer of Portrait Corp. of America ("PCA") of Charlotte, N.C. in 2006-2007 as it filed for protection under Chapter 11 and then obtained Federal Bankruptcy Court approval of its plan of reorganization that effected the successful sale of PCA.

Gary Shenk was a director of Corbis Sygma, SARL ("Sygma") from November 18, 2007 to May 7, 2010. Sygma was a French historical photojournalism agency, which Corbis Corporation acquired in 2001. Following an adverse ruling in litigation regarding the entity's liability for lost analog images belonging to contributors, Sygma was voluntarily placed into judiciary liquidation on May 25, 2012, with Le Tribunal De Commerce de Paris. Liquidator is Monsieur Stephane Gorrias, 1 Place Boieldieu, 75002, Paris, France. Proceedings remain ongoing as all creditor claims are in the process of being first adjudicated before distribution of the remaining assets.

To the best of the Company's knowledge, no director, executive officer or shareholder holding a sufficient number of securities to affect materially the control of the Company has:

(a) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

8.3. Legal Proceedings

Except as to legal proceedings in which the Company is involved in the ordinary course of its business and which, in the opinion of the Company, are not material, and the legal proceedings described below, the Company is not presently involved in any legal proceedings.

In August 2008, the Company received notification that PFH Investments Limited ("PFH") had filed a complaint with the Ontario Superior Court of Justice against the Company and certain officers under section 238 of the Canada Business Corporations Act ("CBCA") alleging that the Company, when negotiating amendments to convertible debentures first issued to PFH in 2006, withheld data related to the issuance of share options at a strike price of $0.30 per share, such conversion price to which PFH was then entitled. In addition to damages of $35,000,000 and among other things, PFH is seeking a declaration that the amendments to the original debenture agreement are void and that the original debenture be reinstated. The Company believes it acted properly and in accordance with the original and amended debenture agreements when it fully repaid the debenture in the amount of $1,620,000 on June 19, 2008 and has responded accordingly. On July 2, 2009, the Company extended a confidential settlement offer to PFH. Among the various proposed obligations of the parties under the offer, pursuant thereto, but subject to regulatory approval, the Company would have issued to PFH 3,333,333 shares at $0.30 per share. This offer has since expired. The Company continues to consult with legal counsel and intends to continue to vigorously defend the claim which it believes to be without merit.

8.4. Regulatory Actions

Except as to regulatory actions in which the Company is involved in the ordinary course of its business and which, in the opinion of the Company, are not material, the Company is not presently involved in any regulatory actions.

9. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No director, executive officer or shareholder who beneficially owns, directly or indirectly, or exercises control or direction over more than 10% of the outstanding Common Shares, or known associate or affiliate of any such person, has or had any material interest, direct or indirect, in any transaction within the last three years or in any proposed transaction, that has materially affected or will materially affect the Company.

10. TRANSFER AGENTS AND REGISTRARS

The transfer agent and registrar for the Common Shares and Convertible Debentures of the Company is Computershare Investor Services Inc. at its principal offices located in Toronto, Ontario.

11. MATERIAL CONTRACTS

Except for contracts made in the ordinary course of business, the following are the only material contracts entered into by the Company during its most recently completed financial year, and, where agreements from prior years are still in effect, since its incorporation:

1. On July 13, 2010 the Company entered into a NOMAD agreement with Panmure Gordon (UK) Limited pursuant to which it appointed Panmure Gordon (UK) Limited to act as nominated advisor to the Company for the purposes of the AIM Rules.

2. On October 1, 2010, the Company entered into a trust indenture with the Indenture Trustee providing for the issuance of the Convertible Debentures with a principal amount of $32,768,000, as is discussed under the heading "General Developments of the Business", and the "Convertible Debentures" heading in the "Description of Capital Structure" section of this AIF.

3. On March 24, 2011, the Company entered into an agreement and plan of with Mood US Acquisition, LLC, Muzak Holdings LLC, Silver Point Capital Fund, L.P., SP Muzak Inc. and Silver Point Capital, L.P., pursuant to which the Company completed the Muzak Acquisition, as is discussed under the heading "General Developments of the Business" of this AIF.

4. On May 6, 2011 the Company entered into First Lien credit agreement with Credit Suisse AG as agent, the lenders party thereto and Credit Suisse Securities (USA) LLC, as sole bookrunner and sole lead arranger, consisting of a $20 million 5-year First Lien revolving credit facility, a $355 million 7-year First Lien term loan and a Second Lien credit agreement with Credit Suisse AG as agent, the lenders party thereto and Credit Suisse Securities (USA) LLC, as sole bookrunner and sole lead arranger, consisting of a $100 million 7.5-year Second Lien term loan, as is discussed under the heading "General Developments of the Business" of this AIF.

5. On May 6, 2011, in connection with the acquisition of Muzak, the Company entered into the Warrant Indenture, providing for the issuance of the Muzak Acquisition Warrants to purchase 4,407,543 Common Shares of Mood Media at an exercise price of $3.50, as is discussed under the heading "General Developments of the Business" of this AIF.

6. On May 6, 2011, in connection with the Muzak Acquisition, the Company entered into a trust indenture with the Indenture Trustee providing for the issuance of the Consideration Debentures with a principal amount of $5 million, as is discussed under the heading "General Developments of the Business", and the "Consideration Debentures" heading in the "Description of Capital Structure" section of this AIF.

7. On May 27, 2011, the Company entered into a trust indenture with the Indenture Trustee providing for the issuance of the New Debentures with a principal amount of $13,500,000, as is discussed under the heading "General Developments of the Business", and the "New Debentures" heading in the "Description of Capital Structure" section of this AIF.

8. On March 18, 2012, the Company entered into an agreement and plan of merger with DMX, Panther-Lion Acquisition Corp., Panther-Lion Holdings Corp., R. Steven Hicks, John D. Cullen and Paul D. Stone, pursuant to which the Company completed the DMX Acquisition, as is discussed under the heading "General Developments of the Business" of this AIF.

9. On October 19, 2012, the Company entered into a trust indenture among, *inter alia*, the Bank of New York Mellon, as U.S. trustee, and BNY Trust Company of Canada, as Canadian trustee, providing for the issuance of the Notes with a principal amount of $350,000,000. The Notes are due October 15, 2020 and bear interest at an annual rate of 9.25%. The net proceeds of the Notes were used to repay the Credit Facilities; $140,000,000 of the First Lien term facility and the Second Lien facility in its entirety.

10. On October 19, 2012, in connection with the Notes, amendments were made to the Company's existing First Lien Credit Facility pursuant to a second amendment to the first lien credit agreement among, *inter alia*, the Company and Credit Suisse as is discussed under the heading "General Developments of the Business" of this AIF. On December 4, 2013, the Company made an additional amendment to the First Lien Credit Facility to modify certain terms and financial covenants.

12. INTEREST OF EXPERTS

12.1. Names of Experts

The auditors of the Company are Ernst & Young LLP, Chartered Accountants, 222 Bay Street, P.O. Box 251, Toronto, Ontario M5K 1J7. Ernst & Young LLP audited the financial statements of the Company for the fiscal year ended December 31, 2013 and issued an audit report to the Company dated March 5, 2014 with respect to such financial statements.

12.2. Interests of Experts

Ernst & Young LLP is independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario and does not own, directly or indirectly, nor do they expect to receive, any interest in the properties or securities of the Company or any associated or affiliated companies.

13. AUDIT COMMITTEE INFORMATION

13.1. Audit Committee's Charter

The Audit Committee charter sets out its roles and responsibilities. A copy of the Audit Committee charter is attached hereto as Schedule "A".

13.2. Composition of the Audit Committee

The Audit Committee is comprised of three directors. The current members of the Audit Committee are Harvey Solursh (Chair), David Richards and Gary Shenk, each of whom are independent directors and are considered financially literate within the meaning of applicable Canadian securities law.

13.3. Relevant Education and Experience

The following describes the relevant education and experience of the Audit Committee members:

Harvey Solursh

Harvey Solursh has been a director of the Company since June 2009. Mr. Solursh was a founding partner at Solursh, Feldman & Partners, Chartered Accountants, where he practiced for 30 years. He was formerly a director of FUN Technologies and a director and Chief Financial Officer of CryptoLogic Inc.

David Richards

David Richards is the President and Managing Director of Network Capital Management, Inc. a private investment management company investing primarily in energy related companies and special situations that he founded in 1997. Before Network Capital, Mr. D. Richards served as a senior tax partner in the Calgary division of Arthur Anderson & Co. from 1993 to 1995. In this role, he advised clients on various complex accounting issues, including mergers, acquisitions and financial due diligence. Prior to joining this firm, Mr. D. Richards was the Partner-in-Charge of PriceWaterhouseCoopers' ("**PWC**") Calgary taxation operations from 1990 to 1993 and was admitted to PWC's partnership in 1986. As a fellow of the Institute of Chartered Accountants, Mr. Richards has extensive accounting expertise, and a great understanding of mergers, acquisitions, purchase investigations, restructurings and financial engineering. In the past, Mr. D. Richards has served as a director for various companies, including Boardwalk REIT, Alliance Atlantis Movie Distribution Income Fund, Valiant Energy Inc., Bear Ridge Resources Inc., and Canada Fluorspar Inc. He currently serves as a director of Madison PetroGas Ltd. and Wilmington Capital Management Inc.

Gary Shenk

Gary Shenk is the Chief Executive Officer of Corbis Corporation ("**Corbis**"), a leading digital content and worldwide entertainment and licensing company founded and owned by Bill Gates. In this position, he is responsible for leading business strategy to accelerate Corbis' place as an innovative digital media company and leading creative resource for advertising, entertainment, marketing, and media professionals worldwide. Before being appointed Chief Executive Officer, Mr. Shenk served as both President and Senior Vice President of Corbis, where he oversaw integrated market-facing functions including sales, marketing, image licensing, and rights services and spearheaded a transformation of the image licensing business from an editorial focus to an end-to-end offering with world-class historical, editorial, entertainment, and creative photography. He joined Corbis in 2003 when he founded and led the Corporation's Rights Services unit and was responsible for executing a series of acquisitions and business development strategies. Prior to joining Corbis, Mr. Shenk founded FlixMix, a wholly-owned subsidiary of Universal Pictures that was one of the industry's leading media licensing agencies. He successfully entered the media and entertainment industries by leveraging his significant knowledge, which he gained as a project leader in The Boston Consulting Group's media and entertainment practice. Mr. Shenk holds a Bachelor's degree from Harvard College and a Masters of Business Administration from the University of Pennsylvania's Wharton School of Business.

13.4. Audit Committee Oversight

Each recommendation of the Audit Committee to nominate or compensate an external auditor was adopted by the Company's Board of Directors during the most recently completed financial year.

13.5. External Auditor Service Fees

In 2012 and 2013, the Company incurred fees to its external auditors, Ernst & Young LLP as follows:

Description	2012	2013
Audit Fees	1,236,000	1,813,967
Audit – Related Fees	106,060	51,000
Tax Fees	434,564	552,900
All Other Fees	437,375	-

(a) "Audit Fees" means the aggregate fees billed by the issuer's external auditor(s) for the last fiscal year for audit services.

(b) "Audit-Related Fees" means the aggregate fees billed for the last fiscal year for assurance and related services by the issuer's external auditor that are reasonably related to the performance of the audit or review of the issuer's financial statements and are not reported under clause (a) above, including assistance with specific audit procedures on interim financial information.

(c) "Tax Fees" means the aggregate fees billed in the last fiscal year for professional services rendered by the issuer's external auditor for tax compliance, tax advice and tax planning.

(d) "All Other Fees" means the aggregate fees billed in the last fiscal year for products and services provided by the issuer's external auditor, other than the services reported under clauses (a), (b) and (c), above.

14. ADDITIONAL INFORMATION

Additional information relating to Company may be found on SEDAR at www.sedar.com. Additional financial information is provided in the Company's annual audited financial statements and management's discussion & analysis for the year ended December 31, 2013. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, where application, is contained in the Company's information circular for its most recent annual meeting of shareholders.

Schedule A

Audit Committee Charter

Please see attached.

MOOD MEDIA CORPORATION
CHARTER OF THE AUDIT COMMITTEE
GENERAL

1. PURPOSE AND RESPONSIBILITIES OF THE COMMITTEE

1.1 Purpose

The primary purpose of the Committee is to assist Board oversight of:

a) the integrity of Mood Media Corporations' financial statements;

b) Mood Media Corporation's compliance with legal and regulatory requirements;

c) the External Auditor's qualifications and independence;

d) the performance of Mood Media Corporation's External Auditor; and

e) the effectiveness of Mood Media Corporation's internal controls environment.

2. DEFINITIONS AND INTERPRETATION

2.1 Definitions

In this Charter:

a) "Board" means the board of directors of Mood Media Corporation;

b) "Chairman" means the Chairman of the Committee;

c) "Committee" means the audit committee of the Board;

d) "Director" means a member of the Board;

e) "External Auditor" means Mood Media Corporation 's independent auditor; and

f) "Mood Media" means Mood Media Corporation.

2.2 Interpretation

The provisions of this Charter are subject to the provisions of Mood Media's Articles of Continuance, and to applicable legislation.

CONSTITUTION AND FUNCTIONING OF THE COMMITTEE

3. ESTABLISHMENT AND COMPOSITION OF THE COMMITTEE

3.1 Establishment of the Audit Committee

The Committee is hereby continued with the constitution, function and responsibilities herein set forth.

3.2 Appointment and Removal of Members of the Committee

(a) Board Appoints Members. The members of the Committee shall be appointed by the Board, having considered the recommendation of the Compensation and Governance Committee of the Board.

(b) Annual Appointments. The appointment of members of the Committee shall take place annually at the first meeting of the Board after a meeting of the shareholders at which Directors are elected, provided that if the appointment of members of the Committee is not so made, the Directors who are then serving as members of the Committee shall continue as members of the Committee until their successors are appointed.

(c) Vacancies. The Board may appoint a member to fill a vacancy which occurs in the Committee between annual elections of Directors.

(d) Removal of Member. Any member of the Committee may be removed from the Committee by a resolution of the Board.

<u>3.3 Number of Members</u>

The Committee shall consist of three (3) or more Directors.

<u>3.4 Independence of Members</u>

Each member of the Committee shall be independent for the purposes of all applicable regulatory and stock exchange requirements including, without limitation, those of the Toronto Stock Exchange and Multilateral Instrument 52-110 of the Canadian Securities Administrators (unless such member is exempt from such requirement).

<u>3.5 Financial Literacy</u>

(a) Financial Literacy Requirement. Each member of the Committee shall be financially literate or must become financially literate within a reasonable period of time after his or her appointment to the Committee.

(b) Definition of Financial Literacy. "Financially literate" means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by Mood Media's financial statements.

<u>3.6 Audit Committee Financial Expert</u>

(a) Attributes of an Audit Committee Financial Expert. To the extent possible, the Board will appoint to the Committee at least one Director who has the following attributes:

(i) an understanding of generally accepted accounting principles ("GAAP") and financial statements;

(ii) ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;

(iii) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by Mood Media's financial statements, or experience actively supervising one or more persons engaged in such activities;

(iv) an understanding of internal controls and procedures for financial reporting; and

(v) an understanding of audit committee functions.

(b) Experience of the Audit Committee Financial Expert. To the extent possible, the Board will appoint to the Committee at least one Director who acquired the attributes in (a) above through:

(i) education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions (or such other qualification as the Board interprets such qualification in its business judgment);

(ii) experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions;

(ii) experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or

(iv) other relevant experience.

<u>3.7 Board Approval Required</u>

No member of the Committee shall serve on more than three (3) public company audit committees without the approval of the Board.

<u>**4. COMMITTEE CHAIRMAN**</u>

<u>4.1 Board to Appoint Chairman</u>

The Board shall appoint the Chairman from the members of the Committee who are non-executive Directors (or, if it fails to do so, the members of the Committee shall appoint the Chairman of the Committee from among its members).

<u>4.2 Chairman to be appointed Annually</u>

The designation of the Committee's Chairman shall take place annually at the first meeting of the Board after a meeting of the members at which Directors are elected, provided that if the designation of Chairman is not so made, the Director who is then serving as Chairman shall continue as Chairman until his or her successor is appointed.

<u>**5. COMMITTEE MEETINGS**</u>

<u>5.1 Quorum</u>

A quorum of the Committee shall be two (2) members.

<u>5.2 Secretary</u>

The Chairman shall designate from time to time a person who may, but need not, be a member of the Committee, to be Secretary of the Committee.

<u>5.3 Time and Place of Meetings</u>

The time and place of the meetings of the Committee and the calling of meetings and the procedure in all things at such meetings shall be determined by the Committee; provided, however, the Committee shall meet at least quarterly.

5.4 In Camera Meetings

As part of each meeting of the Committee at which the Committee recommends that the Board approve the annual audited financial statements or at which the Committee approves the quarterly financial statements, the Committee shall meet separately with each of:

(a) management;

(b) the External Auditor; and

(c) the internal auditor (if any).

5.5 Right to Vote

Each member of the Committee shall have the right to vote on matters that come before the Committee.

5.6 Invitees

The Committee may invite Directors, officers and employees of Mood Media or any other person to attend meetings of the Committee to assist in the discussion and examination of the matters under consideration by the Committee. The External Auditor shall receive notice of each meeting of the Committee and shall be entitled to attend any such meeting at Mood Media's expense.

5.7 Regular Reporting

The Committee shall report to the Board at the Board's next meeting the proceedings at the meetings of the Committee and all recommendations made by the Committee at such meetings.

6. AUTHORITY OF COMMITTEE

6.1 Retaining and Compensating Advisors

The Committee shall have the authority to engage independent counsel and other advisors as the Committee may deem appropriate in its sole discretion and to set and pay the compensation for any advisors employed by the Audit Committee. The Committee shall not be required to obtain the approval of the Board in order to retain or compensate such consultants or advisors.

6.2 Subcommittees

The Committee may form and delegate authority to subcommittees if deemed appropriate by the Committee.

6.3 Recommendations to the Board

The Committee shall have the authority to make recommendations to the Board, but shall have no decision-making authority other than as specifically contemplated in this Charter.

7. REMUNERATION OF COMMITTEE MEMBERS

7.1 Remuneration of Committee Members

Members of the Committee and the Chairman shall receive such remuneration for their service on the Committee as the Board may determine from time to time.

7.2 Directors' Fees

No member of the Committee may earn fees from Mood Media or any of its subsidiaries other than directors' fees (which fees may include cash and/or shares or options or other in-kind consideration ordinarily available to directors, as well as all of the regular benefits that other directors receive). For greater certainty, no member of the Committee shall accept, directly or indirectly, any consulting, advisory or other compensatory fee from Mood Media or any of its subsidiaries.

SPECIFIC DUTIES AND RESPONSIBILITIES

8. INTEGRITY OF FINANCIAL STATEMENTS

8.1 Review and Approval of Financial Information

(a) Annual Financial Statements. The Committee shall review and discuss with management and the External Auditor, Mood Media's audited annual financial statements and related MD&A together with the report of the External Auditor thereon and, if appropriate, recommend to the Board that it approve the audited annual financial statements.

(b) Interim Financial Statements. The Committee shall review and discuss with management and the External Auditor and, if appropriate, approve, Mood Media's quarterly unaudited financial statements and related MD&A.

(c) Material Public Financial Disclosure. The Committee shall discuss with management and the External Auditor:

(i) the types of information to be disclosed and the type of presentation to be made in connection with earnings press releases;

(ii) financial information and earnings guidance (if any) provided to analysts and rating agencies; and

(iii) press releases containing financial information (paying particular attention to any use of "pro forma" or "adjusted" non-GAAP information).

(d) Procedures for Review. The Committee shall be satisfied that adequate procedures are in place for the review of Mood Media's disclosure of financial information extracted or derived from Mood Media's financial statements (other than financial statements, MD&A and earnings press releases, which are dealt with elsewhere in this Charter) and shall periodically assess the adequacy of those procedures.

(e) General. The Committee shall review and discuss with management and the External Auditor:

(i) major issues regarding accounting principles and financial statement presentations, including any significant changes in Mood Media's selection or application of accounting principles;

(iii) major issues as to the adequacy of Mood Media's internal controls over financial reporting and any special audit steps adopted in light of material control deficiencies;

(iii) analyses prepared by management and/or the External Auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements;

(iv) the effect on Mood Media's financial statements of regulatory initiatives, as well as off balance sheet transactions structures, obligations (including contingent obligations) and other relationships of Mood Media with unconsolidated entities or other persons that have a material current or future effect on the financial condition, changes in financial condition, results of operations, liquidity, capital resources, capital reserves or significant components of revenues or expenses of Mood Media;

(iv) the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented;

(vi) any financial information or financial statements in prospectuses and other offering documents;

(vii) the management certifications of the financial statements as required by applicable securities laws in Canada or otherwise;

(viii) any other relevant reports or financial information submitted by Mood Media to any governmental body, or the public; and

(ix) funding and financial statements of Mood Media's pension or 401k plans, if any.

9. EXTERNAL AUDITOR

9.1 External Auditor

(a) Authority with Respect to External Auditor. As a representative of Mood Media's shareholders, the Committee shall be directly responsible for the appointment, compensation and oversight of the work of the External Auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for Mood Media. In the discharge of this responsibility, the Committee shall:

(i) have sole responsibility for recommending to the Board the audit firm to be proposed to Mood Media's shareholders for appointment as External Auditor for the above-described purposes as well as the responsibility for recommending such External Auditor's compensation and determining at any time whether the Board should recommend to Mood Media's shareholders whether the incumbent External Auditor should be removed from office;

(ii) review the terms of the External Auditor's engagement, discuss the audit fees with the External Auditor and be solely responsible for approving such audit fees; and

(iii) require the External Auditor to confirm in its engagement letter each year that the External Auditor is accountable to the Board and the Committee as representatives of shareholders.

(b) Independence. The Committee shall satisfy itself as to the independence of the External Auditor.

As part of this process the Committee shall:

(i) assure the regular rotation of the lead audit partner as required by law and consider whether, in order to ensure continuing independence of the External Auditor, Mood Media should rotate periodically, the audit firm that serves as External Auditor;

(ii) require the External Auditor to submit on a periodic basis to the Committee, a formal written statement delineating all relationships between the External Auditor and Mood Media and that the Committee is responsible for actively engaging in a dialogue with the External Auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the External Auditor and for recommending that the Board take appropriate action in response to the External Auditor's report to satisfy itself of the External Auditor's independence;

(iii) unless the Committee adopts pre-approval policies and procedures, approve any non-audit services provided by the External Auditor and may delegate such approval authority to one or more of its independent members who shall report promptly to the Committee concerning their exercise of such delegated authority; and

(iv) review and approve the policy setting out the restrictions on Mood Media hiring partners, employees and former partners and employees of Mood Media's current or former External Auditor.

(c) Issues between External Auditor and Management. The Committee shall:

(i) review any problems experienced by the External Auditor in conducting the audit, including any restrictions on the scope of the External Auditor's activities or access to requested information;

(ii) review any significant disagreements with management and, to the extent possible, resolve any disagreements between management and the External Auditor; and

(iii) review with the External Auditor:

(A) any accounting adjustments that were proposed by the External Auditor, but were not made by management;

(B) any communications between the audit team and audit firm's national office respecting auditing or accounting issues presented by the engagement;

(C) any management or internal control letter issued, or proposed to be issued by the External Auditor to Mood Media; and

(D) the performance of Mood Media's internal audit function and internal auditors.

(d) Non-Audit Services.

(i) The Committee shall either:

(A) approve any non-audit services provided by the External Auditor or the external auditor of any subsidiary of Mood Media to Mood Media (including its subsidiaries); or

(B) adopt specific policies and procedures for the engagement of non-audit services, provided that such pre-approval policies and procedures are detailed as to the particular service, the Committee is informed of each non-audit service and the procedures do not include delegation of the Committee's responsibilities to management.

(iii) The Committee may delegate to one or more members of the Committee the authority to pre-approve non-audit services in satisfaction of the requirement in the previous section, provided that such member or members must present any non-audit services so approved to the full audit committee at its first scheduled meeting following such pre-approval.

(iii) The Committee shall instruct management to promptly bring to its attention any services performed by the External Auditor which were not recognized by Mood Media at the time of the engagement as being non-audit services.

(e) *Evaluation of External Auditor.* The Committee shall evaluate the External Auditor each year, and present its conclusions to the Board. In connection with this evaluation, the Committee shall:

(i) review and evaluate the performance of the lead partner of the External Auditor;

(ii) obtain the opinions of management and of the persons responsible for Mood Media's internal audit function with respect to the performance of the External Auditor; and

(iii) obtain and review a report by the External Auditor describing:

(A) the External Auditor's internal quality-control procedures;

(B) any material issues raised by the most recent internal quality-control review, or peer review, of the External Auditor's firm or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the External Auditor's firm, and any steps taken to deal with any such issues; and

(C) all relationships between the External Auditor and Mood Media (for the purposes of assessing the External Auditor's independence).

(f) Review of Management's Evaluation and Response. The Committee shall:

(i) review management's evaluation of the External Auditor's audit performance;

(ii) review the External Auditor's recommendations, and review management's response to and subsequent follow-up on any identified weaknesses;

(iii) receive regular reports from management and receive comments from the External Auditor, if any, on:

(A) Mood Media's principal financial risks;

(B) the systems implemented to monitor those risks; and

(C) the strategies (including hedging strategies) in place to manage those risks; and

(iv) recommend to the Board whether any new material strategies presented by management should be considered appropriate and approved.

10. INTERNAL CONTROL ANDAUDIT FUNCTION

10.1 Internal Control and Audit

In connection with Mood Media's internal audit function, the Committee shall:

(a) review the terms of reference of the internal auditor and meet with the internal auditor as the Committee may consider appropriate to discuss any concerns or issues;

(b) in consultation with the External Auditor and the internal audit group, review the adequacy of Mood Media's internal control structure and procedures designed to ensure compliance with applicable laws and regulations and any special audit steps adopted in light of material deficiencies and controls;

(c) review management's response to significant internal control recommendations of the internal audit group and the External Auditor;

(d) review

(i) the internal control report prepared by management, including management's assessment of the effectiveness of Mood Media's internal control structure and procedures for financial reporting and

(ii) the External Auditor's attestation, and report, on the assessment made by management; instruct the External Auditor to prepare an annual evaluation of Mood Media's internal audit group and reviewing the results of that evaluation; and periodically review with the internal auditor any significant difficulties, disagreements with management or scope restrictions encountered in the course of the work of the internal auditor.

11. OTHER

11.1 Risk Assessment and Risk Management

The Committee shall discuss Mood Media's major financial risk exposures and the steps management has taken to monitor and control such exposures.

11.2 Related Party Transactions

The Committee shall review and approve all related party transactions in which Mood Media is involved or which Mood Media proposes to enter into.

11.3 Expense Accounts

The Committee shall review and make recommendations with respect to expense accounts, on an annual basis, submitted by the Chairman, CEO and President, and expense account policy, and rules relating to the standardization of the reporting on expense accounts.

11.4 Whistle Blowing

The Committee shall put in place procedures for:

(a) the receipt, retention and treatment of complaints received by Mood Media regarding accounting, internal accounting controls or auditing matters; and the confidential, anonymous submission by employees of Mood Media of concerns regarding questionable accounting or auditing matters.

12. ANNUAL PERFORMANCE EVALUATION

On an annual basis, the Committee shall follow the process established by the Board and overseen by the Compensation and Governance Committee for assessing the performance of the Committee.

13. CHARTER REVIEW

The Committee shall review and assess the adequacy of this Charter annually and recommend to the Board any changes it deems appropriate.