

**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

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**In re** : **Chapter 11 Case No.**  
: **06-10064 (SMB)**  
**MUSICLAND HOLDING CORP.,** :  
**et al.** :  
: **(Jointly Administered)**  
**Debtors.** :  
: **(Jointly Administered)**  
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**SUMMARY SHEET PURSUANT TO UNITED STATES TRUSTEE GUIDELINES  
FOR REVIEWING APPLICATIONS FOR COMPENSATION AND  
REIMBURSEMENT OF EXPENSES FILED UNDER 11 U.S.C. §§ 330 AND 331**

**SECOND INTERIM APPLICATION**

Name of Applicant: Giuliani Capital Advisors LLC (“GCA”)

Authorized to Provide  
Professional Services to: Official Committee of Unsecured Creditors

Date of Retention: January 20, 2006

Period for which compensation  
and reimbursement is sought: May 1, 2006 through November 30, 2006

Amount of Compensation sought as  
actual, reasonable, and necessary: \$175,000

Total Amount of Expense Reimbursement  
sought as actual, reasonable, and necessary: \$ 2,028

The following is a summary of the monthly statements of fees and expenses which have been provided as required by the Court's Order Pursuant to Sections 105(a) and 331 of the Bankruptcy Code Establishing Procedures for Interim Compensation and Reimbursement of Expenses of Professionals and Committee Members dated January 27, 2006.

Period Covered	Total Fees Requested	Total Expenses Requested	Total Fees Paid to Date	Total Expenses Paid to Date	20% Holdback and Unpaid Amounts
1/20/06 – 3/30/06	\$230,000	\$7,610	\$184,000	\$7,610	\$46,000
4/1/06 – 4/30/06	\$62,000	\$1,692	\$49,600	\$1,692	\$12,400
Other Approved Expenses*		\$12,894*		\$0	\$0
5/1/06 – 5/31/06	\$ 50,000	\$966	\$ 40,000	\$966	\$10,000
6/1/06 – 11/30/06	\$ 125,000	\$1,062	\$ 100,000	\$1,062	\$ 37,894
Less: Resolved Objections		(\$1,400)**		(\$1,400)	(\$1,400)
<b>Totals</b>	<b><u>\$467,000</u></b>	<b><u>\$22,824</u></b>	<b><u>\$373,600</u></b>	<b><u>\$9,930</u></b>	<b><u>\$104,894</u></b>

- As part of earlier GCA fee requests, an internal accounting error caused GCA to understate its expense reimbursement request by \$12,894, which were additional expense amounts incurred much earlier in the case. GCA requested these amounts in its first fee application, which was approved by this Court. To date, these approved expenses amounts have not been paid.
- In connection with GCA's first fee application, GCA voluntarily agreed to reduce a portion of its requested expense reimbursement by \$1,400.

**SUMMARY OF HOURS BY PROFESSIONAL  
(Refer to Exhibit C)**

NAME OF PROFESSIONAL:	TITLE	TOTAL HOURS BILLED
Miller, David	Managing Director	4.0
Sweig, David	Managing Director	28.9
Horton, Nicole	Director	15.9
Hines, Justin	Sr. Vice President	199.9
Brown, J. Michael	Analyst	4.0
<b>Total:</b>		<b>252.7</b>

**SUMMARY OF HOURS BY PROJECT CODE (Refer to Exhibit D)**

<b>PROJECT CODE</b>	<b>DESCRIPTION</b>	<b>HOURS</b>
000	Default	3.8
100	GCA Retention	1.0
110	Billing and Fee Applications	29.0
120	Engagement Administration	22.1
140	General Client Communication	4.0
150	Bankruptcy Administration	7.4
240	Historical Financial Info	6.0
290	Avoidance Actions	48.1
350	Plan of Reorganization	3.6
330	Claims and Recovery Analysis	127.7
<b>Grand Total</b>		<b>252.7</b>

**EXPENSE SUMMARY (Refer to Exhibit E)**

<b>EXPENSES</b>	<b>AMOUNTS</b>
<b>Airfare</b>	<b>\$544</b>
<b>Lodging</b>	<b>\$844</b>
<b>Business Meals</b>	<b>\$152</b>
<b>Ground Transportation and Related Charges</b>	<b>\$111</b>
<b>Air Courier</b>	<b>\$120</b>
<b>Other*</b>	<b>\$257</b>
<b>Total</b>	<b>\$2,028</b>

\*Includes telephone, postage, internet charges.

Giuliani Capital Advisors, LLC  
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New York, New York 10036-6530  
(212) 258-1400

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SOUTHERN DISTRICT OF NEW YORK**

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<b>In re</b>	:	<b>Chapter 11 Case No.</b>
	:	
<b>MUSICLAND HOLDING CORP.,</b>	:	<b>06-10064 (SMB)</b>
<b><u>et al.</u></b>	:	
	:	
<b>Debtors.</b>	:	<b>(Jointly Administered)</b>
	:	
-----X		

**CORRECTED**  
**SECOND INTERIM APPLICATION OF GIULIANI CAPITAL ADVISORS LLC  
AS FINANCIAL ADVISOR FOR THE OFFICIAL COMMITTEE OF  
UNSECURED CREDITORS FOR INTERIM  
ALLOWANCE OF COMPENSATION AND REIMBURSEMENT OF EXPENSES  
INCURRED FROM MAY 1, 2006 THROUGH NOVEMBER 30, 2006**

TO THE HONORABLE STUART M. BERNSTEIN  
UNITED STATES BANKRUPTCY JUDGE:

In accordance with the Court’s Order Pursuant to Sections 105(a) and 331 of the Bankruptcy Code Establishing Procedures for Interim Compensation and Reimbursement of Expenses of Professionals and Committee Members, dated January 27, 2006 (the “Compensation Order”), Giuliani Capital Advisors LLC (“GCA” or the “Applicant”) hereby submits this Second Interim Fee Application (the “Application”) for the fee period from May 1, 2006 through and including November 30, 2006 (the “Compensation Period”). GCA seeks interim approval and allowance, pursuant to Sections 328 and 331 of the Bankruptcy Code, of the full amount of the fees and expenses requested in its monthly fee statements from the above captioned debtors and debtors in possession (collectively, the “Debtors”).

In support of its Application, GCA respectfully represents as follows:

1. This Application has been prepared in accordance with the Amended Guidelines for Fees and Disbursements for Professionals in the Southern District of New York Bankruptcy Cases adopted by the Court on April 19, 1995 (the “Local Guidelines”), the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330, adopted on January 30, 1996 (the “UST Guidelines”) and the Order Pursuant to Sections 105(a) and 331 of the Bankruptcy Code Establishing Procedures for Interim Compensation and Reimbursement of Expenses of Professionals and Committee Members entered by this Court on or about January 27, 2006 (the “Administrative Order,” and collectively with the Local Guidelines and UST Guidelines, the “Guidelines”). Pursuant to the Local Guidelines, a certification regarding compliance is attached hereto as Exhibit “A.”

### **BACKGROUND**

2. On January 13, 2006, the Debtors commenced cases (the “Chapter 11 Cases”) under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”). The Chapter 11 Cases are being jointly administered for procedural purposes. The Debtors continue to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. No trustee or examiner has been appointed in the Chapter 11 Cases. A statutory committee of general unsecured creditors (the “Committee”) was appointed on or about January 20, 2006. Since its appointment, the Committee has named GCA as its financial advisor, Hahn & Hessen as its counsel and Olshan Grundman, et al. as its conflicts counsel.

**SUMMARY OF PROFESSIONAL COMPENSATION  
AND REIMBURSEMENT OF EXPENSES REQUESTED**

3. Pursuant to the Guidelines, GCA makes this Application for interim allowance of reasonable compensation for actual and necessary professional services of \$175,000 and out-of-pocket expenses of \$2,028 incurred by GCA during the Compensation Period. GCA seeks entry of an order approving the full amount of the fees and expenses requested in the interim fee statements submitted during the Compensation Period. In addition, GCA respectfully requests that this Court order and direct the Debtors to pay all unpaid amounts previously approved by order of this Court. Namely, the \$12,894 of expenses incurred earlier in the case that were previously approved by order of this Court have, to date, not been paid. \$125,000 of the \$175,000 of the fees requested by GCA pursuant to this Application arise out of an agreement with Musicland's secured trade creditor constituency for compensation to GCA for services rendered to the Committee for the last six months of the Compensation Period. GCA's engagement letter with the Committee did not expressly provide for an agreed-upon monthly compensation amount for GCA's services for most of this time period. To date, all of the fees requested by GCA (less holdbacks) have been paid by the Debtors' estates to GCA.

4. During the Compensation Period, GCA professionals and paraprofessionals expended a total of 252.7 hours. Given the limited post-asset sale services that were required in order to insure that the interests of the Committee and the Debtors' general unsecured creditors were being well-served, GCA staffed this engagement appropriately with the GCA managing director responsible for the

engagement, David Sweig, providing appropriate oversight to other GCA professionals staffed on these cases, including Justin Hines (Vice President) and Nicole Horton (Director), who were generally responsible for administration of the engagement during the Compensation Period.

5. During the Compensation Period, GCA expended significant time and effort analyzing, primarily, potential recoveries for creditors on account of available estate proceeds as well as on account of potential estate causes of action. This process required, at certain times during the Compensation Period, the review and analysis of myriad information supplied by the Debtors and their professionals. GCA, on behalf of the Committee, regularly studied such information and constructed its own independent analyses which often blended key factors in a manner that the Debtors and their financial advisors had previously failed to do. Most notably, as recoveries from avoidance actions under chapter 5 of the Bankruptcy Code may be the only significant source of recovery for the Debtors' general unsecured creditors, GCA expended significant time and effort analyzing the preference analysis constructed by BMC Corp., the Debtors' notice and claims agent. In addition to analyzing the thousands of pages of transfer/credit analyses supplied for each secured and unsecured trade creditor, GCA has had a semi-regular dialogue with certain of the Debtors' professionals (including BMC) regarding, most notably, issues that have arisen regarding BMC's method for computing preference defenses and net preference exposure for the Debtors' vendors.

6. There is no agreement or understanding between GCA and any other person, other than members of the firm, for the sharing of compensation to be received for services rendered in these cases.

7. Pursuant to the UST Guidelines, annexed hereto as Exhibit “B” is a schedule setting forth all GCA professionals and paraprofessionals who have performed services in these Chapter 11 Cases during the Compensation Period, the capacities in which each such individual is employed by GCA, and the aggregate number of hours expended in this matter.

8. Pursuant to the UST Guidelines, annexed hereto as Exhibit “C” is a summary by project category of the services performed by GCA during the Compensation Period.

9. Annexed hereto as Exhibit “D” is a schedule of expenses for which GCA is seeking reimbursement.

10. With respect to GCA’s fee statements for the Compensation Period, GCA has, at the time of the filing of this Application, received all payments for its requested professional fees and out of pocket expenses. The only unpaid amounts due to GCA by the Debtors’ estates are (i) the professional fee holdbacks dating back to the commencement of these chapter 11 cases, as well as (ii) the \$12,894 of expenses that have been previously approved by Order of this Court, which have not been paid to date.

**THE REQUESTED COMPENSATION SHOULD BE ALLOWED**

11. Section 331 of the Bankruptcy Code provides for interim compensation of professionals and incorporates the substantive standards of section 330 to govern the Court’s award of such compensation. 11 U.S.C. § 331. Section 330

provides that a court may award a professional employed under section 327 of the Bankruptcy Code “reasonable compensation for actual, necessary services rendered . . . and reimbursement for actual, necessary expenses.” *Id.* § 330(a)(1). Section 330 also sets forth the criteria for the award of such compensation and reimbursement:

In determining the amount of reasonable compensation to be awarded, the court should consider the nature, the extent, and the value of such services, taking into account all relevant factors, including --

(A) the time spent on such services;

(B) the rates charged for such services;

(C) whether the services were necessary to the administration of, or beneficial at the time at which the service was rendered toward the completion of, a case under this title;

(D) whether the services were performed within a reasonable amount of time commensurate with the complexity, importance, and nature of the problem, issue, or task addressed; and

(E) whether the compensation is reasonable based on the customary compensation charged by comparably skilled practitioners in cases other than cases under this title.

*Id.* § 330(a)(3).

12. In the instant case, GCA respectfully submits that the services for which it seeks compensation in this Application were, at the time rendered, believed to be necessary for and beneficial to the Committee and the Debtors’ entire unsecured creditor body. Such services and expenditures were necessary to and in the best interests of the Debtors’ estates. GCA further submits that the compensation requested herein is reasonable in light of the nature, extent, and value of such services to the Committee and

the Debtors' general unsecured creditors as well as in accordance with orders of this Court.

13. In summary, the services rendered by GCA on behalf of the Debtors' general unsecured creditors were necessary and beneficial to the Debtors' estates, and were consistently performed in a timely manner commensurate with the complexity, importance, and nature of the issues involved, and approval of the compensation sought herein is warranted.

**WAIVER OF MEMORANDUM OF LAW**

14. This Application includes citations to the applicable authorities and does not raise any novel issues of law. Accordingly, GCA respectfully requests that the Court waive the requirement contained in Rule 9013-1(b) of the Local Bankruptcy Rules for the Southern District of New York that a separate memorandum of law be submitted.

**WHEREFORE**, GCA respectfully requests (a) approval of this Application; (b) authorization of payment of all unpaid amounts due to GCA for held-back fees incurred during the Compensation Period as well as since the commencement of these cases; (c) authorization of payment of previously approved expenses that have not been paid to date in the amount of \$12,894, and (d) that this Court direct the Debtors to immediately pay GCA these amounts, which, in the aggregate, total \$104,894.

Dated: New York, NY  
February 22, 2007

/s/ Jorian Rose  
Jorian Rose  
Managing Director and General Counsel  
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