



MARBLERIDGE
CAPITAL

September 18, 2018

**BY ELECTRONIC MAIL AND
OVERNIGHT COURIER**

Board of Directors, c/o David Kaplan, Chairman
Tracy Preston, General Counsel
Neiman Marcus Group Ltd LLC
1618 Main Street
Dallas, Texas
Attn: Investor Relations
investor_relations@neimanmarcus.com

RE: Spin-off of the MyTheresa Business and Related Transactions

Ladies and Gentlemen:

Reference is made to (i) that certain Indenture dated as of October 21, 2013 for the 8.0% Senior Cash Pay notes due 2021 issued by Mariposa Merger Sub LLC (merged into Neiman Marcus Group Ltd LLC) and Mariposa Borrower, Inc. and that certain Indenture dated as of October 21, 2013 for the 8.75%/9.5% Senior PIK Toggle Notes due 2021 issued by Mariposa Merger Sub LLC (merged into Neiman Marcus Group Ltd LLC) and Mariposa Borrower, Inc. (collectively, the “**Indentures**”) and (ii) that certain Term Loan Credit Agreement dated as of October 25, 2013 among Mariposa Intermediate Holdings LLC, as Holdings, Mariposa Merger Sub LLC (merged into Neiman Marcus Group Ltd LLC) (with its affiliates, the “**Company**”) and the lenders thereto (the “**Credit Agreement**,” and with the Indentures, the “**Debt Documents**”). Capitalized terms used herein have the meaning ascribed to them in the Debt Documents.

Marble Ridge Capital (“**Marble Ridge**”) writes in its capacity as a holder of the Senior Cash Pay and PIK Toggle Notes due 2021 (the “**Notes**”) and the Term Loans (the “**Term Loans**”) referenced above.

We appreciate you distributing this letter to the entire Board of Directors on our behalf.

We write concerning changes in the corporate structure disclosed by the Company on March 14, 2017 and September 18, 2018.

The initial disclosure in March 2017 revealed that the Company had designated the entities that own MyTheresa and properties located in San Antonio, Texas, Longview, Texas, and McLean, Virginia (together, the “**Redesignation**” or the “**Redesignated Entities**”) as Unrestricted Subsidiaries under the Debt Documents. Not all the facts concerning the Redesignation are known to Marble Ridge. However, what we do know led us to believe that the Company may be in default under its Indentures.



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On September 14, 2018, Marble Ridge relayed its concerns that the Redesignation may have caused a default under the Indentures to the Company's representative at Lazard Ltd., Tyler Cowan, to provide the Company with an opportunity to assuage our concerns. However, Mr. Cowan indicated that the Company would not comment on the Redesignation. In response, we indicated that this letter would be forthcoming.

Then, to our surprise and dismay, on September 18, 2018, the Company indicated that it dividended or otherwise transferred the MyTheresa business without any consideration to Neiman Marcus Group Inc., an entity jointly owned by Ares Management L.P. ("**Ares**") and Canada Pension Plan Investment Board ("**CPPIB**") (the "**Dividend**" and, together with the Redesignation, the "**Transactions**"). Neiman Marcus Group Inc. is not an issuer, borrower, or guarantor under the Debt Documents. What the Transactions appear to be is an attempt to move the MyTheresa business beyond the reach of existing creditors sitting between the sponsors' equity and the valuable MyTheresa assets. Most troubling, we understand that Ares and CPPIB usurped this massive benefit and took the MyTheresa business for *no consideration*.

It is therefore logical to conclude, based on the available information that the true purpose of the Transactions was to strip an important and valuable asset away from the creditors of the Company and to gift that asset to Ares and CPPIB, the Company's equity sponsors and controlling shareholders. Prior to the Transactions, the entities that owned the MyTheresa business, although non-Guarantor Restricted Subsidiaries under the Debt Documents, provided value indirectly to entities that were obligated to repay all amounts due and owing thereunder providing valuable credit support for the Notes and the Term Loans.

Based on the facts known to us, it appears that the Transactions may be susceptible to avoidance as intentional and constructive fraudulent transfers, may expose Ares, CPPIB, and the Company's board to liability and may trigger defaults under the Indentures. Marble Ridge has reason to believe that the Company was insolvent at the time of the Transactions or was rendered insolvent thereby. The Company is the issuer and/or guarantor of at least \$4.7 billion of indebtedness. Based on LTM EBITDA of \$478.2 million, the Company's indebtedness *prior to the Transactions* implies nearly a 10x leverage multiple (far in excess of any of its peers). Moreover, a dividend or other form of a spinoff by an insolvent guarantor to its equity sponsors, for no consideration, has all the hallmarks of an intentional or constructive fraudulent transfer (or illegal dividend) and raises serious questions of breaches of duties of care and loyalty, with exposure for Ares and CPPIB, as controlling shareholders, and for the Company's board. As noted above, Marble Ridge also has concerns that the Transactions do not comply with the Indentures.

We have reviewed the Company's disclosures with respect to the Redesignation, the Company's financial reports, and the Indentures, and have concerns regarding the Company's actions. Under the Indentures, the Company has limited capacity to make restricted investments into Unrestricted Subsidiaries. While there are specific carve-outs and requirements under the Indentures that permit a limited amount of assets to be transferred to or designated as Unrestricted Subsidiaries, certain of those provisions require the Company to be in compliance with a minimum Interest Coverage Ratio. **Therefore, based on our review of all relevant public information, the Transactions appear to have violated the Indentures and, accordingly, the Company may now be in default thereunder.** Additionally, because



the Redesignation appears to have been a first step in a scheme toward spinning off the valuable MyTheresa assets to the equity holders, the Transactions could be voidable and the directors of the Company could face liability.

Marble Ridge wishes to discuss these and related issues with the Company in order to assess whether the Redesignation complied with the Indentures and the Company's rationale for entering into the Redesignation transactions.

To facilitate a meaningful dialogue, Marble Ridge requests that the Company provide the following information to its counsel (for which they are prepared to enter into a standard confidentiality agreement):

1. What was the corporate purpose of the Transactions?
2. What was the determined cost basis for the Redesignated Entities at the time that the Company designated them as Unrestricted Subsidiaries?
3. The Indentures' limitations on Restricted Payments and Restricted Investments appear to prohibit the Company from designating a Subsidiary as an Unrestricted Subsidiary in most instances. Pursuant to which subpart of the definition of "Permitted Investments" or the Restricted Payment covenant did the Company designate the MyTheresa entities as Unrestricted Subsidiaries?
4. How did the Company calculate its Interest Coverage Ratio and Adjusted EBITDA at the time that the Redesignated Entities were designated as Unrestricted Subsidiaries? Please provide back-up for these calculations (including identifying relevant add-backs).
5. The Company's most recent filing on Form 10-K discloses "an intercompany note payable by the [MyTheresa entities] and held by NMG International LLC, which is a non-guarantor restricted subsidiary" (the "**MyTheresa Intercompany Note**"). Please explain why MyTheresa was adequately capitalized at the time it incurred the MyTheresa Intercompany Note and the treatment of the MyTheresa Intercompany Note in connection with the Transactions.

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Given the potential that the foregoing may lead to litigation, we hereby request that the Company and its current and past board members, Ares, and CPPIB retain all documents and communications relating to the Transactions, whether held electronically or in hard copy, notwithstanding any document-retention policies to the contrary. Please confirm in response to this letter that each of the foregoing have complied with this request.

Please direct your response to Sig Wissner-Gross of Brown Rudnick at (212) 209-4930.

Very truly yours,

MARBLE RIDGE CAPITAL



Daniel Kamensky

cc: U.S. Bank National Association
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