

GIULIANI

CAPITAL ADVISORS

GIULIANI CAPITAL ADVISORS LLC
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Effective as of January 20, 2006

PRIVATE & CONFIDENTIAL

The Official Committee
of Unsecured Creditors of
Musicland Holdings Corp. et al.
c/o Curtis Roberts, Esq.
Committee Co-Chairman
Deluxe Media Services, Inc.
One International Blvd., Suite 400
Mahwah, NJ 07495

John Roussey
Committee Co-Chairman
Universal Studios Home Entertainment LLC
100 Universal City Plaza 1440/6
Universal City, CA 91608

Re: Musicland Holdings Corp. et al.
Case No: 06-10064 (Jointly Administered)

Dear Committee Members:

This letter agreement (including any attachments, this "Letter Agreement") sets forth the terms and conditions of the engagement of Giuliani Capital Advisors LLC ("GCA" or "we") by the official committee of Musicland Holdings Corp., et al. (the "Committee" or "you") for Musicland Holdings Corp., et al. (collectively, the "Debtors" or the "Company") to serve as financial advisor to the Committee in the Company's chapter 11 cases in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court").

GCA's Services

Subject to the terms and conditions of this Letter Agreement, GCA's services will consist of the following:

1. Advise the Committee regarding the Company's business plans, cash flow forecasts, financial projections and cash flow reporting;

2. Advise the Committee with respect to available capital restructuring, sale and financing alternatives including but not limited to a Debtor-in-Possession facility, including recommending specific courses of action and assisting with the design, structuring and negotiation of alternative restructuring and/or transaction structures;
3. Advise the Committee regarding financial information prepared by the Company, and in its coordination of communication with interested parties and their respective advisors;
4. Advise the Committee in preparing for, meeting with, and presenting information to interested parties and their respective advisors;
5. Advise the Committee in the development of a plan of reorganization for the Company and negotiation with parties-in-interest or in the sale of a portion or substantially all of the assets of the Company, whether structured as a stock transfer, merger, purchase and assumption transaction or other business combination;
6. Advise the Committee as to the Company's proposals from third parties for new sources of capital or the sale of the Company;
7. Assist and advise the Committee and its counsel in the development, evaluation and documentation of any plan(s) of reorganization or strategic transaction(s), including developing, structuring and negotiating the terms and conditions of potential plan(s), financings or strategic transaction(s) and strategic alternatives for recovery, and the consideration that is to be provided to unsecured creditors thereunder;
8. Provide testimony in the Bankruptcy Court in connection with Items (1) through (7) above; and
9. Other services as may be reasonably requested in writing from time to time by you and agreed to by GCA.

Notwithstanding the advisory services provided by GCA, you will retain complete and final control of all key decisions in connection with this engagement.

Professional Fees and Expenses; Termination

We are prepared to begin this engagement promptly upon your acceptance of this Letter Agreement. In consideration thereof, professional fees shall be due and payable as follows:

Upon execution of this Letter Agreement, subject to Bankruptcy Court approval of GCA's retention, and on the 20th day of each calendar month thereafter, the Company shall pay GCA an advisory fee (the "Monthly Advisory Fee") of \$100,000. Upon the termination of this Letter Agreement, a prorated portion of the Monthly Advisory Fee shall be returned by GCA to the Company, to adjust for any partial month period in the month of such termination.

Upon the consummation of (i) a sale of all or substantially all of the assets of the Debtors or (ii) a restructuring, refinancing or recapitalization of the Debtors pursuant to a plan of reorganization under chapter 11 of title 11, United States Code (the

“Bankruptcy Code”), in either case including a liquidation of assets, a completion fee (the “Completion Fee”) will be due and payable to GCA in cash or the equivalent form of consideration paid to the general unsecured creditor constituency in the aggregate amount or with the aggregate value of \$300,000. The Completion Fee shall be payable only in the event that there are distributions to unsecured creditors in the amount of \$7 million or more and the Committee, in its sole discretion determines that such bonus is appropriate in light of the value added by GCA (which is subject to Bankruptcy Court approval).

In addition, GCA will be paid an incentive fee (the “Incentive Fee”) equal to 1% of the Transaction Amount (as defined below) in the case of any party introduced by GCA that purchases, provides financing or equity to the Debtor or 0.5% of the Transaction Amount in the case of any party introduced by another party in interest. The “Transaction Amount” shall be equal to (a) the amount of a debtor-in-possession credit facility or exit or other loan facility or (b) the amount of cash, liquidity, property or liabilities assumed in a proposed acquisition of all or substantially all of the Debtors’ assets or plan of reorganization completed by an investor/purchaser. Up to one-half of the Incentive Fee will be credited against the Completion Fee, but such credit shall not to exceed the lesser of \$250,000 or 50% of the Completion Fee earned and received by GCA. The Completion Fee and the Incentive Fee shall be payable to GCA on the earlier of the effective date pursuant to a plan of reorganization or as earned pursuant to a sale of any or all of the assets on the closing date of each such sale.

In addition to the fees that are or may be payable to GCA under this Letter Agreement, GCA’s reasonable out-of-pocket expenses incurred in connection with its activities under this Letter Agreement will be payable by the Company on a monthly basis. Such expenses will include, but not be limited to, costs directly associated with this Letter Agreement, including reasonable attorneys’ fees and expenses, travel, out-of-town accommodations and meals, overnight delivery, and database access charges, telephone, facsimile, postage, printing and duplication costs, document materials and similar items. We will request reimbursement of our reasonable out-of-pocket expenses in accordance with Bankruptcy Court guidelines.

As further consideration for the services provided, the Company agrees to the Indemnification, Dispute Resolution and Limitation of Liability provisions on Attachment A which is incorporated herein in full.

The Committee acknowledges that a substantial professional commitment of time and effort will be required by GCA and its professionals hereunder, and that such commitment may foreclose other opportunities for GCA. Moreover, the time and commitment required for the engagement may vary substantially from week to week or month to month, creating “peak load” issues for GCA. Based upon mutual discussion of the various issues that may arise in such case, GCA’s commitment to the variable level of time and effort necessary to address such issues, the level of staffing requested and the

market price for GCA's engagements of this nature, the Committee agrees that the fee arrangement hereunder fairly compensates GCA.

To the extent that the Committee requests that GCA perform additional services not contemplated by this Letter Agreement, the scope, terms, conditions and fees for such services shall be mutually agreed upon by GCA and the Committee, in writing, in advance of any performance of such services.

GCA may pay referral fees to another NASD member firm in connection with this Letter Agreement, as permitted under NASD rules.

We understand that our engagement may be terminated at any time by the Committee upon ten (10) days' advance written notice. The provisions contained in this Letter Agreement set forth in the sections entitled "Professional Fees and Expenses" (to the extent that there remain any fees accrued, due and owing), "Information; Confidentiality," "Other Provisions," and "Attachment A" shall survive any termination of this Letter Agreement.

Bankruptcy Court Retention

The Committee will seek an order from the Bankruptcy Court authorizing the employment of GCA on the terms of this Letter Agreement with all fees herein subject to the standard of review of Section 328(a) of the Bankruptcy Code, the Bankruptcy Rules and applicable local rules, and shall use its best efforts to cause such application to be considered on an expedited basis. The application and retention order shall be in a form acceptable to GCA. The Committee will work with GCA to promptly file any and all necessary applications regarding fees and expenses with the Bankruptcy Court. The terms of this paragraph are for the benefit of GCA and may be waived, in whole or in part, only by GCA.

Information; Confidentiality

During the course of our engagement under this Letter Agreement, we will provide requests to obtain information from the Company or others as GCA believes appropriate to its engagement under this Letter Agreement (all such information so furnished being the "Information"). The Committee (a) recognizes and acknowledges that GCA (i) will rely on the Information and other publicly available information in fulfilling the terms of its engagement under this Letter Agreement without any obligation to independently verify the same, (ii) does not assume responsibility for the accuracy or completeness of the Information or such other information, (iii) has no obligation to undertake an independent evaluation or appraisal of any assets or liabilities of the Company or any other party, (iv) has no obligation to investigate the accuracy or completeness of the Information, and (v) with respect to any financial forecasts (including costs, savings and synergies) that may be furnished to or discussed with us by the Company, will assume that they have been reasonably prepared and reflect the best then-currently available estimates and judgment of the Company's management and (b) consents to each of the items specified in clause (a) of this sentence. The Information will

not be audited by GCA and, accordingly, GCA will express no opinion thereon. The Committee further agrees to notify GCA promptly if it learns of any material inaccuracy or misstatement in, or material omission from, any Information delivered by the Company.

GCA agrees to keep all Information confidential, except to the extent necessary to perform its duties under this Letter Agreement. Information shall not be considered confidential to the extent that: (a) it is or becomes publicly available through a source other than GCA; (b) it was known to GCA at the time such Information was furnished to GCA; (c) it is independently developed by GCA without reference to the Information; (d) it is subsequently learned from a third party that does not impose an obligation of confidentiality upon GCA; (e) it is required to be disclosed pursuant to applicable professional standards or law or regulation, government authority, duly authorized subpoena or court order or directive; or (f) is approved for disclosure by prior consent of the Company. The obligations of GCA under the immediately preceding two sentences shall terminate upon the first anniversary following the completion of the work contemplated under this Letter Agreement.

Any advice, analysis or documentation (whether written or oral) rendered or provided by GCA in its role as advisor hereunder will be solely for the benefit of the Committee, and except as required by law, may not be disclosed, quoted, reproduced, summarized, described or referred to, other than by the Committee in the exercise of its duties under the Bankruptcy Code, without the prior written consent of GCA.

Upon the execution of a definitive agreement made in connection with the Company's restructuring program, GCA may, at its option and expense, disclose to any party or publicly announce its role as financial advisor hereunder; provided, however, that any such disclosure shall not relieve any party of any of their obligations under this Letter Agreement. GCA shall have the right upon the consummation of the Company's restructuring to advertise its role in financial or other periodicals (at GCA's expense) describing its engagement and services rendered hereunder.

Other Provisions

GCA, as a registered broker-dealer, member NASD, is required to obtain, verify and record certain information regarding the individuals or entities with which GCA does business. The Committee agrees to provide GCA with identifying information, as GCA may request, to enable GCA to comply with applicable law.

The trade names and trademarks "Rudolph Giuliani," "Giuliani Capital Advisors LLC," "Giuliani Partners LLC," or any similar mark or variations or derivations thereof (collectively, the "Giuliani Marks"), shall not be used by the Company without GCA's prior written consent and upon any termination of this Letter Agreement, the Company shall have no right to use or exploit the Giuliani Marks. Nothing in this Letter Agreement shall be deemed to give the Company any right, title or interest in or to any of the Giuliani Marks or GCA's trade names, trademarks or service marks.

The addresses for delivery of all notices to the parties under this Letter Agreement are as follows:

If to the Committee:

Attn: Curtis Roberts, Esq.
Deluxe Media Services, Inc.
One International Blvd., Suite 400
Mahwah, NJ 07495
Telephone: (201) 512-8757
Facsimile: (201) 512-8758

Attn: John Roussey
Universal Studios Home Entertainment
100 Universal City Plaza 1440/6
Universal City, CA 91608
Telephone: (818) 777-7601

If to GCA:

Attn: David S. Miller
Managing Director
Giuliani Capital Advisors LLC
Five Concourse Parkway
Atlanta, GA 30328
Telephone: (404) 815- 3420
Facsimile: (213) 977-4410

And to:

Attn: Mark Indelicato and Mark Power
Hahn & Hessen LLP
488 Madison Avenue
New York, NY 10022
Telephone: (212) 478-7200
Facsimile: (212) 478-7400

And to:

Attn: Legal Department
Giuliani Capital Advisors LLC
5 Times Square
New York, NY 10036
Telephone: (212) 258-1400
Facsimile: (212) 258-1410

This Letter Agreement constitutes the entire agreement between the Committee and GCA, and supersedes any and all prior agreements between the parties relating to this engagement (except for prior letter agreement provisions which survive termination thereof). No waiver, amendment or other modification of this Letter Agreement shall be effective unless in writing and signed by each party to be bound thereby.

This Letter Agreement may not be assigned by you or GCA, except with the written consent of the non-assigning party. The benefits of this Letter Agreement shall inure to you, GCA, the Indemnified Parties (as defined below) and their respective successors and assigns and representatives, and the obligations and liabilities assumed in this Letter Agreement by the parties hereto shall be binding upon their respective successors and assigns.

The Committee acknowledges and agrees that GCA has been retained to act solely as financial advisor to the Committee. In such capacity, GCA shall act as an independent contractor, and any duties of GCA arising out of its engagement pursuant to this Letter Agreement shall be owed solely to the Committee.

GCA maintains a business continuity and disaster recovery plan which is reviewed periodically so that GCA's most critical business applications are readily available in the event of a declared disaster. A summary of the plan is located on our website, www.giulianicapitaladvisors.com.

If any portion of this Letter Agreement is held to be void, invalid or otherwise unenforceable, in whole or in part, the remaining portions of this Letter Agreement shall remain in effect.

This Letter Agreement shall be governed by, and construed in accordance with, the laws of the state of New York applicable to contracts executed in and to be performed in that state.

* * * * *

Signature Page Follows

This engagement is important to us and we appreciate the opportunity to be of service to you. If you are in agreement with the terms set forth herein, please indicate by signing and returning the enclosed copy of this Letter Agreement to us. If you have any questions about this Letter Agreement or wish to discuss these matters further, please contact David S. Miller.

Very truly yours,

GIULIANI CAPITAL ADVISORS LLC

By: /s/ David S. Miller

Name: David S. Miller
Managing Director

Agreed to and Accepted as of
the date first written above by:

The Official Committee of Unsecured Creditors of
Musicland Holdings Corp., et al.

By: /s/ Curtis Roberts

Curtis Roberts, Esq.
Committee Co-Chairman

By: /s/ John Roussey

John Roussey
Committee Co-Chairman

