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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended January 27, 2018

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file no. 333-133184-12

Neiman Marcus Group LTD LLC
(Exact name of registrant as specified in its charter)

Delaware	**20-3509435**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1618 Main Street Dallas, Texas	**75201**
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code: **(214) 743-7600**

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes o No ☒

(Note: The registrant is a voluntary filer and not subject to the filing requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934. Although not subject to these filing requirements, the registrant has filed all reports that would have been required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months had the registrant been subject to such requirements.)

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer o	Accelerated filer o
Non-accelerated filer x	Smaller reporting company o
(Do not check if a smaller reporting company)	Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No ☒

NEIMAN MARCUS GROUP LTD LLC

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NEIMAN MARCUS GROUP LTD LLC
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(in thousands, except units)	January 27, 2018	July 29, 2017	January 28, 2017
ASSETS			
Current assets:			
Cash and cash equivalents	$ 35,788	$ 49,239	$ 48,443
Credit card receivables	42,258	38,836	37,437
Merchandise inventories	1,137,178	1,153,657	1,213,483
Other current assets	143,452	146,439	130,249
Total current assets	1,358,676	1,388,171	1,429,612
Property and equipment, net	1,557,112	1,586,961	1,600,816
Intangible assets, net	2,786,041	2,831,416	3,036,228
Goodwill	1,887,729	1,880,894	2,067,449
Other long-term assets	37,377	16,074	22,480
Total assets	$ 7,626,935	$ 7,703,516	$ 8,156,585
LIABILITIES AND MEMBER EQUITY			
Current liabilities:			
Accounts payable	$ 283,805	$ 316,830	$ 384,148
Accrued liabilities	532,081	456,937	509,629
Current portion of long-term debt	29,426	29,426	29,426
Total current liabilities	845,312	803,193	923,203
Long-term liabilities:			
Long-term debt, net of debt issuance costs	4,572,262	4,675,540	4,585,911
Deferred income taxes	762,840	1,156,833	1,211,788
Other long-term liabilities	607,507	601,298	625,872
Total long-term liabilities	5,942,609	6,433,671	6,423,571
Membership unit (1 unit issued and outstanding at January 27, 2018, July 29, 2017 and January 28, 2017)	—	—	—
Member capital	1,588,081	1,587,086	1,586,838
Accumulated other comprehensive loss	(38,379)	(63,431)	(111,201)
Accumulated deficit	(710,688)	(1,057,003)	(665,826)
Total member equity	839,014	466,652	809,811
Total liabilities and member equity	$ 7,626,935	$ 7,703,516	$ 8,156,585

See Notes to Condensed Consolidated Financial Statements.

NEIMAN MARCUS GROUP LTD LLC
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

(in thousands)	Thirteen weeks ended		Twenty-six weeks ended	
	January 27, 2018	January 28, 2017	January 27, 2018	January 28, 2017
Revenues	$ 1,482,118	$ 1,395,576	$ 2,602,417	$ 2,474,683
Cost of goods sold including buying and occupancy costs (excluding depreciation)	1,024,056	982,465	1,746,943	1,682,360
Selling, general and administrative expenses (excluding depreciation)	322,359	307,718	617,639	584,314
Income from credit card program	(14,065)	(16,750)	(25,929)	(30,418)
Depreciation expense	53,428	57,213	108,656	114,097
Amortization of intangible assets	11,500	12,881	23,664	26,504
Amortization of favorable lease commitments	12,784	13,443	25,569	27,097
Other expenses	12,614	5,211	15,454	12,029
Impairment charges	—	153,772	—	153,772
Operating earnings (loss)	59,442	(120,377)	90,421	(95,072)
Interest expense, net	76,549	74,197	152,647	146,280
Loss before income taxes	(17,107)	(194,574)	(62,226)	(241,352)
Income tax benefit	(389,639)	(77,505)	(408,541)	(100,770)
Net earnings (loss)	$ 372,532	$ (117,069)	$ 346,315	$ (140,582)

See Notes to Condensed Consolidated Financial Statements.

NEIMAN MARCUS GROUP LTD LLC
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS (LOSS)
(UNAUDITED)

(in thousands)	Thirteen weeks ended		Twenty-six weeks ended	
	January 27, 2018	January 28, 2017	January 27, 2018	January 28, 2017
Net earnings (loss)	$ 372,532	$ (117,069)	$ 346,315	$ (140,582)
Other comprehensive earnings:				
Foreign currency translation adjustments, before tax	4,549	(12,815)	13,156	(9,046)
Change in unrealized gain on financial instruments, before tax	13,761	18,074	18,910	21,340
Reclassification of realized loss on financial instruments to earnings, before tax	1,033	1,527	2,272	2,118
Change in unrealized loss on unfunded benefit obligations, before tax	(10)	539	582	(5,828)
Tax effect related to items of other comprehensive earnings (loss)	(4,678)	(3,655)	(9,868)	(3,944)
Total other comprehensive earnings	14,655	3,670	25,052	4,640
Total comprehensive earnings (loss)	$ 387,187	$ (113,399)	$ 371,367	$ (135,942)

See Notes to Condensed Consolidated Financial Statements.

NEIMAN MARCUS GROUP LTD LLC
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(in thousands)	Twenty-six weeks ended January 27, 2018	Twenty-six weeks ended January 28, 2017
CASH FLOWS - OPERATING ACTIVITIES		
Net earnings (loss)	$ 346,315	$ (140,582)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:		
Depreciation and amortization expense	170,127	179,962
Impairment charges	—	153,772
Deferred income taxes	(402,981)	(89,374)
Payment-in-kind interest	29,289	—
Other	(806)	2,338
	141,944	106,116
Changes in operating assets and liabilities:		
Merchandise inventories	21,624	(72,050)
Other current assets	(6,127)	(20,282)
Accounts payable and accrued liabilities	35,674	73,637
Deferred real estate credits	11,729	32,502
Funding of defined benefit pension plan	(9,300)	(2,500)
Net cash provided by operating activities	195,544	117,423
CASH FLOWS - INVESTING ACTIVITIES		
Capital expenditures	(65,796)	(115,698)
Net cash used for investing activities	(65,796)	(115,698)
CASH FLOWS - FINANCING ACTIVITIES		
Borrowings under revolving credit facilities	450,163	385,000
Repayment of borrowings under revolving credit facilities	(578,569)	(380,000)
Repayment of borrowings under senior secured term loan facility	(14,713)	(14,713)
Debt issuance costs paid	—	(5,359)
Repurchase of stock	(266)	—
Shares withheld for remittance of employee taxes	(332)	—
Net cash used for financing activities	(143,717)	(15,072)
Effect of exchange rate changes on cash and cash equivalents	518	(53)
CASH AND CASH EQUIVALENTS		
Decrease during the period	(13,451)	(13,400)
Beginning balance	49,239	61,843
Ending balance	$ 35,788	$ 48,443
Supplemental Schedule of Cash Flow Information		
Cash paid (received) during the period for:		
Interest	$ 115,137	$ 145,663
Income taxes	$ (3,458)	$ (1,748)
Non-cash - investing and financing activities:		
Property and equipment acquired through developer financing obligations	$ 4,277	$ 28,432
Issuance of PIK Toggle Notes	$ 28,500	$ —

See Notes to Condensed Consolidated Financial Statements.

NEIMAN MARCUS GROUP LTD LLC
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Basis of Presentation

Neiman Marcus Group LTD LLC (the "Company") is a luxury omni-channel retailer conducting store and online operations principally under the Neiman Marcus, Bergdorf Goodman, Last Call and MyTheresa brand names. References to “we,” “our” and “us” are used to refer to the Company or collectively to the Company and its subsidiaries, as appropriate to the context.

The Company is a subsidiary of Mariposa Intermediate Holdings LLC ("Holdings"), which in turn is a subsidiary of Neiman Marcus Group, Inc., a Delaware corporation ("Parent"). Parent is owned by entities affiliated with Ares Management, L.P. and Canada Pension Plan Investment Board (together, the "Sponsors") and certain co-investors. The Sponsors acquired the Company on October 25, 2013 (the "Acquisition"). The Company's operations are conducted through its direct wholly owned subsidiary, The Neiman Marcus Group LLC ("NMG").

In October 2014, we acquired MyTheresa, a luxury retailer headquartered in Munich, Germany. The operations of MyTheresa are conducted primarily through the mytheresa.com website.

The accompanying Condensed Consolidated Financial Statements set forth financial information of the Company and its subsidiaries on a consolidated basis. All significant intercompany accounts and transactions have been eliminated.

Our fiscal year ends on the Saturday closest to July 31. Like many other retailers, we follow a 4-5-4 reporting calendar, which means that each fiscal quarter consists of thirteen weeks divided into periods of four weeks, five weeks and four weeks. All references to (i) the second quarter of fiscal year 2018 relate to the thirteen weeks ended January 27, 2018, (ii) the second quarter of fiscal year 2017 relate to the thirteen weeks ended January 28, 2017, (iii) year-to-date fiscal 2018 relate to the twenty-six weeks ended January 27, 2018 and (iv) year-to-date fiscal 2017 relate to the twenty-six weeks ended January 28, 2017.

We have prepared the accompanying Condensed Consolidated Financial Statements in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and Rule 10-01 of Regulation S-X of the Securities Act of 1933, as amended. Accordingly, these financial statements do not include all of the information and footnotes required by GAAP for complete financial statements. Therefore, these financial statements should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended July 29, 2017. In our opinion, the accompanying Condensed Consolidated Financial Statements contain all adjustments, consisting of normal recurring adjustments, necessary to present fairly our financial position, results of operations and cash flows for the applicable interim periods.

The luxury retail industry is seasonal in nature, with higher sales typically generated in the fall and holiday selling seasons. Due to seasonal and other factors, the results of operations for the second quarter of fiscal year 2018 are not necessarily comparable to, or indicative of, results of any other interim period or for the fiscal year as a whole.

A detailed description of our critical accounting policies is included in our Annual Report on Form 10-K for the fiscal year ended July 29, 2017.

Use of Estimates. We are required to make estimates and assumptions about future events in preparing our financial statements in conformity with GAAP. These estimates and assumptions affect the amounts of assets, liabilities, revenues and expenses and the disclosure of gain and loss contingencies at the date of the accompanying Condensed Consolidated Financial Statements.

While we believe that our past estimates and assumptions have been materially accurate, the amounts currently estimated are subject to change if different assumptions as to the outcome of future events were made. We evaluate our estimates and assumptions on an ongoing basis and predicate those estimates and assumptions on historical experience and on various other factors that we believe are reasonable under the circumstances. We make adjustments to our estimates and assumptions when facts and circumstances dictate. Since future events and their effects cannot be determined with absolute certainty, actual results may differ from the estimates and assumptions used in preparing the accompanying Condensed Consolidated Financial Statements.

We believe the following critical accounting policies, among others, encompass the more significant estimates, assumptions and judgments used in the preparation of the accompanying Condensed Consolidated Financial Statements:

- recognition of revenues;

- valuation of merchandise inventories, including determination of original retail values, recognition of markdowns and vendor allowances, estimation of inventory shrinkage and determination of cost of goods sold;
- determination of impairment of intangible and long-lived assets;
- measurement of liabilities related to our loyalty program;
- recognition of income taxes; and
- measurement of accruals for general liability, workers' compensation and health insurance claims and pension and postretirement health care benefits.

Segments. We conduct our specialty retail store and online operations on an omni-channel basis. As our store and online operations have similar economic characteristics, products, services and customers, our operations constitute a single omni-channel reportable segment.

Newly Adopted Accounting Pronouncements. In March 2016, the Financial Accounting Standards Board ("the FASB") issued guidance to simplify how share-based payments are accounted for and presented in the financial statements, including the income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. The standard allows (i) entities to withhold an amount up to the employees' maximum individual tax rate in the relevant jurisdiction without resulting in liability classification of the award and (ii) forfeitures to be either estimated, as required currently, or recognized when they occur. We adopted this guidance in the first quarter of fiscal year 2018. The adoption of this guidance did not have a material impact on our Condensed Consolidated Financial Statements.

Recent Accounting Pronouncements. In May 2014, the FASB issued guidance to clarify the principles for revenue recognition. The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes previous revenue recognition guidance. While our evaluation of the impact of adopting this standard is ongoing, we believe the new guidance will impact our accounting for sales returns, our loyalty program and certain promotional programs. We intend to adopt this new guidance no earlier than the first quarter of fiscal year 2019. We are currently evaluating which application method to adopt.

In May 2017, the FASB issued guidance to clarify which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. The standard requires modification accounting only if changes in the terms or conditions result in changes of the fair value, the vesting conditions or the classification of the award as an equity instrument or a liability. This new guidance is effective for us as of the first quarter of fiscal year 2019 and will be applicable to any modification transactions subsequent to the effective date.

In February 2016, the FASB issued guidance that requires a lessee to recognize assets and liabilities arising from leases on the balance sheet. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. Previous GAAP did not require lease assets and liabilities to be recognized for operating leases. Additionally, companies are permitted to make an accounting policy election not to recognize lease assets and liabilities for leases with a term of 12 months or less. For both finance leases and operating leases, the lease liability should be initially measured at the present value of the remaining contractual lease payments. We do not expect the recognition, measurement and presentation of expenses and cash flows arising from our operating leases to significantly change under this new guidance. This new guidance is effective for us as of the first quarter of fiscal year 2020. While we expect adoption to lead to a material increase in the assets and liabilities recorded on our Condensed Consolidated Balance Sheets and an increase to our footnote disclosures related to leases, we are still evaluating the impact on our Condensed Consolidated Statements of Operations.

In August 2017, the FASB issued guidance to simplify how hedge accounting arrangements are accounted for and presented in the financial statements, including the assessment of hedge effectiveness. Under the new standard, all changes in the fair value of cash flow hedges included in the assessment of effectiveness will be recorded in other comprehensive income and reclassified to earnings in the same income statement line item when the hedged item affects earnings. This new guidance is effective for us as of the first quarter of fiscal year 2020. We are currently evaluating the impact of adopting this new accounting guidance on our Condensed Consolidated Financial Statements.

2. Fair Value Measurements

Certain of our assets and liabilities are required to be measured at fair value on a recurring basis. Fair value is the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. Assets and liabilities are classified using a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value as follows:

- Level 1 — Unadjusted quoted prices for identical instruments traded in active markets.
- Level 2 — Observable market-based inputs or unobservable inputs corroborated by market data.
- Level 3 — Unobservable inputs reflecting management's estimates and assumptions.

The following table shows the Company's financial assets and liabilities that are required to be measured at fair value on a recurring basis in our Condensed Consolidated Balance Sheets:

(in thousands)	Fair Value Hierarchy	January 27, 2018	July 29, 2017	January 28, 2017
Assets:				
Interest rate swaps (included in other long-term assets)	Level 2	$ 25,996	$ 3,628	$ 8,960
Liabilities:				
Contingent earn-out obligation (included in accrued liabilities)	Level 3	—	—	24,520
Stock-based award liability (included in other long-term liabilities)	Level 3	5,643	1,344	3,269

The fair value of the interest rate swaps is estimated using industry standard valuation models using market-based observable inputs, including interest rate curves.

The fair value of the contingent earn-out obligation incurred in connection with the acquisition of MyTheresa was estimated as of the acquisition date using a valuation model that measured the present value of the probable cash payments based upon the forecasted operating performance of MyTheresa and a discount rate that captured the risk associated with the obligation. We updated our assumptions based on new developments and adjusted the carrying value of the obligation to its estimated fair value at each reporting date. In March 2017, we paid $26.9 million, or €25.5 million, to the sellers related to calendar year 2016 (of which $22.9 million, or €18.1 million, represented the acquisition date fair value of the obligation). The Company has no further earn-out obligations.

Because Parent is privately held and there is no public market for its common stock, the fair market value of Parent's common stock is determined by the Board of Directors of Parent (the "Parent Board") or the Compensation Committee, as applicable. In determining the fair market value of Parent's common stock, the Parent Board or the Compensation Committee, as applicable, considers such factors as any recent transactions involving Parent's common stock, the Company's actual and projected financial results, the principal amount of the Company's indebtedness, valuations of the Company performed by third parties and other factors it believes are material to the valuation process. Significant inputs to the common stock valuation model are updated as applicable and the carrying value of the obligation is adjusted to its estimated fair value at each reporting date.

The carrying values of cash and cash equivalents, credit card receivables and accounts payable approximate fair value due to their short-term nature. We determine the fair value of our long-term debt on a non-recurring basis, which results are summarized as follows:

(in thousands)	Fair Value Hierarchy	January 27, 2018 Carrying Value	January 27, 2018 Fair Value	July 29, 2017 Carrying Value	July 29, 2017 Fair Value	January 28, 2017 Carrying Value	January 28, 2017 Fair Value
Long-term debt:							
Asset-Based Revolving Credit Facility	Level 2	$ 132,000	$ 132,000	$ 263,000	$ 263,000	$ 170,000	$ 170,000
mytheresa.com Credit Facilities	Level 2	2,593	2,593	—	—	—	—
Senior Secured Term Loan Facility	Level 2	2,824,920	2,395,899	2,839,633	2,113,766	2,854,346	2,392,313
Cash Pay Notes	Level 2	960,000	613,565	960,000	532,253	960,000	625,680
PIK Toggle Notes	Level 2	628,500	373,958	600,000	297,000	600,000	367,500
2028 Debentures	Level 2	122,783	90,831	122,677	87,490	122,570	103,985

We estimated the fair value of long-term debt using (i) prevailing market rates for debt of similar remaining maturities and credit risk for the senior secured asset-based revolving credit facility (as amended, the "Asset-Based Revolving Credit Facility") and the senior secured term loan facility (as amended, the "Senior Secured Term Loan Facility" and, together with the Asset-Based Revolving Credit Facility, the "Senior Secured Credit Facilities") and (ii) quoted market prices of the same or similar issues for the $960.0 million aggregate principal amount of 8.00% Senior Cash Pay Notes due 2021 (the "Cash Pay Notes"), the $628.5 million aggregate principal amount of 8.75%/9.50% Senior PIK Toggle Notes due 2021 (the "PIK Toggle Notes") and the $125.0 million aggregate principal amount of 7.125% Debentures due 2028 (the "2028 Debentures" and, together with the Cash Pay Notes and the PIK Toggle Notes, the "Notes").

In connection with purchase accounting, we adjusted the carrying values of our long-lived and intangible assets to their estimated fair values at the acquisition date. The fair value estimates were based upon assumptions related to the future cash flows, discount rates and asset lives utilizing currently available information, and in some cases, valuation results from independent valuation specialists (Level 3 determination of fair value). Subsequent to the Acquisition, we determine the fair value of our long-lived and intangible assets on a non-recurring basis in connection with our periodic evaluations of such assets for potential impairment and record impairment charges when such fair value estimates are lower than the carrying values of the assets.

3. Intangible Assets, Net and Goodwill

(in thousands)	January 27, 2018	July 29, 2017	January 28, 2017
Favorable lease commitments, net	$ 905,016	$ 930,585	$ 956,959
Other definite-lived intangible assets, net	377,652	401,081	424,975
Tradenames	1,503,373	1,499,750	1,654,294
Intangible assets, net	$ 2,786,041	$ 2,831,416	$ 3,036,228
Goodwill	$ 1,887,729	$ 1,880,894	$ 2,067,449

Intangible Assets Subject to Amortization. Favorable lease commitments are amortized straight-line over the remaining lives of the leases, ranging from five to 55 years (weighted average life of 30 years) from the Acquisition date. Our definite-lived intangible assets, which primarily consist of customer lists, are amortized using accelerated methods which reflect the pattern in which we receive the economic benefit of the asset, currently estimated at six to 16 years (weighted average life of 13 years) from the respective acquisition dates.

Total amortization of all intangible assets recorded in connection with acquisitions for the current and next five fiscal years is currently estimated as follows (in thousands):

January 28, 2018 through July 28, 2018	$ 48,511
2019	95,003
2020	88,306
2021	82,301
2022	82,450
2023	81,305

At January 27, 2018, accumulated amortization was $226.0 million for favorable lease commitments and $323.8 million for other definite-lived intangible assets.

Indefinite-lived Intangible Assets and Goodwill. Indefinite-lived intangible assets, such as our Neiman Marcus, Bergdorf Goodman and MyTheresa tradenames and goodwill, are not subject to amortization. Rather, we assess the recoverability of indefinite-lived intangible assets and goodwill annually in the fourth quarter of each fiscal year and upon the occurrence of certain events. These impairment assessments are performed for each of our three reporting units — Neiman Marcus, Bergdorf Goodman and MyTheresa.

4. Impairment Charges

We recorded impairment charges aggregating $510.7 million in fiscal year 2017 ($153.8 million in the second quarter and $357.0 million in the fourth quarter). These impairment charges were driven both by (i) changes in market conditions related to increases in the weighted average cost of capital and valuation multiples and (ii) deterioration of operating trends during such periods. These impairment charges related to certain of our tradenames, goodwill and long-lived assets primarily associated with our Neiman Marcus and Bergdorf Goodman brands.

5. Long-term Debt

The significant components of our long-term debt are as follows:

(in thousands)	Interest Rate	January 27, 2018	July 29, 2017	January 28, 2017
Asset-Based Revolving Credit Facility	variable	$ 132,000	$ 263,000	$ 170,000
mytheresa.com Credit Facilities	2.25%/2.39%	2,593	—	—
Senior Secured Term Loan Facility	variable	2,824,920	2,839,633	2,854,346
Cash Pay Notes	8.00%	960,000	960,000	960,000
PIK Toggle Notes	8.75%/9.50%	628,500	600,000	600,000
2028 Debentures	7.125%	122,783	122,677	122,570
Total debt		4,670,796	4,785,310	4,706,916
Less: current portion of Senior Secured Term Loan Facility		(29,426)	(29,426)	(29,426)
Less: unamortized debt issuance costs		(69,108)	(80,344)	(91,579)
Long-term debt, net of debt issuance costs		$ 4,572,262	$ 4,675,540	$ 4,585,911

Asset-Based Revolving Credit Facility. At January 27, 2018, we have an Asset-Based Revolving Credit Facility with a maximum committed borrowing capacity of $900.0 million. The Asset-Based Revolving Credit Facility matures on July 25, 2021 (or July 25, 2020 if our obligations under our Senior Secured Term Loan Facility or any permitted refinancing thereof have not been repaid or the maturity date thereof has not been extended to October 25, 2021 or later). At January 27, 2018, we had outstanding borrowings of $132.0 million under this facility, outstanding letters of credit of $1.8 million and unused commitments of $749.7 million, subject to a borrowing base, of which $90.0 million of such capacity is available to us subject to certain restrictions as more fully described below.

Availability under the Asset-Based Revolving Credit Facility is subject to a borrowing base. The Asset-Based Revolving Credit Facility includes borrowing capacity available for letters of credit (up to $150.0 million, with any such issuance of letters of credit reducing the amount available under the Asset-Based Revolving Credit Facility on a dollar-for-dollar basis) and for borrowings on same-day notice. The borrowing base is equal to at any time the sum of (a) 90% of the net orderly liquidation value of eligible

inventory, net of certain reserves, plus (b) 90% of the amounts owed by credit card processors in respect of eligible credit card accounts constituting proceeds from the sale or disposition of inventory, less certain reserves, plus (c) 100% of segregated cash held in a restricted deposit account. To the extent that excess availability is not equal to or greater than the greater of (a) 10% of the lesser of (1) the aggregate revolving commitments and (2) the borrowing base and (b) $50.0 million, we will be required to maintain a minimum fixed charge coverage ratio. Additional restrictions will apply if this condition is not met for five consecutive business days, including increased reporting requirements and additional administrative agent control rights over certain of our accounts. These restrictions will continue until the condition is satisfied and their imposition may limit our operational flexibility.

The Asset-Based Revolving Credit Facility permits us to increase commitments under the Asset-Based Revolving Credit Facility or add one or more incremental term loans to the Asset-Based Revolving Credit Facility by an amount not to exceed $200.0 million. However, the lenders are under no obligation to provide any such additional commitments or loans, and any increase in commitments or incremental term loans will be subject to customary conditions precedent. If we were to request any such additional commitments and the existing lenders or new lenders were to agree to provide such commitments, the size of the Asset-Based Revolving Credit Facility could be increased to $1,100.0 million, but our ability to borrow would still be limited by the amount of the borrowing base. The cash proceeds of any incremental term loans may be used for working capital and general corporate purposes.

At January 27, 2018, borrowings under the Asset-Based Revolving Credit Facility bore interest at a rate per annum equal to, at our option, either (a) a base rate determined by reference to the highest of (1) the prime rate of Deutsche Bank AG New York Branch (the administrative agent), (2) the federal funds effective rate plus ½ of 1.00% and (3) the adjusted one-month LIBOR plus 1.00% or (b) LIBOR, subject to certain adjustments, in each case plus an applicable margin of 0.75% with respect to base rate borrowings and 1.75% with respect to LIBOR borrowings at January 27, 2018. The applicable margin is based on the average historical excess availability under the Asset-Based Revolving Credit Facility, and is up to 1.00% with respect to base rate borrowings and up to 2.00% with respect to LIBOR borrowings, in each case with one 0.25% step down based on achievement and maintenance of a certain senior secured first lien net leverage ratio (as defined in the credit agreement governing the Asset-Based Revolving Credit Facility). The weighted average interest rate on the outstanding borrowings pursuant to the Asset-Based Revolving Credit Facility was 3.78% at January 27, 2018. In addition, we are required to pay a commitment fee in respect of unused commitments at a rate of up to 0.375% per annum. We must also pay customary letter of credit fees and agency fees.

If at any time the aggregate amount of outstanding revolving loans, unreimbursed letter of credit drawings and undrawn letters of credit under the Asset-Based Revolving Credit Facility exceeds the lesser of (a) the aggregate revolving commitments and (b) the borrowing base, we will be required to repay outstanding loans or cash collateralize letters of credit in an aggregate amount equal to such excess, with no reduction of the commitment amount. If the excess availability under the Asset-Based Revolving Credit Facility is less than the greater of (a) 10% of the lesser of (1) the aggregate revolving commitments and (2) the borrowing base and (b) $50.0 million for a period of five or more consecutive business days, funds held in a collection account maintained with the agent would be applied to repay the loans and other obligations and cash collateralize letters of credit. We would then be required to make daily deposits in the collection account maintained with the agent under the Asset-Based Revolving Credit Facility.

We may voluntarily reduce the unutilized portion of the commitment amount and repay outstanding loans at any time without premium or penalty other than customary breakage costs with respect to LIBOR loans. There is no scheduled amortization under the Asset-Based Revolving Credit Facility. The principal amount of the revolving loans outstanding thereunder will be due and payable in full on July 25, 2021 (or July 25, 2020 if our obligations under our Senior Secured Term Loan Facility or any permitted refinancing thereof have not been repaid or the maturity date thereof has not been extended to October 25, 2021 or later).

The Asset-Based Revolving Credit Facility is guaranteed by Holdings and each of our current and future direct and indirect wholly owned subsidiaries (subsidiary guarantors) other than (a) unrestricted subsidiaries, (b) certain immaterial subsidiaries, (c) foreign subsidiaries and any domestic subsidiary of a foreign subsidiary, (d) certain holding companies of foreign subsidiaries, (e) captive insurance subsidiaries, not for profit subsidiaries, or a subsidiary which is a special purpose entity for securitization transactions or like special purposes and (f) any subsidiary that is prohibited by applicable law or contractual obligation from acting as a guarantor or which would require governmental approval to provide a guarantee. At January 27, 2018, the assets of non-guarantor subsidiaries, primarily (i) NMG Germany GmbH, through which we conduct the operations of MyTheresa, (ii) NMG International LLC, a holding company with respect to our foreign operations and (iii) Nancy Holdings LLC, which holds legal title to certain real property used by us in conducting our operations, aggregated $441.7 million, or 5.8% of consolidated total assets. All obligations under the Asset-Based Revolving Credit Facility, and the guarantees of those obligations, are secured, subject to certain significant exceptions by substantially all of the assets of Holdings, the Company and the subsidiary guarantors.

The Asset-Based Revolving Credit Facility contains covenants limiting, among other things, dividends and other restricted payments, investments, loans, advances and acquisitions, and prepayments or redemptions of other indebtedness. These covenants

permit such restricted actions in an unlimited amount, subject to the satisfaction of certain payment conditions, principally that we must have (x) pro forma excess availability under the Asset-Based Revolving Credit Facility for each day of the 30-day period prior to such actions, which exceeds the greater of $90.0 million or 15% of the lesser of (a) the revolving commitments under the Asset-Based Revolving Credit Facility and (b) the borrowing base and (y) a pro forma fixed charge coverage ratio of at least 1.0 to 1.0, unless pro forma excess availability for each day of the 30-day period prior to such actions under the Asset-Based Revolving Credit Facility would exceed the greater of (1) $200.0 million and (2) 25% of the lesser of (i) the aggregate revolving commitments under the Asset-Based Revolving Credit Facility and (ii) the borrowing base. The Asset-Based Revolving Credit Facility also contains customary affirmative covenants and events of default, including a cross-default provision in respect of any other indebtedness that has an aggregate principal amount exceeding $50.0 million.

For a more detailed description of the Asset-Based Revolving Credit Facility, refer to Note 8 of the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended July 29, 2017.

Mytheresa.com Credit Facilities. Our subsidiary mytheresa.com GmbH, through which we operate mytheresa.com, is party to two credit facility agreements (the "mytheresa.com Credit Facilities"). The first facility, entered into October 1, 2015, is a revolving credit line for up to €6.5 million in availability and bears interest at a fixed rate of 2.39% (until further notice) for any loan drawn under the overdraft facility and at rates to be agreed on a case-by-case basis for money market loans and guarantees. The second facility, entered into June 8, 2017, is a revolving credit line for up to €8.5 million in availability and bears interest at a fixed rate of 2.25% (until further notice) for any loan drawn under the overdraft facility and at rates to be agreed on a case-by-case basis for any other loans.

Both facilities are secured by certain inventory held by mytheresa.com GmbH and certain contractual claims. The facilities are not guaranteed by, and are non-recourse to, us or any of our U.S. subsidiaries or affiliates. Each facility contains restrictive covenants prohibiting mytheresa.com GmbH from distributing or making available loan proceeds to any affiliates including us or any of our other subsidiaries and requiring mytheresa.com GmbH to maintain a minimum economic equity ratio. The agreements also contain usual and customary events of default, the occurrence of which may result in all outstanding amounts under the facility agreements becoming due and payable immediately. There is no scheduled amortization under either facility and neither facility has a specified maturity date. However, each lender may terminate its respective facility at any time provided that mytheresa.com GmbH is given a customary reasonable opportunity to secure alternative financing.

As of January 27, 2018, mytheresa.com GmbH had outstanding borrowings of $2.6 million, or €2.2 million, guarantees of $1.3 million, or €1.1 million, and unused commitments of $14.1 million, or €11.7 million.

Senior Secured Term Loan Facility. We have a credit agreement and related security and other agreements for the $2,950.0 million Senior Secured Term Loan Facility. At January 27, 2018, the outstanding balance under the Senior Secured Term Loan Facility was $2,824.9 million. The principal amount of the loans outstanding is due and payable in full on October 25, 2020.

The Senior Secured Term Loan Facility permits us to increase the term loans or add a separate tranche of term loans by an amount not to exceed $650.0 million plus an unlimited amount that would result (a) in the case of any incremental term loan facility to be secured equally and ratably with the term loans, a senior secured first lien net leverage ratio equal to or less than 4.25 to 1.00, and (b) in the case of any incremental term loan facility to be secured on a junior basis to the term loans, to be subordinated in right of payment to the term loans or unsecured and pari passu in right of payment with the term loans, a total net leverage ratio equal to or less than the total net leverage ratio as of October 25, 2013.

At January 27, 2018, borrowings under the Senior Secured Term Loan Facility bore interest at a rate per annum equal to, at our option, either (a) a base rate determined by reference to the highest of (1) the prime rate of Credit Suisse AG (the administrative agent), (2) the federal funds effective rate plus ½ of 1.00% and (3) the adjusted one-month LIBOR plus 1.00%, or (b) an adjusted LIBOR (for a period equal to the relevant interest period, and in any event, never less than 1.00%), subject to certain adjustments, in each case plus an applicable margin. The applicable margin is up to 2.25% with respect to base rate borrowings and up to 3.25% with respect to LIBOR borrowings. The applicable margin is subject to adjustment based on our senior secured first lien net leverage ratio. The applicable margin with respect to outstanding LIBOR borrowings was 3.25% at January 27, 2018. The interest rate on the outstanding borrowings pursuant to the Senior Secured Term Loan Facility was 4.81% at January 27, 2018.

Subject to certain exceptions and reinvestment rights, the Senior Secured Term Loan Facility requires that 100% of the net cash proceeds from certain asset sales and debt issuances and 50% (which percentage will be reduced to 25% if our senior secured first lien net leverage ratio, as defined in the credit agreement governing the Senior Secured Term Loan Facility, is equal to or less than 4.0 to 1.0 but greater than 3.5 to 1.0 and will be reduced to 0% if our senior secured first lien net leverage ratio is equal to or less than 3.5 to 1.0) from excess cash flow, as defined in the credit agreement governing the Senior Secured Term Loan Facility, for each of our fiscal years (commencing with the period ended July 26, 2015) must be used to prepay outstanding term loans under the

Senior Secured Term Loan Facility at 100% of the principal amount to be prepaid, plus accrued and unpaid interest. We were not required to prepay any outstanding term loans pursuant to the annual excess cash flow requirements for fiscal year 2017.

We may repay all or any portion of the Senior Secured Term Loan Facility at any time, subject to redeployment costs in the case of prepayment of LIBOR borrowings other than the last day of the relevant interest period. The Senior Secured Term Loan Facility amortizes in equal quarterly installments of $7.4 million, less certain voluntary and mandatory prepayments, with the remaining balance due at final maturity.

The Senior Secured Term Loan Facility is guaranteed by Holdings and each of our current and future subsidiary guarantors other than (a) unrestricted subsidiaries, (b) certain immaterial subsidiaries, (c) foreign subsidiaries and any domestic subsidiary of a foreign subsidiary, (d) certain holding companies of foreign subsidiaries, (e) captive insurance subsidiaries, not for profit subsidiaries, or a subsidiary which is a special purpose entity for securitization transactions or like special purposes and (f) any subsidiary that is prohibited by applicable law or contractual obligation from acting as a guarantor or which would require governmental approval to provide a guarantee. At January 27, 2018, the assets of non-guarantor subsidiaries, primarily (i) NMG Germany GmbH, through which we conduct the operations of MyTheresa, (ii) NMG International LLC, a holding company with respect to our foreign operations and (iii) Nancy Holdings LLC, which holds legal title to certain real property used by us in conducting our operations, aggregated $441.7 million, or 5.8% of consolidated total assets. All obligations under the Senior Secured Term Loan Facility, and the guarantees of those obligations, are secured, subject to certain significant exceptions, by substantially all of the assets of Holdings, the Company and the subsidiary guarantors.

The credit agreement governing the Senior Secured Term Loan Facility contains a number of negative covenants and covenants related to the security arrangements for the Senior Secured Term Loan Facility. The credit agreement also contains customary affirmative covenants and events of default, including a cross-default provision in respect of any other indebtedness that has an aggregate principal amount exceeding $50.0 million.

For a more detailed description of the Senior Secured Term Loan Facility, refer to Note 8 of the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended July 29, 2017.

Cash Pay Notes. The Company, along with Mariposa Borrower, Inc. as co-issuer, incurred indebtedness in the form of $960.0 million aggregate principal amount of 8.00% Senior Cash Pay Notes due 2021. Interest on the Cash Pay Notes is payable semi-annually in arrears on each April 15 and October 15. The Cash Pay Notes are guaranteed by the same entities that guarantee the Senior Secured Term Loan Facility, other than Holdings. The Cash Pay Notes are unsecured and the guarantees are full and unconditional. At January 27, 2018, the redemption price at which we may redeem the Cash Pay Notes, in whole or in part, as set forth in the indenture governing the Cash Pay Notes, was 104.000%. The Cash Pay Notes mature on October 15, 2021.

For a more detailed description of the Cash Pay Notes, refer to Note 8 of the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended July 29, 2017.

PIK Toggle Notes. The Company, along with Mariposa Borrower, Inc. as co-issuer, incurred indebtedness in the form of $600.0 million aggregate principal amount of 8.75%/9.50% Senior PIK Toggle Notes due 2021. At January 27, 2018, the outstanding balance under the PIK Toggle Notes was $628.5 million. The PIK Toggle Notes are guaranteed by the same entities that guarantee the Senior Secured Term Loan Facility, other than Holdings. The PIK Toggle Notes are unsecured and the guarantees are full and unconditional. At January 27, 2018, the redemption price at which we may redeem the PIK Toggle Notes, in whole or in part, as set forth in the indenture governing the PIK Toggle Notes, was 104.375%. The PIK Toggle Notes mature on October 15, 2021.

Interest on the PIK Toggle Notes is payable semi-annually in arrears on each April 15 and October 15. Interest on the PIK Toggle Notes, subject to certain restrictions, may be paid (i) entirely in cash ("Cash Interest"), (ii) entirely by increasing the principal amount of the PIK Toggle Notes by the relevant interest payment amount ("PIK Interest"), or (iii) 50% in Cash Interest and 50% in PIK Interest. Cash Interest on the PIK Toggle Notes accrues at a rate of 8.75% per annum. PIK Interest on the PIK Toggle Notes accrues at a rate of 9.50% per annum. Interest on the PIK Toggle Notes was paid entirely in cash for the first seven interest payments. We elected to pay the October 2017 and April 2018 interest payments in the form of PIK Interest, which resulted in the issuance of $28.5 million of additional PIK Toggle Notes in October 2017 and will result in the issuance of $29.9 million of additional PIK Toggle Notes in April 2018. We may additionally elect to pay interest in the form of PIK Interest or partial PIK Interest with respect to the interest payment due in October 2018. If we elect to do so, we must deliver a notice of such election to the trustee no later than one day prior to the beginning of the October 2018 interest period. We will evaluate our financial position prior to the October 2018 interest period to determine the appropriate election at that time.

For a more detailed description of the PIK Toggle Notes, refer to Note 8 of the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended July 29, 2017.

2028 Debentures. NMG has outstanding $125.0 million aggregate principal amount of our 7.125% Senior Debentures due 2028. The 2028 Debentures are secured by a first lien security interest on certain collateral subject to liens granted under the Senior Secured Credit Facilities. The 2028 Debentures are guaranteed on an unsecured, senior basis by the Company. The guarantee is full and unconditional. At January 27, 2018, our non-guarantor subsidiaries consisted principally of (i) Bergdorf Goodman, Inc., through which we conduct the operations of our Bergdorf Goodman stores, (ii) NM Nevada Trust, which holds legal title to certain real property and intangible assets used by us in conducting our operations, (iii) NMG Germany GmbH, through which we conduct the operations of MyTheresa, (iv) NMG International LLC, a holding company with respect to our foreign operations and (v) Nancy Holdings LLC, which holds legal title to certain real property used by us in conducting our operations. The 2028 Debentures include certain restrictive covenants and a cross-acceleration provision in respect of any other indebtedness that has an aggregate principal amount exceeding $15.0 million. The 2028 Debentures mature on June 1, 2028.

For a more detailed description of the 2028 Debentures, refer to Note 8 of the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended July 29, 2017.

Maturities of Long-term Debt. At January 27, 2018, annual maturities of long-term debt during the current and next five fiscal years and thereafter are as follows (in millions):

January 28, 2018 through July 28, 2018	$ 14.7
2019	29.4
2020	29.4
2021	2,883.4
2022	1,588.5
2023	—
Thereafter	125.4

The previous table does not reflect future excess cash flow prepayments, if any, that may be required under the Senior Secured Term Loan Facility.

Interest Expense, net. The significant components of interest expense are as follows:

	Thirteen weeks ended		Twenty-six weeks ended	
(in thousands)	**January 27, 2018**	**January 28, 2017**	**January 27, 2018**	**January 28, 2017**
Asset-Based Revolving Credit Facility	$ 1,483	$ 1,366	$ 3,796	$ 2,570
mytheresa.com Credit Facilities	21	28	42	43
Senior Secured Term Loan Facility	33,814	32,815	67,232	64,259
Cash Pay Notes	19,200	19,200	38,400	38,400
PIK Toggle Notes	14,927	13,125	29,289	26,250
2028 Debentures	2,226	2,226	4,453	4,453
Amortization of debt issue costs	6,121	6,121	12,238	12,264
Capitalized interest	(1,841)	(1,529)	(3,564)	(3,244)
Other, net	598	845	761	1,285
Interest expense, net	$ 76,549	$ 74,197	$ 152,647	$ 146,280

6. Derivative Financial Instruments

Interest Rate Swaps. At January 27, 2018, we had outstanding floating rate debt obligations of $2,956.9 million. In April and June of 2016, we entered into floating to fixed interest rate swap agreements for an aggregate notional amount of $1,400.0 million to limit our exposure to interest rate increases related to a portion of our floating rate indebtedness. These swap agreements hedge a portion of our contractual floating rate interest commitments related to our Senior Secured Term Loan Facility from December 2016 to October 2020. As a result of the April 2016 swap agreements, our effective interest rate as to $700.0 million of floating rate indebtedness will be fixed at 4.9120% from December 2016 through October 2020. As a result of the June 2016 swap agreements, our effective interest rate as to an additional $700.0 million of floating rate indebtedness will be fixed at 4.7395% from December 2016 to October 2020. The fair value of our interest rate swap agreements was a gain of $26.0 million at January 27, 2018, $3.6

million at July 29, 2017 and $9.0 million at January 28, 2017, which amounts were included in other long-term assets. The interest rate swap agreements expire in October 2020.

We designated the interest rate swaps as cash flow hedges. As cash flow hedges, unrealized gains on our outstanding interest rate swaps are recognized as assets while unrealized losses are recognized as liabilities. Our interest rate swap agreements are highly, but not perfectly, correlated to the changes in interest rates to which we are exposed. As a result, unrealized gains and losses on our interest rate swap agreements are designated as effective or ineffective. The effective portion of such gains or losses will be recorded as a component of accumulated other comprehensive loss while the ineffective portion of such gains or losses will be recorded as a component of interest expense.

In addition, we realize a gain or loss on our interest rate swap agreements in connection with each required interest payment on our floating rate indebtedness. The realized gains or losses effectively adjust the contractual interest requirements pursuant to the terms of our floating rate indebtedness to the interest requirements at the fixed rates established in the interest rate swap agreements. These realized gains or losses are reclassified to interest expense from accumulated other comprehensive loss.

Interest Rate Caps. In April 2014, we entered into interest rate cap agreements (at a cost of $2.0 million) for an aggregate notional amount of $1,400.0 million to hedge the variability of our cash flows related to a portion of our floating rate indebtedness. The interest rate cap agreements effectively capped LIBOR related to our Senior Secured Term Loan Facility at 3.00% from December 2014 through December 2016 with respect to the $1,400.0 million notional amount of such agreements. The interest rate cap agreements expired in December 2016. Gains and losses realized due to the expiration of applicable portions of the interest rate caps were reclassified to interest expense at the time our quarterly interest payments were made.

A summary of the recorded amounts related to our interest rate swaps and interest rate caps reflected in our Condensed Consolidated Statements of Operations is as follows:

	Thirteen weeks ended		Twenty-six weeks ended	
(in thousands)	**January 27, 2018**	**January 28, 2017**	**January 27, 2018**	**January 28, 2017**
Realized hedging losses related to interest rate swaps – included in net interest expense	$ 1,033	$ 694	$ 2,272	$ 694
Realized hedging losses related to interest rate caps – included in net interest expense	—	833	—	1,424
Total	$ 1,033	$ 1,527	$ 2,272	$ 2,118

The amount of net gains recorded in other comprehensive earnings at January 27, 2018 that is expected to be reclassified into interest expense in the next 12 months, if interest rates remain unchanged, is approximately $4.5 million.

7. Income Taxes

Our effective income tax rates are as follows:

	Thirteen weeks ended		Twenty-six weeks ended	
	January 27, 2018	**January 28, 2017**	**January 27, 2018**	**January 28, 2017**
Effective income tax rate excluding impact of Tax Reform	32.3%	39.8%	39.2%	41.8%
Impact of Tax Reform	2,245.4%	—%	617.3%	—%
Effective income tax rate	2,277.7%	39.8%	656.5%	41.8%

Included in the income tax benefit recognized in the second quarter of fiscal year 2018 is the impact of the Tax Cuts and Jobs Act ("Tax Reform"), which was signed into law on December 22, 2017. Among numerous provisions included in the Tax Reform was the reduction of the corporate federal income tax rate from 35% to 21% effective January 1, 2018. As the effective date of the Tax Reform falls five months into our fiscal year, we are subject to a blended federal statutory rate of 26.9% in fiscal year 2018. In connection with our application of the new federal statutory rate, we remeasured the long-term deferred income taxes recorded in our Condensed Consolidated Balance Sheet at the new lower rate. We recorded a provisional non-cash benefit of $384.1 million

related primarily to the remeasurement of deferred income taxes which amount is included in our income tax benefit in the Condensed Consolidated Statements of Operations for the second quarter of fiscal year 2018. We recognized the income tax effects of the Tax Reform in our fiscal year 2018 financial statements in accordance with Staff Accounting Bulletin No. 118 ("SAB 118"), which provides the SEC staff guidance for the application of the FASB's Accounting Standards Codification Topic 740, *Income Taxes*, in the reporting period in which the Tax Reform was signed into law. At January 27, 2018, we calculated the effects of the tax law change, as written, and made reasonable estimates of the effects on our deferred income tax balances. We will continue to refine our estimates as additional information, such as interpretive or regulatory guidance, becomes available on key aspects of the law, including its impact on the deductibility of purchased assets, state taxes and employee compensation.

Excluding the impact of the Tax Reform, our effective income tax rate of 32.3% on the loss for the second quarter of fiscal year 2018 exceeded the blended federal statutory rate of 26.9% due primarily to state and foreign income taxes. Our effective income tax rate of 39.8% on the loss for the second quarter of fiscal year 2017 exceeded the previous federal statutory rate of 35% due primarily to state income taxes.

Excluding the impact of the Tax Reform, our effective income tax rate of 39.2% on the loss for year-to-date fiscal 2018 exceeded the blended federal statutory rate of 26.9% due primarily to state and foreign income taxes. Our effective income tax rate of 41.8% on the loss for year-to-date fiscal 2017 exceeded the previous federal statutory rate of 35% due primarily to:

- state income taxes;
- the non-deductible portion of transaction and other costs incurred in connection with the MyTheresa acquisition; and
- the benefit associated with the release of certain tax reserves for settled tax matters.

At January 27, 2018, the gross amount of unrecognized tax benefits was $1.3 million ($1.0 million of which would impact our effective tax rate, if recognized). We classify interest and penalties as a component of income tax expense and our liability for accrued interest and penalties was $0.3 million at January 27, 2018, $0.4 million at July 29, 2017 and $0.1 million at January 28, 2017.

We file income tax returns in the U.S. federal jurisdiction and various state, local and foreign jurisdictions. The Internal Revenue Service ("IRS") finalized its audits of our fiscal year 2012 and short-year 2013 (prior to the Acquisition) federal income tax returns. With respect to state, local and foreign jurisdictions, with limited exceptions, we are no longer subject to income tax audits for fiscal years before 2013. We believe our recorded tax liabilities as of January 27, 2018 are sufficient to cover any potential assessments made by the IRS or other taxing authorities and we will continue to review our recorded tax liabilities for potential audit assessments based upon subsequent events, new information and future circumstances. We believe it is reasonably possible that adjustments to the amounts of our unrecognized tax benefits could occur within the next 12 months as a result of settlements with tax authorities or expiration of statutes of limitations. At this time, we do not believe such adjustments will have a material impact on our Condensed Consolidated Financial Statements.

Subsequent to the Acquisition, Parent and its subsidiaries, including the Company, file U.S. federal income taxes as a consolidated group. The Company has elected to be treated as a corporation for U.S. federal income tax purposes and all operations of Parent are conducted through Holdings and its subsidiaries, including the Company. Income taxes incurred by Parent are reflected by the Company and its subsidiaries in the preparation of our Condensed Consolidated Financial Statements. There are no differences in current and deferred income taxes between the Company and Parent.

8. Employee Benefits

Description of Retirement Benefit Plans. We currently maintain defined contribution plans consisting of a retirement savings plan ("RSP") and a defined contribution supplemental executive retirement plan ("Defined Contribution SERP Plan"). In addition, we sponsor a defined benefit pension plan ("Pension Plan") and an unfunded supplemental executive retirement plan ("SERP Plan") that provides certain employees additional pension benefits. As of the third quarter of fiscal year 2010, benefits offered to all participants in our Pension Plan and SERP Plan were frozen. Retirees and active employees hired prior to March 1, 1989 are eligible for certain limited postretirement health care benefits ("Postretirement Plan") if they meet certain service and minimum age requirements. We also sponsor an unfunded key employee deferred compensation plan, which provides certain employees with additional benefits.

Our obligations for employee benefit plans, included in other long-term liabilities, are as follows:

(in thousands)	January 27, 2018	July 29, 2017	January 28, 2017
Pension Plan	$ 230,606	$ 240,737	$ 300,543
SERP Plan	111,093	112,739	119,807
Postretirement Plan	6,388	6,916	8,220
	348,087	360,392	428,570
Less: current portion	(6,679)	(7,803)	(6,553)
Long-term portion of benefit obligations	$ 341,408	$ 352,589	$ 422,017

Funding Policy and Status. Our policy is to fund the Pension Plan at or above the minimum level required by law. As of January 27, 2018, we believe we will be required to contribute $25.1 million to the Pension Plan in fiscal year 2018, of which $9.3 million has been funded as of January 27, 2018. In fiscal year 2017, we were required to contribute $10.7 million to the Pension Plan.

Cost of Benefits. The components of the expenses we incurred under our Pension Plan, SERP Plan and Postretirement Plan are as follows:

	Thirteen weeks ended		Twenty-six weeks ended	
(in thousands)	January 27, 2018	January 28, 2017	January 27, 2018	January 28, 2017
Pension Plan:				
Interest cost	$ 4,973	$ 4,870	$ 9,946	$ 9,740
Expected return on plan assets	(5,396)	(5,331)	(10,792)	(10,662)
Net amortization of losses	170	663	340	1,326
Pension Plan expense (income)	$ (253)	$ 202	$ (506)	$ 404
SERP Plan:				
Interest cost	$ 844	$ 784	$ 1,688	$ 1,568
Net amortization of losses	—	23	—	46
SERP Plan expense	$ 844	$ 807	$ 1,688	$ 1,614
Postretirement Plan:				
Interest cost	$ 51	$ 55	$ 102	$ 110
Net amortization of gains	(180)	(146)	(360)	(292)
Postretirement Plan income	$ (129)	$ (91)	$ (258)	$ (182)

Employee Vacation Benefit Liability. Effective in fiscal year 2019, we are changing our vacation policy. Pursuant to the provisions of our new vacation policy, vacation hours earned during each fiscal year must be taken during that fiscal year. Any accrued but unused vacation is forfeited at the end of the fiscal year subject to statutory requirements in certain states precluding such forfeitures. As a result of this policy change, we expect our liability for unused vacation will be reduced by $18 to $20 million, which benefit is being recorded as a non-cash gain in fiscal year 2018 within selling, general and administrative expenses. We recorded non-cash gains of $7.8 million in the second quarter of fiscal year 2018 and $9.0 million in year-to-date fiscal 2018.

9. Commitments and Contingencies

Employment, Consumer and Benefits Class Actions Litigation. In 2007, Bernadette Tanguilig filed a lawsuit in the Superior Court of California for San Francisco County alleging wrongful termination and retaliation arising from her refusal to sign the Company's mandatory arbitration agreement. Ms. Tanguilig later filed several amendments to her complaint adding claims under the California Labor Code Private Attorneys General Act ("PAGA") and class action allegations of wage and hour violations. She also added Juan Carlos Pinela as an additional plaintiff. In December 2013, the Company filed a motion to dismiss Ms. Tanguilig's claims based on her failure to bring her claims to trial within five years as required by California law. In February 2014, the Company's motion was granted and Ms. Tanguilig's claims were dismissed. Ms. Tanguilig appealed. Briefing is complete, and a judicial panel has been assigned. The parties have requested oral argument, but no date has been set.

In October 2011, the court ordered Mr. Pinela (a co-plaintiff in the *Tanguilig* case) to arbitrate his claims in accordance with the mandatory arbitration agreement. Mr. Pinela filed a demand for arbitration seeking to arbitrate both his individual and class claims, which the Company argued was in violation of the class action waiver in the arbitration agreement. This led to further proceedings in the trial court, a stay of the arbitration, and a decision by the trial court to reconsider and vacate its order compelling arbitration, which the Company appealed. In June 2015, the appellate court upheld the trial court's denial of the Company's motion to compel arbitration of Mr. Pinela's claims. The Company's petition for rehearing by the appellate court and petition for review by the California Supreme Court were denied, and the case was returned to the trial court. On December 10, 2015, the trial court issued a stay of the case pending the conclusion of the *Tanguilig* appeal, which remains in effect.

We recorded our currently estimable liabilities with respect to Ms. Tanguilig's employment class action litigation claims in fiscal year 2014, which amount was not material to our financial condition or results of operations. We will continue to evaluate the Tanguilig matter, and our recorded reserve for such matter, based on subsequent events, new information and future circumstances.

The National Labor Relations Board ("NLRB") has been pursuing a complaint alleging that the Mandatory Arbitration Agreement's class action prohibition violates employees' rights to engage in concerted activity. The administrative law judge issued a recommended decision and order finding that the Company's Arbitration Agreement and class action waiver violated the National Labor Relations Act, which were affirmed by the NLRB in August 2015. On August 12, 2015, we filed our petition for review of the NLRB's order with the U.S. Court of Appeals for the Fifth Circuit. This case is stayed while another similar case is pending before the U.S. Supreme Court.

On August 7, 2014, a putative class action complaint was filed against The Neiman Marcus Group LLC in Los Angeles County Superior Court by a customer, Linda Rubenstein, in connection with the Company's Last Call stores in California. Ms. Rubenstein alleges that the Company has violated various California consumer protection statutes by implementing a marketing and pricing strategy that suggests that clothing sold at Last Call stores in California was originally offered for sale at full-line Neiman Marcus stores when allegedly, it was not, and that the Company lacks adequate information to support its comparative pricing labels. In September 2014, we removed the case to the U.S. District Court for the Central District of California. After dismissing Ms. Rubenstein's original and first amended complaint, the court dismissed her second amended complaint in its entirety in May 2015, without leave to amend, and Ms. Rubenstein appealed. In April 2017, the Court of Appeal reversed, holding that Ms. Rubenstein's allegations were sufficient to proceed past the pleadings stage of litigation. The case has been transferred back to the district court and has a trial date of July 24, 2018. On September 7, 2017, the district court issued an order permitting Ms. Rubenstein to file a proposed Third Amended Complaint, which modifies the putative class period. Additionally, Ms. Rubenstein filed a motion for class certification, which was fully briefed by both parties. The parties reached an agreement in principle to settle the case, subject to court approval. A notice of settlement was filed, and the hearing on Ms. Rubenstein's motion for class certification was vacated. The motion for preliminary approval of the settlement is due to be filed by March 14, 2018.

The Company has several wage and hour putative class action matters pending in California. The earliest, filed in December 2015 and amended in February 2016, was filed against The Neiman Marcus Group, Inc. by Holly Attia and seven other named plaintiffs, seeking to certify a class of nonexempt employees for alleged violations for failure to pay overtime wages, failure to provide meal and rest breaks, failure to reimburse business expenses, failure to timely pay wages due at termination and failure to provide accurate itemized wage statements. Plaintiffs also allege derivative claims for restitution under California unfair competition law and a representative claim for penalties under PAGA, and all related damages for alleged violations (restitution, statutory penalties under PAGA, and attorneys' fees, interest and costs of suit). The case was removed to the U.S. District Court for the Central District of California in March 2016, and the Company filed a motion to compel arbitration and requested to stay the PAGA claim. In June 2016, the court granted the motion and compelled arbitration of the individual claims. The court retained jurisdiction of the PAGA claim and stayed that claim pending the outcome of arbitration. In October 2016, the court granted the plaintiffs' motion for reconsideration of the arbitration decision based on a recent decision by the Ninth Circuit Court of Appeals in *Morris v. Ernst & Young, LLP*, and reversed its order compelling arbitration. The Company appealed. The U.S. Supreme Court granted certiorari of

the *Morris* decision, and the Ninth Circuit appeal is currently stayed pending the Supreme Court's decision. In June 2017, the district court stayed the entire case pending the Supreme Court's decision in *Morris*. The parties reached an agreement in principle to settle this case, subject to court approval.

On June 1, 2016, a PAGA representative action was filed against The Neiman Marcus Group, Inc. in the same court as *Attia* by Xuan Hien Nguyen pleading only PAGA claims and asserting the same factual allegations as the plaintiffs in *Attia*. The Company filed a motion to dismiss or to stay the case. In September 2016, the court granted the Company's motion and stayed the *Nguyen* case in light of *Attia*. At a status conference on January 29, 2018, the court maintained the stay and set a further status conference for June 7, 2018.

On July 28, 2016, former employee Milca Connolly also filed a representative action alleging only PAGA claims against The Neiman Marcus Group raising substantially identical claims to those raised in both *Attia* and *Nguyen*. The Company filed a motion to dismiss or stay the case in light of *Attia* and *Nguyen*. In November 2016, the court granted the Company's motion to stay the case. At a status conference on January 29, 2018, the court maintained the stay and set a further status conference for June 7, 2018.

On December 5, 2017, former employees Ondrea Roces and Sophia Ahmed file a putative class and representative action in California state court against The Neiman Marcus Group LLC and Neiman Marcus Group LTD LLC, seeking to certify a class of current and former sales associates for alleged failure to pay wages for all hours worked, recordkeeping and wage statement violations, and failure to timely pay wages due at termination. Plaintiffs also allege derivative claims for restitution under California unfair competition law and a representative claim for penalties under PAGA, and all related damages for alleged violations (restitution, statutory penalties under PAGA, and attorneys' fees, interest and costs of suit). The Company removed the action to the U.S. District Court for the Northern District of California on January 10, 2018. In February 2018, the court granted the parties' joint stipulation to stay this case pending completion of settlement proceedings in *Attia*.

On October 24, 2017, a putative class action complaint was filed against The Neiman Marcus Group LLC and the Company's Health and Welfare Benefit Plan in the U.S. District Court for the Western District of Washington by a Plan beneficiary alleging violations of the Federal Mental Health Parity Act and the Affordable Care Act through the Employment Retirement Income Security Act of 1974 ("ERISA") in connection with the alleged failure to cover particular treatments for developmental health conditions. We cannot assess any potential liability at this early stage of the proceedings.

On October 27, 2017, a putative class action complaint was filed against Neiman Marcus Group, Inc., The Neiman Marcus Group LLC, and Bergdorf Goodman, Inc. in the U.S. District Court for the Southern District of New York by Victor Lopez, an allegedly visually-impaired and legally blind individual, in connection with his visits to Bergdorf Goodman, Inc.'s website. Mr. Lopez alleges, on behalf of himself and those similarly situated, that Bergdorf Goodman, Inc.'s website is not fully and equally accessible to legally blind individuals, resulting in denial of access to the equal enjoyment of goods and services, in violation of the Americans with Disabilities Act and the New York State and City Human Rights Laws.

In addition, we are currently involved in various other legal actions and proceedings that arose in the ordinary course of business. With respect to the matters described above as well as all other current outstanding litigation involving us, we believe that any liability arising as a result of such litigation will not have a material adverse effect on our financial condition, results of operations or cash flows.

Cyber-Attack Class Actions Litigation. In January 2014, three class actions relating to a cyber-attack on our computer systems in 2013 (the "Cyber-Attack") were filed and later voluntarily dismissed by the plaintiffs between February and April 2014. The plaintiffs had alleged negligence and other claims in connection with their purchases by payment cards and sought monetary and injunctive relief. Three additional putative class actions relating to the Cyber-Attack were filed in March and April 2014, also alleging negligence and other claims in connection with plaintiffs' purchases by payment cards. Two of the cases were voluntarily dismissed. The third case, Hilary Remijas v. The Neiman Marcus Group, LLC, was filed on March 12, 2014 in the U.S. District Court for the Northern District of Illinois. On June 2, 2014, an amended complaint in the Remijas case was filed, which added three plaintiffs (Debbie Farnoush and Joanne Kao, California residents; and Melissa Frank, a New York resident) and asserted claims for negligence, implied contract, unjust enrichment, violation of various consumer protection statutes, invasion of privacy and violation of state data breach laws. The Company moved to dismiss the Remijas amended complaint, and the court granted the Company's motion on the grounds that the plaintiffs lacked standing due to their failure to demonstrate an actionable injury. Plaintiffs appealed the district court's order dismissing the case to the Seventh Circuit Court of Appeals, and the Seventh Circuit Court of Appeals reversed the district court's ruling, remanding the case back to the district court. The Company filed a petition for rehearing en banc, which the Seventh Circuit Court of Appeals denied. The Company filed a motion for dismissal on other grounds, which the court denied. The parties jointly requested, and the court granted, an extension of time for filing a responsive pleading, which was due on December 28, 2016. On February 9, 2017, the court denied the parties' request for another extension of time, dismissed the

case without prejudice, and stated that plaintiffs could file a motion to reinstate. On March 8, 2017, plaintiffs filed a motion to reinstate, which the court granted on March 16, 2017. On March 17, 2017, plaintiffs filed a motion seeking preliminary approval of a class action settlement resolving this action, which the court granted on June 21, 2017. On August 21, 2017, plaintiffs moved for final approval of the proposed settlement. In September 2017, purported settlement class members filed two objections to the settlement, and plaintiffs and the Company filed responses to the objections on October 19, 2017. At the fairness hearing on October 26, 2017, the Court ordered supplemental briefing on the objections. Objectors filed a supplemental brief in support of their objections on November 9, 2017, and plaintiffs and the Company filed their supplemental responses to the objections on November 21, 2017. On January 16, 2018, an order was issued by the District Court reassigning the case to Judge Sharon Johnson Coleman due to the prior judge's retirement. The motion for final approval of the settlement remains pending.

In addition to class actions litigation, payment card companies and associations may require us to reimburse them for unauthorized card charges and costs to replace cards and may also impose fines or penalties in connection with the security incident, and enforcement authorities may also impose fines or other remedies against us. We have also incurred other costs associated with this security incident, including legal fees, investigative fees, costs of communications with customers and credit monitoring services provided to our customers. At this point, we are unable to predict the developments in, outcome of, and economic and other consequences of pending or future litigation or regulatory investigations related to, and other costs associated with, this matter. We will continue to evaluate these matters based on subsequent events, new information and future circumstances.

Other. We had $1.8 million of irrevocable letters of credit and $3.4 million in surety bonds outstanding at January 27, 2018, relating primarily to merchandise imports and state sales tax and utility requirements.

10. Accumulated Other Comprehensive Loss

The following table summarizes the changes in accumulated other comprehensive loss by component (amounts are recorded net of related income taxes):

(in thousands)	Foreign Currency Translation Adjustments	Unrealized Gains on Financial Instruments	Unfunded Benefit Obligations	Total
Balance, July 29, 2017	$ (11,600)	$ 3,394	$ (55,225)	$ (63,431)
Other comprehensive earnings	6,154	3,129	360	9,643
Amounts reclassified from accumulated other comprehensive loss	—	754	—	754
Balance, October 28, 2017	$ (5,446)	$ 7,277	$ (54,865)	$ (53,034)
Other comprehensive earnings (loss)	4,567	9,449	(6)	14,010
Amounts reclassified from accumulated other comprehensive loss	—	645	—	645
Balance, January 27, 2018	$ (879)	$ 17,371	$ (54,871)	$ (38,379)

The amounts reclassified from accumulated other comprehensive loss are recorded within interest expense on the Condensed Consolidated Statements of Operations.

11. Stock-Based Awards

Incentive Plans. Parent established various incentive plans pursuant to which eligible employees, consultants and non-employee directors are eligible to receive stock-based awards. Under the incentive plans, Parent is authorized to grant stock options, restricted stock and other types of awards that are valued in whole or in part by reference to, or are payable or otherwise based on, the shares of common stock of Parent. Charges with respect to options issued by Parent pursuant to the incentive plans are reflected by the Company in the preparation of our Condensed Consolidated Financial Statements.

Co-Invest Options. In connection with the Acquisition, certain executive officers of the Company rolled over a portion of the amounts otherwise payable in settlement of their pre-Acquisition stock options into stock options of Parent representing options to purchase a total of 56,979 shares of common stock of Parent (the "Co-Invest Options").

The number of Co-Invest Options issued upon conversion of pre-Acquisition stock options was equal to the product of (a) the number of shares subject to the applicable pre-Acquisition stock options multiplied by (b) the ratio of the per share merger consideration over the fair market value of a share of Parent, which was approximately 3.1x (the "Exchange Ratio"). The exercise price of each pre-Acquisition stock option was adjusted by dividing the original exercise price of the pre-Acquisition stock option by the Exchange Ratio. Following the conversion, the exercise prices of the Co-Invest Options range from $180 to $644 per share. As of the date of the Acquisition, the aggregate intrinsic value of the Co-Invest Options equaled the aggregate intrinsic value of the rolled over pre-Acquisition stock options. The Co-Invest Options are fully vested and are exercisable at any time prior to the applicable expiration dates related to the original grant of the pre-Acquisition options. The Co-Invest Options contain sale and repurchase provisions.

In September 2017, the Compensation Committee approved grants of non-qualified Co-Invest Options (the “New Co-Invest Options”) to certain continuing employees who previously held Co-Invest Options. The New Co-Invest Options have the effect of replacing the previous Co-Invest Options held by those employees, which were cancelled, and extending the expiration date to the tenth anniversary of the grant date. All other terms of the New Co-Invest Options remain unchanged from the terms of the cancelled Co-Invest Options. In the first quarter of fiscal year 2018, we recorded non-cash stock compensation expense aggregating $4.2 million related to the cancellation and replacement of the previous Co-Invest Options with the New Co-Invest Options.

Non-Qualified Stock Options. Pursuant to the terms of the incentive plans, Parent granted time-vested and performance-vested non-qualified stock options to certain executive officers, employees and non-employee directors of the Company. These non-qualified stock options will expire no later than the tenth anniversary of the grant date.

In January 2018, the Compensation Committee determined that the exercise prices of certain time-vested stock options were higher than the current fair market value of Parent's common stock. In order to enhance the retentive value of these options, the Compensation Committee approved a repricing of 43,261 time-vested stock options to an exercise price of $500 per share. In the second quarter of fiscal year 2018, we recorded non-cash stock compensation expense aggregating $0.5 million related to the repricing of the time-vested stock options.

Accounting for Stock Options. Prior to an initial public offering ("IPO"), in the event the optionee ceases to be an employee of the Company, Parent generally has the right to repurchase shares issued upon exercise of vested stock options at fair market value and shares underlying vested unexercised stock options for the difference between the fair market value of the underlying share on the date of such optionee's termination of employment and the exercise price. However, other than with respect to the Co-Invest Options, if the optionee voluntarily leaves the Company without good reason (as defined in the incentive plans) or is terminated for cause, the repurchase price is the lesser of the exercise price of such options or the fair value of such awards at the employee termination date. For certain optionees, in the event of the retirement of the optionee, the repurchase price is the fair value at the retirement date. Parent's repurchase rights expire upon completion of an IPO, including with respect to the Co-Invest Options.

We currently account for stock options issued to certain optionees who will become retirement eligible prior to the expiration of their stock options ("Retirement Eligible Optionees") as variable awards using the liability method as these optionees could receive a cash settlement of their awards at the time of retirement should Parent exercise its repurchase rights with respect to such shares. Under the liability method, we recognize the estimated liability for option awards held by Retirement Eligible Optionees over the vesting periods of such awards. In periods in which the estimated fair value of our equity increases, we increase our stock compensation liability. Conversely, in periods in which the estimated fair value of our equity decreases, we reduce our stock compensation liability. These increases/decreases are recorded as stock compensation expense and are included in selling, general and administrative expenses. With respect to time-vested options held by non-Retirement Eligible Optionees, such options are effectively forfeited should the optionee voluntarily leave the Company without good reason or be terminated for cause prior to an IPO. As a result, we currently record no expense or liability with respect to such options. With respect to performance-vested options, such options are effectively forfeited should the optionee voluntarily leave the Company without good reason or be terminated for cause prior to achievement of the performance condition. As a result, we currently record no expense or liability with respect to such options.

At January 27, 2018, an aggregate of 67,395 Co-Invest Options and time-vested options were held by Retirement Eligible Optionees. The recorded liability with respect to such options was $5.4 million at January 27, 2018, $0.2 million at July 29, 2017 and $2.5 million at January 28, 2017.

The following table sets forth certain summary information with respect to our stock options for the periods indicated:

	Twenty-six weeks ended January 27, 2018	
(in actuals)	Shares	Weighted Average Exercise Price
Outstanding at July 29, 2017	196,416	$ 854
Granted	44,206	489
Exercised	(974)	180
Cancelled	(40,406)	467
Forfeited	(14,183)	1,004
Expired	(2,274)	346
Outstanding at January 27, 2018	182,785	$ 727

Restricted Stock. In the first quarter of fiscal year 2017, Parent approved grants of 26,954 restricted shares of common stock of Parent to certain executive officers and management employees. Subject to continued employment, shares of restricted stock will vest over three or four years in equal increments on each anniversary of December 1, 2016. Each year beginning in calendar 2017, subject to certain limitations, each recipient will have the ability to require Parent to acquire his or her vested shares (the "put right") during the 14-day period following the release of the Company's earnings in respect of its first fiscal quarter (such period, the "put period") for a purchase price equal to the fair market value of Parent's common stock at the beginning of the put period. Except as described below with respect to our former Chief Executive Officer, a recipient will forfeit all unvested shares of restricted stock and may not exercise the put right with respect to any vested shares following the termination of his or her employment for any reason. Following a voluntary departure without good reason or a termination for cause, we have the right to repurchase any vested shares of restricted stock at par value ($0.001 per share).

In connection with the retirement of our former Chief Executive Officer, effective in February 2018, all unvested shares of restricted stock that would have vested in the 12-month period following the date of such termination of employment will accelerate and vest. Our former Chief Executive Officer will have the ability to exercise the put right with respect to vested shares in the first put period following her retirement.

At January 27, 2018, 12,239 shares of unvested restricted common stock were outstanding. The recorded liability with respect to such shares was $0.3 million at January 27, 2018 and $1.2 million at July 29, 2017.

	Twenty-six weeks ended January 27, 2018	
(in actuals)	Shares	Weighted Average Grant Date Fair Value
Outstanding at July 29, 2017	21,355	$ 768
Vested	(5,210)	768
Forfeited	(3,906)	768
Outstanding at January 27, 2018	12,239	$ 768

Stock Compensation Expense. The following table summarizes our stock-based compensation expense:

	Thirteen weeks ended		Twenty-six weeks ended	
(in thousands)	January 27, 2018	January 28, 2017	January 27, 2018	January 28, 2017
Stock compensation expense:				
Stock options	$ 1,153	$ (1,704)	$ 5,406	$ (323)
Restricted stock	180	840	486	840
Total	$ 1,333	$ (864)	$ 5,892	$ 517

For a more detailed description of our stock-based awards, refer to Note 14 of the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended July 29, 2017.

12. Income from Credit Card Program

We maintain a proprietary credit card program through which credit is extended to customers and have a related marketing and servicing alliance with affiliates of Capital One Financial Corporation ("Capital One"). Pursuant to our agreement with Capital One (the "Program Agreement"), Capital One currently offers credit cards and non-card payment plans under both the “Neiman Marcus” and “Bergdorf Goodman” brand names. Effective July 1, 2013, we amended and extended the Program Agreement to July 2020 (renewable thereafter for three-year terms), subject to early termination provisions.

We receive payments from Capital One based on sales transacted on our proprietary credit cards. These payments are based on the profitability of the credit card portfolio as determined under the Program Agreement and are impacted by a number of factors including credit losses incurred and our allocable share of the profits generated by the credit card portfolio, which in turn may be impacted by credit ratings as determined by various rating agencies. In addition, we receive payments from Capital One for marketing and servicing activities we provide to Capital One. We recognize income from our credit card program when earned.

Additionally, beginning in July 2017, in accordance with the contractual provisions of the credit card program agreement, our allocable share of the profits generated by the credit card portfolio was reduced as a result of our current credit ratings.

13. Other Expenses

Other expenses consists of the following components:

	Thirteen weeks ended		Twenty-six weeks ended	
(in thousands)	**January 27, 2018**	**January 28, 2017**	**January 27, 2018**	**January 28, 2017**
Expenses related to store closures	$ 6,602	$ 1,495	$ 7,920	$ 1,495
Expenses incurred in connection with strategic initiatives	1,388	1,932	1,810	8,485
Expenses related to Cyber-Attack, net of insurance recoveries	—	—	1,100	—
MyTheresa acquisition costs	—	1,317	—	702
Other expenses	4,624	467	4,624	1,347
Total	$ 12,614	$ 5,211	$ 15,454	$ 12,029

During fiscal year 2017, we began a process to assess our Last Call footprint and closed four of our Last Call stores. During the second quarter of fiscal year 2018, we closed 11 additional Last Call stores in order to optimize our Last Call store portfolio. We incurred expenses related to these store closures, which primarily consisted of severance and store closing costs, of $6.6 million in the second quarter of fiscal year 2018, $1.5 million in the second quarter of fiscal year 2017, $7.9 million in year-to-date fiscal 2018 and $1.5 million in year-to-date fiscal 2017.

We incurred professional fees and other costs aggregating $1.4 million in the second quarter of fiscal year 2018, $1.9 million in the second quarter of fiscal year 2017, $1.8 million in year-to-date fiscal 2018 and $8.5 million in year-to-date fiscal 2017 in connection with the review of our resources and organizational processes, implementation of our integrated merchandising and distribution system and the evaluation of potential strategic alternatives. In connection with the review of our resources and organizational processes, we eliminated approximately 90 positions in the first quarter of fiscal year 2017 across our stores, divisions and facilities.

We discovered in January 2014 that malicious software was clandestinely installed on our computer systems (the "Cyber-Attack"). During year-to-date fiscal 2018, we incurred legal expenses in connection with the Cyber-Attack of $1.1 million.

In connection with the retirement of our former Chief Executive Officer and President, we incurred certain charges primarily related to lump sum compensation payable as a consequence of her retirement of approximately $4.6 million in the second quarter of fiscal year 2018.

In October 2014, we acquired MyTheresa, a luxury retailer headquartered in Munich, Germany. In fiscal year 2017, acquisition costs consisted primarily of professional fees as well as adjustments of our earn-out obligations to estimated fair value at each reporting date.

14. Condensed Consolidating Financial Information (with respect to NMG's obligations under the Senior Secured Credit Facilities, Cash Pay Notes and PIK Toggle Notes)

All of NMG's obligations under the Senior Secured Credit Facilities are guaranteed by Holdings and our current and future direct and indirect wholly owned subsidiaries, subject to exceptions as more fully described in Note 5. All of NMG's obligations under the Cash Pay Notes and the PIK Toggle Notes are guaranteed by the same entities that guarantee the Senior Secured Credit Facilities, other than Holdings. Currently, the Company's non-guarantor subsidiaries under the Senior Secured Credit Facilities, Cash Pay Notes and PIK Toggle Notes consist principally of (i) NMG Germany GmbH, through which we conduct the operations of MyTheresa, (ii) NMG International LLC, a holding company with respect to our foreign operations and (iii) Nancy Holdings LLC, which holds legal title to certain real property used by us in conducting our operations and described below under "— Results of Operations and Financial Condition of Unrestricted Subsidiaries". The non-guarantor subsidiary Nancy Holdings LLC had no assets or operations prior to March 10, 2017.

The following condensed consolidating financial information represents the financial information of the Company and its non-guarantor subsidiaries under the Senior Secured Credit Facilities, Cash Pay Notes and PIK Toggle Notes prepared on the equity basis of accounting. The information is presented in accordance with the requirements of Rule 3-10 under the SEC's Regulation S-X. The financial information may not necessarily be indicative of results of operations, cash flows or financial position had the non-guarantor subsidiaries operated as independent entities.

	January 27, 2018					
(in thousands)	Company	NMG	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS						
Current assets:						
Cash and cash equivalents	$ —	$ 31,072	$ 854	$ 3,862	$ —	$ 35,788
Credit card receivables	—	36,268	—	5,990	—	42,258
Merchandise inventories	—	880,056	143,328	113,794	—	1,137,178
Other current assets	—	127,745	10,943	4,914	(150)	143,452
Total current assets	—	1,075,141	155,125	128,560	(150)	1,358,676
Property and equipment, net	—	1,309,679	144,226	103,207	—	1,557,112
Intangible assets, net	—	484,355	2,226,259	75,427	—	2,786,041
Goodwill	—	1,338,844	414,402	134,483	—	1,887,729
Other long-term assets	—	36,074	1,303	—	—	37,377
Investments in subsidiaries	839,014	3,204,672	—	—	(4,043,686)	—
Total assets	$ 839,014	$ 7,448,765	$ 2,941,315	$ 441,677	$ (4,043,836)	$ 7,626,935
LIABILITIES AND MEMBER EQUITY						
Current liabilities:						
Accounts payable	$ —	$ 259,837	$ —	$ 23,968	$ —	$ 283,805
Accrued liabilities	—	401,227	90,613	40,391	(150)	532,081
Current portion of long-term debt	—	29,426	—	—	—	29,426
Total current liabilities	—	690,490	90,613	64,359	(150)	845,312
Long-term liabilities:						
Long-term debt, net of debt issuance costs	—	4,569,669	—	2,593	—	4,572,262
Deferred income taxes	—	746,905	—	15,935	—	762,840
Other long-term liabilities	—	602,687	5,413	(593)	—	607,507
Total long-term liabilities	—	5,919,261	5,413	17,935	—	5,942,609
Total member equity	839,014	839,014	2,845,289	359,383	(4,043,686)	839,014
Total liabilities and member equity	$ 839,014	$ 7,448,765	$ 2,941,315	$ 441,677	$ (4,043,836)	$ 7,626,935

(in thousands)	July 29, 2017					
	Company	NMG	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS						
Current assets:						
Cash and cash equivalents	$ —	$ 28,301	$ 649	$ 20,289	$ —	$ 49,239
Credit card receivables	—	35,091	—	3,745	—	38,836
Merchandise inventories	—	915,910	151,193	86,554	—	1,153,657
Other current assets	—	135,174	9,956	1,896	(587)	146,439
Total current assets	—	1,114,476	161,798	112,484	(587)	1,388,171
Property and equipment, net	—	1,333,487	149,932	103,542	—	1,586,961
Intangible assets, net	—	509,757	2,249,290	72,369	—	2,831,416
Goodwill	—	1,338,844	414,402	127,648	—	1,880,894
Other long-term assets	—	14,384	1,690	—	—	16,074
Investments in subsidiaries	466,652	3,239,816	—	—	(3,706,468)	—
Total assets	$ 466,652	$ 7,550,764	$ 2,977,112	$ 416,043	$ (3,707,055)	$ 7,703,516
LIABILITIES AND MEMBER EQUITY						
Current liabilities:						
Accounts payable	$ —	$ 288,079	$ —	$ 28,751	$ —	$ 316,830
Accrued liabilities	—	350,773	74,832	31,919	(587)	456,937
Current portion of long-term debt	—	29,426	—	—	—	29,426
Total current liabilities	—	668,278	74,832	60,670	(587)	803,193
Long-term liabilities:						
Long-term debt, net of debt issuance costs	—	4,675,540	—	—	—	4,675,540
Deferred income taxes	—	1,144,022	—	12,811	—	1,156,833
Other long-term liabilities	—	596,272	5,379	(353)	—	601,298
Total long-term liabilities	—	6,415,834	5,379	12,458	—	6,433,671
Total member equity	466,652	466,652	2,896,901	342,915	(3,706,468)	466,652
Total liabilities and member equity	$ 466,652	$ 7,550,764	$ 2,977,112	$ 416,043	$ (3,707,055)	$ 7,703,516

(in thousands)	January 28, 2017					
	Company	NMG	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS						
Current assets:						
Cash and cash equivalents	$ —	$ 42,960	$ 596	$ 4,887	$ —	$ 48,443
Credit card receivables	—	33,156	—	4,281	—	37,437
Merchandise inventories	—	961,538	173,570	78,375	—	1,213,483
Other current assets		118,969	11,939	2,219	(2,878)	130,249
Total current assets	—	1,156,623	186,105	89,762	(2,878)	1,429,612
Property and equipment, net	—	1,448,157	146,969	5,690	—	1,600,816
Intangible assets, net	—	536,532	2,432,057	67,639	—	3,036,228
Goodwill	—	1,412,147	537,263	118,039	—	2,067,449
Other long-term assets	—	20,507	1,973	—	—	22,480
Intercompany notes receivable	—	—	199,460	—	(199,460)	—
Investments in subsidiaries	809,811	3,411,988	—	—	(4,221,799)	—
Total assets	$ 809,811	$ 7,985,954	$ 3,503,827	$ 281,130	$ (4,424,137)	$ 8,156,585
LIABILITIES AND MEMBER EQUITY						
Current liabilities:						
Accounts payable	$ —	$ 370,409	$ —	$ 13,739	$ —	$ 384,148
Accrued liabilities	—	365,610	89,725	57,172	(2,878)	509,629
Current portion of long-term debt	—	29,426	—	—	—	29,426
Total current liabilities	—	765,445	89,725	70,911	(2,878)	923,203
Long-term liabilities:						
Long-term debt, net of debt issuance costs	—	4,585,911	—	—	—	4,585,911
Intercompany notes payable	—	—	—	199,460	(199,460)	—
Deferred income taxes	—	1,203,983	—	7,805	—	1,211,788
Other long-term liabilities	—	620,804	5,068	—	—	625,872
Total long-term liabilities	—	6,410,698	5,068	207,265	(199,460)	6,423,571
Total member equity	809,811	809,811	3,409,034	2,954	(4,221,799)	809,811
Total liabilities and member equity	$ 809,811	$ 7,985,954	$ 3,503,827	$ 281,130	$ (4,424,137)	$ 8,156,585

(in thousands)	Company	NMG	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	Thirteen weeks ended January 27, 2018					
Revenues	$ —	$ 1,177,621	$ 215,790	$ 88,707	$ —	$ 1,482,118
Cost of goods sold including buying and occupancy costs (excluding depreciation)	—	814,745	153,024	56,287	—	1,024,056
Selling, general and administrative expenses (excluding depreciation)	—	262,280	36,450	23,629	—	322,359
Income from credit card program	—	(12,621)	(1,444)	—	—	(14,065)
Depreciation expense	—	47,267	4,163	1,998	—	53,428
Amortization of intangible assets and favorable lease commitments	—	12,416	11,468	400	—	24,284
Other expenses (income)	—	12,614	—	—	—	12,614
Operating earnings (loss)	—	40,920	12,129	6,393	—	59,442
Interest expense (income), net	—	76,622	—	(73)	—	76,549
Intercompany royalty charges (income)	—	49,364	(49,364)	—	—	—
Equity in loss (earnings) of subsidiaries	(372,532)	(66,776)	—	—	439,308	—
Earnings (loss) before income taxes	372,532	(18,290)	61,493	6,466	(439,308)	(17,107)
Income tax expense (benefit)	—	(390,822)	—	1,183	—	(389,639)
Net earnings (loss)	$ 372,532	$ 372,532	$ 61,493	$ 5,283	$ (439,308)	$ 372,532
Total other comprehensive earnings (loss), net of tax	14,655	10,088	—	4,567	(14,655)	14,655
Total comprehensive earnings (loss)	$ 387,187	$ 382,620	$ 61,493	$ 9,850	$ (453,963)	$ 387,187

(in thousands)	Company	NMG	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	Thirteen weeks ended January 28, 2017					
Revenues	$ —	$ 1,131,021	$ 201,598	$ 62,957	$ —	$ 1,395,576
Cost of goods sold including buying and occupancy costs (excluding depreciation)	—	795,422	148,810	38,233	—	982,465
Selling, general and administrative expenses (excluding depreciation)	—	254,906	35,746	17,066	—	307,718
Income from credit card program	—	(15,244)	(1,506)	—	—	(16,750)
Depreciation expense	—	52,895	4,025	293	—	57,213
Amortization of intangible assets and favorable lease commitments	—	13,643	11,564	1,117	—	26,324
Other expenses (income)	—	4,564	—	647	—	5,211
Impairment charges	—	153,772	—	—	—	153,772
Operating earnings (loss)	—	(128,937)	2,959	5,601	—	(120,377)
Interest expense (income), net	—	73,979	(1,446)	1,664	—	74,197
Intercompany royalty charges (income)	—	42,440	(42,440)	—	—	—
Equity in loss (earnings) of subsidiaries	117,069	(49,390)	—	—	(67,679)	—
Earnings (loss) before income taxes	(117,069)	(195,966)	46,845	3,937	67,679	(194,574)
Income tax expense (benefit)	—	(78,897)	—	1,392	—	(77,505)
Net earnings (loss)	$ (117,069)	$ (117,069)	$ 46,845	$ 2,545	$ 67,679	$ (117,069)
Total other comprehensive earnings (loss), net of tax	3,670	12,246	—	(8,576)	(3,670)	3,670
Total comprehensive earnings (loss)	$ (113,399)	$ (104,823)	$ 46,845	$ (6,031)	$ 64,009	$ (113,399)

	Twenty-six weeks ended January 27, 2018					
(in thousands)	Company	NMG	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues	$ —	$ 2,027,767	$ 411,849	$ 162,801	$ —	$ 2,602,417
Cost of goods sold including buying and occupancy costs (excluding depreciation)	—	1,366,694	276,591	103,658	—	1,746,943
Selling, general and administrative expenses (excluding depreciation)	—	499,345	71,773	46,521	—	617,639
Income from credit card program	—	(23,152)	(2,777)	—	—	(25,929)
Depreciation expense	—	96,526	8,155	3,975	—	108,656
Amortization of intangible assets and favorable lease commitments	—	25,401	23,032	800	—	49,233
Other expenses (income)	—	15,454	—	—	—	15,454
Operating earnings (loss)	—	47,499	35,075	7,847	—	90,421
Interest expense, net	—	152,752	—	(105)	—	152,647
Intercompany royalty charges (income)	—	88,797	(88,797)	—	—	—
Equity in loss (earnings) of subsidiaries	(346,315)	(131,061)	—	—	477,376	—
Earnings (loss) before income taxes	346,315	(62,989)	123,872	7,952	(477,376)	(62,226)
Income tax expense (benefit)	—	(409,304)	—	763	—	(408,541)
Net earnings (loss)	$ 346,315	$ 346,315	$ 123,872	$ 7,189	$ (477,376)	$ 346,315
Total other comprehensive earnings (loss), net of tax	25,052	14,331	—	10,721	(25,052)	25,052
Total comprehensive earnings (loss)	$ 371,367	$ 360,646	$ 123,872	$ 17,910	$ (502,428)	$ 371,367

	Twenty-six weeks ended January 28, 2017					
(in thousands)	Company	NMG	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues	$ —	$ 1,967,626	$ 386,662	$ 120,395	$ —	$ 2,474,683
Cost of goods sold including buying and occupancy costs (excluding depreciation)	—	1,339,960	265,919	76,481	—	1,682,360
Selling, general and administrative expenses (excluding depreciation)	—	480,846	69,502	33,966	—	584,314
Income from credit card program	—	(27,673)	(2,745)	—	—	(30,418)
Depreciation expense	—	105,081	8,445	571	—	114,097
Amortization of intangible assets and favorable lease commitments	—	28,075	23,251	2,275	—	53,601
Other expenses (income)	—	12,687	—	(658)	—	12,029
Impairment charges	—	153,772	—	—	—	153,772
Operating earnings (loss)	—	(125,122)	22,290	7,760	—	(95,072)
Interest expense, net	—	146,069	(2,881)	3,092	—	146,280
Intercompany royalty charges (income)	—	76,444	(76,444)	—	—	—
Equity in loss (earnings) of subsidiaries	140,582	(105,469)	—	—	(35,113)	—
Earnings (loss) before income taxes	(140,582)	(242,166)	101,615	4,668	35,113	(241,352)
Income tax expense (benefit)	—	(101,584)	—	814	—	(100,770)
Net earnings (loss)	$ (140,582)	$ (140,582)	$ 101,615	$ 3,854	$ 35,113	$ (140,582)
Total other comprehensive earnings (loss), net of tax	4,640	10,720	—	(6,080)	(4,640)	4,640
Total comprehensive earnings (loss)	$ (135,942)	$ (129,862)	$ 101,615	$ (2,226)	$ 30,473	$ (135,942)

(in thousands)	Company	NMG	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	Twenty-six weeks ended January 27, 2018					
CASH FLOWS - OPERATING ACTIVITIES						
Net earnings (loss)	$ 346,315	$ 346,315	$ 123,872	$ 7,189	$ (477,376)	$ 346,315
Adjustments to reconcile net earnings (loss) to net cash provided by (used for) operating activities:						
Depreciation and amortization expense	—	134,165	31,187	4,775	—	170,127
Deferred income taxes	—	(402,691)	—	(290)	—	(402,981)
Payment-in-kind interest	—	29,289	—	—	—	29,289
Other	—	1,595	420	(2,821)	—	(806)
Intercompany royalty income payable (receivable)	—	88,797	(88,797)	—	—	—
Equity in loss (earnings) of subsidiaries	(346,315)	(131,061)	—	—	477,376	—
Changes in operating assets and liabilities, net	—	142,090	(63,245)	(25,245)	—	53,600
Net cash provided by (used for) operating activities	—	208,499	3,437	(16,392)	—	195,544
CASH FLOWS - INVESTING ACTIVITIES						
Capital expenditures	—	(59,417)	(3,232)	(3,147)	—	(65,796)
Net cash provided by (used for) investing activities	—	(59,417)	(3,232)	(3,147)	—	(65,796)
CASH FLOWS - FINANCING ACTIVITIES						
Borrowings under revolving credit facilities	—	432,000	—	18,163	—	450,163
Repayment of borrowings	—	(577,713)	—	(15,569)	—	(593,282)
Repurchase of stock	—	(266)	—	—	—	(266)
Shares withheld for remittance of employee taxes	—	(332)	—	—	—	(332)
Net cash provided by (used for) financing activities	—	(146,311)	—	2,594	—	(143,717)
Effect of exchange rate changes on cash and cash equivalents	—	—	—	518	—	518
CASH AND CASH EQUIVALENTS						
Increase (decrease) during the period	—	2,771	205	(16,427)	—	(13,451)
Beginning balance	—	28,301	649	20,289	—	49,239
Ending balance	$ —	$ 31,072	$ 854	$ 3,862	$ —	$ 35,788

(in thousands)	Company	NMG	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	Twenty-six weeks ended January 28, 2017					
CASH FLOWS - OPERATING ACTIVITIES						
Net earnings (loss)	$ (140,582)	$ (140,582)	$ 101,615	$ 3,854	$ 35,113	$ (140,582)
Adjustments to reconcile net earnings (loss) to net cash provided by (used for) operating activities:						
Depreciation and amortization expense	—	145,420	31,696	2,846	—	179,962
Impairment charges	—	153,772	—	—	—	153,772
Deferred income taxes	—	(86,627)	—	(2,747)	—	(89,374)
Other	—	(1,943)	(1,075)	5,356	—	2,338
Intercompany royalty income payable (receivable)	—	76,444	(76,444)	—	—	—
Equity in loss (earnings) of subsidiaries	140,582	(105,469)	—	—	(35,113)	—
Changes in operating assets and liabilities, net	—	76,232	(42,860)	(22,065)	—	11,307
Net cash provided by (used for) operating activities	—	117,247	12,932	(12,756)	—	117,423
CASH FLOWS - INVESTING ACTIVITIES						
Capital expenditures	—	(99,006)	(13,272)	(3,420)	—	(115,698)
Net cash provided by (used for) investing activities	—	(99,006)	(13,272)	(3,420)	—	(115,698)
CASH FLOWS - FINANCING ACTIVITIES						
Borrowings under revolving credit facilities	—	385,000	—	—	—	385,000
Repayment of borrowings	—	(394,713)	—	—	—	(394,713)
Debt issuance costs paid	—	(5,359)	—	—	—	(5,359)
Net cash provided (used for) by financing activities	—	(15,072)	—	—	—	(15,072)
Effect of exchange rate changes on cash and cash equivalents	—	—	—	(53)	—	(53)
CASH AND CASH EQUIVALENTS						
Increase (decrease) during the period	—	3,169	(340)	(16,229)	—	(13,400)
Beginning balance	—	39,791	936	21,116	—	61,843
Ending balance	$ —	$ 42,960	$ 596	$ 4,887	$ —	$ 48,443

Results of Operations and Financial Condition of Unrestricted Subsidiaries. On March 10, 2017, the Board of Directors of Parent designated certain of our subsidiaries as “unrestricted subsidiaries” for purposes of the indenture governing the Cash Pay Notes and the indenture governing the PIK Toggle Notes. These subsidiaries were previously or simultaneously designated as "unrestricted subsidiaries" under the Asset-Based Revolving Credit Facility and the Senior Secured Term Loan Facility. At January 27, 2018, the unrestricted subsidiaries consisted primarily of (i) NMG Germany GmbH, through which we conduct the operations of MyTheresa and (ii) Nancy Holdings LLC, which holds legal title to certain real property located in McLean, Virginia, San Antonio, Texas and Longview, Texas used by us in conducting our operations.

Pursuant to the terms of the indentures governing the Cash Pay Notes and the PIK Toggle Notes, we are presenting the following financial information with respect to the unrestricted subsidiaries separate from the Company and its restricted subsidiaries. The unrestricted subsidiary Nancy Holdings LLC had no assets or operations prior to March 10, 2017. The financial information of NMG Germany GmbH for the thirteen weeks ended January 28, 2017 was substantially the same as the financial information presented for “Non-Guarantor Subsidiaries” for such period included in the tables above in this Note 14. The difference in net earnings of the unrestricted subsidiaries for the thirteen weeks and twenty-six weeks ended January 27, 2018 compared to the net earnings (loss) of the non-guarantor subsidiaries for such period, as presented in the tables above in this Note 14, consisted primarily of a net interest income of approximately $1.5 million per fiscal quarter associated with an intercompany note payable by the MyTheresa unrestricted subsidiaries and held by NMG International LLC, which is a non-guarantor restricted subsidiary.

This information may not necessarily be indicative of the financial condition and results of operations of the unrestricted subsidiaries had they operated as independent entities during the periods presented.

Information with respect to the unrestricted subsidiaries with respect to the Cash Pay Notes and PIK Toggle Notes is as follows:

(in thousands)	January 27, 2018	July 29, 2017
Total assets	$ 441,609	$ 415,974
Net assets	151,079	137,661

	Thirteen weeks ended		Twenty-six weeks ended	
(in thousands)	January 27, 2018	January 28, 2017	January 27, 2018	January 28, 2017
Revenues	$ 88,707	$ 62,957	$ 162,801	$ 120,395
Net earnings (loss)	3,758	2,544	4,139	3,857

15. Condensed Consolidating Financial Information (with respect to NMG's obligations under the 2028 Debentures)

All of NMG's obligations under the 2028 Debentures are guaranteed by the Company. The guarantee by the Company is full and unconditional and is subject to automatic release if the requirements for legal defeasance or covenant defeasance of the 2028 Debentures are satisfied, or if NMG's obligations under the indenture governing the 2028 Debentures are discharged. Currently, the Company's non-guarantor subsidiaries under the 2028 Debentures consist principally of (i) Bergdorf Goodman, Inc., through which we conduct the operations of our Bergdorf Goodman stores, (ii) NM Nevada Trust, which holds legal title to certain real property and intangible assets used by NMG in conducting its operations, (iii) NMG Germany GmbH, through which we conduct the operations of MyTheresa, (iv) NMG International LLC, a holding company with respect to our foreign operations and (v) Nancy Holdings LLC, which holds legal title to certain real property used by NMG in conducting its operations and described in Note 14 under "— Results of Operations and Financial Condition of Unrestricted Subsidiaries". The non-guarantor subsidiary Nancy Holdings LLC had no assets or operations prior to March 10, 2017.

The following condensed consolidating financial information represents the financial information of the Company and its non-guarantor subsidiaries under the 2028 Debentures, prepared on the equity basis of accounting. The information is presented in accordance with the requirements of Rule 3-10 under the SEC's Regulation S-X. The financial information may not necessarily be indicative of results of operations, cash flows or financial position had the non-guarantor subsidiaries operated as independent entities.

	January 27, 2018				
(in thousands)	**Company**	**NMG**	**Non-Guarantor Subsidiaries**	**Eliminations**	**Consolidated**
ASSETS					
Current assets:					
Cash and cash equivalents	$ —	$ 31,072	$ 4,716	$ —	$ 35,788
Credit card receivables	—	36,268	5,990	—	42,258
Merchandise inventories	—	880,056	257,122	—	1,137,178
Other current assets	—	127,745	15,857	(150)	143,452
Total current assets	—	1,075,141	283,685	(150)	1,358,676
Property and equipment, net	—	1,309,679	247,433	—	1,557,112
Intangible assets, net	—	484,355	2,301,686	—	2,786,041
Goodwill	—	1,338,844	548,885	—	1,887,729
Other long-term assets	—	36,074	1,303	—	37,377
Investments in subsidiaries	839,014	3,204,672	—	(4,043,686)	—
Total assets	$ 839,014	$ 7,448,765	$ 3,382,992	$ (4,043,836)	$ 7,626,935
LIABILITIES AND MEMBER EQUITY					
Current liabilities:					
Accounts payable	$ —	$ 259,837	$ 23,968	$ —	$ 283,805
Accrued liabilities	—	401,227	131,004	(150)	532,081
Current portion of long-term debt	—	29,426	—	—	29,426
Total current liabilities	—	690,490	154,972	(150)	845,312
Long-term liabilities:					
Long-term debt, net of debt issuance costs	—	4,569,669	2,593	—	4,572,262
Deferred income taxes	—	746,905	15,935	—	762,840
Other long-term liabilities	—	602,687	4,820	—	607,507
Total long-term liabilities	—	5,919,261	23,348	—	5,942,609
Total member equity	839,014	839,014	3,204,672	(4,043,686)	839,014
Total liabilities and member equity	$ 839,014	$ 7,448,765	$ 3,382,992	$ (4,043,836)	$ 7,626,935

(in thousands)	July 29, 2017				
	Company	NMG	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ —	$ 28,301	$ 20,938	$ —	$ 49,239
Credit card receivables	—	35,091	3,745	—	38,836
Merchandise inventories	—	915,910	237,747	—	1,153,657
Other current assets	—	135,174	11,852	(587)	146,439
Total current assets	—	1,114,476	274,282	(587)	1,388,171
Property and equipment, net	—	1,333,487	253,474	—	1,586,961
Intangible assets, net	—	509,757	2,321,659	—	2,831,416
Goodwill	—	1,338,844	542,050	—	1,880,894
Other long-term assets	—	14,384	1,690	—	16,074
Investments in subsidiaries	466,652	3,239,816	—	(3,706,468)	—
Total assets	$ 466,652	$ 7,550,764	$ 3,393,155	$ (3,707,055)	$ 7,703,516
LIABILITIES AND MEMBER EQUITY					
Current liabilities:					
Accounts payable	$ —	$ 288,079	$ 28,751	$ —	$ 316,830
Accrued liabilities	—	350,773	106,751	(587)	456,937
Current portion of long-term debt	—	29,426	—	—	29,426
Total current liabilities	—	668,278	135,502	(587)	803,193
Long-term liabilities:					
Long-term debt, net of debt issuance costs	—	4,675,540	—	—	4,675,540
Deferred income taxes	—	1,144,022	12,811	—	1,156,833
Other long-term liabilities	—	596,272	5,026	—	601,298
Total long-term liabilities	—	6,415,834	17,837	—	6,433,671
Total member equity	466,652	466,652	3,239,816	(3,706,468)	466,652
Total liabilities and member equity	$ 466,652	$ 7,550,764	$ 3,393,155	$ (3,707,055)	$ 7,703,516

(in thousands)	January 28, 2017				
	Company	NMG	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ —	$ 42,960	$ 5,483	$ —	$ 48,443
Credit card receivables	—	33,156	4,281	—	37,437
Merchandise inventories	—	961,538	251,945	—	1,213,483
Other current assets	—	118,969	11,280	—	130,249
Total current assets	—	1,156,623	272,989	—	1,429,612
Property and equipment, net	—	1,448,157	152,659	—	1,600,816
Intangible assets, net	—	536,532	2,499,696	—	3,036,228
Goodwill	—	1,412,147	655,302	—	2,067,449
Other long-term assets	—	20,507	1,973	—	22,480
Investments in subsidiaries	809,811	3,411,988	—	(4,221,799)	—
Total assets	$ 809,811	$ 7,985,954	$ 3,582,619	$ (4,221,799)	$ 8,156,585
LIABILITIES AND MEMBER EQUITY					
Current liabilities:					
Accounts payable	$ —	$ 370,409	$ 13,739	$ —	$ 384,148
Accrued liabilities	—	365,610	144,019	—	509,629
Current portion of long-term debt	—	29,426	—	—	29,426
Total current liabilities	—	765,445	157,758	—	923,203
Long-term liabilities:					
Long-term debt, net of debt issuance costs	—	4,585,911	—	—	4,585,911
Deferred income taxes	—	1,203,983	7,805	—	1,211,788
Other long-term liabilities	—	620,804	5,068	—	625,872
Total long-term liabilities	—	6,410,698	12,873	—	6,423,571
Total member equity	809,811	809,811	3,411,988	(4,221,799)	809,811
Total liabilities and member equity	$ 809,811	$ 7,985,954	$ 3,582,619	$ (4,221,799)	$ 8,156,585

(in thousands)	Company	NMG	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	Thirteen weeks ended January 27, 2018				
Revenues	$ —	$ 1,177,621	$ 304,497	$ —	$ 1,482,118
Cost of goods sold including buying and occupancy costs (excluding depreciation)	—	814,745	209,311	—	1,024,056
Selling, general and administrative expenses (excluding depreciation)	—	262,280	60,079	—	322,359
Income from credit card program	—	(12,621)	(1,444)	—	(14,065)
Depreciation expense	—	47,267	6,161	—	53,428
Amortization of intangible assets and favorable lease commitments	—	12,416	11,868	—	24,284
Other expenses (income)	—	12,614	—	—	12,614
Operating earnings (loss)	—	40,920	18,522	—	59,442
Interest expense (income), net	—	76,622	(73)	—	76,549
Intercompany royalty charges (income)	—	49,364	(49,364)	—	—
Equity in loss (earnings) of subsidiaries	(372,532)	(66,776)	—	439,308	—
Earnings (loss) before income taxes	372,532	(18,290)	67,959	(439,308)	(17,107)
Income tax expense (benefit)	—	(390,822)	1,183	—	(389,639)
Net earnings (loss)	$ 372,532	$ 372,532	$ 66,776	$ (439,308)	$ 372,532
Total other comprehensive earnings (loss), net of tax	14,655	10,088	4,567	(14,655)	14,655
Total comprehensive earnings (loss)	$ 387,187	$ 382,620	$ 71,343	$ (453,963)	$ 387,187

(in thousands)	Company	NMG	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	Thirteen weeks ended January 28, 2017				
Revenues	$ —	$ 1,131,021	$ 264,555	$ —	$ 1,395,576
Cost of goods sold including buying and occupancy costs (excluding depreciation)	—	795,422	187,043	—	982,465
Selling, general and administrative expenses (excluding depreciation)	—	254,906	52,812	—	307,718
Income from credit card program	—	(15,244)	(1,506)	—	(16,750)
Depreciation expense	—	52,895	4,318	—	57,213
Amortization of intangible assets and favorable lease commitments	—	13,643	12,681	—	26,324
Other expenses (income)	—	4,564	647	—	5,211
Impairment charges	—	153,772	—	—	153,772
Operating earnings (loss)	—	(128,937)	8,560	—	(120,377)
Interest expense (income), net	—	73,979	218	—	74,197
Intercompany royalty charges (income)	—	42,440	(42,440)	—	—
Equity in loss (earnings) of subsidiaries	117,069	(49,390)	—	(67,679)	—
Earnings (loss) before income taxes	(117,069)	(195,966)	50,782	67,679	(194,574)
Income tax expense (benefit)	—	(78,897)	1,392	—	(77,505)
Net earnings (loss)	$ (117,069)	$ (117,069)	$ 49,390	$ 67,679	$ (117,069)
Total other comprehensive earnings (loss), net of tax	3,670	12,246	(8,576)	(3,670)	3,670
Total comprehensive earnings (loss)	$ (113,399)	$ (104,823)	$ 40,814	$ 64,009	$ (113,399)

(in thousands)	Company	NMG	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	Twenty-six weeks ended January 27, 2018				
Revenues	$ —	$ 2,027,767	$ 574,650	$ —	$ 2,602,417
Cost of goods sold including buying and occupancy costs (excluding depreciation)	—	1,366,694	380,249	—	1,746,943
Selling, general and administrative expenses (excluding depreciation)	—	499,345	118,294	—	617,639
Income from credit card program	—	(23,152)	(2,777)	—	(25,929)
Depreciation expense	—	96,526	12,130	—	108,656
Amortization of intangible assets and favorable lease commitments	—	25,401	23,832	—	49,233
Other expenses (income)	—	15,454	—	—	15,454
Operating earnings (loss)	—	47,499	42,922	—	90,421
Interest expense, net	—	152,752	(105)	—	152,647
Intercompany royalty charges (income)	—	88,797	(88,797)	—	—
Equity in loss (earnings) of subsidiaries	(346,315)	(131,061)	—	477,376	—
Earnings (loss) before income taxes	346,315	(62,989)	131,824	(477,376)	(62,226)
Income tax expense (benefit)	—	(409,304)	763	—	(408,541)
Net earnings (loss)	$ 346,315	$ 346,315	$ 131,061	$ (477,376)	$ 346,315
Total other comprehensive earnings (loss), net of tax	25,052	14,331	10,721	(25,052)	25,052
Total comprehensive earnings (loss)	$ 371,367	$ 360,646	$ 141,782	$ (502,428)	$ 371,367

(in thousands)	Company	NMG	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	Twenty-six weeks ended January 28, 2017				
Revenues	$ —	$ 1,967,626	$ 507,057	$ —	$ 2,474,683
Cost of goods sold including buying and occupancy costs (excluding depreciation)	—	1,339,960	342,400	—	1,682,360
Selling, general and administrative expenses (excluding depreciation)	—	480,846	103,468	—	584,314
Income from credit card program	—	(27,673)	(2,745)	—	(30,418)
Depreciation expense	—	105,081	9,016	—	114,097
Amortization of intangible assets and favorable lease commitments	—	28,075	25,526	—	53,601
Other expenses (income)	—	12,687	(658)	—	12,029
Impairment charges	—	153,772	—	—	153,772
Operating earnings (loss)	—	(125,122)	30,050	—	(95,072)
Interest expense, net	—	146,069	211	—	146,280
Intercompany royalty charges (income)	—	76,444	(76,444)	—	—
Equity in loss (earnings) of subsidiaries	140,582	(105,469)	—	(35,113)	—
Earnings (loss) before income taxes	(140,582)	(242,166)	106,283	35,113	(241,352)
Income tax expense (benefit)	—	(101,584)	814	—	(100,770)
Net earnings (loss)	$ (140,582)	$ (140,582)	$ 105,469	$ 35,113	$ (140,582)
Total other comprehensive earnings (loss), net of tax	4,640	10,720	(6,080)	(4,640)	4,640
Total comprehensive earnings (loss)	$ (135,942)	$ (129,862)	$ 99,389	$ 30,473	$ (135,942)

(in thousands)	Twenty-six weeks ended January 27, 2018				
	Company	NMG	Non-Guarantor Subsidiaries	Eliminations	Consolidated
CASH FLOWS—OPERATING ACTIVITIES					
Net earnings (loss)	$ 346,315	$ 346,315	$ 131,061	$ (477,376)	$ 346,315
Adjustments to reconcile net earnings (loss) to net cash provided by (used for) operating activities:					
Depreciation and amortization expense	—	134,165	35,962	—	170,127
Deferred income taxes		(402,691)	(290)	—	(402,981)
Payment-in-kind interest	—	29,289	—	—	29,289
Other	—	1,595	(2,401)	—	(806)
Intercompany royalty income payable (receivable)	—	88,797	(88,797)	—	—
Equity in loss (earnings) of subsidiaries	(346,315)	(131,061)	—	477,376	—
Changes in operating assets and liabilities, net	—	142,090	(88,490)		53,600
Net cash provided by (used for) operating activities	—	208,499	(12,955)	—	195,544
CASH FLOWS—INVESTING ACTIVITIES					
Capital expenditures	—	(59,417)	(6,379)	—	(65,796)
Net cash provided by (used for) investing activities	—	(59,417)	(6,379)	—	(65,796)
CASH FLOWS—FINANCING ACTIVITIES					
Borrowings under revolving credit facilities	—	432,000	18,163	—	450,163
Repayment of borrowings	—	(577,713)	(15,569)	—	(593,282)
Repurchase of stock	—	(266)	—	—	(266)
Shares withheld for remittance of employee taxes	—	(332)	—	—	(332)
Net cash provided by (used for) financing activities	—	(146,311)	2,594	—	(143,717)
Effect of exchange rate changes on cash and cash equivalents	—	—	518	—	518
CASH AND CASH EQUIVALENTS					
Increase (decrease) during the period	—	2,771	(16,222)	—	(13,451)
Beginning balance	—	28,301	20,938	—	49,239
Ending balance	$ —	$ 31,072	$ 4,716	$ —	$ 35,788

(in thousands)	Twenty-six weeks ended January 28, 2017				
	Company	NMG	Non-Guarantor Subsidiaries	Eliminations	Consolidated
CASH FLOWS—OPERATING ACTIVITIES					
Net earnings (loss)	$ (140,582)	$ (140,582)	$ 105,469	$ 35,113	$ (140,582)
Adjustments to reconcile net earnings (loss) to net cash provided by (used for) operating activities:					
Depreciation and amortization expense	—	145,420	34,542	—	179,962
Impairment charges	—	153,772	—	—	153,772
Deferred income taxes	—	(86,627)	(2,747)	—	(89,374)
Other	—	(1,943)	4,281	—	2,338
Intercompany royalty income payable (receivable)	—	76,444	(76,444)	—	—
Equity in loss (earnings) of subsidiaries	140,582	(105,469)	—	(35,113)	—
Changes in operating assets and liabilities, net	—	76,232	(64,925)	—	11,307
Net cash provided by (used for) operating activities	—	117,247	176	—	117,423
CASH FLOWS—INVESTING ACTIVITIES					
Capital expenditures	—	(99,006)	(16,692)	—	(115,698)
Net cash provided by (used for) investing activities	—	(99,006)	(16,692)	—	(115,698)
CASH FLOWS—FINANCING ACTIVITIES					
Borrowings under revolving credit facilities	—	385,000	—	—	385,000
Repayment of borrowings	—	(394,713)	—	—	(394,713)
Debt issuance costs paid	—	(5,359)	—	—	(5,359)
Net cash provided by (used for) financing activities	—	(15,072)	—	—	(15,072)
Effect of exchange rate changes on cash and cash equivalents	—	—	(53)	—	(53)
CASH AND CASH EQUIVALENTS					
Increase (decrease) during the period	—	3,169	(16,569)	—	(13,400)
Beginning balance	—	39,791	22,052	—	61,843
Ending balance	$ —	$ 42,960	$ 5,483	$ —	$ 48,443

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended July 29, 2017. Unless otherwise specified, the meanings of all defined terms in Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") are consistent with the meanings of such terms as defined in the Notes to Condensed Consolidated Financial Statements.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements. In many cases, forward-looking statements can generally be identified by the use of forward-looking terminology such as "may," "plan," "predict," "expect," "estimate," "intend," "would," "will," "could," "should," "anticipate," "believe," "project" or "continue" or the negative thereof or other similar expressions.

The forward-looking statements contained in this Quarterly Report on Form 10-Q reflect our views as of the date of this Quarterly Report on Form 10-Q and are based on our expectations and beliefs concerning future events, as well as currently available data as of the date of this Quarterly Report on Form 10-Q. While we believe there is a reasonable basis for our forward-looking statements, they involve a number of risks, uncertainties, assumptions and changes in circumstances that may cause our actual results, performance or achievements to differ significantly from those expressed or implied in any forward-looking statement. Therefore, these statements are not guarantees of future events, results, performance or achievements and you should not rely on them. A variety of factors could cause our actual results to differ materially from the anticipated or expected results expressed in our forward-looking statements. Factors that could cause our actual results to differ from our expectations include, but are not limited to:

- our ability to maintain a relevant, enjoyable and reliable omni-channel experience and to anticipate and meet our customers' evolving shopping preferences, the failure of which could adversely affect our financial performance and brand image;
- economic conditions that negatively impact consumer spending and demand for our merchandise;
- the highly competitive nature of the luxury retail industry;
- our ability to anticipate, identify and respond effectively to changing fashion trends and to accurately forecast merchandise demand, the failure of which could adversely affect our business, financial condition and results of operations;
- our ability to anticipate, identify and address risks related to the complexity of our omni-channel plans, the failure of which could adversely affect our revenues or margins as well as damage our reputation, brands and competitive position;
- the success of our advertising and marketing programs;
- our ability to drive customer traffic to our retail stores and the success of the expansion, growth and remodel of our retail stores, which are subject to numerous risks, some of which are beyond our control;
- costs associated with our expansion and growth strategies, which could adversely affect our performance and results of operations;
- the significance of the portion of our revenues from our stores in four states, which exposes us to economic circumstances and catastrophic occurrences unique to those states, such as the impact of fluctuations in the global price of crude oil in our Texas markets;
- our dependence on our relationships with certain designers, vendors and other sources of merchandise as they relate to, among other things: (i) the manner in which goods are available to us, (ii) the levels of merchandise made available to us and (iii) the pricing and payment terms with respect to our purchases;
- a material disruption in our information systems, delays or difficulties in implementing or integrating new systems or enhancing or expanding current systems, or our failure to achieve the anticipated benefits of any new or updated information systems, which could adversely affect our business or results of operations;
- our dependence on positive perceptions of our company, which, if eroded, could adversely affect our customer, employee and vendor relationships;
- a breach in information privacy, which could negatively impact our operations;
- inflation and foreign currency fluctuations, primarily fluctuations in the U.S. dollar against the Euro and British pound, which could adversely affect our results of operations;

- the loss of, or disruption in, one or more of our distribution facilities, which could adversely affect our business and operations;
- our substantial indebtedness, which could adversely affect our business, financial condition, results of operations, credit ratings and ability to obtain additional debt financing, and our ability to fulfill our obligations with respect to such indebtedness;
- the restrictions in our debt agreements that may limit our flexibility in operating our business and our ability to pursue future strategic investments and initiatives;
- our failure to comply with, or developments in, laws, rules or regulations, which could affect our business or results of operations; and
- other risks, uncertainties and factors set forth in Part II – Item 1A "Risk Factors" in this report or in Part I - Item 1A "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended July 29, 2017 as filed with the Securities and Exchange Commission on October 10, 2017.

The foregoing factors are not exhaustive, and new factors may emerge or changes to the foregoing factors may occur that could impact our business. Each of the forward-looking statements contained in this Quarterly Report on Form 10-Q speaks only as of the date of this Quarterly Report on Form 10-Q. Except to the extent required by law, we undertake no obligation to update or revise (publicly or otherwise) any forward-looking statements to reflect subsequent events, new information or future circumstances.

Overview

Neiman Marcus Group LTD LLC (the "Company") is a luxury omni-channel retailer conducting store and online operations principally under the Neiman Marcus, Bergdorf Goodman, Last Call and MyTheresa brand names. References to “we,” “our” and “us” are used to refer to the Company or collectively to the Company and its subsidiaries, as appropriate to the context.

The Company is a subsidiary of Mariposa Intermediate Holdings LLC, which in turn is a subsidiary of Neiman Marcus Group, Inc., a Delaware corporation ("Parent"). Parent is owned by entities affiliated with Ares Management, L.P. and Canada Pension Plan Investment Board (together, the "Sponsors") and certain co-investors. The Sponsors acquired the Company on October 25, 2013. The Company's operations are conducted through its direct wholly owned subsidiary, The Neiman Marcus Group LLC ("NMG").

In October 2014, we acquired MyTheresa, a luxury retailer headquartered in Munich, Germany. The operations of MyTheresa are conducted primarily through the mytheresa.com website.

We conduct our specialty retail store and online operations on an omni-channel basis. As our store and online operations have similar economic characteristics, products, services and customers, our operations constitute a single omni-channel reportable segment.

Our fiscal year ends on the Saturday closest to July 31. Like many other retailers, we follow a 4-5-4 reporting calendar, which means that each fiscal quarter consists of thirteen weeks divided into periods of four weeks, five weeks and four weeks. All references to (i) the second quarter of fiscal year 2018 relate to the thirteen weeks ended January 27, 2018, (ii) the second quarter of fiscal year 2017 relate to the thirteen weeks ended January 28, 2017, (iii) year-to-date fiscal 2018 relate to the twenty-six weeks ended January 27, 2018 and (iv) year-to-date fiscal 2017 relate to the twenty-six weeks ended January 28, 2017.

Certain amounts presented in tables are subject to rounding adjustments and, as a result, the totals in such tables may not sum.

Investments and Strategic Initiatives

We are investing in strategies to grow our revenues and profits. Strategies we have pursued and continue to pursue include:

- We are investing in technology to enhance the customer shopping experiences in both our online and store operations, including:
    - our "Digital First" strategy, which advances our ability to leverage data and analytics to deliver more insight into customer preferences and behaviors. This will strengthen our position as a leader in luxury retail by addressing and anticipating our customers' evolving shopping behaviors; and

- the launch of an integrated merchandising and distribution system in fiscal year 2017, which we refer to as "NMG One". NMG One is designed to enable us to purchase, share, manage and sell our inventories across our omni-channel operations and brands more efficiently;

- We have assessed and will continue to assess our Last Call operations. During fiscal year 2017, we began a process to assess our Last Call footprint and closed four of our Last Call stores. During fiscal year 2018, we closed 11 additional Last Call stores in order to optimize our Last Call store portfolio. We will continue to evaluate our off-price business and seek to optimize the operations of Last Call in the future;
- We have re-engineered and will continue to re-engineer our costs to optimize our resources and organizational processes through a comprehensive review project we refer to as "Organizing for Growth". In connection with Organizing for Growth, we eliminated a total of approximately 800 positions during fiscal years 2017 and 2016 across our stores, divisions and facilities; and
- We are making capital investments to remodel our existing stores as well as to open new stores in select markets such as New York City (currently scheduled to open in fiscal year 2019) and Fort Worth, Texas (opened in February 2017).

Summary of Results of Operations

A summary of our results of operations is as follows:

- **Revenues** — Our revenues for the second quarter of fiscal year 2018 were $1,482.1 million, an increase of 6.2% compared to the second quarter of fiscal year 2017. Comparable revenues for the second quarter of fiscal year 2018 increased 6.7% compared to the second quarter of fiscal year 2017. Our year-to-date fiscal 2018 revenues were $2,602.4 million, an increase of 5.2% compared to year-to-date fiscal 2017. Comparable revenues for year-to-date fiscal 2018 increased 5.6% compared to year-to-date fiscal 2017. During the first quarter of fiscal year 2018, Hurricanes Harvey and Irma significantly impacted our stores in Houston, Texas and in Florida and resulted in temporary closure of some of our stores. We estimate that these closures reduced our comparable revenues by approximately 40 basis points during year-to-date fiscal 2018.

  In the second quarter of fiscal year 2018, revenues generated by our online operations were $507.2 million, or 34.2% of consolidated revenues. Comparable revenues from our online operations for the second quarter of fiscal year 2018 increased 15.7% from the second quarter of fiscal year 2017. In year-to-date fiscal 2018, revenues generated by our online operations were $868.1 million, or 33.4% of consolidated revenues. Comparable revenues from our online operations for year-to-date fiscal 2018 increased 15.2% from year-to-date fiscal 2017.

- **Cost of Goods Sold Including Buying and Occupancy Costs (Excluding Depreciation) ("COGS")** — Compared to the corresponding periods of the prior year, COGS as a percentage of revenues decreased approximately 130 basis points in the second quarter of fiscal year 2018 and 90 basis points in year-to-date fiscal 2018. The decreases in COGS, as a percentage of revenues, were primarily attributable to:

  - higher net product margins due primarily to lower markdowns and promotional costs driven by a higher level of customer demand, a higher level of full-price sales and improved inventory productivity driven by the reduction in on-hand inventories; and
  - the leveraging of buying and occupancy costs on higher revenues; partially offset by
  - closed store liquidation markdown requirements of $5.6 million related to the closing of 11 Last Call stores in the second quarter of fiscal year 2018.

  At January 27, 2018, consolidated inventories totaled $1,137.2 million, a 6.3% decrease from January 28, 2017. Merchandise inventories supporting our U.S. operations decreased 9.8% and merchandise inventories supporting our MyTheresa operations increased 45.2% from the corresponding period of the prior year. We have worked aggressively to align our inventory levels and purchases with anticipated future customer demand and have experienced significant improvement in inventory alignment during fiscal year 2018.

- **Selling, General and Administrative Expenses (Excluding Depreciation) ("SG&A")** — Compared to the corresponding periods of the prior year, SG&A expenses excluding net incentive compensation costs and other benefits decreased, as a percentage of revenues, by approximately 100 basis points in the second quarter of fiscal year 2018 and 80

basis points in year-to-date fiscal 2018. The lower levels of SG&A expenses, as a percentage of revenues, were primarily attributable to:

- favorable payroll and related costs driven by (i) lower benefits costs incurred, (ii) the leveraging of these expenses on higher revenues and (iii) our ongoing strategic initiatives; and
- lower expenses incurred in connection with new stores and the remodeling of existing stores; partially offset by
- higher marketing expenses, related primarily to the growth in our online operations.

Net incentive compensation costs and other benefits costs increased approximately 70 basis points in the second quarter of fiscal year 2018 and 90 basis points in year-to-date fiscal 2018. Those increases were due primarily to (i) higher levels of current and long-term cash incentive costs resulting from our improved financial performance and (ii) non-cash charges related to the modifications of certain stock options, net of (iii) a non-cash gain related to a change in our vacation policy.

Compared to the corresponding periods of the prior year, our total SG&A expenses including net incentive compensation costs and other benefits, as a percentage of revenues, decreased approximately 30 basis points in the second quarter of fiscal year 2018 and increased 10 basis points in year-to-date fiscal 2018.

Liquidity — At January 27, 2018, we had outstanding revolving credit facilities aggregating $918.0 million consisting of (i) our Asset-Based Revolving Credit Facility of $900.0 million in the U.S. and (ii) the mytheresa.com Credit Facilities of $18.0 million, or €15.0 million. Pursuant to these credit facilities, we had outstanding borrowings of $134.6 million, of which $132.0 million represented borrowings under our Asset-Based Revolving Credit Facility and $2.6 million, or €2.2 million, represented borrowings under the mytheresa.com Credit Facilities. Additionally, we had outstanding letters of credit and guarantees of $3.1 million as of January 27, 2018. Our borrowings under these credit facilities fluctuate based on our seasonal working capital requirements, which generally peak in our first and third quarters. At January 27, 2018, we had unused borrowing commitments aggregating $763.8 million, subject to a borrowing base, of which (i) $90.0 million of such capacity is available to us subject to certain restrictions as more fully described in Note 5 of the Notes to Condensed Consolidated Financial Statements in Part I — Item 1 and (ii) $14.1 million of such capacity is available only to MyTheresa and not to our U.S. operations. Additionally, we held cash and cash equivalents and credit card receivables of $78.0 million bringing our available liquidity to $841.8 million at January 27, 2018, inclusive of the amount available to MyTheresa. We believe that cash generated from our operations along with our existing cash balances and available sources of financing will enable us to meet our anticipated cash obligations during the next 12 months.

Outlook — Economic conditions in the luxury retail industry have been and will continue to be impacted by a number of factors, including the rate of economic growth, the volatility and uncertainty in domestic and global economic and political conditions, fluctuations in the exchange rate of the U.S. dollar against international currencies, most notably the Euro and British pound, fluctuations in crude oil and fuel prices, uncertainty regarding governmental policies and overall consumer confidence. We believe such factors negatively impacted our operations in fiscal years 2017 and 2016 and could have an adverse impact on our future results of operations. As a result, we intend to operate our business and manage our cash requirements in a way that balances these economic conditions and current business trends with our long-term initiatives and growth strategies.

Results of Operations

Performance Summary

The following table sets forth certain items expressed as percentages of revenues for the periods indicated:

	Thirteen weeks ended		Twenty-six weeks ended	
	January 27, 2018	January 28, 2017	January 27, 2018	January 28, 2017
Revenues	100.0 %	100.0 %	100.0 %	100.0 %
Cost of goods sold including buying and occupancy costs (excluding depreciation)	69.1	70.4	67.1	68.0
Selling, general and administrative expenses (excluding depreciation)	21.7	22.0	23.7	23.6
Income from credit card program	(0.9)	(1.2)	(1.0)	(1.2)
Depreciation expense	3.6	4.1	4.2	4.6
Amortization of intangible assets	0.8	0.9	0.9	1.1
Amortization of favorable lease commitments	0.9	1.0	1.0	1.1
Other expenses	0.9	0.4	0.6	0.5
Impairment charges	—	11.0	—	6.2
Operating earnings (loss)	4.0	(8.6)	3.5	(3.8)
Interest expense, net	5.2	5.3	5.9	5.9
Loss before income taxes	(1.2)	(13.9)	(2.4)	(9.8)
Income tax benefit	(26.3)	(5.6)	(15.7)	(4.1)
Net earnings (loss)	25.1 %	(8.4)%	13.3 %	(5.7)%

Set forth in the following table is certain summary information with respect to our operations for the periods indicated:

	Thirteen weeks ended		Twenty-six weeks ended	
(dollars in millions, except sales per square foot and store count)	January 27, 2018	January 28, 2017	January 27, 2018	January 28, 2017
Change in comparable revenues (1)				
Total revenues	6.7%	(6.8)%	5.6%	(7.3)%
Online revenues	15.7%	(0.5)%	15.2%	(0.3)%
Percentage of revenues transacted online	34.2%	31.4 %	33.4%	30.5 %
Store count				
Neiman Marcus and Bergdorf Goodman full-line stores open at end of period	44	44	44	44
Last Call stores open at end of period	27	41	27	41
Sales per square foot (2)	$ 154	$ 149	$ 274	$ 267
Capital expenditures (3)	$ 41.1	$ 49.5	$ 65.8	$ 115.7
Depreciation expense	53.4	57.2	108.7	114.1
Rent expense and related occupancy costs	30.9	30.3	59.2	58.5
Non-GAAP financial measures				
EBITDA (4)	$ 137.2	$ (36.8)	$ 248.3	$ 72.6
Adjusted EBITDA (4)	$ 154.8	$ 126.8	$ 277.2	$ 249.7

(1) Comparable revenues include (i) revenues derived from our retail stores open for more than fifty-two weeks, including stores that have been relocated or expanded, and (ii) revenues from our online operations. Comparable revenues exclude revenues of closed stores.

(2) Sales per square foot are calculated as revenues of our Neiman Marcus and Bergdorf Goodman full-line stores for the applicable period divided by weighted average square footage. Weighted average square footage includes a percentage of period-end square footage for new and closed stores equal to the percentage of the period during which they were open.

(3) Amounts represent gross capital expenditures and exclude developer contributions of $12.4 million for the thirteen weeks ended January 27, 2018, $24.8 million for the thirteen weeks ended January 28, 2017, $11.7 million for the twenty-six weeks ended January 27, 2018 and $32.5 million for the twenty-six weeks ended January 28, 2017.

(4) For an explanation of EBITDA and Adjusted EBITDA as measures of our operating performance and a reconciliation to net loss, see "— Non-GAAP Financial Measures."

Key Factors Affecting Our Results

Revenues. We generate our revenues from the sale of luxury merchandise. Components of our revenues include:

- Sales of merchandise — Revenues are recognized at the later of the point-of-sale or the delivery of goods to the customer. Revenues are reduced when our customers return goods previously purchased. We maintain reserves for anticipated sales returns based primarily on our historical trends. Revenues exclude sales taxes collected from our customers.
- Delivery and processing — We generate revenues from delivery and processing charges related to certain merchandise deliveries to our customers.

Our revenues can be affected by the following factors:

- general domestic and global economic and industry conditions, including inflation, deflation, changes related to interest rates and foreign currency exchange rates, rates of economic growth, current and expected unemployment levels and government fiscal and monetary policies;
- the performance of the financial, equity and credit markets;
- our ability to anticipate, identify and respond effectively to changing consumer demands, fashion trends and consumer shopping preferences and acquire goods meeting customers' tastes and preferences;
- consumer disposable income levels, consumer confidence levels, the availability, cost and level of consumer debt and consumer behaviors towards incurring and paying debt;
- national and global geo-political uncertainty;
- changes in the level of consumer spending generally and, specifically, on luxury goods;
- the strength of the U.S. dollar against international currencies, most notably the Euro and British pound, and a resulting impact on tourism and spending by international customers in the U.S.;
- a significant and sustained decline in the global price for crude oil and the resulting impact on stakeholders in the oil and gas industries, particularly in the Texas markets in which we have a significant presence;
- changes in prices for commodities and energy, including fuel;
- current and expected tax rates and policies;
- a material disruption in our information systems, or delays or difficulties in implementing or integrating new systems or enhancing or expanding current systems, or our failure to achieve the anticipated benefits of any new or updated information systems;
- changes in the level of full-price sales;
- changes in the level and timing of promotional events conducted;
- changes in the level of delivery and processing revenues collected from our customers; and
- changes in the composition and the rate of growth of our sales transacted in store and online.

In addition, our revenues are seasonal, as discussed below under “Seasonality.”

Cost of Goods Sold Including Buying and Occupancy Costs (Excluding Depreciation). COGS consists of the following components:

- Inventory costs — We utilize the retail inventory method of accounting. Under the retail inventory method, the valuation of inventories at cost and the resulting gross margins are determined by applying a calculated cost-to-retail ratio, for various groupings of similar items, to the retail value of our inventories. The cost of the inventory reflected in the Condensed Consolidated Financial Statements is decreased by charges to cost of goods sold at average cost and the retail value of the inventory is lowered through the use of markdowns. Earnings are negatively impacted when merchandise is marked down. With the introduction of new fashions in the first and third fiscal quarters of each fiscal year and our emphasis on full-price selling in these quarters, a lower level of markdowns and higher margins are characteristic of these quarters.

  Inventory costs are also decreased by charges to cost of goods sold for estimates of shrinkage that has occurred between physical count dates.
- Buying costs — Buying costs consist primarily of salaries and expenses incurred by our merchandising and buying operations.
- Occupancy costs — Occupancy costs consist primarily of rent, property taxes and operating costs of our retail, distribution and support facilities. A significant portion of our buying and occupancy costs are fixed in nature and are not dependent on the revenues we generate.
- Delivery and processing costs — Delivery and processing costs consist primarily of delivery charges we pay to third party carriers and other costs related to the fulfillment of customer orders not delivered at the point-of-sale.

Consistent with industry business practice, we receive allowances from certain of our vendors in support of the merchandise we purchase for resale. Certain allowances are received to reimburse us for markdowns taken or to support the gross margins that we earn in connection with the sales of the vendor’s merchandise. These allowances result in an increase to gross margin when we earn the allowances and they are approved by the vendor. Other allowances we receive represent reductions to the amounts we pay to acquire the merchandise. These allowances reduce the cost of the acquired merchandise and are recognized at the time the goods are sold. We received vendor allowances of $38.8 million, or 2.6% of revenues, in the second quarter of fiscal year 2018, $40.3 million, or 2.9% of revenues, in the second quarter of fiscal year 2017, $42.3 million, or 1.6% of revenues, in year-to-date fiscal 2018 and $41.5 million, or 1.7% of revenues, in year-to-date fiscal 2017. The amounts of vendor allowances we receive fluctuate based partially on the level of markdowns taken and did not have a significant impact on the year-over-year change in gross margin during year-to-date fiscal 2018 and 2017.

Changes in our COGS as a percentage of revenues can be affected by the following factors:

- our ability to order an appropriate amount of merchandise to match customer demand and the related impact on the level of net markdowns and promotions costs incurred;
- customer acceptance of and demand for the merchandise we offer in a given season and the related impact of such factors on the level of full-price sales;
- factors affecting revenues generally, including pricing and promotional strategies, product offerings and actions taken by competitors;
- changes in delivery and processing costs and our ability to pass such costs on to our customers;
- changes in occupancy costs associated primarily with the opening of new stores or distribution facilities; and
- the amount of vendor reimbursements we receive during the reporting period.

Selling, General and Administrative Expenses (Excluding Depreciation). SG&A consists principally of costs related to employee compensation and benefits in the selling and administrative support areas and advertising and marketing costs. A significant portion of our SG&A expenses is variable in nature and is dependent on the revenues we generate.

Advertising costs consist primarily of (i) online marketing costs, (ii) advertising costs incurred related to the production of the photographic content for our websites and (iii) costs incurred related to the production, printing and distribution of our print catalogs and other promotional materials mailed to our customers. We receive advertising allowances from certain of our merchandise vendors. Substantially all the advertising allowances we receive represent reimbursements of direct, specific and incremental costs that we incur to promote the vendor’s merchandise in connection with our various advertising programs, primarily catalogs and

other print media and digital media. Advertising allowances fluctuate based on the level of advertising expenses incurred and are recorded as a reduction of our advertising costs when earned. Advertising allowances were approximately $8.9 million, or 0.6% of revenues, in the second quarter of fiscal year 2018, $10.6 million, or 0.8% of revenues, in the second quarter of fiscal year 2017, $26.0 million, or 1.0% of revenues, in year-to-date fiscal 2018 and $29.1 million, or 1.2% of revenues, in year-to-date fiscal 2017.

We also receive allowances from certain merchandise vendors in connection with compensation programs for employees who sell the vendor's merchandise. These allowances are netted against the related compensation expenses that we incur. Amounts received from vendors related to compensation programs were $15.4 million, or 1.0% of revenues, in the second quarter of fiscal year 2018, $16.2 million, or 1.2% of revenues, in the second quarter of fiscal year 2017, $29.9 million, or 1.2% of revenues, in year-to-date fiscal 2018 and $32.7 million, or 1.3% of revenues, in year-to-date fiscal 2017.

Changes in our SG&A expenses are affected primarily by the following factors:

- changes in the level of our revenues;
- changes in the number of sales associates, which are due primarily to new store openings and expansion of existing stores, and the health care and related benefits expenses incurred as a result of such changes;
- changes in expenses incurred in connection with our advertising and marketing programs; and
- changes in expenses related to employee benefits due to general economic conditions such as rising health care costs.

Income From Credit Card Program. We maintain a proprietary credit card program through which credit is extended to customers and have a related marketing and servicing alliance with affiliates of Capital One. Pursuant to the Program Agreement, Capital One currently offers credit cards and non-card payment plans under both the "Neiman Marcus" and "Bergdorf Goodman" brand names.

We receive payments from Capital One based on sales transacted on our proprietary credit cards. We recognize income from our credit card program when earned. In the future, the income from our credit card program may:

- increase or decrease based upon the level of utilization of our proprietary credit cards by our customers;
- increase or decrease based upon the overall profitability and performance of the credit card portfolio due to the level of bad debts incurred or changes in interest rates, among other factors;
- increase or decrease based upon future changes to our credit card program in response to changes in regulatory requirements or other changes related to, among other things, the interest rates applied to unpaid balances and the assessment of late fees; and
- decrease based upon the level of future marketing and other services we provide to Capital One.

Additionally, beginning in July 2017, in accordance with the provisions of the credit card program agreement, our allocable share of the profits generated by the credit card portfolio was reduced as a result of our current credit ratings.

Impairment of Indefinite-lived Intangible Assets, Goodwill and Long-lived Assets. We assess the recoverability of the carrying values of indefinite-lived intangible assets and goodwill as well as our store assets, consisting of property and equipment, customer lists and favorable lease commitments, annually in the fourth quarter of each fiscal year and upon the occurrence of certain events. These impairment assessments related to tradenames and goodwill are performed for three of our reporting units — Neiman Marcus, Bergdorf Goodman and MyTheresa.

We recorded impairment charges aggregating $510.7 million in fiscal year 2017 ($153.8 million in the second quarter and $357.0 million in the fourth quarter). These impairment charges were driven both by (i) changes in market conditions related to increases in the weighted average cost of capital and valuation multiples and (ii) deterioration of operating trends during such periods. These impairment charges related to certain of our tradenames, goodwill and long-lived assets primarily associated with our Neiman Marcus and Bergdorf Goodman brands.

Effective Income Tax Rate. Our effective income tax rate may fluctuate from period to period due to a variety of factors, including changes in our assessment of certain tax contingencies, valuation allowances, changes in federal, state and foreign tax laws, outcomes of administrative audits, changes in our corporate structure, the impact of other discrete or non-recurring items and the mix of earnings among our U.S. and foreign operations, where the statutory rates may exceed those in the United States. As a result, our effective income tax rate may vary significantly from the federal statutory tax rate.

The Tax Cuts and Jobs Act ("Tax Reform") was signed into law on December 22, 2017 (see Note 7 of the Notes to Condensed Consolidated Financial Statements in Part I — Item 1). Among numerous provisions included in the Tax Reform was the reduction of the corporate federal income tax rate from 35% to 21%. In the second quarter of fiscal year 2018, we recorded a provisional non-cash benefit of $384.1 million related primarily to the remeasurement of deferred income taxes which amount is included in our income tax benefit in the Condensed Consolidated Statements of Operations.

Seasonality

We conduct our selling activities in two primary selling seasons—Fall and Spring. The Fall season is comprised of our first and second fiscal quarters and the Spring season is comprised of our third and fourth fiscal quarters.

Our first fiscal quarter is generally characterized by a higher level of full-price sales with a focus on the initial introduction of Fall season fashions. Marketing activities designed to stimulate customer purchases, a lower level of markdowns and higher margins are characteristic for this quarter. Our second fiscal quarter is more focused on promotional activities related to the December holiday season, the early introduction of resort season collections from certain designers and the sale of Fall season goods on a marked down basis. As a result, margins are typically lower in our second fiscal quarter. However, due to the seasonal increase in revenues that occurs during the holiday season, our second fiscal quarter is typically the quarter in which our revenues are the highest and in which expenses as a percentage of revenues are the lowest. Our working capital requirements are also the greatest in the first and second fiscal quarters as a result of higher seasonal requirements.

Our third fiscal quarter is generally characterized by a higher level of full-price sales with a focus on the initial introduction of Spring season fashions. Marketing activities designed to stimulate customer purchases, a lower level of markdowns and higher margins are again characteristic for this quarter. Revenues are generally the lowest in our fourth fiscal quarter with a focus on promotional activities offering Spring season goods to customers on a marked down basis, resulting in lower margins during the quarter. Our working capital requirements are typically lower in our third and fourth fiscal quarters compared to the other quarters.

A large percentage of our merchandise assortment, particularly in the apparel, fashion accessories and shoe categories, is ordered months in advance of the introduction of such goods. For example, women’s apparel, men’s apparel, shoes and handbags are typically ordered six to nine months in advance of the products being offered for sale while jewelry and other categories are typically ordered three to six months in advance. As a result, our success depends in large part on our ability to anticipate and identify fashion trends and consumer shopping preferences and to identify and react effectively to rapidly changing consumer demands in a timely manner.

We monitor the sales performance of our inventories throughout each season. We seek to order additional goods to supplement our original purchasing decisions when the level of customer demand is higher than originally anticipated. However, in certain merchandise categories, particularly fashion apparel, our ability to purchase additional goods can be limited. This can result in lost sales opportunities in the event of higher than anticipated demand for the merchandise we offer or a higher than anticipated level of consumer spending. Conversely, in the event we buy merchandise that is not accepted by our customers or the level of consumer spending is less than we anticipated, we could incur a higher than anticipated level of markdowns, net of vendor allowances, resulting in lower operating profits. Any failure on our part to anticipate, identify and respond effectively to these changes could adversely affect our business, financial condition and results of operations.

Results of Operations for the Thirteen Weeks Ended January 27, 2018 Compared to the Thirteen Weeks Ended January 28, 2017

Revenues. Our revenues for the second quarter of fiscal year 2018 of $1,482.1 million increased by $86.5 million, or 6.2%, from $1,395.6 million in the second quarter of fiscal year 2017. Comparable revenues for the second quarter of fiscal year 2018 were $1,482.1 million compared to $1,388.8 million in the second quarter of fiscal year 2017, representing an increase of 6.7%.

Revenues generated by our online operations were $507.2 million, or 34.2% of consolidated revenues. Comparable revenues from our online operations for the second quarter of fiscal year 2018 increased 15.7% from the second quarter of the prior year.

Cost of Goods Sold Including Buying and Occupancy Costs (Excluding Depreciation). COGS as a percentage of revenues decreased to 69.1% of revenues in the second quarter of fiscal year 2018 from 70.4% of revenues in the second quarter of fiscal year 2017. The components of COGS consisted of:

	Thirteen weeks ended			
	January 27, 2018		January 28, 2017	
(in millions, except percentages)	**$**	**% of revenues**	**$**	**% of revenues**
Total COGS excluding closed store liquidation markdowns	$ 1,018.5	68.7%	$ 982.5	70.4%
Closed store liquidation markdowns	5.6	0.4%	—	—%
Total COGS	$ 1,024.1	69.1%	$ 982.5	70.4%

COGS excluding closed store liquidation markdowns as a percentage of revenues, decreased by 170 basis points compared to the prior year due primarily to:

- higher net product margins of approximately 160 basis points due primarily to lower markdowns and promotional costs driven by a higher level of customer demand, a higher level of full-price sales and improved inventory productivity driven by the reduction in on-hand inventories; and
- the leveraging of buying and occupancy costs of approximately 10 basis points on higher revenues.

In connection with the closing of 11 Last Call stores in the second quarter of fiscal year 2018, we incurred incremental liquidation markdowns of $5.6 million, or 0.4% of revenues.

Selling, General and Administrative Expenses (Excluding Depreciation). SG&A expenses as a percentage of revenues decreased to 21.7% of revenues in the second quarter of fiscal year 2018 compared to 22.0% of revenues in the second quarter of fiscal year 2017. The components of SG&A expense consisted of:

	Thirteen weeks ended			
	January 27, 2018		January 28, 2017	
(in millions, except percentages)	**$**	**% of revenues**	**$**	**% of revenues**
Total SG&A excluding net incentive compensation costs and other benefits	$ 313.7	21.1%	$ 308.3	22.1 %
Net incentive compensation costs and other benefits	8.7	0.6%	(0.6)	(0.1)%
Total SG&A	$ 322.4	21.7%	$ 307.7	22.0 %

SG&A expenses excluding net incentive compensation costs and other benefits decreased, as a percentage of revenues, by approximately 100 basis points compared to the prior year due primarily to:

- favorable payroll and related costs of approximately 110 basis points driven by (i) lower benefits costs incurred, (ii) the leveraging of these expenses on higher revenues and (iii) our ongoing strategic initiatives; and
- lower expenses of approximately 10 basis points incurred in connection with new stores and the remodeling of existing stores; partially offset by
- higher marketing expenses of approximately 30 basis points related primarily to the growth in our online operations.

Net incentive compensation costs and other benefits costs aggregated $8.7 million in the second quarter of fiscal year 2018, an increase of approximately 70 basis points compared to the prior year. This increase is due primarily to (i) higher levels of current and long-term cash incentive costs of approximately 100 basis points resulting from our improved financial performance and (ii) non-cash charges related to the modifications of certain stock options of approximately 10 basis points, net of (iii) a non-cash gain related to a change in our vacation policy of approximately 50 basis points.

Income From Credit Card Program. Income from our credit card program was $14.1 million, or 0.9% of revenues, in the second quarter of fiscal year 2018 compared to $16.8 million, or 1.2% of revenues, in the second quarter of fiscal year 2017. Compared to the prior year, income from our credit card program as a percentage of revenues decreased by 30 basis points due primarily to the

decrease of our allocated share of the profits generated by the credit card portfolio, which was reduced as a result of our current credit ratings.

Depreciation and Amortization Expenses. Depreciation expense was $53.4 million, or 3.6% of revenues, in the second quarter of fiscal year 2018 compared to $57.2 million, or 4.1% of revenues, in the second quarter of fiscal year 2017.

Amortization of intangible assets (primarily customer lists and favorable lease commitments) was $24.3 million, or 1.6% of revenues, in the second quarter of fiscal year 2018 compared to $26.3 million, or 1.9% of revenues, in the second quarter of fiscal year 2017.

Other Expenses. Other expenses for the second quarter of fiscal year 2018 were $12.6 million, or 0.9% of revenues, compared to $5.2 million, or 0.4% of revenues, in the second quarter of fiscal year 2017. Other expenses consisted of the following components:

	Thirteen weeks ended	
(in millions)	**January 27, 2018**	**January 28, 2017**
Expenses related to store closures	$ 6.6	$ 1.5
Expenses incurred in connection with strategic initiatives	1.4	1.9
MyTheresa acquisition costs	—	1.3
Other expenses	4.6	0.5
Total	$ 12.6	$ 5.2

During fiscal year 2017, we began a process to assess our Last Call footprint and closed four of our Last Call stores. During the second quarter of fiscal year 2018, we closed 11 additional Last Call stores in order to optimize our Last Call store portfolio. We incurred expenses related to these store closures, which primarily consisted of severance and store closing costs, of $6.6 million in the second quarter of fiscal year 2018 and $1.5 million in the second quarter of fiscal year 2017.

We incurred professional fees and other costs aggregating $1.4 million in the second quarter of fiscal year 2018 and $1.9 million in the second quarter of fiscal year 2017 in connection with the review of our resources and organizational processes, implementation of our integrated merchandising and distribution system and the evaluation of potential strategic alternatives.

In connection with the retirement of our former Chief Executive Officer and President, we incurred certain charges primarily related to lump sum compensation payable as a consequence of her retirement of approximately $4.6 million in the second quarter of fiscal year 2018.

In October 2014, we acquired MyTheresa, a luxury retailer headquartered in Munich, Germany. In fiscal year 2017, acquisition costs of $1.3 million consisted primarily of professional fees as well as adjustments of our earn-out obligations to estimated fair value at each reporting date.

Impairment Charges. In the second quarter of fiscal year 2017, we recorded impairment charges aggregating $153.8 million. These impairment charges were driven both by (i) changes in market conditions related to increases in the weighted average cost of capital and valuation multiples and (ii) deterioration of operating trends during such periods. These impairment charges related to certain of our tradenames and long-lived assets primarily associated with our Neiman Marcus brand.

Interest Expense, net. Net interest expense was $76.5 million in the second quarter of fiscal year 2018 and $74.2 million for the second quarter of fiscal year 2017. The significant components of interest expense are as follows:

(in millions)	Thirteen weeks ended January 27, 2018	Thirteen weeks ended January 28, 2017
Asset-Based Revolving Credit Facility	$ 1.5	$ 1.4
Senior Secured Term Loan Facility	33.8	32.8
mytheresa.com Credit Facilities	—	—
Cash Pay Notes	19.2	19.2
PIK Toggle Notes	14.9	13.1
2028 Debentures	2.2	2.2
Amortization of debt issue costs	6.1	6.1
Capitalized interest	(1.8)	(1.5)
Other, net	0.6	0.8
Interest expense, net	$ 76.5	$ 74.2

Income Tax Benefit. Our income tax benefit was $389.6 million for the second quarter of fiscal year 2018 and $77.5 million for the second quarter of fiscal year 2017. The components of our tax benefits consisted of:

(in millions, except percentages)	Thirteen weeks ended January 27, 2018 $	%	Thirteen weeks ended January 28, 2017 $	%
Income tax benefit excluding impact of Tax Reform	$ (5.5)	32.3%	$ (77.5)	39.8%
Impact of Tax Reform	(384.1)	2,245.4%	—	—%
Total income tax benefit	$ (389.6)	2,277.7%	$ (77.5)	39.8%

Included in the income tax benefit recognized in the second quarter of fiscal year 2018 is the impact of the Tax Reform, which was signed into law on December 22, 2017. Among numerous provisions included in the Tax Reform was the reduction of the corporate federal income tax rate from 35% to 21% effective January 1, 2018. As the effective date of the Tax Reform falls five months into our fiscal year, we are subject to a blended federal statutory rate of 26.9% in fiscal year 2018. In connection with our application of the new federal statutory rate, we remeasured the long-term deferred income taxes recorded in our Condensed Consolidated Balance Sheet at the new lower rate. We recorded a provisional non-cash benefit of $384.1 million related primarily to the remeasurement of deferred income taxes which amount is included in our income tax benefit in the Condensed Consolidated Statements of Operations for the second quarter of fiscal year 2018. We recognized the income tax effects of the Tax Reform in our fiscal year 2018 financial statements in accordance with Staff Accounting Bulletin No. 118 ("SAB 118"), which provides the SEC staff guidance for the application of the FASB's Accounting Standards Codification Topic 740, *Income Taxes*, in the reporting period in which the Tax Reform was signed into law. At January 27, 2018, we calculated the effects of the tax law change, as written, and made reasonable estimates of the effects on our deferred income tax balances. We will continue to refine our estimates as additional information, such as interpretive or regulatory guidance, becomes available on key aspects of the law, including its impact on the deductibility of purchased assets, state taxes and employee compensation.

Excluding the impact of the Tax Reform, our effective income tax rate of 32.3% on the loss for the second quarter of fiscal year 2018 exceeded the blended federal statutory rate of 26.9% due primarily to state and foreign income taxes. Our effective income tax rate of 39.8% on the loss for the second quarter of fiscal year 2017 exceeded the previous federal statutory rate of 35% due primarily to state income taxes.

Results of Operations for the Twenty-six Weeks Ended January 27, 2018 Compared to the Twenty-six Weeks Ended January 28, 2017

Revenues. Our revenues for year-to-date fiscal 2018 of $2,602.4 million increased by $127.7 million, or 5.2%, from $2,474.7 million in year-to-date fiscal 2017. Comparable revenues for year-to-date fiscal 2018 were $2,602.4 million compared to $2,464.1 million in year-to-date fiscal 2017, representing an increase of 5.6%. During the first quarter of fiscal year 2018, Hurricanes Harvey and Irma significantly impacted our stores in Houston, Texas and in Florida and resulted in temporary closure of some of our stores. We estimate that these closures reduced our comparable revenues by approximately 40 basis points in year-to-date fiscal 2018.

Revenues generated by our online operations were $868.1 million, or 33.4% of consolidated revenues. Comparable revenues from our online operations in year-to-date fiscal 2018 increased 15.2% from the prior year fiscal period. Changes in comparable revenues for our last six fiscal quarters were:

Fiscal year 2018	
Second quarter	6.7 %
First quarter	4.2
Fiscal year 2017	
Fourth quarter	(0.5)
Third quarter	(4.9)
Second quarter	(6.8)
First quarter	(8.0)

Cost of Goods Sold Including Buying and Occupancy Costs (Excluding Depreciation). COGS as a percentage of revenues decreased to 67.1% of revenues in year-to-date fiscal 2018 from 68.0% of revenues in year-to-date fiscal 2017. The components of COGS expense consisted of:

	Twenty-six weeks ended			
	January 27, 2018		January 28, 2017	
(in millions, except percentages)	**$**	**% of revenues**	**$**	**% of revenues**
Total COGS excluding closed store liquidation markdowns	$ 1,741.3	66.9%	$ 1,682.4	68.0%
Closed store liquidation markdowns	5.6	0.2%	—	—%
Total COGS	$ 1,746.9	67.1%	$ 1,682.4	68.0%

COGS excluding closed store liquidation markdowns as a percentage of revenues, decreased by 110 basis points compared to the prior year due primarily to:

- higher net product margins of approximately 100 basis points due primarily to lower markdowns and promotional costs driven by a higher level of customer demand, a higher level of full-price sales and improved inventory productivity driven by the reduction in on-hand inventories; and
- the leveraging of buying and occupancy costs of approximately 10 basis points on higher revenues.

In connection with the closing of 11 Last Call stores in the second quarter of fiscal year 2018, we incurred incremental liquidation markdowns of $5.6 million, or 0.2% of revenues.

Selling, General and Administrative Expenses (Excluding Depreciation). SG&A expenses as a percentage of revenues increased to 23.7% of revenues in year-to-date fiscal 2018 compared to 23.6% of revenues in year-to-date fiscal 2017. The components of SG&A expense consisted of:

	Twenty-six weeks ended			
	January 27, 2018		January 28, 2017	
(in millions, except percentages)	**$**	**% of revenues**	**$**	**% of revenues**
Total SG&A excluding net incentive compensation costs and other benefits	$ 593.7	22.8%	$ 583.3	23.6%
Net incentive compensation costs and other benefits	23.9	0.9%	1.0	—%
Total SG&A	$ 617.6	23.7%	$ 584.3	23.6%

SG&A expenses excluding net incentive compensation costs and other benefits decreased, as a percentage of revenues, by approximately 80 basis points compared to the prior year due primarily to:

- favorable payroll and related costs of approximately 110 basis points driven by (i) lower benefits costs incurred, (ii) the leveraging of these expenses on higher revenues and (iii) our ongoing strategic initiatives; and

- lower expenses of approximately 10 basis points incurred in connection with new stores and the remodeling of existing stores; partially offset by
- higher marketing expenses of approximately 30 basis points related primarily to the growth in our online operations.

Net incentive compensation costs and other benefits costs aggregated $23.9 million in year-to-date fiscal 2018, an increase of approximately 90 basis points compared to the prior year. This increase is due primarily to (i) higher levels of current and long-term cash incentive costs of approximately 100 basis points resulting from our improved financial performance and (ii) non-cash charges related to the modifications of certain stock options of approximately 20 basis points, net of (iii) a non-cash gain related to a change in our vacation policy of approximately 30 basis points.

Income From Credit Card Program. Income from our credit card program was $25.9 million, or 1.0% of revenues, in year-to-date fiscal 2018 compared to $30.4 million, or 1.2% of revenues, in year-to-date fiscal 2017. Compared to the prior year, income from our credit card program as a percentage of revenues decreased by 20 basis points due primarily to the decrease of our allocated share of the profits generated by the credit card portfolio, which was reduced as a result of our current credit ratings.

Depreciation and Amortization Expenses. Depreciation expense of $108.7 million, or 4.2% of revenues, in year-to-date fiscal 2018 compared to $114.1 million, or 4.6% of revenues, in year-to-date fiscal 2017.

Amortization of intangible assets (primarily customer lists and favorable lease commitments) was $49.2 million, or 1.9% of revenues, in year-to-date fiscal 2018 compared to $53.6 million, or 2.2% of revenues, in year-to-date fiscal 2017.

Other Expenses. Other expenses for year-to-date fiscal 2018 aggregated $15.5 million, or 0.6% of revenues, compared to $12.0 million, or 0.5% of revenues, in year-to-date fiscal 2017. Other expenses consisted of the following components:

	Twenty-six weeks ended	
(in millions)	**January 27, 2018**	**January 28, 2017**
Expenses related to store closures	$ 7.9	$ 1.5
Expenses incurred in connection with strategic initiatives	1.8	8.5
Expenses related to Cyber-Attack, net of insurance recoveries	1.1	—
MyTheresa acquisition costs	—	0.7
Other expenses	4.6	1.3
Total	$ 15.5	$ 12.0

During fiscal year 2017, we began a process to assess our Last Call footprint and closed four of our Last Call stores. During the second quarter of fiscal year 2018, we closed 11 additional Last Call stores in order to optimize our Last Call store portfolio. We incurred expenses related to these store closures, which primarily consisted of severance and store closing costs, of $7.9 million in year-to-date fiscal 2018 and $1.5 million during year-to-date fiscal 2017.

We incurred professional fees and other costs aggregating $1.8 million in year-to-date fiscal 2018 and $8.5 million in year-to-date fiscal 2017 in connection with the review of our resources and organizational processes, implementation of our integrated merchandising and distribution system and the evaluation of potential strategic alternatives. In connection with the review of our resources and organizational processes, we eliminated approximately 90 positions in the first quarter of fiscal year 2017 across our stores, divisions and facilities.

We discovered in January 2014 that malicious software was clandestinely installed on our computer systems (the "Cyber-Attack"). During year-to-date fiscal 2018, we incurred legal expenses in connection with the Cyber-Attack of $1.1 million.

In connection with the retirement of our former Chief Executive Officer and President, we incurred certain charges primarily related to lump sum compensation payable as a consequence of her retirement of approximately $4.6 million in year-to-date fiscal 2018.

In October 2014, we acquired MyTheresa, a luxury retailer headquartered in Munich, Germany. In fiscal year 2017, acquisition costs of $0.7 million consisted primarily of professional fees as well as adjustments of our earn-out obligations to estimated fair value at each reporting date.

Impairment Charges. In the second quarter of fiscal year 2017, we recorded impairment charges of $153.8 million to state certain of our tradenames and long-lived assets, primarily associated with our Neiman Marcus brand, to their estimated fair value.

Interest Expense, net. Net interest expense was $152.6 million, or 5.9% of revenues, in year-to-date fiscal 2018 and $146.3 million, or 5.9% of revenues, in year-to-date fiscal 2017. The significant components of interest expense are as follows:

	Twenty-six weeks ended	
(in millions)	**January 27, 2018**	**January 28, 2017**
Asset-Based Revolving Credit Facility	$ 3.8	$ 2.6
Senior Secured Term Loan Facility	67.2	64.3
mytheresa.com Credit Facilities	—	—
Cash Pay Notes	38.4	38.4
PIK Toggle Notes	29.3	26.3
2028 Debentures	4.5	4.5
Amortization of debt issue costs	12.2	12.3
Capitalized interest	(3.6)	(3.2)
Other, net	0.8	1.3
Interest expense, net	$ 152.6	$ 146.3

Income Tax Benefit. Our income tax benefit was $408.5 million for year-to-date fiscal 2018 and $100.8 million for year-to-date fiscal 2017. The components of our tax benefits consisted of:

	Twenty-six weeks ended			
	January 27, 2018		January 28, 2017	
(in millions, except percentages)	**$**	**%**	**$**	**%**
Income tax benefit excluding impact of Tax Reform	$ (24.4)	39.2%	$ (100.8)	41.8%
Impact of Tax Reform	(384.1)	617.3%	—	—%
Total income tax benefit	$ (408.5)	656.5%	$ (100.8)	41.8%

Included in the income tax benefit recognized in year-to-date fiscal 2018 is the impact of the Tax Reform, which was signed into law on December 22, 2017. Among numerous provisions included in the Tax Reform was the reduction of the corporate federal income tax rate from 35% to 21% effective January 1, 2018. As the effective date of the Tax Reform falls five months into our fiscal year, we are subject to a blended federal statutory rate of 26.9% in fiscal year 2018. In connection with our application of the new federal statutory rate, we remeasured the long-term deferred income taxes recorded in our Condensed Consolidated Balance Sheet at the new lower rate. We recorded a provisional non-cash benefit of $384.1 million related primarily to the remeasurement of deferred income taxes which amount is included in our income tax benefit in the Condensed Consolidated Statements of Operations for the second quarter of fiscal year 2018. We recognized the income tax effects of the Tax Reform in our fiscal year 2018 financial statements in accordance with Staff Accounting Bulletin No. 118 ("SAB 118"), which provides the SEC staff guidance for the application of the FASB's Accounting Standards Codification Topic 740, *Income Taxes*, in the reporting period in which the Tax Reform was signed into law. At January 27, 2018, we calculated the effects of the tax law change, as written, and made reasonable estimates of the effects on our deferred income tax balances. We will continue to refine our estimates as additional information, such as interpretive or regulatory guidance, becomes available on key aspects of the law, including its impact on the deductibility of purchased assets, state taxes and employee compensation.

Excluding the impact of the Tax Reform, our effective income tax rate of 39.2% on the loss for year-to-date fiscal 2018 exceeded the blended federal statutory rate of 26.9% due primarily to state and foreign income taxes. Our effective income tax rate of 41.8% on the loss for year-to-date fiscal 2017 exceeded the previous federal statutory rate of 35% due primarily to:

- state income taxes;
- the non-deductible portion of transaction and other costs incurred in connection with the MyTheresa acquisition; and
- the benefit associated with the release of certain tax reserves for settled tax matters.

We file income tax returns in the U.S. federal jurisdiction and various state, local and foreign jurisdictions. The Internal Revenue Service finalized its audits of our fiscal year 2012 and short-year 2013 (prior to the Acquisition) federal income tax returns. With respect to state, local and foreign jurisdictions, with limited exceptions, we are no longer subject to income tax audits for fiscal years before 2013. We believe our recorded tax liabilities as of January 27, 2018 are sufficient to cover any potential assessments made by the IRS or other taxing authorities and we will continue to review our recorded tax liabilities for potential audit assessments based upon subsequent events, new information and future circumstances. We believe it is reasonably possible that adjustments to

the amounts of our unrecognized tax benefits could occur within the next 12 months as a result of settlements with tax authorities or expiration of statutes of limitations. At this time, we do not believe such adjustments will have a material impact on our Condensed Consolidated Financial Statements.

Non-GAAP Financial Measures

To supplement our financial information presented in accordance with generally accepted accounting principles ("GAAP"), we use EBITDA and Adjusted EBITDA to monitor and evaluate the performance of our business and believe the presentation of these measures enhances investors' ability to analyze trends in our business and evaluate our performance relative to other companies in our industry. We define (i) EBITDA as earnings before interest, taxes, depreciation and amortization and (ii) Adjusted EBITDA as earnings before interest, taxes, depreciation and amortization, further adjusted to eliminate the effects of items management does not believe are representative of our ongoing performance. These financial metrics are not presentations made in accordance with GAAP.

EBITDA and Adjusted EBITDA should not be considered as alternatives to operating earnings (loss) or net earnings (loss) as measures of operating performance. In addition, EBITDA and Adjusted EBITDA are not presented as and should not be considered as alternatives to cash flows as measures of liquidity. EBITDA and Adjusted EBITDA have important limitations as analytical tools and should not be considered in isolation, or as a substitute for analysis of our results as reported under GAAP.

These limitations include the fact that:

- EBITDA and Adjusted EBITDA:
  - exclude certain tax payments that may represent a reduction in cash available to us;
  - in the case of Adjusted EBITDA, exclude certain adjustments for purchase accounting;
  - do not reflect changes in, or cash requirements for, our working capital needs, capital expenditures or contractual commitments;
  - do not reflect our significant interest expense; and
  - do not reflect the cash requirements necessary to service interest or principal payments on our debt.
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA and Adjusted EBITDA do not reflect any cash requirements for such replacements; and
- other companies in our industry may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

In calculating these financial measures, we make certain adjustments that are based on assumptions and estimates that may prove inaccurate. In addition, in the future we may incur expenses similar to those eliminated in this presentation. The following table reconciles net earnings (loss) as reflected in our Condensed Consolidated Statements of Operations prepared in accordance with GAAP to EBITDA and Adjusted EBITDA:

(dollars in millions)	Thirteen weeks ended		Twenty-six weeks ended	
	January 27, 2018	January 28, 2017	January 27, 2018	January 28, 2017
Net earnings (loss)	$ 372.5	$ (117.1)	$ 346.3	$ (140.6)
Income tax benefit	(389.6)	(77.5)	(408.5)	(100.8)
Interest expense, net	76.5	74.2	152.6	146.3
Depreciation expense	53.4	57.2	108.7	114.1
Amortization of intangible assets and favorable lease commitments	24.3	26.3	49.2	53.6
EBITDA	$ 137.2	$ (36.8)	$ 248.3	$ 72.6
EBITDA as a percentage of revenues	*9.3%*	*(2.6)%*	*9.5%*	*2.9%*
Impairment charges	—	153.8	—	153.8
Non-cash stock compensation and other long-term cash incentives	3.7	(0.9)	10.1	0.5
Incremental non-cash rent expense related to purchase accounting adjustments	2.1	2.5	4.4	5.0
Liquidation markdowns and expenses related to store closures	12.2	1.5	13.5	1.5
Expenses related to Cyber-Attack, net of insurance recoveries	—	—	1.1	—
Expenses incurred in connection with openings of new stores / remodels of existing stores	1.5	3.0	2.3	5.7
Expenses incurred in connection with strategic initiatives	1.4	1.9	1.8	8.5
MyTheresa acquisition costs	—	1.3	—	0.7
Non-cash gain related to change in vacation policy	(7.8)	—	(9.0)	—
Other expenses	4.6	0.5	4.6	1.3
Adjusted EBITDA	$ 154.8	$ 126.8	$ 277.2	$ 249.7
Adjusted EBITDA as a percentage of revenues	*10.5%*	*9.1 %*	*10.6%*	*10.1%*

Liquidity and Capital Resources

Our liquidity requirements consist principally of:

- the funding of our merchandise purchases;
- operating expense requirements;
- debt service requirements;
- capital expenditures for expansion and growth strategies, including new store construction, store remodels and upgrades of our management information systems;
- income tax payments; and
- obligations related to our defined benefit pension plan ("Pension Plan").

Our primary sources of short-term liquidity are comprised of cash and cash equivalents (including credit card receivables), availability under our revolving credit facilities and vendor payment terms. The amounts of cash and cash equivalents and borrowings under the revolving credit facilities are influenced by a number of factors, including revenues, working capital levels, vendor terms, the level of capital expenditures, cash requirements related to financing instruments and debt service obligations, Pension Plan funding obligations and tax payment obligations, among others.

Our working capital requirements fluctuate during the fiscal year, increasing substantially during the first and third quarters of each fiscal year as a result of higher seasonal levels of inventories. We have typically financed our cash requirements with available cash and cash equivalents, cash flows from operations and, if necessary, with cash provided from borrowings under our revolving credit facilities. Pursuant to these credit facilities, we had outstanding borrowings of $134.6 million as of January 27, 2018, of which $132.0 million represented borrowings under our Asset-Based Revolving Credit Facility and $2.6 million, or €2.2 million, represented borrowings under the mytheresa.com Credit Facilities, compared to outstanding borrowings of $170.0 million as of January 28, 2017, all of which represented borrowings under our Asset-Based Revolving Credit Facility. Additionally, we had outstanding letters of credit and guarantees of $3.1 million as of January 27, 2018. At January 27, 2018, we had unused borrowing commitments aggregating $763.8 million, subject to a borrowing base, of which (i) $90.0 million of such capacity is available to us subject to the maintenance of a minimum fixed charge coverage ratio and to further restrictions described below under "Financing Structure at January 27, 2018" and (ii) $14.1 million of such capacity is available only to MyTheresa under its credit facilities and not to our U.S. operations. Additionally, we held cash and cash equivalents and credit card receivables of $78.0 million bringing our available liquidity to $841.8 million at January 27, 2018, inclusive of the amount available to MyTheresa.

Under the Asset-Based Revolving Credit Facility, if "excess availability" falls below 10% of aggregate revolving commitments, we will be required to maintain a minimum fixed charge coverage ratio and we may be subject to further restrictions as discussed below under "Financing Structure at January 27, 2018".

We believe that cash generated from our operations, our existing cash and cash equivalents and available sources of financing will be sufficient to fund our cash requirements during the next 12 months, including merchandise purchases, operating expenses, anticipated capital expenditure requirements, debt service requirements, income tax payments and obligations related to our Pension Plan.

We regularly evaluate our liquidity profile, and various financing, refinancing and other alternatives for opportunities to enhance our capital structure and address maturities under our existing debt arrangements. If opportunities are available on favorable terms, we may seek to refinance, exchange, amend or extend the terms of our existing debt or issue or incur additional debt, and may engage with existing and prospective holders of our debt in connection with such matters. Although we are actively pursuing opportunities to improve our capital structure, some or all of the foregoing potential transactions or other alternatives may not be available to us or announced in the foreseeable future or at all.

Net cash provided by our operating activities increased by $78.1 million from $117.4 million in year-to-date fiscal 2017 to $195.5 million in year-to-date fiscal 2018. This increase in net cash provided by our operating activities was due primarily to (i) the increase in cash generated by our operating activities on a higher level of revenues and (ii) lower working capital requirements driven by the reduction in our net investment in inventories, partially offset by (iii) required fundings to our Pension Plan of $9.3 million in year-to-date fiscal year 2018 compared to $2.5 million in year-to-date fiscal year 2017.

Net cash used for investing activities, representing capital expenditures, decreased by $49.9 million from $115.7 million in year-to-date fiscal 2017 to $65.8 million in year-to-date fiscal 2018. This decrease in capital expenditures in year-to-date fiscal 2018 reflects lower spending for NMG One, the construction of new stores and the remodeling of existing stores.

Currently, we project capital expenditures for fiscal year 2018 to be approximately $175 to $195 million. Net of developer contributions, capital expenditures for fiscal year 2018 are projected to be approximately $125 to $140 million. We have and will continue to manage the level of capital spending in a manner designed to balance current economic conditions and business trends with our long-term initiatives and growth strategies.

Cash provided by our operating activities net of capital expenditures was $129.7 million in year-to-date fiscal 2018 and $1.7 million in year-to-date fiscal 2017.

Net cash used for financing activities of $143.7 million in year-to-date fiscal 2018 was comprised primarily of (i) net repayments of borrowings of $128.4 million under our revolving credit facilities due to the higher level of cash flows from operations, lower working capital requirements and lower capital expenditures and (ii) repayments of borrowings of $14.7 million under our Senior Secured Term Loan Facility. Net cash used for financing activities of $15.1 million in year-to-date fiscal 2017 was comprised primarily of (i) repayments of borrowings of $14.7 million under our Senior Secured Term Loan Facility and (ii) $5.4 million paid for debt issuance costs related to the Asset-Based Revolving Credit Facility refinancing amendment partially offset by (iii) net borrowings of $5.0 million under our Asset-Based Revolving Credit Facility due to seasonal workings capital requirements.

Subject to applicable restrictions in our credit agreements and indentures, we or our affiliates, at any time and from time to time, may purchase, redeem or otherwise retire our outstanding debt securities or term loans, including through open market or privately negotiated transactions with third parties or pursuant to one or more tender or exchange offers or otherwise, upon such terms and at such prices, as well as with such consideration, as we, or any of our affiliates, may determine.

Financing Structure at January 27, 2018

Our major sources of funds are comprised of our revolving credit facilities aggregating $918.0 million, the $2,824.9 million Senior Secured Term Loan Facility, $960.0 million Cash Pay Notes, $628.5 million PIK Toggle Notes, $125.0 million 2028 Debentures (each as described in more detail below), vendor payment terms and operating leases.

Revolving Credit Facilities. Our revolving credit facilities consists of our Asset-Based Revolving Credit Facility, which supports our U.S. operations and the mytheresa.com Credit Facilities, which support the MyTheresa operations.

Asset-Based Revolving Credit Facility. At January 27, 2018, we have an Asset-Based Revolving Credit Facility with a maximum committed borrowing capacity of $900.0 million. The Asset-Based Revolving Credit Facility matures on July 25, 2021 (or July 25, 2020 if our obligations under our Senior Secured Term Loan Facility or any permitted refinancing thereof have not been repaid or the maturity date thereof has not been extended to October 25, 2021 or later). At January 27, 2018, we had outstanding borrowings of $132.0 million under this facility, outstanding letters of credit of $1.8 million and unused commitments of $749.7 million, subject to a borrowing base, of which $90.0 million of such capacity is available to us subject to certain restrictions as more fully described below.

Availability under the Asset-Based Revolving Credit Facility is subject to a borrowing base. The Asset-Based Revolving Credit Facility includes borrowing capacity available for letters of credit (up to $150.0 million, with any such issuance of letters of credit reducing the amount available under the Asset-Based Revolving Credit Facility on a dollar-for-dollar basis) and for borrowings on same-day notice. The borrowing base is equal to at any time the sum of (a) 90% of the net orderly liquidation value of eligible inventory, net of certain reserves, plus (b) 90% of the amounts owed by credit card processors in respect of eligible credit card accounts constituting proceeds from the sale or disposition of inventory, less certain reserves, plus (c) 100% of segregated cash held in a restricted deposit account.

Our excess availability could decrease as a result of, among other things, decreases in inventory or increases in outstanding debt (including letters of credit). Our failure to meet the Excess Availability Condition (as defined below) could limit our operational flexibility and growth. To the extent that excess availability is not equal to or greater than the greater of (a) 10% of the lesser of (1) the aggregate revolving commitments and (2) the borrowing base and (b) $50.0 million (the "Excess Availability Condition"), we will be required to maintain a minimum fixed charge coverage ratio. Additional restrictions will apply if the Excess Availability Condition is not met for five consecutive business days, including increased reporting requirements and additional administrative agent control rights over certain of our accounts. These restrictions will continue until the Excess Availability Condition is satisfied

and their imposition may limit our operational flexibility. At January 27, 2018, $90.0 million of the aggregate unused commitments under the Asset-Based Revolving Credit Facility is available to us subject to the foregoing restrictions.

The weighted average interest rate on the outstanding borrowings pursuant to the Asset-Based Revolving Credit Facility was 3.78% at January 27, 2018.

See Note 5 of the Notes to Condensed Consolidated Financial Statements in Part I — Item 1 for a further description of the terms of the Asset-Based Revolving Credit Facility.

Mytheresa.com Credit Facilities. Our subsidiary mytheresa.com GmbH, through which we operate mytheresa.com, is party to two credit facility agreements and related security arrangements. The first facility, entered into October 1, 2015, is a revolving credit line for up to €6.5 million in availability and bears interest at a fixed rate of 2.39% (until further notice) for any loan drawn under the overdraft facility and at rates to be agreed on a case-by-case basis for money market loans and guarantees. The second facility, entered into June 8, 2017, is a revolving credit line for up to €8.5 million in availability and bears interest at a fixed rate of 2.25% (until further notice) for any loan drawn under the overdraft facility at rates to be agreed on a case-by-case basis for any other loans.

Both facilities are secured by certain inventory held by mytheresa.com GmbH and certain contractual claims. The facilities are not guaranteed by, and are non-recourse to, us or any of our U.S. subsidiaries or affiliates. Each facility contains restrictive covenants prohibiting mytheresa.com GmbH from distributing or making available loan proceeds to any affiliates including us or any of our other subsidiaries and requiring mytheresa.com GmbH to maintain a minimum economic equity ratio. The agreements also contain usual and customary events of default, the occurrence of which may result in all outstanding amounts under the facility agreements becoming due and payable immediately. There is no scheduled amortization under either facility and neither facility has a specified maturity date. However, each lender may terminate its respective facility at any time provided that mytheresa.com GmbH is given a customary reasonable opportunity to secure alternative financing.

As of January 27, 2018, mytheresa.com GmbH had outstanding borrowings of $2.6 million, or €2.2 million, guarantees of $1.3 million, or €1.1 million, and unused commitments of $14.1 million, or €11.7 million.

Senior Secured Term Loan Facility. At January 27, 2018, the outstanding balance under the Senior Secured Term Loan Facility was $2,824.9 million. The principal amount of the loans outstanding is due and payable in full on October 25, 2020.

Depending on our senior secured first lien net leverage ratio (as defined in the credit agreement governing the Senior Secured Term Loan Facility), we could be required to prepay outstanding term loans from a certain portion of our annual excess cash flow (as defined in the credit agreement governing the Senior Secured Term Loan Facility). Required excess cash flow payments commence at 50% of our annual excess cash flow (which percentage will be reduced to (a) 25% if our senior secured first lien net leverage ratio (as defined in the credit agreement governing the Senior Secured Term Loan Facility) is equal to or less than 4.0 to 1.0 but greater than 3.5 to 1.0 and (b) 0% if our senior secured first lien net leverage ratio is equal to or less than 3.5 to 1.0). We also must offer to prepay outstanding term loans at 100% of the principal amount to be prepaid, plus accrued and unpaid interest, with the proceeds of certain asset sales and debt issuances, subject to certain exceptions and reinvestment rights.

The interest rate on the outstanding borrowings pursuant to the Senior Secured Term Loan Facility was 4.81% at January 27, 2018.

See Note 5 of the Notes to Condensed Consolidated Financial Statements in Part I - Item 1 for a further description of the terms of the Senior Secured Term Loan Facility.

Cash Pay Notes. We have outstanding $960.0 million aggregate principal amount of 8.00% Senior Cash Pay Notes. The Cash Pay Notes mature on October 15, 2021.

See Note 5 of the Notes to Condensed Consolidated Financial Statements in Part I - Item 1 for a further description of the terms of the Cash Pay Notes and Note 14 of the Notes to Condensed Consolidated Financial Statements in Part I - Item 1 for a description of certain subsidiaries that we have designated as "Unrestricted Subsidiaries" under the indenture governing the Cash Pay Notes.

PIK Toggle Notes. We have outstanding $628.5 million aggregate principal amount of 8.75%/9.50% Senior PIK Toggle Notes. The PIK Toggle Notes mature on October 15, 2021. Interest on the PIK Toggle Notes is payable semi-annually in arrears on each April 15 and October 15. Interest on the PIK Toggle Notes, subject to certain restrictions, may be paid (i) entirely in cash, (ii) entirely by increasing the principal amount of the PIK Toggle Notes by the relevant interest payment amount, or (iii) 50% in Cash Interest and 50% in PIK Interest. Cash Interest on the PIK Toggle Notes accrues at a rate of 8.75% per annum. PIK Interest on the PIK Toggle Notes accrues at a rate of 9.50% per annum. Interest on the PIK Toggle Notes was paid entirely in cash for the first

seven interest payments. We elected to pay the October 2017 and April 2018 interest payments in the form of PIK Interest, which resulted in the issuance of $28.5 million of additional PIK Toggle Notes in October 2017 and will result in the issuance of $29.9 million of additional PIK Toggle Notes in April 2018. We may additionally elect to pay interest in the form of PIK Interest or partial PIK Interest with respect to the interest payment due in October 2018. If we elect to do so, we must deliver a notice of such election to the trustee no later than one day prior to the beginning of the October 2018 interest period. We will evaluate our financial position prior to the October 2018 interest period to determine the appropriate election at that time.

See Note 5 of the Notes to Condensed Consolidated Financial Statements in Part I - Item 1 for a further description of the terms of the PIK Toggle Notes and Note 14 of the Notes to Condensed Consolidated Financial Statements in Part I - Item 1 for a description of certain subsidiaries that we have designated as "Unrestricted Subsidiaries" under the indenture governing the PIK Toggle Notes.

2028 Debentures. We have outstanding $125.0 million aggregate principal amount of 7.125% Senior Debentures. The 2028 Debentures mature on June 1, 2028.

See Note 5 of the Notes to Condensed Consolidated Financial Statements in Part I - Item 1 for a further description of the terms of the 2028 Debentures.

Interest Rate Swaps. At January 27, 2018, we had outstanding floating rate debt obligations of $2,956.9 million. In April and June of 2016, we entered into floating to fixed interest rate swap agreements for an aggregate notional amount of $1,400.0 million to limit our exposure to interest rate increases related to a portion of our floating rate indebtedness. These swap agreements hedge a portion of our contractual floating rate interest commitments related to our Senior Secured Term Loan Facility from December 2016 to October 2020. As a result of the April 2016 swap agreements, our effective interest rate as to $700.0 million of floating rate indebtedness will be fixed at 4.9120% from December 2016 through October 2020. As a result of the June 2016 swap agreements, our effective interest rate as to an additional $700.0 million of floating rate indebtedness will be fixed at 4.7395% from December 2016 to October 2020. The interest rate swap agreements expire in October 2020.

Critical Accounting Policies

The preparation of Condensed Consolidated Financial Statements in conformity with GAAP requires us to make estimates and assumptions about future events. These estimates and assumptions affect the amounts of assets, liabilities, revenues and expenses and the disclosure of gain and loss contingencies at the date of the accompanying Condensed Consolidated Financial Statements. Our current estimates are subject to change if different assumptions as to the outcome of future events were made. We evaluate our estimates and assumptions on an ongoing basis and predicate those estimates and assumptions on historical experience and on various other factors that we believe are reasonable under the circumstances. We make adjustments to our estimates and assumptions when facts and circumstances dictate. Since future events and their effects cannot be determined with absolute certainty, actual results may differ from the estimates and assumptions we used in preparing the accompanying Condensed Consolidated Financial Statements.

A complete description of our critical accounting policies is included in our Annual Report on Form 10-K for the fiscal year ended July 29, 2017.

Newly Adopted and Recent Accounting Pronouncements

For information with respect to newly adopted and recent accounting pronouncements and the impact of these pronouncements on our Condensed Consolidated Financial Statements, see Note 1 of the Notes to Condensed Consolidated Financial Statements in Part I — Item 1.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We discussed our market risk in Part II — Item 7A, “Quantitative and Qualitative Disclosures About Market Risk” in our Annual Report on Form 10-K for the fiscal year ended July 29, 2017 as filed with the Securities and Exchange Commission on October 10, 2017. There have been no material changes to this risk since that time.

ITEM 4. CONTROLS AND PROCEDURES

a. Disclosure Controls and Procedures.
In accordance with Exchange Act Rules 13a-15 and 15d-15, we carried out an evaluation as of January 27, 2018, under the supervision and with the participation of our Chief Executive Officer and Interim Chief Financial Officer, as well as other key members of our management, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act). Based on that evaluation, our Chief Executive Officer and Interim Chief Financial Officer concluded that our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, accumulated, processed, summarized, reported and communicated on a timely basis and within the time periods specified in the Securities and Exchange Commission's rules and forms.

b. Changes in Internal Control Over Financial Reporting.

In the ordinary course of business, we routinely enhance our information systems by either upgrading our current systems or implementing new systems. No change occurred in our internal controls over financial reporting during the quarter ended January 27, 2018 that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS

The information contained under the subheadings "Employment, Consumer and Benefits Class Actions Litigation" and "Cyber-Attack Class Actions Litigation" in Note 9 of the Notes to Condensed Consolidated Financial Statements in Part I - Item 1 is incorporated herein by reference as if fully restated herein. Note 9 contains forward-looking statements that are subject to the risks and uncertainties discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations — Forward-Looking Statements."

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors described in Part I - Item 1A "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended July 29, 2017 as filed with the Securities and Exchange Commission on October 10, 2017. These risks are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and/or results of operations.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

Exhibit		Method of Filing
3.1	Certificate of Formation of the Company, dated as of October 28, 2013.	Incorporated herein by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended November 2, 2013.
3.2	Amended and Restated Limited Liability Company Agreement of the Company, dated as of October 28, 2013.	Incorporated herein by reference to the Company's Current Report on Form 8-K filed on October 29, 2013.
10.1	Employment Agreement, dated as of January 4, 2018, by and between The Neiman Marcus Group LLC and Geoffroy van Raemdonck.	Filed herewith.
10.2	Form of Neiman Marcus Group, Inc. Time-Vested Option Non-Qualified Stock Option Agreement pursuant to the Neiman Marcus Group, Inc. Management Equity Incentive Plan granted to Geoffroy van Raemdonck.	Filed herewith.
10.3	Form of Neiman Marcus Group, Inc. Performance-Vested Option Non-Qualified Stock Option Agreement pursuant to the Neiman Marcus Group, Inc. Management Equity Incentive Plan granted to Geoffroy van Raemdonck.	Filed herewith.
10.4	Form of Restricted Stock Agreement pursuant to the Neiman Marcus Group, Inc. Management Equity Incentive Plan by and between Neiman Marcus Group, Inc. and Geoffroy van Raemdonck.	Filed herewith.
10.5	Neiman Marcus Group, Inc. FY 2018 Mid-Term Cash Incentive Plan. (1)	Filed herewith. (1)
10.6	Retirement Agreement, dated as of January 4, 2018, by and among Neiman Marcus Group, Inc., The Neiman Marcus Group LLC and Karen Katz.	Filed herewith.
10.7	Director Services Agreement, dated as of February 12, 2018, by and between Neiman Marcus Group, Inc. and Karen Katz.	Filed herewith.
10.8	Form of Amended and Restated Neiman Marcus Group, Inc. Time-Vested Option Non-Qualified Stock Option Agreement by and between Neiman Marcus Group, Inc. and Karen Katz.	Filed herewith.
10.9	Form of Amendment to Neiman Marcus Group, Inc. Time-Vested Option Non-Qualified Stock Option Agreement pursuant to the Neiman Marcus Group, Inc. Management Equity Incentive Plan.	Filed herewith.
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
31.2	Certification of Interim Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
32.1	Certification of Chief Executive Officer and Interim Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002.	Furnished herewith.
101.INS	XBRL Instance Document	Filed herewith electronically.
101.SCH	XBRL Taxonomy Extension Schema Document	Filed herewith electronically.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith electronically.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith electronically.
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document	Filed herewith electronically.

101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith electronically.

(1) Portions of this exhibit have been omitted pursuant to a request for confidential treatment.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

NEIMAN MARCUS GROUP LTD LLC
(Registrant)

Signature	Title	Date
/s/ T. DALE STAPLETON T. Dale Stapleton	Interim Chief Financial Officer, Senior Vice President and Chief Accounting Officer (on behalf of the registrant and as principal accounting officer)	March 9, 2018

EXHIBIT 10.1

EMPLOYMENT AGREEMENT

This Employment Agreement (this "Agreement"), effective as of January 4, 2018 (the "Effective Date"), is by and among Geoffroy van Raemdonck (the "Executive") and The Neiman Marcus Group LLC, a Delaware limited liability company ("NMG").

1. Definitions. As used in this Agreement, the following terms have the following meanings:

(a) "Affiliate" means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with, such Person. As of the Effective Date, NMG and Parent are "Affiliates" of one another.

(b) "Cause" means one or more of the following: (i) the Executive's willful and material failure to substantially perform his duties (other than as a result of physical or mental illness or injury), or other material breach of this Agreement by the Executive; (ii) the Executive's (A) willful misconduct (including without limitation the Executive's engaging in sexually or other harassing conduct) or (B) gross negligence, in each which is materially injurious to NMG or any of its Affiliates; (iii) the Executive's material breach of his fiduciary duty or duty of loyalty to NMG or any of its Affiliates; (iv) the commission by the Executive of any felony or other serious criminal offense, or any violations of federal or state securities laws; or (v) the Executive's insubordination or failure to comply with the Parent Board's reasonable directives. For purposes of the foregoing, no act or failure to act shall be treated as "willful" unless done, or omitted to be done, by the Executive not in good faith and without the reasonable belief that the Executive's action or omission was in the best interest of NMG.

(c) "Code" means the Internal Revenue Code of 1986, as amended.

(d) "Commencement Date" means February 12, 2018.

(e) "Competitor" means (i) any Person (other than NMG or an Affiliate of NMG) that owns or operates a multi-brand luxury apparel and accessories (x) department store, (y) specialty retail store, or (z) online store; (ii) Saks Incorporated, Nordstrom, Inc., Barneys New York, Inc., Macy's, Inc., Hudson's Bay Company, Amazon.com, Inc., Lord & Taylor Holdings, LLC; Yoox Net-a-Porter Group S.p.A, Matches Fashion, Luisa Via Roma, S.p.A, Farfetch, Revolve, Stylebop GmbH, and Moda Operandi, Inc. or, if those corporate names are not correct, the businesses commonly referred to as "Saks," "Nordstrom's," "Barneys," "Macy's," "Bloomingdales," "Hudson's Bay," "Amazon," "Lord and Taylor," "Net-a-Porter," "Matches Fashion," "Luisa Via Roma," "Farfetch," "Revolve," "Stylebop" and "Moda Operandi" or any of their respective parent companies, as applicable; and (iii) the successors to and assigns of the Persons described in (ii). For the avoidance of doubt, the term Competitor will not include luxury brands whether or not such brands operate retail stores that distribute exclusively their own brands.

(f) "Confidential Information" means all confidential or proprietary information of NMG, Parent and their respective Affiliates, including (without limitation) all documents or information, in whatever form or medium, concerning or evidencing: sales; costs; pricing; strategies; forecasts and long range plans; financial and tax information; personnel information; business,

marketing and operational projections, plans and opportunities; and customer, vendor, and supplier information; but excluding any such information that is or becomes generally available to the public other than as a result of any breach of this Agreement or other unauthorized or prohibited disclosure by the Executive.

(g) "Disability" means, and shall be deemed to have occurred if, the Executive has been determined under NMG's long-term disability plan to be eligible for long-term disability benefits. In the absence of the Executive's participation in such plan, "Disability" means that, in the Parent Board's sole judgment, the Executive is unable to perform any of the material duties of his regular position because of an illness or injury for (i) 80% or more of the normal working days during six consecutive calendar months or (ii) 50% or more of the normal working days during twelve consecutive calendar months.

(h) "Employment Termination Date" means the effective date of termination of the Executive's employment as established under Paragraph 6(i).

(i) "Good Reason" means any of the following actions if taken without the Executive's prior consent: (i) any material failure by NMG to comply with its obligations under Paragraph 5 (Compensation and Related Matters); (ii) any material failure by NMG to comply with its obligations under Paragraph 20 (Assumption by Successor); (iii) a material reduction in the Executive's responsibilities or duties as in effect on the Effective Date; (iv) a material change in geographic location from either Dallas, TX or New York, NY; (v) the material reduction in title of the Executive or reporting relationships as Chief Executive Officer of NMG; (vi) so long as no shares of NMG's or Parent's capital stock (or the capital stock of any Person or Persons that are successors to the business of NMG or Parent) are listed on a national securities exchange, any action or inaction by NMG or Parent or their shareholders that prevents the Executive from serving on the NMG Board, other than an action or inaction that (A) is required by law, (B) occurs because of a reorganization where the Executive will serve on the board or boards of the Person or Persons that are successors to the business of NMG or Parent, or (C) occurs in connection with the termination of the Executive's employment due to death, by NMG for Cause or Disability or by Executive without Good Reason or for retirement; or (vii) a material breach of this Agreement by NMG. Notwithstanding the foregoing, Parent's appointment of an Executive Chairman of the Parent Board will not constitute either a violation of this Agreement or Good Reason, provided, however, that such Executive Chairman will not be engaged on a full-time basis to direct the operations of the Company and no Company executives will report directly to such Executive Chairman.

(j) "Management Equity Incentive Plan" means the Neiman Marcus Group, Inc. Management Equity Incentive Plan.

(k) "Parent" means Neiman Marcus Group, Inc.

(l) "Parent Board" means the Board of Directors of Parent or committee thereof, or any successor governing body of Parent or its successors.

(m) "Person" means any individual, corporation, partnership, sole proprietorship, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or other entity.

(n) "Target Bonus" means the target bonus under NMG's annual incentive bonus program(s).

(o) "Work Product" means all ideas, works of authorship, inventions and other creations, whether or not patentable, copyrightable, or subject to other intellectual-property protection, that are made, conceived, developed or worked on in whole or in part by the Executive while employed by NMG or any of its Affiliates, that relate in any manner whatsoever to the business, existing, proposed or advisable, of NMG or any of its Affiliates, or any other business or research or development effort in which NMG or any of its Affiliates engages during the Executive's employment. Work Product includes any material previously conceived, made, developed or worked on during the Executive's employment with NMG or any of its Affiliates prior to the Commencement Date.

2.Employment. NMG agrees to employ the Executive, and the Executive agrees to be employed, in the position and with the duties and responsibilities set forth in Paragraph 4, and upon the other terms and conditions set out in this Agreement.

3.Term. Unless sooner terminated as provided in this Agreement, the term of this Agreement shall commence on the Commencement Date and extend until the fourth anniversary thereof (the "Employment Term"), provided that the Employment Term shall automatically be extended for successive one year periods thereafter, unless at least three months prior to the commencement of any such one year period, either party provides written notice to the other (a "Notice of Non-Renewal") that the Employment Term shall not be so extended. The Executive's employment will end upon the expiration of the Employment Term.

4.Position and Duties.

(a) The Executive shall serve as the Chief Executive Officer of NMG and Parent. In such capacities, the Executive, subject to the ultimate control and direction of the Parent Board, shall have and exercise direct charge of and general supervision over the business and affairs of NMG and Parent, including without limitation the authority to hire and fire senior executives in reasonable consultation with the Parent Board and subject to the Stockholders Agreement, dated as of October 25, 2013, of Parent. In addition, the Executive shall have such other duties, functions, responsibilities, and authority as are from time to time delegated to the Executive by the Parent Board; provided, however, that such duties, functions, responsibilities, and authority are reasonable and customary for a person serving in the same or similar capacity of an enterprise comparable to NMG, Parent and their Affiliates. The Executive shall report and be accountable to the Parent Board. During the portion of the Employment Term during which no shares of NMG's or Parent's capital stock (or the capital stock of any Person or Persons that are successors to the business of NMG or Parent) are listed on a national securities exchange, the Executive shall serve as a member of the Parent Board. During any portion of the Employment Term during which shares of NMG's or Parent's capital stock (or the capital stock of any Person or Persons that are successors to the

business of NMG or Parent) are listed on a national securities exchange, the Parent Board shall nominate the Executive for election to the board of directors of any such entity, and fully endorse and support the Executive's election to any such board.

(b) During the Employment Term, the Executive shall devote his full time, skill, and attention and his best efforts to the business and affairs of NMG and its Affiliates to the extent necessary to discharge fully, faithfully, and efficiently the duties and responsibilities delegated and assigned to the Executive in or pursuant to this Agreement, except for usual, ordinary, and customary periods of vacation and absence due to illness or other disability. Notwithstanding the foregoing, the Executive may (i) subject to the prior written approval of the Parent Board, serve as a director or as a member of an advisory board of a Person that is not a Competitor, provided, however, that the Executive may continue to serve on the board of directors of the entity previously disclosed to the Parent Board, which continued service has been authorized and approved by the Parent Board on terms to be mutually agreed upon between the Executive and the Parent Board, (ii) serve as an officer or director or otherwise participate in non-profit educational, welfare, social, religious, professional, and civic organizations, including, without limitation, all such positions and participation in effect as of the Commencement Date, and (iii) manage personal and family investments; provided, however, that any such activities as described in (i), (ii) or (iii) of the preceding provisions of this Paragraph 4(b) do not materially interfere with the performance and fulfillment of the Executive's duties and responsibilities as an executive of NMG and Parent in accordance with this Agreement.

(c) In connection with the Executive's employment by NMG under this Agreement, the Executive shall be based at the principal executive offices of NMG in Dallas, Texas, except for such reasonable travel as the performance of the Executive's duties in the business of NMG and its Affiliates may require. In addition, the parties acknowledge and agree that the Executive will regularly travel to and work from New York, New York.

(d) All services that the Executive may render to NMG or any of its Affiliates in any capacity during the Employment Term shall be deemed to be services required by this Agreement and the consideration for such services is that provided for in this Agreement.

5.Compensation and Related Matters.

(a) Base Salary. During the Employment Term, NMG shall pay to the Executive for his services under this Agreement an annual base salary. The Executive's annual base salary, as in effect from time to time, is hereinafter referred to as the "Base Salary." The Base Salary on the Commencement Date shall be $1,000,000. The Base Salary will be reviewed annually and is subject to increase at the discretion of the Parent Board. The Base Salary may not be reduced, provided, however, that the Base Salary may be reduced, without such reduction constituting either a violation of this Agreement or Good Reason, if the reduction is pursuant to action of NMG or its Affiliates reducing the annual salaries of all NMG senior executives by substantially equal amounts or substantially equal percentages of such executives' annual salaries. The Base Salary shall be payable in installments in accordance with the general payroll practices of NMG, but no less frequently than monthly.

(b) Annual Incentives. The Executive will participate in NMG's annual incentive bonus program(s) applicable to the Executive's position, in accordance with the terms of such program(s), and shall have the opportunity to earn an annual bonus thereunder based on the achievement of performance objectives determined by the Parent Board after consultation with the Executive (the "Annual Bonus"). During each fiscal year, the minimum bonus payable to the Executive if the threshold bonus targets for such year are achieved will be 50% of the Executive's Base Salary for such fiscal year, the Target Bonus will be 100% of Base Salary, and the maximum bonus payable to the Executive will be 250% of Base Salary. The actual amount of any Annual Bonus paid to the Executive will be determined according to the terms of the annual incentive bonus program(s), including any such terms that place the amount of any Annual Bonus within the discretion of the Parent Board; provided, however, that for the fiscal year ending on July 28, 2018, the Executive's Annual Bonus will be no less than an amount equal to a prorated portion of the higher of (i) the Target Bonus and (ii) the bonus otherwise earned for such year based on actual performance, with the prorated portion determined in each case by multiplying the higher of (i) and (ii) by a fraction, the numerator of which is the number of days the Executive was employed during the fiscal year and the denominator of which is the total number of days in such fiscal year. No Annual Bonus will be paid pursuant to this Paragraph 5(b) unless the Executive has remained continuously employed with NMG through the applicable payment date which date shall be following the end of the fiscal year and in the calendar year in which the applicable fiscal year ends, except as otherwise expressly provided for in Paragraph 7 hereof.

(c) Long-term Incentives. On, or as soon as reasonably practicable after the Commencement Date, and in all events prior to the one-month anniversary of the Commencement Date, the Parent Board will grant to Executive (i) a time-vested stock option to purchase 17,500 shares of Class A and Class B common stock of Parent ("Shares") on terms as set forth in the Time-Vested Option Agreement as set forth in Exhibit A, (ii) a performance-vested stock option to purchase 17,500 Shares on terms as set forth in the Performance-Vested Option Agreement as set forth in Exhibit B, and (iii) 8,000 restricted Shares on terms as set for in the Restricted Stock Agreement as set forth in Exhibit C. The Executive acknowledges and agrees that the terms of the grant of an award pursuant to the Management Equity Incentive Plan shall be governed exclusively by the terms of such plan and award agreement, including, without limitation, the vesting provisions thereof. Accordingly, except as otherwise provided pursuant to such plan or award agreement, there shall be no acceleration of vesting as a result of a termination of employment for any reason. Following the grants described above, the Executive will be eligible to participate in such long-term incentive programs as the Parent Board may determine from time to time on terms and conditions that are similar to other senior executives of NMG.

(d) Mid-Term Incentive Plan. The Executive will participate in the FY2018 Mid-Term Cash Incentive Plan (the "Mid-Term Plan") on the terms as set forth in the Mid-Term Plan attached hereto as Exhibit D. For purposes of the Mid-Term Plan, the Executive's (i) FY 2018 target bonus will be $750,000, (ii) FY 2019 target bonus will be $1,500,000 and (iii) FY 2020 target bonus will be $1,750,000.

(e) Employee Benefits. During the Employment Term, the Executive shall be eligible to participate in all employee benefit plans, programs, and arrangements that are generally made

available by NMG to its senior executives, including without limitation NMG's life insurance, long-term disability, and health plans. Such participation shall be subject to (i) requirements of applicable law, (ii) the terms of the applicable plan documents, (iii) generally applicable NMG policies and (iv) the discretion of the Parent Board.

(f) Fringe Benefits. During the Employment Term, the Executive will be eligible for the perquisites and other fringe benefits that are made available by NMG to its senior executives generally and to such perquisites and fringe benefits that are made available by NMG to the Executive in particular, subject to any applicable terms and conditions of any specific perquisite or other fringe benefit.

(g) Relocation. A relocation program will be made available to the Executive to assist the Executive with relocation to the greater Dallas, Texas area, a summary of which has been provided to the Executive. The total of all reimbursements pursuant to this Paragraph 5(g) shall be an amount to be mutually agreed upon by the Executive and NMG. All reimbursements pursuant to this Paragraph 5(g) shall be made in 2018 and will be made consistent with NMG's policies or practices for reimbursement of expenses incurred by other NMG senior executives. If the Executive's employment with NMG is terminated for Cause, or if the Executive resigns his employment for any reason other than Good Reason, in each case, prior to the 24 month anniversary of the Commencement Date (the "Reimbursement Period"), the Executive shall reimburse NMG a prorated amount of the amounts reimbursed to him in accordance with this Section 5(g). The amount of the reimbursement payable to NMG by the Executive shall be determined by (i) dividing (A) the number of months remaining in the Reimbursement Period by (B) 24, then (ii) multiplying the result by the total amounts reimbursed to him in accordance with this Section 5(g). The Executive acknowledges that he has read and understands the Neiman Marcus Relocation Policy, and his obligations thereunder.

(h) Signing Bonus. The Executive shall receive a one-time signing bonus of $1,000,000, payable over 24 months following the Commencement Date, in equal installments and in accordance with the general payroll practices of NMG, but no less frequently than monthly, and subject to the Executive's continued employment with NMG through the applicable payment dates.

(i) Financial Planning and Advice. The Executive shall be eligible to receive reimbursement for up to $5,000 per each calendar year during the Employment Term for fees and expenses incurred by his for personal financial and tax advice and planning, including without limitation fees and expenses covering services relating to personal financial and tax advice and planning arising from the Executive's compensation and benefits provided pursuant to this Agreement and otherwise by NMG. The Executive shall provide to NMG a request for reimbursement along with a reasonably detailed receipt indicating the nature of the services provided for any such fees and expenses within 30 days of the occurrence of such fees and expenses. Any such reimbursement shall be made as soon as administratively possible, but in any event no later than the maximum time permitted by Treasury Regulation Section 1.409A-3(i)(1)(iv). The amount of expenses incurred that are eligible for reimbursement pursuant to this Paragraph 5(h) with respect to any calendar year shall not affect the amount eligible for reimbursement in any other calendar year.

(j) Executive Coaching. During the Employment Term, the Executive shall be eligible to receive executive coaching services with an executive coach to be mutually agreed upon by the Executive and Parent Board. The fees of such executive coaching services, which will not exceed $5,000 per month, will be paid directly by NMG to such coach.

(k) Expenses. The Executive shall be eligible to receive reimbursement for all reasonable expenses incurred by the Executive in performing his duties and responsibilities under this Agreement, consistent with NMG's policies or practices for reimbursement of expenses incurred by other NMG senior executives. In addition, and in lieu of any reimbursement to the Executive of hotel or other lodging expenses incurred by the Executive in connection with trips to New York for the business of NMG or its Affiliates, NMG shall pay the Executive a lump sum cash payment during each year of the Employment Term in the amount of $15,000 plus an amount necessary to gross-up such payment for income taxes to be incurred by the Executive on such payment such that the net amount of each such payment after income taxes shall total $15,000. Such payments shall be made on the first regularly scheduled pay date in January of each calendar year during the Employment Term, or, in the event of the Executive's separation from service during the Employment Term and prior to the payment of such amount for such year, the date of the Executive's separation from service. The Executive shall also participate in any NMG policy providing for the reimbursement to employees of liability for any New York state and city taxes, on an after-tax basis, incurred by NMG employees who work principally in states other than New York, subject to the terms and conditions of such policy so long as it is in effect and as it may be amended from time to time; provided that the Executive's participation in such policy shall not result in the Executive being reimbursed for income taxes which are grossed up in connection with the New York lodging payment provided for above.

(l) Vacations. During the Employment Term, the Executive shall be eligible for 5 weeks of vacation, in addition to sick pay and other paid and unpaid time off in accordance with the policies and practices of NMG. The Executive agrees to use his vacation and other paid time off at such times that are (i) consistent with the proper performance of his duties and responsibilities and (ii) mutually convenient for NMG and the Executive.

(m) Legal Fees. NMG will promptly reimburse the Executive for his reasonable legal fees incurred in connection with the negotiation of this Agreement and the Exhibits hereto, provided, however, such fees shall not exceed $55,000.

(n) Indemnification. The Executive will be entitled to indemnification on the same terms as indemnification is made available by NMG to its other senior executives and directors (in each case, in their capacities as such), whether through NMG's bylaws or otherwise.

6. Termination of Employment.

(a) Death. The Executive's employment shall terminate automatically upon his death.

(b) Disability. In the event of the Executive's Disability during the Employment Term, NMG may notify the Executive of NMG's termination of the Executive's employment.

(c) Termination by NMG for Cause. NMG may terminate the Executive's employment for Cause. To exercise its right to terminate the Executive's employment, solely to the extent such event may reasonably be corrected, NMG must first provide the Executive with a reasonable period of time to correct the circumstances or events (but not more than 30 days) that NMG contends give rise to the existence of Cause under such provision. Prior to terminating the Executive's employment for Cause under this Paragraph 6(c), NMG must provide the Executive with a written notice of its intent to terminate his employment for Cause. Such written notice must specify the particular act or acts or failure(s) to act that form(s) the basis for the decision to so terminate the Executive's employment for Cause. The Executive will be given the opportunity within 30 calendar days of his receipt of such notice to meet with the Parent Board to defend himself with regard to the alleged act or acts or failure(s) to act. If at the conclusion of or following such a meeting, the Parent Board decides to proceed with the termination of the Executive's employment for Cause, such a termination will be effected by providing the Executive with a Notice of Termination under Paragraph 6(h). Upon or after NMG's issuance of the notice of intent to terminate the Executive's employment for Cause, NMG may suspend the Executive with pay pending the Parent Board's decision whether to proceed with the termination.

(d) Termination by the Executive for Good Reason. The Executive may terminate his employment for Good Reason. To exercise his right to terminate for Good Reason, the Executive must provide written notice to NMG of his belief that Good Reason exists, and that notice shall describe the circumstance believed by his to constitute Good Reason. Prior to the Executive terminating his employment for Good Reason under this Paragraph 6(d), the Executive must provide NMG with a written notice of his intent to terminate his employment for Good Reason. If that circumstance may reasonably be remedied, NMG shall have 30 days to effect that remedy. If not remedied within that 30-day period, the Executive may submit a Notice of Termination; provided, however, that the Notice of Termination invoking the Executive's right to terminate his employment for Good Reason must be given, and such termination must be effective, no later than (i) 60 days after the later of the first date the Executive knew or should have known that Good Reason existed, and (ii) the end of NMG's 30-day cure period, if applicable; otherwise, the Executive is deemed to have accepted the circumstance(s) that may have given rise to the existence of Good Reason; provided, further, that notwithstanding anything to the contrary, NMG shall have the right to accelerate the Employment Termination Date to an earlier date than that specified in the Executive's notice so long as NMG pays his all compensation to which he would have been entitled had the Employment Termination Date not been so accelerated.

(e) Termination by the Executive without Good Reason. The Executive may voluntarily terminate the Executive's employment without Good Reason upon at least three months' prior written notice to NMG; provided that, notwithstanding anything to the contrary, NMG shall have the right to accelerate the Employment Termination Date to an earlier date than that specified in the Executive's written notice so long as NMG pays him the Base Salary to which he would have been entitled had the Employment Termination Date not been so accelerated on the 60th day following the Employment Termination Date.

(f) Termination by the Company without Cause. NMG may terminate the Executive's employment without Cause immediately upon written notice to the Executive.

(g) Termination by Reason of Non-Renewal. The Executive's employment will terminate upon the expiration of the Employment Term if either party provides a Notice of Non-Renewal pursuant to Paragraph 3. Such a termination of employment shall not be considered to be a termination under Paragraph 6(e) or 6(f).

(h) Notice of Termination. Any termination of the Executive's employment by NMG or by the Executive (other than a termination pursuant to Paragraph 6(a) or Paragraph 6(g)) shall be communicated by a Notice of Termination. A "Notice of Termination" is a written notice that must (i) indicate the specific termination provision in this Agreement relied upon; (ii) in the case of a termination for Disability, Cause, or Good Reason, set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision invoked, including the particular act or acts or failure(s) to act that is or are the basis of any termination for Cause or Good Reason; and (iii) if the termination is by the Executive under Paragraph 6(e), or by NMG for any reason, specify the Employment Termination Date. The failure by NMG to set forth in the Notice of Termination any fact or circumstance that contributes to a showing of Cause shall not waive any right of NMG or preclude NMG from asserting such fact or circumstance in enforcing NMG's rights. The failure of the Executive to set forth in the Notice of Termination any fact or circumstances that contributes to a showing of Good Reason shall not waive any right of the Executive or preclude the Executive from asserting such fact or circumstance in enforcing his rights.

(i) Employment Termination Date. The Employment Termination Date shall be as follows: (i) if the Executive's employment is terminated by his death, the date of his death; (ii) if the Executive's employment is terminated by NMG because of his Disability or for Cause, the date specified in the Notice of Termination, which date shall be no earlier than the date such notice is given; (iii) if the Executive's employment is terminated by the Executive for Good Reason, the date on which the Notice of Termination is given; (iv) if the termination is under Paragraph 6(e), the date specified in the Notice of Termination, which date shall be no earlier than three months after the date of such notice is given (subject to the provisions therein); (v) if the termination is under Paragraph 6(f) the date specified in the Notice of Termination; or (vi) if a Notice of Non-Renewal is provided by either party pursuant to Paragraph 3, upon expiration of the Employment Term.

(j) Resignation. In the event of termination of the Executive's employment (for any reason other than the death of the Executive), the Executive agrees that if at such time he is a member of the Parent Board or is an officer of NMG or a director or officer of any of its Affiliates, he shall be deemed to have resigned from such position(s) effective on the Employment Termination Date unless the parties otherwise agree.

7.Compensation Upon Termination of Employment.

(a) Death. If the Executive's employment is terminated by reason of the Executive's death, NMG shall pay to the Executive's estate within 60 days of the Employment Termination Date (i) any unpaid portion of the Executive's Base Salary accrued through the Employment Termination Date and any earned Annual Bonus payable for the preceding fiscal year that has otherwise not already been paid (together, the "Compensation Payment"), provided that the payment of any such bonus may not be delayed past the date the bonus is payable under the terms of any

bonus plan, (ii) any accrued but unused vacation days (the "Vacation Payment"), (iii) any reimbursement for business travel and other expenses to which the Executive is entitled pursuant to Paragraph 5(j) (the "Reimbursement"), and (iv) an amount of Annual Bonus, as described in Paragraph 5(b), equal to a prorated portion of the Target Bonus amount for the fiscal year in which the Employment Termination Date occurs, determined by multiplying such Target Bonus amount by a fraction, the numerator of which is the number of days the Executive was employed during the fiscal year in which the Employment Termination Date occurs and the denominator of which is the number of days in such fiscal year (the "Prorated Bonus"). This Paragraph 7(a) does not limit the entitlement of the Executive's estate or beneficiaries to any death or other vested benefits to which the Executive may be entitled under any life insurance, stock ownership, stock options, or other benefit plan that is maintained by NMG for the Executive's benefit.

(b) Disability. If the Executive's employment is terminated by reason of the Executive's Disability, NMG shall pay to the Executive within 60 days of the Employment Termination Date (i) the Compensation Payment, provided that the payment of the bonus portion of the Compensation Payment may not be delayed past the date the bonus is payable under the terms of any bonus plan, (ii) the Vacation Payment, (iii) the Reimbursement, and (iv) the Prorated Bonus. This Paragraph 7(b) does not limit the entitlement of the Executive to any amounts payable pursuant to the terms and conditions of any applicable disability insurance plan or similar arrangement that is maintained by NMG for the Executive's benefit, or other vested benefits under any stock ownership, stock option, or other benefit plan that is maintained by NMG for the Executive's benefit, pursuant to the terms and conditions of any such plan.

(c) Termination by the Executive Without Good Reason or by Reason of Executive Non-Renewal. If the Executive's employment is terminated by the Executive pursuant to and in compliance with Paragraph 6(e) or by reason of the provision of a Notice of Non-Renewal by the Executive, NMG shall pay to the Executive within 60 days of the Employment Termination Date (i) any unpaid portion of the Executive's Base Salary accrued through the Employment Termination Date, (ii) the Vacation Payment, and (iii) the Reimbursement. This Paragraph 7(c) does not limit the entitlement of the Executive to any vested benefits under any stock ownership, stock option, or other benefit plan that is maintained by NMG for the Executive's benefit, pursuant to the terms and conditions of any such plan.

(d) Termination by NMG for Cause. If the Executive's employment is terminated by NMG for Cause, NMG shall pay to the Executive within 60 days of the Employment Termination Date (i) any unpaid portion of the Executive's Base Salary accrued through the Employment Termination Date, (ii) the Vacation Payment, and (iii) the Reimbursement. This Paragraph 7(d) does not limit the entitlement of the Executive to any vested benefits under any stock ownership, stock option, or other benefit plan that is maintained by NMG for the Executive's benefit, pursuant to the terms and conditions of any such plan.

(e) Termination Without Cause or With Good Reason or by Reason of NMG Non-Renewal.

(i) If the Executive's employment is terminated (x) prior to the expiration of the Employment Term by NMG for any reason other than death, Disability, or

Cause, or (y) prior to the expiration of the Employment Term by the Executive for Good Reason, or (z) upon expiration of the Employment Term following the provision of a Notice of Non-Renewal by NMG to the Executive (an "NMG Non-Renewal"), then NMG shall pay to the Executive within 60 days of the Employment Termination Date (i) the Compensation Payment, provided that the payment of the bonus portion of the Compensation Payment may not be delayed past the date the bonus is payable under the terms of any bonus plan, (ii) the Vacation Payment, and (iii) the Reimbursement. This Paragraph 7(e) does not limit the entitlement of the Executive to any vested benefits under any stock ownership, stock option, or other benefit plan that is maintained by NMG for the Executive's benefit, pursuant to the terms and conditions of any such plan.

(ii) In addition, subject to (x) the occurrence of the conditions in Paragraph 7(e)(i) above and (y) the Executive's execution, within 60 days of the Employment Termination Date, of a release and waiver of claims against NMG and its Affiliates (in such form as NMG reasonably requires and delivers to the Executive within 7 days of the Employment Termination Date), and provided that such release and waiver of claims becomes non-revocable under applicable law during such 60-day period, NMG will:

(A) pay to the Executive a "Severance Payment" in a lump-sum payment equal to: the sum of (I) the Prorated Bonus, (II) the monthly COBRA premium applicable to the Executive at his Employment Termination Date under the NMG group medical plan if he timely elected COBRA continuation coverage under such plan based upon the coverage in effect for the Executive under NMG's group medical plan immediately prior to his Employment Termination Date multiplied by eighteen (18), and (III) one (1) times the sum of the Base Salary provided for in Paragraph 5(a) and the Target Bonus described in Paragraph 5(b), at the level in effect as of the Employment Termination Date; and

(B) for a period of eighteen (18) months following the Employment Termination Date, provide the Executive and the Executive's spouse and dependents life insurance coverage at the same benefit level as provided to Executive immediately prior to the Employment Termination Date (to the extent such coverage is provided to employees generally) and at the same cost to the Executive as is generally provided to similarly situated active employees of NMG. The amount expended for the provision of life insurance during a taxable year of the Executive shall not affect the amount expended for the provision of life insurance in any other taxable year.

(iii) Any Severance Payment to which the Executive becomes entitled pursuant to Paragraph 7(e)(ii) shall be paid on the first business day after the 60th day following the Employment Termination Date.

(iv) The Executive shall be required to repay the Severance Payment if:

(A) the Executive receives written notice from NMG that, in the reasonable judgment of NMG, the Executive engaged or is engaging in any conduct that violates Paragraph 8 or engaged or is engaging in any of the Restricted Activities described in Paragraph 9, unless within 30 days of the date NMG so notifies the Executive in writing, the Executive provides information to NMG that NMG determines is sufficient to establish that the Executive did not engage in any conduct that violated Paragraph 8 or engage in any of the Restricted Activities described in Paragraph 9; or

(B) the Executive is arrested or indicted for any felony, other serious criminal offense, or any violation of federal or state securities laws, or has any civil enforcement action brought against him by any regulatory agency, for actions or omissions related to his employment with NMG or any of its Affiliates; or if NMG reasonably believes that the Executive has committed any act or omission, either during his employment under this Agreement or if related to such employment thereafter, that during his employment would have entitled NMG to terminate his employment for Cause;, and either (x) the Executive is found guilty or enters into a plea agreement, consent decree or similar arrangement with respect to any such criminal or civil proceedings, or (y) the Parent Board makes a finding that the Executive has committed such an act or omission. If any such criminal or civil proceedings do not result in a finding of guilt or the entry of a plea agreement or consent decree or similar arrangement, and the Parent Board makes a finding that the Executive has not committed such an act or omission, the Executive shall not be required to repay any amounts hereunder.

(f) No Mitigation. The Executive will not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, nor will the amount of any payment provided for under this Agreement be reduced by any profits, income, earnings, or other benefits received by the Executive from any source other than NMG or its successor.

8. Confidential Information.

(a) The Executive acknowledges and agrees that (i) NMG is engaged in a highly competitive business; (ii) NMG has expended considerable time and resources to develop goodwill with its customers, vendors, and others, and to create, protect, and exploit Confidential Information;

(iii) NMG must continue to prevent the dilution of its goodwill and unauthorized use or disclosure of its Confidential Information to avoid irreparable harm to its legitimate business interests; (iv) in the luxury specialty retail business, his participation in or direction of NMG's day-to-day operations and strategic planning are an integral part of NMG's continued success and goodwill; (v) given his position and responsibilities, he necessarily will be creating Confidential Information that belongs to NMG and enhances NMG's goodwill, and in carrying out his responsibilities he in turn will be relying on NMG's goodwill and the disclosure by NMG to his of Confidential Information; (vi) he will have access to Confidential Information that could be used by any Competitor of NMG in a manner that would irreparably harm NMG's competitive position in the marketplace and dilute its goodwill; and (vii) he necessarily would use or disclose Confidential Information if he were to engage in competition with NMG.

(b) NMG acknowledges and agrees that the Executive must have and continue to have throughout his employment the benefits and use of its and its Affiliates' goodwill and Confidential Information in order to properly carry out his responsibilities. NMG accordingly promises upon execution and delivery of this Agreement to provide the Executive immediate access to new and additional Confidential Information and authorize his to engage in activities that will create new and additional Confidential Information.

(c) NMG and the Executive thus acknowledge and agree that during the Executive's employment with NMG and upon execution and delivery of this Agreement he (i) has received, will receive, and will continue to receive, Confidential Information that is unique, proprietary, and valuable to NMG or its Affiliates; (ii) has created, will create, and will continue to create, Confidential Information that is unique, proprietary, and valuable to NMG or its Affiliates; and (iii) has benefited, will benefit, and will continue to benefit, including without limitation by way of increased earnings and earning capacity, from the goodwill NMG and its Affiliates have generated and from the Confidential Information.

(d) Accordingly, the Executive acknowledges and agrees that at all times during his employment by NMG or any of its Affiliates and thereafter:

(i) all Confidential Information shall remain and be the sole and exclusive property of NMG or its Affiliates;

(ii) he will protect and safeguard all Confidential Information;

(iii) he will hold all Confidential Information in the strictest confidence and not, directly or indirectly, disclose or divulge any Confidential Information to any Person other than an officer, director, or employee of, or legal counsel for, NMG or its Affiliates, to the extent necessary for the proper performance of his responsibilities unless authorized to do so by NMG or compelled to do so by law or valid legal process;

(iv) if he believes he is compelled by law or valid legal process to disclose or divulge any Confidential Information, he will notify NMG in writing within 24 hours after receipt of legal process or other writing that causes his to form

such a belief, or as soon as practicable if he receives less than 24 hours' notice, so that NMG may defend, limit, or otherwise protect its interests against such disclosure;

(v) at the end of his employment with NMG for any reason or at the request of NMG at any time, he will return to NMG all Confidential Information and all copies thereof, in whatever tangible form or medium, including electronic; and

(vi) absent the promises and representations of the Executive in this Paragraph 8 and in Paragraph 9, NMG would require him immediately to return any tangible Confidential Information in his possession, would not provide the Executive with new and additional Confidential Information, would not authorize the Executive to engage in activities that will create new and additional Confidential Information, and would not enter or have entered into this Agreement.

9. Noncompetition and Nondisparagement Obligations. In consideration of NMG's promises to provide the Executive with new and additional Confidential Information and to authorize him to engage in activities that will create new and additional Confidential Information upon execution and delivery of this Agreement, and the other promises and undertakings of NMG in this Agreement (including without limitation Paragraph 7), the Executive agrees that, while he is employed by NMG and/or any of its Affiliates and for a one-year period following the end of that employment for any reason, he shall not engage in any of the following activities (the "Restricted Activities"), and NMG agrees that it shall not engage in any of the activities set forth in Paragraph 9(a):

(a) The Executive will not directly or indirectly disparage NMG or any of its Affiliates, any products, services, or operations of NMG or any of its Affiliates, or any of the former, current, or future, shareholders, partners, directors, officers, employees, agents or representatives of NMG or any of its Affiliates. NMG shall instruct its directors and officers to not, directly or indirectly, publicly disparage the Executive. Nothing in this Agreement shall prevent the Executive or any officer or director of NMG from (i) providing truthful testimony or information in response to any valid subpoena, court order, the request of any government agency or as otherwise required by law, (ii) rebutting false or misleading statements about the Executive or NMG, respectively, by others, or (iii) with respect to any officer or director of NMG only, taking any action in furtherance of their duties to NMG and its subsidiaries;

(b) He will not, whether on his own behalf or on behalf of any other Person, either directly or indirectly solicit, induce, persuade, entice or hire, or endeavor to solicit, induce, persuade, entice or hire, any person who is then employed by or otherwise engaged to perform services for NMG or any of its Affiliates to leave that employment or cease performing those services;

(c) He will not, whether on his own behalf or on behalf of any other Person, either directly or indirectly solicit, induce, persuade, or entice, or endeavor to solicit, induce, persuade, or entice, any Person who is then a customer, supplier, vendor of or other Person having a business

relationship with NMG or any of its Affiliates to cease being a customer, supplier, vendor of or other Person having a business relationship with NMG or any of its Affiliates or to divert all or any part of such Person's business from NMG or any of its Affiliates; and

(d) He will not directly or indirectly, as an employee, officer, director, agent, partner, stockholder, owner, member, representative, consultant, or otherwise, associate with, or provide services to any Competitor of NMG or any of its Affiliates. This restriction (i) extends to the performance by the Executive, directly or indirectly, of the same or similar activities the Executive has performed for NMG or any of its Affiliates or such other activities that by their nature are likely to lead to the disclosure of Confidential Information, and (ii) with respect to the post-employment restriction, applies to any Competitor that has a retail store within 50 miles of, or in the same Metropolitan Statistical Area as, any retail store of NMG or any of its Affiliates. The Executive shall not be in violation of this Paragraph 9(d) solely as a result of his investment in stock or other securities of a Competitor or any of its Affiliates listed on a national securities exchange or actively traded in the over-the-counter market if he and the members of his immediate family do not, directly or indirectly, hold in the aggregate more than a total of one percent of all such shares of stock or other securities issued and outstanding. The Executive acknowledges and agrees that engaging in the activities restricted by this Paragraph 9(d) would result in the inevitable disclosure or use of Confidential Information for the Competitor's benefit or to the detriment of NMG or its Affiliates.

The Executive acknowledges and agrees that the restrictions contained in this Paragraph 9 are ancillary to an otherwise enforceable agreement, including without limitation the mutual promises and undertakings set forth in Paragraph 8; that NMG's promises and undertakings set forth in Paragraph 8, the Executive's position and responsibilities with NMG, and NMG granting to the Executive ownership in NMG in the form of NMG stock, give rise to NMG's interest in restricting the Executive's post-employment activities; that such restrictions are designed to enforce the Executive's promises and undertakings set forth in this Paragraph 9 and his common-law obligations and duties owed to NMG and its Affiliates; that the restrictions are reasonable and necessary, are valid and enforceable under Texas law, and do not impose a greater restraint than necessary to protect NMG's and its Affiliates' goodwill, Confidential Information, and other legitimate business interests; that he will immediately notify NMG in writing should he believe or be advised that the restrictions are not, or likely are not, valid or enforceable under Texas law or the law of any other state that he contends or is advised is applicable (the "Enforceability Notification"); and that absent the promises and representations made by the Executive in this Paragraph 9 and in Paragraph 8, NMG would require his to return any Confidential Information in his possession, would not provide the Executive with new and additional Confidential Information, would not authorize the Executive to engage in activities that will create new and additional Confidential Information, and would not enter or have entered into this Agreement. Notwithstanding the foregoing, NMG agrees that the Executive's conduct in providing the Enforceability Notification under this Paragraph 9(d) shall not constitute a waiver of any attorney-client privilege between the Executive and his attorney(s).

10.Intellectual Property.

(a) In consideration of NMG's promises and undertakings in this Agreement, the Executive agrees that all Work Product will be disclosed promptly by the Executive to NMG, shall be the sole and exclusive property of NMG, and is hereby assigned to NMG, regardless of whether (i) such Work Product was conceived, made, developed or worked on during regular hours of his employment or his time away from his employment, (ii) the Work Product was made at the suggestion of NMG; or (iii) the Work Product was reduced to drawing, written description, documentation, models or other tangible form. Without limiting the foregoing, the Executive acknowledges that all original works of authorship that are made by the Executive, solely or jointly with others, within the scope of his employment and that are protectable by copyright are "works made for hire," as that term is defined in the United States Copyright Act, and are therefore owned by NMG from the time of creation.

(b) The Executive agrees to assign, transfer, and set over, and the Executive does hereby assign, transfer, and set over to NMG, all of his right, title and interest in and to all Work Product, without the necessity of any further compensation, and agrees that NMG is entitled to obtain and hold in its own name all patents, copyrights, and other rights in respect of all Work Product. The Executive agrees to (i) cooperate with NMG during and after his employment with NMG in obtaining patents or copyrights or other intellectual-property protection for all Work Product; (ii) execute, acknowledge, seal and deliver all documents tendered by NMG to evidence its ownership thereof throughout the world; and (iii) cooperate with NMG in obtaining, defending and enforcing its rights therein.

11.Representations. Executive hereby represents, warrants and agrees that: (i) there are no restrictions or agreements, oral or written, to which Executive is a party or by which Executive is bound that might restrict, prevent or make unlawful Executive's employment by NMG or execution and delivery of, or performance under, this Agreement; (ii) none of the information supplied by Executive to NMG in connection with Executive's employment by NMG misstated a material fact or omitted a material fact necessary to make the information supplied by Executive not misleading; (iii) except as set forth on Exhibit E, Executive does not and, as of the Commencement Date will not, have any business or employment relationship that creates a conflict between the interests of Executive, on the one hand, and NMG or any of its Affiliates, on the other hand; (iv) there are no other contracts to assign inventions or other intellectual property that are now in existence between the Executive and any other Person and (v) Executive will not in connection with his employment by NMG, use or disclose to NMG any confidential, trade secret, or other proprietary information of any previous employer or other Person that the Executive is not lawfully entitled to disclose.

12.Reformation. If the provisions of Paragraph 8, 9, or 10 are ever deemed by a court to exceed the limitations permitted by applicable law, the Executive and NMG agree that such provisions shall be, and are, automatically reformed to the maximum limitations permitted by such law.

13. Assistance in Litigation. After the Employment Term and for the life of the Executive, the Executive shall, upon reasonable notice, furnish such information and make himself reasonably available to provide assistance to NMG or any of its Affiliates as may reasonably be requested by NMG in connection with any litigation in which NMG or any of its Affiliates is, or may become, a party. NMG shall reimburse the Executive for all reasonable out-of-pocket expenses, including travel expenses, meals and lodging, incurred by the Executive in rendering such assistance, and shall provide the Executive with reasonable compensation for his time in providing information and assistance in accordance with this Paragraph 13. The Executive shall provide to NMG a receipt or voucher for any reimbursable expense within 30 days of the occurrence of such expense. Any such reimbursement shall be made as soon as administratively possible, but in any event no later than 30 days following receipt of such receipt or voucher. Further, the amount of expenses eligible for reimbursement during the Executive's taxable year shall not affect the expenses eligible for reimbursement in any other taxable year, and the right to reimbursement shall not be subject to liquidation or exchanged for another benefit.

14. No Obligation to Pay; Section 409A of the Code; Section 280G of the Code.

(a) With regard to any payment due to the Executive under this Agreement, it shall not be a breach of any provision of this Agreement for NMG to fail to make such payment to the Executive if (i) NMG is legally prohibited from making the payment; (ii) NMG would be legally obligated to recover the payment if it was made; or (iii) the Executive would be legally obligated to repay the payment if it was made.

(b) Notwithstanding anything to the contrary contained herein, in the event the Executive is a "specified employee" (as defined below) and is entitled to receive a payment on separation from service that is subject to Section 409A of the Code, the payment may not be made earlier than six months following the date of the Executive's separation from service if required by Section 409A of the Code and the regulations thereunder, in which case, the accumulated postponed amount shall be paid in a lump sum payment within ten days after the end of the six-month period. If the Executive dies during the postponement period prior to the payment of the postponed amount, the amounts withheld on account of Section 409A of the Code shall be paid to the personal representative of the Executive's estate within 60 days after the date of the Executive's death. A "specified employee" shall mean an employee who, at any time during the 12-month period ending on the identification date, is a "specified employee" under Section 409A of the Code, as determined by the Parent Board. The determination of "specified employees," including the number and identity of persons considered "specified employees" and the identification date, shall be made by the Parent Board in accordance with the provisions of Section 409A of the Code and the regulations issued thereunder.

(c) Notwithstanding anything to the contrary contained herein, this Agreement is intended to satisfy the requirements of Section 409A of the Code and all provisions herein, or incorporated by reference, shall be construed and interpreted to satisfy the requirements of Section 409A of the Code, and in the event of future legislative or regulatory changes to, or official guidance regarding, the requirements imposed by Section 409A of the Code, NMG and the Executive agree to cooperate by negotiating in good faith regarding possible future revisions to this Agreement

(without obligation on the part of any party to agree to any such revisions) that they may determine are necessary in order that this Agreement will continue to satisfy the requirements of, and the compensation payable hereunder will thereby not be subject to the taxes imposed by, Section 409A of the Code; provided, however, that no Person connected with NMG in any capacity, including but not limited to any Affiliate of NMG, and their respective directors, officers, agents and employees, makes any representation, commitment or guarantee that any particular tax treatment, including, but not limited to, federal, state and local income, estate and gift tax treatment, will be applicable with respect to any amounts payable under this Agreement or that such tax treatment will apply to or be available to the Executive. Further, for purposes of Section 409A of the Code, Executive's right to receive any installment payment under this Agreement shall be treated as a right to receive a series of separate and distinct payments. Any reimbursements or in-kind benefits provided under this Agreement shall be made or provided in accordance with the requirements of Section 409A of the Code, including, where applicable, the requirement that (i) any reimbursement is for expenses incurred during the period of time specified in this Agreement, (ii) the amount of expenses eligible for reimbursement, or in kind benefits provided, during a calendar year may not affect the expenses eligible for reimbursement, or in kind benefits to be provided, in any other calendar year, (iii) the reimbursement of an eligible expense will be made no later than the last day of the calendar year following the year in which the expense is incurred, and (iv) the right to reimbursement or in kind benefits is not subject to liquidation or exchange for another benefit. Notwithstanding anything to the contrary herein, a termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of amounts or benefits upon or following a termination of employment unless such termination is also a "separation from service" (as determined in accordance with Treasury Regulation Section 1.409A-1(h)) and, for purposes of any such provision of this Agreement, references to a "resignation," "termination," "termination of employment" or like terms shall mean separation from service. In no event whatsoever shall NMG or any of its Affiliates be liable for any additional tax, interest or penalty that may be imposed on the Executive by Section 409A of the Code or any damages for failing to comply with Section 409A of the Code.

(d) So long as NMG satisfies the description in Section 280G(b)(5)(A)(ii)(I) of the Code, if any payment or benefit (within the meaning of Section 280G(b)(2) of the Code), to the Executive or for the Executive's benefit paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise in connection with, or arising out of, the Executive's employment with NMG or a change in ownership or effective control of NMG or of a substantial portion of its assets (the "Payments"), would be subject to the excise tax imposed by Section 4999 of the Code, then, to the extent, if any, the Executive elects to waive the right to receive such payments or benefits unless shareholder approval is obtained in accordance with Section 280G(b)(5)(B) of the Code, NMG shall use its commercially reasonable efforts to prepare and deliver to its stockholders the disclosure required by Section 280G(b)(5)(B) of the Code with respect to the Payments and to submit the Payments to NMG's stockholders for approval in accordance with Section 280G(b)(5)(B) of the Code and the regulation codified at 26 C.F.R. § 1.280G-1. The Executive understands that NMG does not guarantee that such stockholder approval will be obtained. The determinations to be made with respect to this Paragraph 14(d) shall be made by a certified public accounting firm designated by NMG and reasonably acceptable to the Executive. NMG shall be responsible for all charges of the accountant.

15. Survival. The expiration or termination of the Employment Term will not impair the rights or obligations of any party hereto that accrue hereunder prior to such expiration or termination, except to the extent specifically stated herein. In addition to the foregoing, NMG's obligations under Paragraphs 5(j) and 7, and the Executive's obligations under Paragraphs 8, 9, 10 and 12, will survive the expiration or termination of the Executive's employment.

16. Withholding Taxes. NMG shall withhold from any payments to be made to the Executive pursuant to this Agreement such amounts (including social security contributions and federal income taxes) as shall be required by federal, state, and local withholding tax laws.

17. Notices. All notices, requests, demands, and other communications required or permitted to be given or made by either party shall be in writing and shall be deemed to have been duly given or made (a) when delivered personally, or (b) when deposited in the United States mail, first class registered or certified mail, postage prepaid, return receipt requested, to the party for which intended at the following addresses (or at such other addresses as shall be specified by the parties by like notice, except that notices of change of address shall be effective only upon receipt):

(i) If to NMG, at:

The Neiman Marcus Group LLC
Attn: General Counsel
1618 Main Street
Dallas, TX 75201

With a copy (which shall not constitute notice) to:

Neiman Marcus Group, Inc.
Attn: Dennis Gies
2000 Avenue of the Stars, 12th Floor
Los Angeles, CA 90067

CPP Investment Board (USRE II) Inc.
c/o Canada Pension Plan Investment Board
Attn: Scott Nishi
One Queen Street East, Suite 2600
P.O. Box 101
Toronto, ON M5C 2W5
and

Proskauer Rose LLP
Attention: Jonathan Benloulou
2049 Century Park East, Suite 3200
Los Angeles, CA 90067

(ii) If to the Executive, at the Executive's then-current home address on file with NMG.

18. Injunctive Relief. The Executive acknowledges and agrees that NMG would not have an adequate remedy at law and would be irreparably harmed in the event that any of the provisions of Paragraphs 8, 9, 10 and 12 were not performed in accordance with their specific terms or were otherwise breached. Accordingly, the Executive agrees that NMG shall be entitled to equitable relief, including preliminary and permanent injunctions and specific performance, in the event the Executive breaches or threatens to breach any of the provisions of such Paragraphs, without the necessity of posting any bond or proving special damages or irreparable injury. Such remedies shall not be deemed to be the exclusive remedies for a breach or threatened breach of this Agreement by the Executive, but shall be in addition to all other remedies available to NMG at law or equity.

19. Binding Effect; No Assignment by the Executive; No Third Party Benefit. This Agreement shall be binding upon and inure to the benefit of the parties and their respective heirs, legal representatives, successors, and assigns; provided, however, that the Executive shall not assign or otherwise transfer this Agreement or any of his rights or obligations herein. NMG is authorized to assign or otherwise transfer this Agreement or any of its rights or obligations herein to an Affiliate of NMG. The Executive shall not have any right to pledge, hypothecate, anticipate, or in any way create a lien upon any payments or other benefits provided under this Agreement; and no benefits payable under this Agreement shall be assignable in anticipation of payment either by voluntary or involuntary acts, or by operation of law, except by will or pursuant to the laws of descent and distribution. Nothing in this Agreement, express or implied, is intended to or shall confer upon any Person other than the parties, and their respective heirs, legal representatives, successors, and permitted assigns, any rights, benefits, or remedies of any nature whatsoever under or by reason of this Agreement.

20. Assumption by Successor. NMG shall require any successor or assignee (whether direct or indirect, by purchase, merger, consolidation, or otherwise) to all or substantially all the business and/or assets of NMG, by agreement in writing in form and substance reasonably satisfactory to the Executive, expressly, absolutely, and unconditionally to assume and agree to perform this Agreement in the same manner and to the same extent that NMG would be required to perform it if no such succession or assignment had taken place. If NMG fails to obtain such agreement by the effective time of any such succession or assignment, such failure shall be considered Good Reason; provided, however, that the compensation to which the Executive would be entitled upon a termination for Good Reason pursuant to Paragraph 7(e) shall be the sole remedy of the Executive for any failure by NMG to obtain such agreement. As used in this Agreement, "NMG" shall include any successor or assignee (whether direct or indirect, by purchase, merger, consolidation, or otherwise) to all or substantially all the business and/or assets of NMG that executes and delivers the agreement provided for in this Paragraph 20 or that otherwise becomes obligated under this Agreement by operation of law.

21. Governing Law. This Agreement and the employment of the Executive shall be governed by the laws of the State of Texas except for its laws with respect to conflict of laws.

22.Dispute Resolution: Arbitration; Jury-Trial Waiver.

(a) All disputes arising under or in connection with this Agreement shall be settled by binding arbitration conducted before one arbitrator sitting in Dallas, Texas, or such other location agreed by the parties hereto, in accordance with the rules for expedited resolution of employment disputes of the American Arbitration Association then in effect. The determination of the arbitrator shall be made in writing within thirty days following the close of the hearing on any dispute or controversy and shall be final and binding on the parties. Judgment may be entered on the award of the arbitrator in any court having proper jurisdiction. The parties acknowledge that this agreement evidences a transaction involving interstate commerce. The Federal Arbitration Act shall govern the interpretation, enforcement, and proceedings pursuant to the arbitration clause in this agreement.

(b) Notwithstanding the foregoing, NMG and its Affiliates may seek such injunctive or other legal or equitable relief to which they may be entitled in any state or federal court of competent jurisdiction to enforce its rights under Paragraphs 7(e), 8, 9, 10 or 12 of this Agreement.

(c) *ALTERNATIVE WAIVER OF JURY TRIAL:* THE PARTIES AGREE THAT IN THE EVENT THE AGREEMENT TO ARBITRATE CONTAINED IN THIS PARAGRAPH 22 IS DETERMINED TO BE UNENFORCEABLE, ANY DISPUTE BETWEEN THE PARTIES THAT OTHERWISE WOULD BE SUBJECT TO ARBITRATION SHALL BE HEARD BY A COURT SITTING WITHOUT A JURY, AND THE PARTIES MUTUALLY WAIVE ANY RIGHT THEY MAY HAVE TO A JURY DETERMINATION OF ANY ISSUE IN SUCH DISPUTE.

23.Costs of Proceedings. If the Executive is the prevailing party in any arbitration proceeding, as determined by the arbitrator, or in any enforcement or other court proceedings, he will be entitled, to the extent permitted by law, to reimbursement from the Parent, NMG or their Affiliates, as applicable, for all of the Executive's costs (including the arbitrator's compensation), expenses and attorneys' fees. If Parent, NMG or their Affiliates are prevailing party in any arbitration proceeding, as determined by the arbitrator, or in any enforcement or other court proceedings, each party shall be responsible for their own respective costs, expenses and attorneys' fees.

24.Entire Agreement. This Agreement contains the entire agreement between the parties concerning the subject matter hereof and as of the Effective Date supersedes all other prior agreements and understandings, written and oral, between the parties with respect to the subject matter of this Agreement.

25.Modification; Waiver. No Person, other than pursuant to a resolution duly adopted by the members of the Parent Board, shall have authority on behalf of NMG to agree to modify or amend any provision of this Agreement, or waive any provision of this Agreement enforceable by it. Further, this Agreement may not be changed, amended or modified orally, but only by a written agreement signed by the parties hereto and no provision thereof may be waived or discharged except by a written agreement signed by the party against whom any waiver or discharge is sought to be enforced. Each party to this Agreement acknowledges and agrees that no breach of this Agreement by the other party or failure to enforce or insist

on its or his rights under this Agreement shall constitute a waiver or abandonment of any such rights or defense to enforcement of such rights.

26. Construction. The parties hereto have participated jointly in the negotiation and drafting of this Agreement and, in the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as jointly drafted by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provision of this Agreement.

27. Severability. If any provision of this Agreement shall be determined by a court to be invalid or unenforceable, the remaining provisions of this Agreement shall not be affected thereby, shall remain in full force and effect, and shall be enforceable to the fullest extent permitted by applicable law.

28. Construction. Any provision of this Agreement that refers to the words "include," "includes" or "including" shall be deemed to be followed by the words "without limitation." References to the preamble or numbered or letter articles, sections, subsections, paragraphs, exhibits refer to the preamble or articles, sections, subsections, paragraphs, exhibits or schedules, respectively, of this Agreement unless expressly stated otherwise. All references to this Agreement include, whether or not expressly referenced, the exhibits attached hereto. The section and other headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement. The words "hereof," "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. The word "or" when used in this Agreement is not exclusive. The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter genders of such term. Unless otherwise expressly indicated, any agreement, instrument, law or statute defined or referred to herein or in any agreement or instrument that is referred to herein means such agreement, instrument or statute as from time to time amended, modified or supplemented, including (in the case of agreements or instruments) by waiver or consent and (in the case of statutes) by succession of comparable successor statutes and references to all attachments thereto and instruments incorporated therein.

29. Counterparts. This Agreement may be executed by the parties in any number of counterparts (including by facsimile or electronic transmission), each of which shall be deemed an original, but all of which shall constitute one and the same agreement.

30. Whistleblower Laws and The Defend Trade Secrets Act.

(a) Nothing in this Agreement shall prohibit or prevent the Executive from: (i) reporting possible violations of federal law or regulations, including any possible securities laws violations, to any governmental agency or entity, including the U.S. Department of Justice, the U.S. Securities and Exchange Commission, the U.S. Congress, or any agency Inspector General; (ii) making any other disclosures that are protected under the whistleblower provisions of federal law or regulations; (iii) otherwise fully participating in any federal whistleblower programs, including any such

programs managed by the U.S. Securities and Exchange Commission or the Occupational Safety and Health Administration; or (iv) receiving individual monetary awards or other individual relief by virtue of participating in any such federal whistleblower programs.

(b) Under the Federal Defend Trade Secrets Act of 2016, the Executive shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made: (i) (y) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney and (z) solely for the purpose of reporting or investigating a suspected violation of law; (ii) to the Executive's attorney in relation to a lawsuit for retaliation against the Executive for reporting a suspected violation of law; or (iii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

31. Section 162(m). The parties hereto recognize that NMG is not currently subject to Section 162(m) of the Code but that it may become subject to said section during the term of this Agreement. In such event, NMG retains the right to amend the provisions of this Agreement that impact, relate to or reference NMG's annual bonus program if NMG determines that such an amendment would be necessary or appropriate to ensure that any performance-based compensation payable under a new bonus plan satisfies the requirements for exemption under Section 162(m) of the Code, provided, however, that any such amendment provides the Executive at least the same economic benefit under this Agreement as he had prior to the amendment.

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IN WITNESS WHEREOF, NMG has caused this Agreement to be executed on its behalf by its duly authorized officer, and the Executive has executed this Agreement, effective as of the Effective Date.

Geoffroy van Raemdonck

/s/ Geoffroy van Raemdonck

Dated: January 4, 2018

The Neiman Marcus Group LLC

/s/ Tracy M. Preston

By: Tracy M. Preston
Title: Senior Vice President, General Counsel and Corporate Secretary

Dated: January 4, 2018

Exhibit A

Time-Vested Option Agreement

Exhibit B

Performance-Vested Option Agreement

Exhibit C

Restricted Stock Agreement

Exhibit D

FY2018 Mid-Term Cash Incentive Plan

Exhibit E

Executive's Equity Ownership Interest

EXHIBIT 10.2

Award Number:____

NEIMAN MARCUS GROUP, INC.

Time-Vested Option
Non-Qualified Stock Option Agreement
Pursuant to the
Neiman Marcus Group, Inc.
Management Equity Incentive Plan

AGREEMENT ("**Agreement**"), dated as of **[●]** between Neiman Marcus Group, Inc., a Delaware corporation (the "**Company**"), and Geoffroy van Raemdonck (the "**Participant**").

Preliminary Statement

The Committee hereby grants this non-qualified stock option (the "**Option**") as of **[●]**, (the "**Grant Date**"), pursuant to the Neiman Marcus Group, Inc. Management Equity Incentive Plan, as it may be amended from time to time (the "**Plan**"), to purchase the number of shares of Class A Common Stock, $0.001 par value per share of the Company (the "**Class A Common Stock**"), and Class B Common Stock, par value $0.001 per share, of the Company (the "**Class B Common Stock,**" and, together with the Class A Common Stock, the "**Common Stock**"), set forth below to the Participant, as an Eligible Employee. The Company and its Subsidiaries collectively shall be referred to as the "**Employer**". The Participant and the Company are party to an employment agreement dated as of January 4, 2018 (the "**Employment Agreement**"). Except as otherwise indicated, any capitalized term used but not defined herein shall have the meaning ascribed to such term in the Plan. By signing and returning this Agreement, the Participant acknowledges having received and read a copy of the Plan and agrees to comply with it, this Agreement and all applicable laws and regulations. The Participant acknowledges that the Participant is required to execute and return to the Company the Accredited Investor Questionnaire provided herewith as a condition of acceptance of the Option.

Accordingly, the parties hereto agree as follows:

1. **Tax Matters.** No part of the Option is intended to qualify as an "incentive stock option" under Section 422 of the Internal Revenue Code of 1986, as amended (the "**Code**").

2. **Common Stock Subject to Option; Unit Exercise Price**.

(a) Subject to the Plan and the terms and conditions set forth herein and therein, the Option entitles the Participant to purchase from the Company, upon exercise thereof, **[●]** shares of Class A Common Stock and **[●]** shares of Class B Common Stock, provided that any exercise of the Option shall be with respect to an equal number of shares of Class A Common Stock and Class B Common Stock concurrently. The exercise price under the

Option is **[●]** for each unit (a "**Unit**") consisting of one share of Class A Common Stock and one share of Class B Common Stock (the "**Unit Exercise Price**").

3. **Vesting.**

(a) **Vesting Schedule**. The Option shall vest and become exercisable on the dates and in the cumulative percentages provided in the table below (which percentages shall apply equally with respect to the Class A Common Stock and the Class B Common Stock subject to such Option); provided, that, except as expressly provided below, the Participant has not experienced a Termination prior to each of the applicable vesting dates. There shall be no proportionate or partial vesting in the periods prior to each vesting date.

[VESTING SCHEDULE]

(b) **Termination Without Cause, With Good Reason or by Reason of an Employer Non-Renewal**. If the Participant's employment is Terminated by the Employer without Cause, by the Participant for Good Reason or due to an NMG Non-Renewal (as defined in the Employment Agreement) at any time following the second anniversary of the Grant Date and any such Termination does not occur within the twenty-four month period following a Change in Control, then the portion of the then outstanding and unvested Option that would have vested in the 12-month period following the date of such Termination had there been no Termination during such period, shall immediately vest and become exercisable on the date of Termination.

(c) **Termination following a Change in Control**. If the Participant's employment is Terminated by the Employer without Cause, by the Participant for Good Reason or due to an NMG Non-Renewal and any such Termination occurs within the twenty-four month period following a Change in Control, then all then outstanding and unvested Options shall immediately vest on the date of Termination.

(d) **Forfeiture**. If the Participant experiences a Termination for any reason whatsoever, then the outstanding and unvested portion of the Option that does not become vested pursuant to Section 3(b) hereof shall be immediately forfeited, cancelled and terminated. If the Participant's employment is Terminated by the Employer for Cause, then the entire Option (including vested and unvested portions) shall be immediately forfeited, cancelled and terminated.

4. **Exercise.**

(a) **Exercise Requirements**. To the extent that the Option has become vested and exercisable with respect to a number of shares of Common Stock, the Option may thereafter be exercised by the Participant, in whole or in part, at any time or from time to time prior to the expiration of the Option in accordance with the Plan; provided, that the Participant must exercise the Option with respect to an equal number of shares of Class A Common Stock and Class B Common Stock subject to the Option concurrently. Notwithstanding the foregoing,

the Participant may not exercise the Option unless the offering of shares of Common Stock issuable upon such exercise (i) is then registered under the Securities Act, or, if such offering is not then so registered, the Company has determined that such offering is exempt from the registration requirements of the Securities Act and (ii) complies with all other applicable laws and regulations; provided that, if the Option cannot be exercised by reason of this Section 4(a), then, to the extent the circumstances preventing the exercise of the Option can reasonably be remedied, the Company shall use commercially reasonable efforts to remedy such circumstances, which method of remediation shall be determined by the Company in its sole discretion.

(b) **Post-Termination Exercise Period Other than for Cause, Retirement, Death or Disability**. If the Participant's employment is Terminated for any reason other than by the Employer for Cause or by reason of the Participant's death or Disability, subject to Section 5 below, any then outstanding and vested portion of the Option will remain outstanding for 90 days following such date of Termination. If, prior to the expiration of such 90 day period, no Initial Public Offering or Acquisition Event in which stockholders are entitled to receive all cash or marketable securities has occurred, the Participant may elect to exercise such vested portion of the Option by means of a Cashless Exercise. "**Cashless Exercise**" means an election by the Participant to exercise the vested portion of the Option by having the Employer withhold, from fully vested Units otherwise issuable to Participant upon such exercise, a number of whole Units having a Fair Market Value, as of the date of exercise, equal to (A) an amount equal to the applicable aggregate Unit Exercise Price relating to the vested portion of the Option, and/or (B) an amount necessary to satisfy any required federal, state, local or other non-U.S. withholding obligations using the minimum statutory withholding rates for federal, state, local or non-U.S. tax purposes, including payroll taxes, in all cases under clause (A) or (B), to the extent not prohibited under any debt or financing agreements of the Company or any of its subsidiaries ("**Company Agreements**"). For purposes of this Section 4(b), "**Fair Market Value**" shall have the meaning set forth in the Plan, provided, however, the Participant may require the Committee to retain a nationally recognized independent valuation firm to determine Fair Market Value, and the Company shall bear all expenses with respect thereto if, the Committee's determination of Fair Market Value is not based on the appraisal of a nationally recognized independent valuation firm as of a date that is within the 6 month period preceding the date of the Committee's determination.

(c) **Post-Termination Exercise Period for Death and Disability**.

If the Participant's employment is Terminated by reason of the Participant's death or Disability, subject to Section 5 below, any then outstanding and vested portion of the Option will remain outstanding for one year following such date of Termination. If, prior to the expiration of such one year period, no Initial Public Offering or Acquisition Event in which stockholders are entitled to receive all cash or marketable securities has occurred, the Participant (or the Participant's estate) may elect to exercise such vested portion of the Option by means of a Cashless Exercise.

(d) **Contingent Exercise**. In connection with a Drag-Along Sale, a Tag-Along Sale or a Piggyback Registration (as such terms are defined in the Stockholders Agreement) (in each case a "**Sale**"), the Company shall deliver a notice informing the Participant of such Sale (a "**Sale Notice**") prior to the date of consummation of the Sale. During the period from the date on which the Sale Notice is delivered to the date specified in the Sale Notice, the Participant shall have the right to exercise the Options in accordance with the Plan, provided, that such exercise shall be contingent upon and subject to the consummation of the Sale, and, if the Sale does not take place within a specified period after delivery of the Sale Notice for any reason whatsoever, the exercise pursuant thereto shall be null and void.

5. **Option Term.** The term of the Option shall be until the tenth anniversary of the Grant Date, after which time it shall expire (the "**Expiration Date**"). Notwithstanding anything herein to the contrary, upon the Expiration Date, the Option (whether vested or not) shall be immediately forfeited, canceled and terminated for no consideration and no longer shall be exercisable. The Option is subject to termination prior to the Expiration Date to the extent provided in this Agreement.

6. **Detrimental Activity**. The provisions in the Plan regarding Detrimental Activity shall apply to the Option, it being understood that the applicable confidentiality, non-competition and non-solicitation covenants that apply for purposes of Section 2.23(c) of the Plan are those set forth in the Employment Agreement. The restrictions regarding Detrimental Activity are necessary for the protection of the business and goodwill of the Company and are considered by the Participant to be reasonable for such purposes.

7. **Termination and Change in Control.** Except as expressly provided herein, the provisions in the Plan regarding Termination and Change in Control shall apply to the Option; provided, that, for the avoidance of doubt, in the event the Participant's employment terminates due to an NMG Non-Renewal, the post-termination exercise period shall be determined under Section 9.2(a)(ii) of the Plan.

8. **Restriction on Transfer of Option.** Unless otherwise determined by the Committee in accordance with the Plan, (a) no part of the Option shall be Transferable other than by will or by the laws of descent and distribution and (b) during the lifetime of the Participant, the Option may be exercised only by the Participant or the Participant's guardian or legal representative. Any attempt to Transfer the Option other than in accordance with the Plan shall be void.

9. **Company's Right to Repurchase; Other Restrictions.**

(a) **Company's Repurchase Rights**. The provisions in Section 13.1 (except for Section 13.1(d)(3)) of the Plan regarding the Company's repurchase rights shall apply to the Option; provided, however, that, the repurchase price per Unit shall be calculated pursuant to Sections 13.1(a)(ii) and 13.1(b) of the Plan, as applicable, and the Repurchase Period shall be determined in accordance with Sections 2.49(a)(2) and 2.49(b) of the Plan, as applicable for any Termination other than a Termination by the Company for Cause.

(b) **Determination of Fair Market Value**. For purposes of this Section 9, "**Fair Market Value**" means, with respect to Common Stock, the fair market value of such Common Stock, taking into account any applicable requirements of Section 422 or 409A of the Code. Within 15 days following delivery of written notice to the Participant of the Company's intent to exercise the repurchase rights under Section 13.1 of the Plan, the Company shall deliver to the Participant a written notice (the "**Valuation Notice**") specifying the Committee's determination of the Fair Market Value (the "**Company Valuation**"). If the Participant disputes the Company Valuation, the Participant may, within 10 days following delivery of the Valuation Notice, deliver to the Company a written notice of his disagreement with the Company Valuation and his calculation of the Fair Market Value (the "**Dispute Notice**"). The Dispute Notice shall set forth in reasonable detail the basis for such disagreement and any alternative calculations with respect to the Company Valuation. If the Participant does not timely deliver to the Company a Dispute Notice, the Company Valuation shall be the Fair Market Value, and such Fair Market Value shall be final and binding on the Participant, his Permitted Transferees and the Company. If the Participant timely delivers a Dispute Notice, the Company shall appoint a nationally recognized valuation firm that is independent of both parties for purposes of doing valuations under Section 409A of the Code to determine the Fair Market Value (the "**Valuation Firm**"). The Participant and the Company shall (i) instruct the Valuation Firm to provide its determination of the Fair Market Value within 30 days of its engagement and (ii) reasonably cooperate with the Valuation Firm in connection with its determination of the Fair Market Value. The Valuation Firm's determination of the Fair Market Value shall be an amount between the Company Valuation and the amount set forth in the Dispute Notice. The Fair Market Value as determined by the Valuation Firm shall be final and binding on the Participant, his Permitted Transferees and the Company. The fees, costs and expenses of the Valuation Firm shall be borne by the party whose determination of the Fair Market Value as set forth in the Valuation Notice or Dispute Notice, as applicable, is further from the Fair Market Value as determined by the Valuation Firm. Notwithstanding the foregoing, the Executive will not be required to pay fees, costs and expenses in excess of $25,000, if his calculation of the Fair Market Value as set forth in the Dispute Notice is determined to be further from the Fair Market Value as determined by the Valuation Firm.

(c) **Effect of Registration**. Notwithstanding the foregoing, the Company shall cease to have rights of repurchase pursuant to Section 9(a) or Section 13.1 of the Plan, on and after a Registration Date.

(d) **Placing Shares in Escrow**. Prior to an Initial Public Offering, to ensure that the shares of Common Stock issuable upon exercise of the Option are not transferred in contravention of the terms of the Plan and this Agreement, and to ensure compliance with other provisions of the Plan and this Agreement, the Company may deposit any certificates evidencing such shares with an escrow agent designated by the Company to be held on terms consistent with the Plan, this Agreement and the Stockholders Agreement.

10. **Securities Representations and Obligations.** Upon the exercise of the Option prior to registration of the offering of the Common Stock subject to the Option pursuant to the Securities Act or other applicable securities laws, the Participant shall be deemed to

acknowledge and make the representations, warranties and covenants set forth below and as otherwise may be requested by the Company for compliance with applicable laws, and any issuances of Common Stock by the Company shall be made in reliance upon the express representations and warranties of the Participant. The Company is relying on the Participant's representations set forth in this Section 10.

(a) The Participant is acquiring and will hold the Units for investment for his or her account only and not with a view to, or for resale in connection with, any "distribution" thereof within the meaning of the Securities Act or other applicable securities laws.

(b) The Participant has been advised that offerings of the Units or shares of Common Stock have not been registered under the Securities Act or other applicable securities laws, and that the Units must be held indefinitely, unless the resales thereof are subsequently registered under the applicable securities laws or the Participant obtains an opinion of counsel (in the form and substance satisfactory to the Company and its counsel) that registration is not required. The Company is under no obligation to register offerings of the Units or shares of Common Stock.

(c) The Participant is an "Accredited Investor" as such term is defined under Rule 501(a) of Regulation D promulgated under the Securities Act. The Participant has such knowledge and experience in financial and business matters that the Participant is capable of evaluating the merits and risks of investment in the Company and of making an informed investment decision. The Participant, or the Participant's professional advisor, has the capacity to protect the Participant's concerns in connection with the investment in the shares of Common Stock, and the Participant is able to bear the economic risk, including the complete loss, of an investment in the shares of Common Stock.

(d) The Participant will not sell, transfer or otherwise dispose of the Units or shares of Common Stock in violation of the Plan, this Agreement, the Securities Act (or the rules and regulations promulgated thereunder) or any other applicable laws.

(e) The Participant has been furnished with, and has had access to, such information as he or she considers necessary or appropriate for deciding whether to exercise the Option, and the Participant has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions hereof.

(f) The Participant is aware that any investment in the Company is a speculative investment that has limited liquidity and is subject to the risk of complete loss. The Participant is able, without impairing his or her financial condition, to hold the Units for an indefinite period and to suffer a complete loss of his or her investment.

(g) Upon an Initial Public Offering, the Company shall register the sale of the Common Stock to be issued upon the exercise of any then-unexercised Options held by the Participant on a Form S-8.

11. **No Rights as Stockholder.** The Participant shall have no rights as a stockholder with respect to any shares of Common Stock covered by the Option unless and until the Participant has become the holder of record of such shares, and no adjustments shall be made for dividends (whether in cash, in kind or other property), distributions or other rights in respect of any such shares, except as otherwise specifically provided for in the Plan.

12. **Incorporation of Plan.** This Agreement is subject to all the terms, conditions and provisions of the Plan, including the amendment provisions thereof, and to such rules, regulations and interpretations relating to the Plan as may be adopted by the Committee and as may be in effect from time to time. The Plan is incorporated herein by reference.

13. **Notices.** All notices, demands or requests made pursuant to, under or by virtue of this Agreement must be in writing and sent to the party to which the notice, demand or request is being made:

(a) unless otherwise specified by the Company in a notice delivered by the Company in accordance with this Section 13, any notice required to be delivered to the Company shall be properly delivered if delivered to:

Neiman Marcus Group, Inc.
c/o Ares Management LLC
2000 Avenue of the Stars, 12th Floor
Los Angeles, CA 90067
Attention: Dennis Gies
Telephone: (310) 201-4100
Facsimile: (310) 201-4170

with a copy (which shall not constitute notice) to:
Neiman Marcus Group, Inc.
1618 Main Street
Dallas, TX 75201
Attention: General Counsel
Telephone: (214) 743-7610
Facsimile: (214) 743-7611
with a copy (which shall not constitute notice) to:

Proskauer Rose LLP
2049 Century Park East, Suite 3200
Los Angeles, CA 90067
Attention: Jonathan Benloulou, Esq.
Telephone: (310) 284-5698
Facsimile: (310) 557-2193

(b) if to the Participant, to the address on file with the Employer.

Any notice, demand or request, if made in accordance with this Section 13 shall be deemed to have been duly given: (i) when delivered in person; (ii) three days after being sent by United States mail; or (iii) on the first business day following the date of deposit if delivered by a nationally recognized overnight delivery service.

14. **No Right to Employment.** This Agreement is not an agreement of employment. None of this Agreement, the Plan or the grant of the Option hereunder shall (a) guarantee that the Employer or any other person or entity will employ the Participant for any specific time period or (b) modify or limit in any respect the Employer's or any other person's or entity's right to terminate or modify the Participant's employment or compensation.

15. **Stockholders Agreement.** As a condition to the receipt of shares of Common Stock when the Option is exercised, the Participant shall execute and deliver a Joinder Agreement or such other documentation as required by the Committee. The Participant acknowledges receipt of a copy of the Stockholders Agreement as in effect on the date hereof.

16. **Lock-Up Period**. The Option shall be subject to the lock-up provisions of Section 14.18 of the Plan, except that any Lock-Up Period to which the Participant may be subject in connection with the Option shall not be longer or more restrictive than the lock-up period that applies to Ares or CPPIB.

17. **Dispute Resolution.** All controversies and claims arising out of or relating to this Agreement, or the breach hereof, shall be settled by the dispute resolution provisions in any employment agreement, or similar agreement, between the Employer and the Participant or, if none, the Employer's mandatory dispute resolution procedures as may be in effect from time to time with respect to matters arising out of or relating to Participant's employment with the Employer.

18. **Severability of Provisions**. If any provision of this Agreement shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof, and the Agreement shall be construed and enforced as if such provisions had not been included.

19. **Governing Law.** All matters arising out of or relating to this Agreement and the transactions contemplated hereby, including its validity, interpretation, construction, performance and enforcement, shall be governed by and construed in accordance with the internal laws of the State of Delaware, without giving effect to its principles of conflict of laws that would require the application of the laws of another jurisdiction.

20. **Section 409A**. The Option is intended to be exempt from the applicable requirements of Section 409A of the Code and shall be limited, construed and interpreted in accordance with such intent; provided, that the Company does not guarantee to the Participant any particular tax treatment of the Option. The Company shall not be liable to the Participant for any additional tax, interest or penalties that may be imposed on the Participant by Section 409A of the Code or any damages for failing to comply with Section 409A of the Code. For purposes of determining the Fair Market Value of the shares of Common Stock underlying the Options, any

appraisal of a nationally recognized independent valuation firm shall be determined in a manner generally consistent with prior valuations relating to Stock Options with respect to minority discounts and discounts for lack of marketability or liquidity, to the extent permitted by the applicable requirements of Section 409A of the Code.

21. **Interpretation**. Wherever any words are used in this Agreement in the masculine gender they shall be construed as though they were also used in the feminine gender in all cases where they would so apply. As used herein, (i) "or" shall mean "and/or" and (ii) "including" or "include" shall mean "including, without limitation."

22. **No Strict Construction**. This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted.

23. **Other Shares**. Notwithstanding anything in this Agreement or the Plan to the contrary, none of the shares of Common Stock owned from time to time by a Participant that were not acquired in connection with the grant of an Award to such Participant shall be subject to any of the terms, conditions or provisions of this Agreement or the Plan.

24. **Confidentiality**. The Participant hereby agrees to hold all confidential and proprietary information of the Company and its Affiliates received in connection with the grant of the Option, including any plan summaries or risk factors, in the strictest confidence. The Participant shall not, directly or indirectly, disclose or divulge any such confidential or proprietary information to any Person other than the Participant's legal counsel and financial advisors, or an officer, director or employee of, or legal counsel for, the Company or its Affiliates, to the extent necessary for the proper performance of his or her responsibilities, unless authorized to do so by the Company or compelled to do so by law or valid legal process.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date and year first above written.

NEIMAN MARCUS GROUP, INC.

By:__
Name:
Title:

Employee Name: Geoffroy van Raemdonck

EXHIBIT 10.3

Award Number:____

NEIMAN MARCUS GROUP, INC.

Performance-Vested Option
Non-Qualified Stock Option Agreement
Pursuant to the
Neiman Marcus Group, Inc.
Management Equity Incentive Plan

AGREEMENT ("**Agreement**"), dated as of **[●],** between Neiman Marcus, Inc., a Delaware corporation (the "**Company**"), and Geoffroy van Raemdonck (the "**Participant**").

Preliminary Statement

The Committee hereby grants this non-qualified stock option (the "**Option**") as of **[●]**, (the "**Grant Date**"), pursuant to the Neiman Marcus Group, Inc. Management Equity Incentive Plan, as it may be amended from time to time (the "**Plan**"), to purchase the number of shares of Class A Common Stock, $0.001 par value per share of the Company (the "**Class A Common Stock**"), and Class B Common Stock, par value $0.001 per share, of the Company (the "**Class B Common Stock,**" and, together with the Class A Common Stock, the "**Common Stock**"), set forth below to the Participant, as an Eligible Employee. The Company and its Subsidiaries collectively shall be referred to as the "**Employer**". The Participant and the Company are party to an employment agreement dated as of January 4, 2018 (the "**Employment Agreement**"). Except as otherwise indicated, any capitalized term used but not defined herein shall have the meaning ascribed to such term in the Plan. By signing and returning this Agreement, the Participant acknowledges having received and read a copy of the Plan and agrees to comply with it, this Agreement and all applicable laws and regulations. The Participant acknowledges that the Participant is required to execute and return to the Company the Accredited Investor Questionnaire provided herewith as a condition of acceptance of the Option.

Accordingly, the parties hereto agree as follows:

1. **Tax Matters.** No part of the Option is intended to qualify as an "incentive stock option" under Section 422 of the Internal Revenue Code of 1986, as amended (the "**Code**").

2. **Common Stock Subject to Option; Unit Exercise Price**. Subject to the Plan and the terms and conditions set forth herein and therein, the Option entitles the Participant to purchase from the Company, upon exercise thereof, **[●]** shares of Class A Common Stock and **[●]** shares of Class B Common Stock, provided that any exercise of the Option shall be with respect to an equal number of shares of Class A Common Stock and Class B Common Stock concurrently. The exercise price under the Option is $**[●]** for each unit (a "**Unit**") consisting of one share of Class A Common Stock and one share of Class B Common Stock (the "**Unit Exercise Price**").

3. **Vesting.**

(a) **[PERFORMANCE METRICS]**

(b) **[VESTING SCHEDULE]**

(c) **Change in Control or Initial Public Offering**. If a Change in Control or an Initial Public Offering (each, an "**Event**") is consummated within the 180-day period following a Termination of the Participant's employment by the Employer without Cause, by the Participant for Good Reason or due to an NMG Non-Renewal (as such term is defined in the Employment Agreement), then, for purposes of vesting determination under this Section 3, (i) the Option shall be treated as if the Participant had not experienced a Termination prior to the consummation date of such Event, (ii) any then outstanding and unvested portion of the Option will thereafter vest in accordance with clause (b) above as if the Participant has not experienced a Termination upon the consummation of any Event during the 180-day period following such Termination, and (iii) subject to Section 5, any outstanding and unvested portion of the Option that does not vest during such 180-day period shall be immediately forfeited, cancelled and terminated on the last day of such period.

(d) **Forfeiture**. If the Participant experiences a Termination for any reason whatsoever, then the outstanding and unvested portion of the Option that does not become vested under Section 3(c) hereof shall be immediately forfeited, cancelled and terminated. If the Participant's employment is Terminated by the Employer for Cause, then the entire Option (including vested and unvested portions) shall be immediately forfeited, cancelled and terminated.

4. **Exercise.**

(a) **Exercise Requirements**. To the extent that the Option has become vested and exercisable with respect to a number of shares of Common Stock, the Option may be exercised by the Participant from and after the Exercise Date (as defined below), in whole or in part, at any time or from time to time prior to the expiration of the Option in accordance with the default post-termination exercise period provided in Section 9.2(a) of the Plan, provided that the Participant must exercise the Option with respect to an equal number of shares of Class A Common Stock and Class B Common Stock subject to the Option concurrently. Notwithstanding the foregoing, the Participant may not exercise the Option unless the offering of shares of Common Stock issuable upon such exercise (i) is then registered under the Securities Act, or, if such offering is not then so registered, the Company has determined that such offering is exempt from the registration requirements of the Securities Act and (ii) complies with all other applicable laws and regulations; provided that, if the Option cannot be exercised by reason of this Section 4(a), then, to the extent the circumstances preventing the exercise of the Option can reasonably be remedied, the Company shall use commercially reasonable efforts to remedy such circumstances, which method of remediation shall be determined by the Company in its sole discretion.

(b) **Post-Termination Exercise Period Other than for Cause, Death or Disability**. If the Participant's employment is Terminated for any reason other than by the Employer for Cause, or by reason of the Participant's death or Disability, subject to Section 5 below, any then outstanding and vested portion of the Option will remain outstanding and shall be exercisable for the longer of (i) the remainder of the exercise period provided in Section 4(a) and (ii) 90 days following such date of Termination. If, prior to the expiration of such 90 day period, no Initial Public Offering or Acquisition Event in which stockholders are entitled to receive all cash or marketable securities has occurred, the Participant may elect to exercise such vested portion of the Option by means of a Cashless Exercise. "**Cashless Exercise**" means an election by the Participant to exercise the vested portion of the Option by having the Employer withhold, from fully vested Units otherwise issuable to Participant upon such exercise, a number of whole Units having a Fair Market Value, as of the date of exercise, equal to (A) an amount equal to the applicable aggregate Unit Exercise Price relating to the vested portion of the Option, and/or (B) an amount necessary to satisfy any required federal, state, local or other non-U.S. withholding obligations using the minimum statutory withholding rates for federal, state, local or non-U.S. tax purposes, including payroll taxes, in all cases under clause (A) or (B), to the extent not prohibited under any debt or financing agreements of the Company or any of its subsidiaries ("**Company Agreements**"). For purposes of this Section 4(b), "**Fair Market Value**" shall have the meaning set forth in the Plan, provided, however, the Participant may require the Committee to retain a nationally recognized independent valuation firm to determine Fair Market Value, and the Company shall bear all expenses with respect thereto if, the Committee's determination of Fair Market Value is not based on the appraisal of a nationally recognized independent valuation firm as of a date that is within the 6 month period preceding the date of the Committee's determination.

(c) **Exercise Period for Change in Control Vesting**. If the Participant becomes vested in any portion of the Option following Termination by reason of Section 3(c), subject to Section 5 below, such portion of the Option shall remain outstanding and shall be exercisable for the longer of (i) the remainder of the exercise period provided in Section 4(a) and (ii) 30 days following the applicable vesting date. If, prior to the expiration of such 30 day period, no Initial Public Offering or Acquisition Event in which stockholders are entitled to receive all cash or marketable securities has occurred, the Participant may exercise such vested portion of the Option by means of a Cashless Exercise.

(d) **Post-Termination Exercise Period for Death and Disability**. If the Participant's employment is Terminated by reason of the Participant's death or Disability, subject to Section 5 below, any then outstanding and vested portion of the Option will remain outstanding for one year following such date of Termination. If, prior to the expiration of such one year period, no Initial Public Offering or Acquisition Event in which stockholders are entitled to receive all cash or marketable securities has occurred, the Participant (or the Participant's estate) may elect to exercise such vested portion of the Option by means of a Cashless Exercise.

(e) **Contingent Exercise**. In connection with a Drag-Along Sale, a Tag-Along Sale or a Piggyback Registration (as such terms are defined in the Stockholders

Agreement) (in each case a "**Sale**"), the Company shall deliver a notice informing the Participant of such Sale (a "**Sale Notice**") prior to the date of consummation of the Sale. During the period from the date on which the Sale Notice is delivered to the date specified in the Sale Notice, the Participant shall have the right to exercise the Options in accordance with the Plan, provided, that such exercise shall be contingent upon and subject to the consummation of the Sale, and, if the Sale does not take place within a specified period after delivery of the Sale Notice for any reason whatsoever, the exercise pursuant thereto shall be null and void.

5. **Option Term.** The term of the Option shall be until the tenth anniversary of the Grant Date, after which time it shall expire (the "**Expiration Date**"). Notwithstanding anything herein to the contrary, upon the Expiration Date, the Option (whether vested or not) shall be immediately forfeited, canceled and terminated for no consideration and no longer shall be exercisable. The Option is subject to termination prior to the Expiration Date to the extent provided in this Agreement.

6. **Detrimental Activity**. The provisions in the Plan regarding Detrimental Activity shall apply to the Option, it being understood that the applicable confidentiality, non-competition and non-solicitation covenants that apply for purposes of Section 2.23(c) of the Plan are those set forth in the Employment Agreement. The restrictions regarding Detrimental Activity are necessary for the protection of the business and goodwill of the Company and are considered by the Participant to be reasonable for such purposes.

7. **Termination and Change in Control.** Except as expressly provided in this Section 7 and in Sections 3(c), 3(d) , 4(b), 4(c) and 4(d) herein, the provisions in the Plan regarding Termination and Change in Control shall apply to the Option; provided, that, in the event the Participant's employment terminates due to an NMG Non-Renewal, the post-termination exercise period shall be determined under Section 9.2(a)(ii) of the Plan.

8. **Restriction on Transfer of Option.** Unless otherwise determined by the Committee in accordance with the Plan, (a) no part of the Option shall be Transferable other than by will or by the laws of descent and distribution and (b) during the lifetime of the Participant, the Option may be exercised only by the Participant or the Participant's guardian or legal representative. Any attempt to Transfer the Option other than in accordance with the Plan shall be void.

9. **Company's Right to Repurchase; Other Restrictions.**

(a) **Company's Repurchase Rights**. The provisions in Section 13.1 (except for Section 13.1(d)(3)) of the Plan regarding the Company's repurchase rights shall apply to the Option; provided, however, that, the repurchase price per Unit shall be calculated pursuant to Sections 13.1(a)(ii) and 13.1(b) of the Plan, as applicable, and the Repurchase Period shall be determined in accordance with Sections 2.49(a)(2) and 2.49(b) of the Plan, as applicable for any Termination other than a Termination by the Company for Cause.

(b) **Determination of Fair Market Value**. For purposes of this Section 9, "**Fair Market Value**" means, with respect to Common Stock, the fair market value of such

Common Stock, taking into account any applicable requirements of Section 422 or 409A of the Code. Within 15 days following delivery of written notice to the Participant of the Company's intent to exercise the repurchase rights under Section 13.1 of the Plan, the Company shall deliver to the Participant a written notice (the "**Valuation Notice**") specifying the Committee's determination of the Fair Market Value (the "**Company Valuation**"). If the Participant disputes the Company Valuation, the Participant may, within 10 days following delivery of the Valuation Notice, deliver to the Company a written notice of his disagreement with the Company Valuation and his calculation of the Fair Market Value (the "**Dispute Notice**"). The Dispute Notice shall set forth in reasonable detail the basis for such disagreement and any alternative calculations with respect to the Company Valuation. If the Participant does not timely deliver to the Company a Dispute Notice, the Company Valuation shall be the Fair Market Value, and such Fair Market Value shall be final and binding on the Participant, his Permitted Transferees and the Company. If the Participant timely delivers a Dispute Notice, the Company shall appoint a nationally recognized valuation firm that is independent of both parties for purposes of doing valuations under Section 409A of the Code to determine the Fair Market Value (the "**Valuation Firm**"). The Participant and the Company shall (i) instruct the Valuation Firm to provide its determination of the Fair Market Value within 30 days of its engagement and (ii) reasonably cooperate with the Valuation Firm in connection with its determination of the Fair Market Value. The Valuation Firm's determination of the Fair Market Value shall be an amount between the Company Valuation and the amount set forth in the Dispute Notice. The Fair Market Value as determined by the Valuation Firm shall be final and binding on the Participant, his Permitted Transferees and the Company. The fees, costs and expenses of the Valuation Firm shall be borne by the party whose determination of the Fair Market Value as set forth in the Valuation Notice or Dispute Notice, as applicable, is further from the Fair Market Value as determined by the Valuation Firm. Notwithstanding the foregoing, the Executive will not be required to pay fees, costs and expenses in excess of $25,000, if his calculation of the Fair Market Value as set forth in the Dispute Notice is determined to be further from the Fair Market Value as determined by the Valuation Firm.

(c) **Effect of Registration**. Notwithstanding the foregoing, the Company shall cease to have rights of repurchase pursuant to Section 9(a) or Section 13.1 of the Plan, on and after a Registration Date.

(d) **Placing Shares in Escrow**. Prior to an Initial Public Offering, to ensure that the shares of Common Stock issuable upon exercise of the Option are not transferred in contravention of the terms of the Plan and this Agreement, and to ensure compliance with other provisions of the Plan and this Agreement, the Company may deposit any certificates evidencing such shares with an escrow agent designated by the Company to be held on terms consistent with the Plan, this Agreement and the Stockholders Agreement.

10. **Securities Representations and Obligations.** Upon the exercise of the Option prior to registration of the offering of the Common Stock subject to the Option pursuant to the Securities Act or other applicable securities laws, the Participant shall be deemed to acknowledge and make the representations, warranties and covenants set forth below and as otherwise may be requested by the Company for compliance with applicable laws, and any

issuances of Common Stock by the Company shall be made in reliance upon the express representations and warranties of the Participant. The Company is relying on the Participant's representations set forth in this Section 10.

(a) The Participant is acquiring and will hold the Units for investment for his or her account only and not with a view to, or for resale in connection with, any "distribution" thereof within the meaning of the Securities Act or other applicable securities laws.

(b) The Participant has been advised that offerings of the Units or shares of Common Stock have not been registered under the Securities Act or other applicable securities laws, and that the Units must be held indefinitely, unless the resales thereof are subsequently registered under the applicable securities laws or the Participant obtains an opinion of counsel (in the form and substance satisfactory to the Company and its counsel) that registration is not required. The Company is under no obligation to register offerings of the Units or shares of Common Stock.

(c) The Participant is an "Accredited Investor" as such term is defined under Rule 501(a) of Regulation D promulgated under the Securities Act. The Participant has such knowledge and experience in financial and business matters that the Participant is capable of evaluating the merits and risks of investment in the Company and of making an informed investment decision. The Participant, or the Participant's professional advisor, has the capacity to protect the Participant's concerns in connection with the investment in the shares of Common Stock, and the Participant is able to bear the economic risk, including the complete loss, of an investment in the shares of Common Stock.

(d) The Participant will not sell, transfer or otherwise dispose of the Units or shares of Common Stock in violation of the Plan, this Agreement, the Securities Act (or the rules and regulations promulgated thereunder) or any other applicable laws.

(e) The Participant has been furnished with, and has had access to, such information as he or she considers necessary or appropriate for deciding whether to exercise the Option, and the Participant has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions hereof.

(f) The Participant is aware that any investment in the Company is a speculative investment that has limited liquidity and is subject to the risk of complete loss. The Participant is able, without impairing his or her financial condition, to hold the Units for an indefinite period and to suffer a complete loss of his or her investment.

(g) Upon an Initial Public Offering, the Company shall register the sale of the Common Stock to be issued upon the exercise of any then-unexercised Options held by the Participant on a Form S-8.

11. **No Rights as Stockholder.** The Participant shall have no rights as a stockholder with respect to any shares of Common Stock covered by the Option unless and until the Participant has become the holder of record of such shares, and no adjustments shall

be made for dividends (whether in cash, in kind or other property), distributions or other rights in respect of any such shares, except as otherwise specifically provided for in the Plan.

12. **Incorporation of Provisions of Plan.** This Agreement is subject to all the terms, conditions and provisions of the Plan, including the amendment provisions thereof, and to such rules, regulations and interpretations relating to the Plan as may be adopted by the Committee and as may be in effect from time to time. The Plan is incorporated herein by reference.

13. **Notices.** All notices, demands or requests made pursuant to, under or by virtue of this Agreement must be in writing and sent to the party to which the notice, demand or request is being made:

(a) unless otherwise specified by the Company in a notice delivered by the Company in accordance with this Section 13, any notice required to be delivered to the Company shall be properly delivered if delivered to:

Neiman Marcus Group, Inc.
c/o Ares Management LLC
2000 Avenue of the Stars, 12th Floor
Los Angeles, CA 90067
Attention: Dennis Gies
Telephone: (310) 201-4100
Facsimile: (310) 201-4170

with a copy (which shall not constitute notice) to:
Neiman Marcus Group, Inc.
1618 Main Street
Dallas, TX 75201
Attention: General Counsel
Telephone: (214) 743-7610
Facsimile: (214) 743-7611

with a copy (which shall not constitute notice) to:

Proskauer Rose LLP
2049 Century Park East, Suite 3200
Los Angeles, CA 90067
Attention: Jonathan Benloulou, Esq.
Telephone: (310) 284-5698
Facsimile: (310) 557-2193

(b) if to the Participant, to the address on file with the Employer.

Any notice, demand or request, if made in accordance with this Section 13 shall be deemed to have been duly given: (i) when delivered in person; (ii) three days after being sent by United States mail; or (iii) on the first business day following the date of deposit if delivered by a nationally recognized overnight delivery service.

14. **No Right to Employment.** This Agreement is not an agreement of employment. None of this Agreement, the Plan or the grant of the Option hereunder shall (a) guarantee that the Employer or any other person or entity will employ the Participant for any specific time period or (b) modify or limit in any respect the Employer's or any other person's or entity's right to terminate or modify the Participant's employment or compensation.

15. **Stockholders Agreement.** As a condition to the receipt of shares of Common Stock when the Option is exercised, the Participant shall execute and deliver a Joinder Agreement or such other documentation as required by the Committee. The Participant acknowledges receipt of a copy of the Stockholders Agreement as in effect on the date hereof.

16. **Lock-Up Period**. The Option shall be subject to the lock-up provisions of Section 14.18 of the Plan except that any Lock-Up Period to which the Participant may be subject in connection with the Option shall not be longer or more restrictive than the lock-up period that applies to Ares or CPPIB.

17. **Dispute Resolution.** All controversies and claims arising out of or relating to this Agreement, or the breach hereof, shall be settled by the dispute resolution provisions in any employment agreement, or similar agreement, between the Employer and the Participant or, if none, the Employer's mandatory dispute resolution procedures as may be in effect from time to time with respect to matters arising out of or relating to Participant's employment with the Employer.

18. **Severability of Provisions**. If any provision of this Agreement shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof, and the Agreement shall be construed and enforced as if such provisions had not been included.

19. **Governing Law.** All matters arising out of or relating to this Agreement and the transactions contemplated hereby, including its validity, interpretation, construction, performance and enforcement, shall be governed by and construed in accordance with the internal laws of the State of Delaware, without giving effect to its principles of conflict of laws that would require the application of the laws of another jurisdiction.

20. **Section 409A**. The Option is intended to be exempt from the applicable requirements of Section 409A of the Code and shall be limited, construed and interpreted in accordance with such intent; provided, that the Company does not guarantee to the Participant any particular tax treatment of the Option. The Company shall not be liable to the Participant for any additional tax, interest or penalties that may be imposed on the Participant by Section 409A of the Code or any damages for failing to comply with Section 409A of the Code. For purposes of determining the Fair Market Value of the shares of Common Stock underlying the Options, any

appraisal of a nationally recognized independent valuation firm shall be determined in a manner generally consistent with prior valuations relating to Stock Options with respect to minority discounts and discounts for lack of marketability or liquidity, to the extent permitted by the applicable requirements of Section 409A of the Code.

21. **Interpretation**. Wherever any words are used in this Agreement in the masculine gender they shall be construed as though they were also used in the feminine gender in all cases where they would so apply. As used herein, (i) "or" shall mean "and/or" and (ii) "including" or "include" shall mean "including, without limitation."

22. **No Strict Construction**. This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted.

23. **Other Shares**. Notwithstanding anything in this Agreement or the Plan to the contrary, none of the shares of Common Stock owned from time to time by a Participant that were not acquired in connection with the grant of an Award to such Participant shall be subject to any of the terms, conditions or provisions of this Agreement or the Plan.

24. **Confidentiality**. The Participant hereby agrees to hold all confidential and proprietary information of the Company and its Affiliates received in connection with the grant of the Option, including any plan summaries or risk factors, in the strictest confidence. The Participant shall not, directly or indirectly, disclose or divulge any such confidential or proprietary information to any Person other than the Participant's legal counsel and financial advisors, or an officer, director or employee of, or legal counsel for, the Company or its Affiliates, to the extent necessary for the proper performance of his or her responsibilities, unless authorized to do so by the Company or compelled to do so by law or valid legal process.

[Remainder of Page Left Intentionally Blank]

IN WITNESS WHEREOF, the parties have executed this Agreement on the date and year first above written.

NEIMAN MARCUS GROUP, INC.

By:__
Name:
Title:

Employee Name: Geoffroy van Raemdonck

EXHIBIT 10.4

Award Number:____

NEIMAN MARCUS GROUP, INC.

Restricted Stock Agreement
Pursuant to the
Neiman Marcus Group, Inc.
Management Equity Incentive Plan

AGREEMENT ("**Agreement**"), dated as of **[●]** (the "**Grant Date**") between Neiman Marcus Group, Inc., a Delaware corporation (the "**Company**" and collectively with its Subsidiaries, the "**Employer**"), and Geoffroy van Raemdonck (the "**Participant**").

Preliminary Statement

Subject to the terms and conditions set forth herein, the Committee is granting to the Participant, as an Eligible Employee, an equal number of shares of Class A Common Stock, $0.001 par value per share of the Company (the "**Class A Common Stock**"), and Class B Common Stock, par value $0.001 per share, of the Company (the "**Class B Common Stock**" and together with the Class A Common Stock, the "**Common Stock**"), as set forth in Section 1 below (the "**Shares**") , pursuant to the Neiman Marcus Group, Inc. Management Equity Incentive Plan, as it may be amended from time to time (the "**Plan**"). Each Share consists of one share of Class A Common Stock and one share of Class B Common Stock together. Pursuant to Section 2 hereof, the Shares are subject to certain restrictions that lapse at the times provided under Section 2(c) hereof. While such restrictions are in effect, the Shares subject to such restrictions are referred to herein as "**Restricted Stock**." After such restrictions lapse, the Shares no longer subject to such restrictions are referred to herein as "**Vested Shares**." The Participant and the Company are party to an employment agreement dated as of January 4, 2018 (the "**Employment Agreement**"). Except as otherwise indicated, any capitalized term used but not defined herein shall have the meaning ascribed to such term in the Plan.

Accordingly, the parties hereto agree as follows:

1. **Grant of Shares**. Subject to the Plan and the terms and conditions set forth herein and therein, the Participant is hereby granted **[●]** Shares on the Grant Date. The Participant is required to execute and return to the Company the Accredited Investor Questionnaire provided herewith as a condition of acceptance of the Shares. The Participant acknowledges having received and read a copy of the Plan and agrees to comply with it, this Agreement, and all applicable laws and regulations.

2. **Restricted Stock**.

(a) **Retention of Certificates.** Promptly after the Grant Date, the Company shall issue stock certificates representing the Restricted Stock unless it elects to recognize such ownership through book entry or another similar method. Any such stock certificates shall be registered in the Participant's name and shall bear any legend required by the Plan. Unless held

in book entry form, such stock certificates shall be held in custody by the Company (or its designated agent) until the restrictions on the Restricted Stock shall have lapsed (including any restrictions under the Stockholders Agreement). Upon the Company's request, the Participant shall deliver to the Company a duly signed stock power, endorsed in blank, relating to the Shares. If the Participant receives, with respect to the Restricted Stock or any part thereof, any (i) dividend (whether paid in shares, securities, moneys or property), (ii) shares of Restricted Stock pursuant to any split, (iii) distribution or return of capital resulting from a split-up, reclassification or other changes of the Restricted Stock or (iv) warrants, options or any other rights or properties (collectively "**RS Property**"), the Participant shall immediately deposit with and deliver to the Company all of such RS Property, including, upon the Company's request, any certificates representing shares duly endorsed in blank or accompanied by stock powers duly executed in blank. The RS Property shall be subject to the same restrictions, including those in this Section 2(a), as the Restricted Stock with respect to which it is issued, and shall be encompassed within the term "Restricted Stock." Unless otherwise determined by the Committee, RS Property issued in the form of cash will not be reinvested in Common Stock and will be held until delivered to the Participant within 30 days after the date the restrictions related to the Restricted Stock lapse. The restrictions on any RS Property will lapse on the date that the underlying Restricted Stock vests and ceases to be Restricted Stock.

(b) **Rights with Respect to Restricted Stock; Transfer.** The Participant will have all rights of a stockholder with respect to the Restricted Stock, including the right to (x) vote the Restricted Stock, (y) subject to Section 2(a), to receive any dividends payable to holders of Common Stock of record (provided, that such dividends shall be treated, to the extent required by applicable law, as additional compensation for tax purposes), and (z) exercise all other rights, powers and privileges of a holder of Common Stock with respect to the Restricted Stock set forth in the Plan, with the exceptions that during the Restriction Period: (i) the Participant will not be entitled to delivery of the stock certificate or certificates representing the Restricted Stock; (ii) the Company (or its designated agent) will retain custody of the stock certificate or certificates representing the Restricted Stock; and (iii) no RS Property will bear interest or be segregated in separate accounts.

Notwithstanding the foregoing, and without limiting any other restrictions in the Stockholders Agreement or otherwise, the Participant may not sell, pledge, assign, encumber or otherwise Transfer any Restricted Stock, except as permitted under the Plan or this Agreement. Any attempted Transfer prohibited under this Agreement, the Plan, the Stockholders Agreement, or otherwise shall be null and void *ab initio*, and the Company shall not in any way give effect to any such impermissible Transfer.

(c) **Vesting**. The Restricted Stock shall vest and cease to be Restricted Stock as provided below. There shall be no partial or proportionate vesting between vesting dates, except as provided herein; provided that the Committee may accelerate the vesting at any time.

[VESTING SCHEDULE]

(d) **Detrimental Activity**. The provisions in the Plan regarding Detrimental Activity shall apply to the Shares, and the applicable confidentiality, non-competition and non-

solicitation covenants that apply for purposes of Section 2.23(c) of the Plan are those set forth in the Employment Agreement. The restrictions regarding Detrimental Activity are necessary for the protection of the business and goodwill of the Company and are considered by the Participant to be reasonable for such purposes. Without limiting the legal or equitable remedies available in the Plan, this Agreement or otherwise, the Participant acknowledges that (i) engaging in Detrimental Activity will cause the Company material irreparable injury for which there is no adequate remedy at law, (ii) it will not be possible to measure damages for such injuries precisely and (iii) in the event of such activity or threat thereof, the Company may, in addition to the remedies provided under the Plan, obtain from any court of competent jurisdiction (x) a temporary restraining order or a preliminary or permanent injunction restraining the Participant from engaging in Detrimental Activity or (y) such other relief as may be required to specifically enforce any of the covenants in the Plan and this Agreement, in either case without the necessity of posting a bond or proving special damages.

(e) **Forfeiture.** The Participant shall immediately forfeit to the Company, without compensation, all unvested Restricted Stock upon the Participant's Termination for any reason, excluding Restricted Stock that vests as a result of such Termination.

(f) **Withholding.** Unless otherwise directed or permitted by the Committee, the Participant shall pay or provide for all applicable withholding taxes in respect of the vesting of the Restricted Stock by (i) remitting the aggregate amount of such taxes to the Company, in full, by cash, or by check, bank draft or money order payable to the order of the Company, (ii) electing to have the Employer withhold, from Shares that have vested and ceased to be Restricted Stock, a number of whole Shares having a Fair Market Value equal to an amount necessary to satisfy all required federal, state, local and other non-U.S. withholding obligations (using the minimum statutory withholding rates for federal, state, local or non-U.S. tax purposes), including payroll taxes, in all cases to the extent not prohibited under any debt or financing agreements of the Company or any of its Subsidiaries or (iii) to the extent permitted by the Committee, by making arrangements with the Company to have such taxes withheld from other compensation due to the Participant. Unless the Participant notifies the Company otherwise, applicable taxes will be withheld as described in clause (ii) of the previous sentence. For purposes of this Section 2(f), "**Fair Market Value**" shall have the meaning set forth in the Plan, provided, however, the Participant may require the Committee to retain a nationally recognized independent valuation firm to determine Fair Market Value, and the Company shall bear all expenses with respect thereto if, the Committee's determination of Fair Market Value is not based on the appraisal of a nationally recognized independent valuation firm as of a date that is within the 6 month period preceding the date of the Committee's determination.

(g) **Section 83(b).** If, within 30 days after the Grant Date, the Participant properly elects to include in gross income for federal income tax purposes in the year of issuance the fair market value of all or a portion of such Restricted Stock (pursuant to Section 83(b) of the Code), the Participant shall be solely responsible for all foreign, federal, state, provincial and local taxes the Participant incurs in connection with such election. It is the Participant's sole responsibility, and not the Company's, to file timely and properly the election under Section 83(b)

of the Code and all corresponding provisions of state tax laws if the Participant elects to make such election.

3. **Legend**. All certificates representing the Restricted Stock shall have endorsed thereon the following legends:

(a) "The anticipation, alienation, attachment, sale, transfer, assignment, pledge, encumbrance or charge of the shares of stock represented hereby are subject to the terms and conditions (including forfeiture) of the Neiman Marcus Group, Inc. Management Equity Incentive Plan (as amended from time to time) (the "Plan"), and an award agreement entered into between the registered owner of such shares and Neiman Marcus Group, Inc. (the "Company"). Copies of such Plan and award agreement are on file at the principal office of the Company"; and

(b) Any legend required to be placed thereon by (i) the Stockholders Agreement or (ii) applicable blue sky laws of any state.

In no event shall the Company be obligated to issue a certificate representing the Restricted Stock.

4. **Termination and Change in Control.**

(a) If (i) the Participant's employment is Terminated by the Company without Cause, by the Participant for Good Reason or due to an NMG Non-Renewal (as defined in the Employment Agreement) at any time following the second anniversary of the Grant Date and (ii) such Termination does not occur within the twenty-four month period following a Change in Control, then the portion of the then-outstanding and unvested Restricted Stock that would have vested in the 12-month period following the date of such Termination had there been no Termination during such period shall immediately vest on the date of Termination.

(b) If, within the twenty-four month period following a Change in Control, the Participant's employment is Terminated by the Company without Cause, by the Participant for Good Reason or due to an NMG Non-Renewal, then all Restricted Stock that is unvested as of such Termination shall immediately vest on the date of Termination.

(c) The provisions in the Plan regarding Termination and a Change in Control shall apply to the Shares, except as otherwise set forth in this Agreement (including Section 2(e), Sections 4(a), 4(b), Section 5 and Section 6). The Committee may not cancel the Participant's Restricted Stock (whether or not vested) in connection with a Change in Control without the payment of fair value (as determined by the Committee) for such Restricted Stock.

5. **Participant's Put Right on the Restricted Stock**.

(a) For purposes of this Agreement:

(i) "**Company Agreement**" means any agreement (including any agreement governing indebtedness) to which the Company or any of its Affiliates is a party or by which any of them is bound.

(ii) "**Eligible Shares**" on any date means a number of Vested Shares held by Participant on such date equal to the lesser of:

(A) the total number of Vested Shares held by Participant on such date; and

(B) the difference of (I) the number of shares of Common Stock the Participant would have been entitled to sell in Eligible Transfers pursuant to the Tag-Along Rights (assuming that (x) Vested Shares held by Participant on such date and all of the Previously Sold Shares were Vested Shares as of the consummation of the Eligible Transfer and (y) Tag-Along Rights were applicable to each Transfer to an Institutional Stockholder in an Excluded Transfer) and (II) the number of Previously Sold Shares.

(iii) "**Eligible Transfer**" means a Transfer by a Major Stockholder of shares of Common Stock (A) in a transaction that is subject to the Tag-Along Right or (B) to an Institutional Stockholder in an Excluded Transfer.

(iv) "**Excluded Transfer**" has the meaning set forth in the Stockholders Agreement.

(v) "**Fair Market Value**" for purposes of Sections 5, 6 and 7 of this Agreement, means, with respect to a Share, the fair market value of such Share, taking into account any applicable requirements of Section 422 or 409A of the Code.

(vi) "**Good Leaver Termination**" means a Termination (A) by the Company without Cause, (B) by the Participant for Good Reason or (C) by the Participant due to an NMG Non-Renewal.

(vii) "**Institutional Stockholder**" has the meaning set forth in the Stockholders Agreement.

(viii) "**Major Stockholder**" has the meaning set forth in the Stockholders Agreement.

(ix) "**Previously Sold Shares**" on any date means the sum of (A) the number of Shares sold by the Participant pursuant to the exercise of his Tag-Along Right in connection with the Eligible Transfer plus (B) the aggregate number of Shares sold pursuant to any Put prior to such date.

(x) **"Put Period"** means each 14-day period following the release of the Company's or Neiman Marcus Group LTD LLC's earnings in respect of the first fiscal quarter of each fiscal year following the consummation of an Eligible Transfer.

(xi) **"Put Price"** means the Fair Market Value of the Shares to be sold pursuant to the exercise of a Put Right as of the first day of the applicable Put Period.

(xii) **"Tag-Along Right**" has the meaning set forth in the Stockholders Agreement.

(xiii) "**Transfer**" has the meaning set forth in the Stockholders Agreement.

(b) Subject to this Section 5, at any time during each Put Period, the Participant (or his Permitted Transferee) shall have the right (the "**Put Right**") to require the Company (or, at the Company's election, one or more of its designees) to purchase from the Participant (or such Permitted Transferee), no later than the 20th business day following the expiration of each Put Period, all or a portion of the Participant's Eligible Shares for a price equal to the Put Price (each, a "**Put**").

(c) The Company will not be required to settle the Put (i) following such Participant's Termination for any reason, except for any Put Right exercised during the 12-month period following a Good Leaver Termination, (ii) if settlement of all or a portion of the Put would cause the Company or its Affiliates to violate applicable law or any Company Agreement, (iii) if there is or, immediately following settlement of the Put would be, a default under any Company Agreement relating to indebtedness, (iv) if the Committee reasonably determines that settlement of the Put would materially and adversely impact the liquidity of the Company or its Affiliates, or (v) if the Committee determines that settlement of the Put would (A) materially interfere with a significant acquisition, corporate organization, financing, securities offering or other similar transaction involving the Company, (B) require premature disclosure of material information that the Company has a bona fide business purpose for preserving as confidential, or (C) violate applicable securities laws and regulations. If the Committee determines that the Put shall not be settled with respect to a Put Period pursuant to Section 5(c)(ii)-(v), the Committee shall establish another Put Period within six months following such determination (and determine the Fair Market Value of the Eligible Shares at the beginning of such Put Period), subject to compliance with the terms hereof.

(d) The Put Right, if not exercised by the Participant (or his Permitted Transferee) by 5:00 p.m. (Central Time) on the last day of the Put Period, shall expire and thereafter shall be null and void and of no effect until the next Put Period.

(e) To exercise the Put Right, the Participant (or his Permitted Transferee) shall deliver an irrevocable written notice to the Company executed by such Participant (or such Permitted Transferee) (the "**Put Notice**") during the Put Period electing to exercise the Put Right, which notice shall set forth the number of Shares as to which such Participant (or such Permitted Transferee) is exercising the Put Right.

(f) On the date of consummation of the Put, (1) the Company (or its designees) will pay the Participant (or his Permitted Transferee) the applicable price in cash or, in the Company's discretion and to the extent not prohibited by law, by cancellation of

undisputed indebtedness of the Participant to the Company or any of its Affiliates or any combination thereof and (2) the Participant (and his Permitted Transferee) shall (x) cooperate with the Company to cause any certificates evidencing the Shares being purchased that are being held in escrow by the Company to be delivered to the Company or its designees, (y) deliver the certificates evidencing the Shares being purchased, duly endorsed in blank by the Person in whose name the certificate is issued or accompanied, free and clear of any liens, and with stock (or equivalent) transfer taxes affixed and (z) execute and deliver such Transfer Documents (as defined below) as the Company may request.

(g) Notwithstanding the foregoing, this Section 5 shall terminate on the earlier of (i) the Registration Date, (ii) the date of the Participant's Termination, other than a Good Leaver Termination, and (iii) 12 months following the date of a Good Leaver Termination. After such termination of the Put Right, the Participant shall cease to have any rights with respect thereto; provided that if (A) pursuant to Section 5(c) the Company is not required to settle the Put during the 12 month period following the Participant's Termination and (B) an additional Put Period is established pursuant to the last sentence of Section 5(c), then Participant's Put Right shall remain in effect through such additional subsequent Put Period.

6. **Company's Right to Repurchase.**

(a) In the event of the Participant's Termination for any reason, or if the Participant engages in Detrimental Activity during the period set forth in clause (ii) below, the Company shall have the right, but not the obligation, to repurchase (or to cause one or more of its designees to repurchase) from the Participant (or his or her Permitted Transferee), at the repurchase price set forth below, any or all Vested Shares.

(i) In the event of Termination by the Company without Cause, voluntary Termination by the Participant for Good Reason, termination due to an NMG Non-Renewal, voluntary Termination by the Participant without Good Reason (other than in connection with a Termination by the Company for Cause), or on account of the Participant's death or Disability, the repurchase price shall be, with respect to each such Share (including any security that was previously RS Property), the Fair Market Value thereof on the date of Termination.

(ii) In the event of Termination by the Company for Cause, or upon the discovery by the Company that the Participant has engaged in Detrimental Activity during the period of employment or service or the one-year period following the Termination, the repurchase price shall be, with respect to each such Share (including all dividends and other RS Property with respect thereto), the par value thereof.

(b) To exercise the repurchase rights described in Section 6(a), the Company (or its designees) shall deliver a written notice to the Participant (or his or her Permitted Transferee) during the Repurchase Period (a "**Repurchase Notice**"), which notice shall set forth (i) the Shares to be repurchased and (ii) the approximate date on which such repurchase is to be consummated, which date shall be not more than 90 days after the date of such notice

(subject to clause (c) below). Prior to the date of consummation of the repurchase, the Company (or its designees) shall deliver to the Participant (or his or her transferee) a written notice specifying the Fair Market Value for the Shares being purchased. On the date of consummation of the repurchase, (1) the Company (or its designees) will pay the Participant (or his or her transferee) the applicable repurchase price in cash or, in the Company's discretion and to the extent not prohibited by law, by cancellation of undisputed indebtedness of the Participant to the Company or any of its Affiliates or any combination thereof and (2) the Participant (and his or her transferee) shall (x) cooperate with the Company to cause any certificates evidencing the Shares being purchased that are being held in escrow by the Company to be delivered to the Company or its designees, (y) deliver the certificates evidencing the Shares being purchased that are not being held in escrow by the Company (if any), duly endorsed in blank by the Person in whose name the certificate is issued or accompanied, free and clear of any liens, and with stock (or equivalent) transfer taxes affixed and (z) execute and deliver such instruments and other documents to be executed by such Participant (and his and her Permitted Transferees) in connection with such repurchase, in each case, as the Company may request (such instruments and documents, the "**Transfer Documents**"). The Company may exercise the repurchase rights described in Section 6(a) upon one or more occasions at any time during the applicable Repurchase Period.

(c) The Repurchase Period and the date on which any repurchase is to be consummated may be extended by the Committee at any time when repurchase by the Company (or its designees) (i) is prohibited pursuant to applicable law, or (ii) is prohibited under any Company Agreement.

(d) Notwithstanding the foregoing, the Company shall cease to have rights of repurchase pursuant to this Section 6 on and after the Registration Date.

7. **Determination of Fair Market Value.** Within 15 days following delivery of a Put Notice or Repurchase Notice, as applicable, the Company shall deliver to the Participant a written notice (the "**Valuation Notice**") specifying the Committee's determination of the Fair Market Value (the "**Company Valuation**"). If the Participant disputes the Company Valuation, the Participant may, within 10 days following delivery of the Valuation Notice, deliver to the Company a written notice of his disagreement with the Company Valuation and his calculation of the Fair Market Value (the "**Dispute Notice**"). The Dispute Notice shall set forth in reasonable detail the basis for such disagreement and any alternative calculations with respect to the Company Valuation. If the Participant does not timely deliver to the Company a Dispute Notice, the Company Valuation shall be the Fair Market Value, and such Fair Market Value shall be final and binding on the Participant, his Permitted Transferees and the Company. If the Participant timely delivers a Dispute Notice, the Company shall appoint a nationally recognized valuation firm that is independent of both parties for purposes of doing valuations under Section 409A of the Code to determine the Fair Market Value (the "**Valuation Firm**"). The Participant and the Company shall (i) instruct the Valuation Firm to provide its determination of the Fair Market Value within 30 days of its engagement and (ii) reasonably cooperate with the Valuation Firm in connection with its determination of the Fair Market Value. The Valuation Firm's determination of the Fair Market Value shall be an amount

between the Company Valuation and the amount set forth in the Dispute Notice. The Fair Market Value as determined by the Valuation Firm shall be final and binding on the Participant, his Permitted Transferees and the Company. The fees, costs and expenses of the Valuation Firm shall be borne by the party whose determination of the Fair Market Value as set forth in the Valuation Notice or Dispute Notice, as applicable, is further from the Fair Market Value as determined by the Valuation Firm. Notwithstanding the foregoing, the Executive will not be required to pay fees, costs and expenses in excess of $25,000, if his calculation of the Fair Market Value as set forth in the Dispute Notice is determined to be further from the Fair Market Value as determined by the Valuation Firm.

8. **Securities Representations.** The Participant makes the representations, warranties and covenants set forth below and acknowledges that the Company is relying thereon.

(a) The Participant is acquiring and will hold the Shares for investment for his or her account only and not with a view to, or for resale in connection with, any "distribution" thereof within the meaning of the Securities Act or other applicable securities laws.

(b) The Participant has been advised that offerings of the Shares have not been registered under the Securities Act or other applicable securities laws, and that the Shares must be held indefinitely, unless the resales thereof are subsequently registered under the applicable securities laws or the Participant obtains an opinion of counsel (in the form and substance satisfactory to the Company and its counsel) that registration is not required. The Company is under no obligation to register offerings of the shares of Common Stock.

(c) The Participant is an "Accredited Investor" as such term is defined under Rule 501(a) of Regulation D promulgated under the Securities Act. The Participant has such knowledge and experience in financial and business matters that the Participant is capable of evaluating the merits and risks of investment in the Company and of making an informed investment decision. The Participant, or the Participant's professional advisor, has the capacity to protect the Participant's concerns in connection with the investment in the Shares, and the Participant is able to bear the economic risk, including the complete loss, of an investment in the Shares.

(d) The Participant will not sell, transfer or otherwise dispose of the Shares in violation of the Plan, this Agreement, the Stockholders Agreement, the Securities Act (or the rules and regulations promulgated thereunder) or any other applicable laws.

(e) The Participant has been furnished with, and has had access to, such information as he or she considers necessary or appropriate for deciding whether to invest in the Shares, and the Participant has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions hereof.

(f) The Participant is aware that any investment in the Company is a speculative investment that has limited liquidity and is subject to the risk of complete loss. The

Participant is able, without impairing his or her financial condition, to hold the Shares for an indefinite period and to suffer a complete loss of his or her investment.

9. **Power of Attorney**. The Company, its successors and assigns, is hereby appointed the attorney-in-fact, with full power of substitution, of the Participant for the purpose of carrying out the provisions of this Agreement and taking any action and executing any instruments that such attorney-in-fact may deem necessary or advisable to accomplish the purposes hereof, which appointment as attorney-in-fact is irrevocable and coupled with an interest. The Company, as attorney-in-fact for the Participant, may in the name and stead of the Participant, make and execute all conveyances, assignments and transfers of the Restricted Stock, Shares and property provided for herein, and the Participant hereby ratifies and confirms all that the Company, as said attorney-in-fact, shall do by virtue hereof. Nevertheless, the Participant shall, if so requested by the Company, execute and deliver to the Company all such instruments as may, in the judgment of the Company, be advisable for such purpose.

10. **Incorporation of Plan.** This Agreement is subject to all the terms, conditions and provisions of the Plan, and to such rules, regulations and interpretations relating to the Plan as may be adopted by the Committee and as may be in effect from time to time. The Plan is incorporated herein by reference. The Participant acknowledges having received and read a copy of the Plan, and agrees to comply with the Plan, this Agreement and all applicable laws and regulations. This Agreement and the Plan contain the entire understanding of the parties, and supersede any prior agreements between the Company and the Participant, with respect to the award of Restricted Stock contemplated hereby.

11. **Delivery Delay**. The delivery of any certificate representing the Shares may be postponed by the Company for such period as may be required for it to comply with any applicable federal, state, local or other laws, or any national securities exchange listing requirements, and the Company is not obligated to issue or deliver any securities if, in the opinion of counsel for the Company, the issuance of such Shares shall constitute a violation by the Participant, the Company or any of its Affiliates of any provisions of any applicable federal, state, local or other law or of any regulations of any governmental authority or any national securities exchange.

12. **Notices.** All notices, demands or requests made pursuant to, under or by virtue of this Agreement must be in writing and sent to the party to which the notice, demand or request is being made:

(a) unless otherwise specified by the Company in a notice delivered by the Company in accordance with this Section 12, any notice required to be delivered to the Company shall be properly delivered if delivered to:

Neiman Marcus Group, Inc.
c/o Ares Management LLC
2000 Avenue of the Stars, 12th Floor
Los Angeles, CA 90067
Attention: Dennis Gies

Telephone: (310) 201-4100
Facsimile: (310) 201-4170

with a copy (which shall not constitute notice) to:
Neiman Marcus Group, Inc.
1618 Main Street
Dallas, TX 75201
Attention: General Counsel
Telephone: (214) 743-7610
Facsimile: (214) 743-7611
and

Proskauer Rose LLP
2049 Century Park East, Suite 3200
Los Angeles, CA 90067
Attention: Jonathan Benloulou
Telephone: (310) 284-5698
Facsimile: (310) 557-2193

(b) if to the Participant, to the address on file with the Employer.

Any notice, demand or request, if made in accordance with this Section 12 shall be deemed to have been duly given: (i) when delivered in person; (ii) three days after being sent by United States mail; or (iii) on the first business day following the date of deposit if delivered by a nationally recognized overnight delivery service.

13. **No Right to Employment.** This Agreement is not an agreement of employment. None of this Agreement, the Plan or the grant of the Shares hereunder shall (a) guarantee that the Employer or any other person or entity will employ the Participant for any specific time period or (b) modify or limit in any respect the Employer's or any other person's or entity's right to terminate or modify the Participant's employment or compensation.

14. **Stockholders Agreement.** As a condition to the receipt of the Shares, the Participant shall execute and deliver a Joinder Agreement or such other documentation as required by the Committee. The Stockholders Agreement and any such other documentation shall apply to the Shares.

15. **Dispute Resolution.** All controversies and claims arising out of or relating to this Agreement, or the breach hereof, shall be settled by the dispute resolution provisions in any employment agreement, or similar agreement, between the Employer and the Participant or, if none, the Employer's mandatory dispute resolution procedures as may be in effect from time to time with respect to matters arising out of or relating to Participant's employment with the Employer.

16. **Severability of Provisions**. If any provision of this Agreement shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof, and the Agreement shall be construed and enforced as if such provisions had not been included.

17. **Governing Law.** All matters arising out of or relating to this Agreement and the transactions contemplated hereby, including its validity, interpretation, construction, performance and enforcement, shall be governed by and construed in accordance with the internal laws of the State of Delaware, without giving effect to its principles of conflict of laws that would require the application of the laws of another jurisdiction.

18. **Section 409A**. Although the Company makes no guarantee with respect to the tax treatment of the Restricted Stock, the award of Restricted Stock pursuant to this Agreement is intended to be exempt from Section 409A of the Code and shall be limited, construed and interpreted in accordance with such intent. With respect to any dividends and other RS Property, however, this Agreement is intended to comply with, or to be exempt from, the applicable requirements of Section 409A of the Code and shall be limited, construed and interpreted in accordance with such intent; provided that the Employer does not guarantee to the Participant any particular tax treatment of the Restricted Stock or RS Property. In no event whatsoever shall the Employer be liable for any additional tax, interest or penalties that may be imposed on the Participant by Section 409A of the Code or any damages for failing to comply with Section 409A of the Code.

19. **Interpretation**. The words "hereof," "herein," "hereunder" and words of similar import shall refer to this Agreement as a whole and not to any particular Section or provision of this Agreement, and reference to a particular Section of this Agreement shall include all subsections thereof. Definitions shall be equally applicable to both nouns and verbs and the singular and plural forms of the terms defined. The term "or" is not exclusive. The words "include," "includes" or "including" shall be deemed to be followed by the words "without limitation."

20. **No Strict Construction**. This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted.

21. **Other Shares**. Notwithstanding anything in this Agreement or the Plan to the contrary, none of the shares of Common Stock owned from time to time by a Participant that were not acquired in connection with the grant of an Award to such Participant shall be subject to any of the terms, conditions or provisions of this Agreement or the Plan.

22. **Confidentiality**. The Participant hereby agrees to hold all confidential and proprietary information of the Company and its Affiliates received in connection with the grant of Restricted Stock, including any plan summaries or risk factors, in the strictest confidence. The Participant shall not, directly or indirectly, disclose or divulge any such confidential or proprietary information to any Person other than the Participant's legal counsel and financial advisors, or an officer, director or employee of, or legal counsel for, the Company

or its Affiliates, to the extent necessary for the proper performance of his or her responsibilities, unless authorized to do so by the Company or compelled to do so by law or valid legal process; provided that nothing in this Agreement shall prohibit the Participant from reporting or disclosing information under the terms of the Company's Reporting Suspected Violations of Law Policy or such similar policy as the Company may have in effect from time to time.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the Grant Date.

NEIMAN MARCUS GROUP, INC.

By:
Name:
Title:

Employee Name: Geoffroy van Raemdonck

NEIMAN MARCUS GROUP, INC.
FY 2018 MID-TERM CASH INCENTIVE PLAN

1. **The Plan**.

1.1 **Purposes**. The purpose of this Plan is to promote the success of the Company by rewarding the Participants for their dedicated service to the Company and its Subsidiaries and to provide incentives for Participants to remain in the employ or other service of the Company or a Subsidiary of the Company and contribute to the performance of the Company. Capitalized terms used herein are defined in Section 5.

1.2 **Eligibility**. The Plan Administrator shall, in its sole discretion, determine the Eligible Service Providers to participate in this Plan subject to the terms and conditions hereof.

1.3 **Administration and Authorization; Power and Procedure**.

1.3.1 **Plan Administrator**. This Plan will be administered, and all Awards will be authorized, by the Plan Administrator. The Plan Administrator may delegate ministerial, non-discretionary functions to individuals who are directors, officers or employees of the Company or any of its Affiliates.

1.3.2 **Plan Awards; Interpretation; Powers of the Plan Administrator**. The Plan Administrator shall have the power to make all determinations and take such actions as contemplated by this Plan or as may be necessary or advisable for the administration of this Plan and the effectuation of its purposes. Such actions shall include the ability to grant Awards to Participants and determine the amount, payment date and other terms of such Awards in accordance with the terms of this Plan. Any decision, interpretation, determination, evaluation, election, approval, authorization, appointment, consent or other action made or taken by or at the direction of the Plan Administrator (or any of its members) arising out of or in connection with this Plan or any agreement relating to an Award or this Plan shall be within the sole and absolute discretion of all and each of them, as the case may be, and shall be final, binding and conclusive on the Company and all Eligible Service Providers and Participants, and their respective heirs, executors, administrators, successors and assigns.

1.3.3 **No Liability; Indemnification**. None of the Company, any of its Affiliates or any director, officer, employee or agent of the Company or any of its Affiliates will be liable for any action, omission or decision under this Plan taken, made or omitted in good faith. To the maximum extent permitted by applicable law and the Certificate of Incorporation and Bylaws of the Company, and to the extent not covered by insurance directly insuring such Person, the Company shall indemnify and hold harmless each director, officer, employee and agent of the Company or any of its Affiliates from and against any cost or expense (including reasonable fees of counsel) or liability (including any sum paid in settlement of a claim with the approval of the Plan Administrator, such approval not to be unreasonably withheld), directly or indirectly arising out of any act or omission to act in connection with the administration of this

Plan, except to the extent arising out of such director's, officer's, employee's or agent's own fraud or bad faith. Such indemnification shall be in addition to any rights of indemnification under applicable law, under the Certificate of Incorporation or Bylaws of the Company or any of its Affiliates, or otherwise. Notwithstanding anything else herein, this indemnification will not apply to the actions or determinations made by an individual with regard to Awards granted to himself or herself under this Plan.

2. **Award Authorization**. The Plan Administrator may grant an Award to any Eligible Service Provider. The target amount of each Award for each Participant is set forth on Appendix A hereto (each, a "Mid-Term Bonus"). The Plan Administrator delegates to the Chief Executive Officer the authority to grant Awards to (i) any successor of any Participant, with a Senior Vice President or Vice President-level position, whose employment with the Company terminates after the Effective Date, and (ii) any other new hire for a Vice President-level position that is not currently occupied as of the Effective Date, in each case subject to maximum total of all Awards approved by the Plan Administrator in connection with the adoption of this Plan.

3. **Mid-Term Cash Incentive Awards**.

3.1 **Performance Conditions**. Payment of each Award shall be subject to the payment condition and other conditions set forth herein, including achievement of Adjusted EBITDA Before Bonus performance conditions, as determined by the Plan Administrator following completion of the audit of the Company's financial statements for the applicable fiscal year.

3.1.1 If the Company achieves Adjusted EBITDA Before Bonus equal to or exceeding $**[***]** for the Company's 2018 fiscal year (the "First EBITDA Goal"), the fiscal year 2018 portion of the Participant's Mid-Term Bonus as set forth on Appendix A (the "First Payment") shall become eligible for payment. No portion of the First Payment will be paid under this Plan and the First Payment will be forfeited if the First EBITDA Goal is not achieved.

3.1.2 If the Company achieves Adjusted EBITDA Before Bonus equal to or exceeding $**[***]** for the Company's 2019 fiscal year (the "Second EBITDA Goal"), the fiscal year 2019 portion of the Participant's Mid-Term Bonus as set forth on Appendix A (the "Second Payment") shall become eligible for payment.

3.1.3 If the Company achieves Adjusted EBITDA Before Bonus equal to or exceeding $**[***]** for the Company's 2020 fiscal year (the "Third EBITDA Goal"), the fiscal year 2020 portion of the Participant's Mid-Term Bonus as set forth on Appendix A (the "Third Payment") shall become eligible for payment.

3.1.4 Within 60 days prior to the commencement of the Company's 2019 fiscal year, the Plan Administrator shall determine a payout curve for the 2019 fiscal year and 2020 fiscal year pursuant to which each Participant shall become eligible to receive (i) a pro-rata portion of the Second Payment or the Third Payment (as applicable) if the Company achieves at least 80% of the Second EBITDA Goal or Third EBITDA Goal, respectively, and (ii) an amount

in excess of the Second Payment or the Third Payment (as applicable) if the Company exceeds the Second EBITDA Goal or Third EBITDA Goal, respectively.

3.1.5 To the extent the First Payment, Second Payment or Third Payment becomes eligible for payment in accordance with this Section 3.1, such payments shall be referred to as "Eligible Payments").

3.2 **Payment Condition**. Payment of Eligible Payments shall be made only to the extent that Free Cash Flow exceeds the amount of the outstanding Eligible Payments on a Measurement Date (as defined below) that occurs on or after Eligible Payments become eligible for payment. Free Cash Flow shall be measured as of the last day of fiscal year 2018 and as of the last day of each second quarter and fourth quarter of each fiscal year thereafter (each, a "Measurement Date"), provided that there are outstanding Eligible Payments on such Measurement Dates, until the earlier of (a) the date on which Eligible Payments are paid in full and (b) the end of fiscal year 2022. If Free Cash Flow as of any Measurement Date, is not sufficient to pay the full amount of outstanding Eligible Payments, then (i) the Eligible Payments shall be paid to Participants on a pro-rata basis to the extent permitted by the first sentence of this Section 3.2 and (ii) Free Cash Flow shall be re-measured as of the following Measurement Date to determine whether further payment of any remaining portion of the Eligible Payments may be made pursuant to this Section 3.2. Free Cash Flow shall be allocated (i) first to any outstanding and unpaid First Payments, (ii) then to any outstanding and unpaid Second Payments and (iii) to any outstanding and unpaid Third Payments. If Free Cash Flow does not exceed the amount of the outstanding Eligible Payments, if any, at the end of fiscal year 2022, no further amounts will be paid under this Plan and all Awards will be forfeited.

3.3 **Payment Timing**. The applicable portion of the Participant's Eligible Payments shall be paid, in cash, within 30 days following the completion of (a) the annual audited financial statements (for fiscal year Measurement Dates) or (b) the interim financial statements (for quarterly Measurement Dates), relating to the Measurement Date with respect to which the Company is required to make such payment pursuant to Section 3.2, provided that the Participant has not experienced a termination of employment from the Company and its Subsidiaries prior to such date of payment.

3.4 **Termination of Employment**. Unless otherwise determined by the Plan Administrator, (a) if a Participant incurs a termination of employment from the Company and its Subsidiaries for any reason prior to a payment hereunder, the Participant's Award shall automatically terminate as of the date of such termination of employment, and thereafter the Participant shall have no right as to any unpaid Mid-Term Bonus; and (b) there shall be no proportionate or partial vesting in the periods prior to payment of the Award. Nothing in any employment agreement or severance agreement between a Participant and the Company or one of its Affiliates shall accelerate or cause the payment of any unpaid Mid-Term Bonus.

4. **Other Provisions**.

4.1 **Status**. Status as an Eligible Service Provider will not be construed as a commitment that any Award will be granted under this Plan.

4.2 **No Right to Employment**. The Plan is not an agreement of employment. Nothing in this Plan shall (a) guarantee that the Company or any of its Affiliates will employ any Eligible Service Provider for any specific time period or (b) modify or limit in any respect the Company's or any of its Affiliates' right to terminate or modify such Eligible Service Provider's employment or compensation.

4.3 **Plan Not Funded**. The Plan is intended to constitute an "unfunded" plan. Awards payable under this Plan will be payable from the general assets of the Company and no special or separate reserve, fund or deposit will be made to assure payment of such Awards. No Participant, beneficiary or other Person will have any right, title or interest in any fund or in any specific asset of the Company by reason of any Award hereunder. Neither the provisions of this Plan (or of any related documents), nor the creation or adoption of this Plan, nor any action taken pursuant to the provisions of this Plan will create, or be construed to create, a trust of any kind or a fiduciary relationship between the Company or its Affiliates, on the one hand, and any Participant, beneficiary or other Person, on the other hand.

4.4 **Withholding of Taxes**. The Company and any of its Subsidiaries shall have the right to deduct from any payment to be made to the Participant the required Federal, state, local and other taxes required to be withheld. The Participant shall be solely responsible for any and all tax liability incurred in connection with the Award.

4.5 **Confidentiality**. To the extent disclosure is not required by applicable law, a Participant's coverage by this Plan, level of participation and Awards are confidential information of the Company and its Affiliates, subject to the Participant's obligations to protect such information under any employment, confidentiality or similar agreement between the Participant and the Company or any of its Affiliates. Each Participant agrees not to share such information with any other Person (except (a) his or her legal counsel and financial advisors who agree to maintain the confidentiality of such information, or (b) any member of the Board).

4.6 **Plan and Award Amendments and Termination**. Notwithstanding any other provision of this Plan, the Plan Administrator may at any time, and from time to time, amend, in whole or in part, any or all of the provisions of this Plan or any Award thereunder, or suspend or terminate it entirely, retroactively or otherwise, provided that if the rights of a Participant with respect to Awards granted prior to such amendment, suspension or termination are materially and adversely impaired as a result of such amendment, suspension or termination, the consent of the Chief Executive Officer shall be required. All authority of the Plan Administrator with respect to Awards hereunder will continue during any suspension of this Plan and in respect of Awards outstanding upon or following the termination of this Plan. Notwithstanding anything herein to the contrary, the Plan Administrator may amend this Plan or any Award granted hereunder at any time without a Participant's consent to comply with Section 409A of the Code or any other applicable law; *provided* that the Plan Administrator shall use good faith efforts to cause any such amendment to preserve as closely as possible the benefits intended to be delivered under this Plan. Nothing in this Plan is intended to provide a guarantee of any particular tax treatment to any Participant. The Plan will automatically terminate six months following the end of fiscal year 2022.

4.7 **Adjustments**. Without limiting Section 4.6, the Plan Administrator may, in its sole discretion, adjust the performance goals under this Plan or the financial metrics used to determine achievement of those goals in accordance with this Plan to reflect (a) a change in accounting standards or principles, (b) a significant acquisition or divestiture, (c) a significant capital transaction, (d) a change to or difference in the applicable fiscal year, or (e) any other unusual, nonrecurring or other extraordinary item or event.

4.8 **Non-Transferability**. Each Award and all rights of each Participant under this Plan are nontransferable.

4.9 **Governing Law**. All matters arising out of or relating to this Plan, the Awards and all other related documents, the actions taken in connection herewith and the transactions contemplated hereby, including its validity, interpretation, construction, performance and enforcement, shall be governed by and construed in accordance with the internal laws of the State of Delaware, without giving effect to its principles of conflict of laws.

4.10 **Severability**. If it is determined that any provision of this Plan is invalid and unenforceable, the remaining provisions of this Plan will continue in effect provided that the essential economic terms of this Plan and the Award can still be enforced.

4.11 **Construction of Plan**. This Plan shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted.

4.12 **Dispute Resolution**. All controversies and claims arising out of or relating to this Plan, or the breach hereof, shall be settled pursuant to any mandatory dispute resolution procedures of the Company as may be in effect from time to time with respect to matters arising out of or relating to each Participant's employment with the Company or a Subsidiary.

4.13 **Captions; Construction of Terms**. Captions and headings are given to the sections and subsections of this Plan solely as a convenience to facilitate reference. Such headings will not be deemed in any way material or relevant to the construction or interpretation of this Plan or any provision thereof. Wherever any words are used in this Plan in the masculine gender they shall be construed as though they were also used in the feminine gender in all cases where they would so apply. As used herein, (a) "or" shall mean "and/or" and (b) "including" or "include" shall mean "including, without limitation." Any reference herein to an agreement in writing shall be deemed to include an electronic writing to the extent permitted by applicable law.

4.14 **Section 409A**. Although the Company does not guarantee to any Participant the particular tax treatment of any Award, all Awards are intended to comply with, or be exempt from, the requirements of Section 409A of the Code, and this Plan and any Award letter shall be limited, construed and interpreted in accordance with such intent. In no event shall the Company be liable for any additional tax, interest or penalties that may be imposed on a Participant by Section 409A of the Code or for any damages for failing to comply with Section 409A of the Code. For purposes of Section 409A of the Code, a Participant's right to receive any installment

payments under this Plan or pursuant to an Award shall be treated as a right to receive a series of separate and distinct payments. Only to the extent required by Section 409A of the Code, a termination of employment shall not be deemed to have occurred for purposes of any provision of this Plan upon or following a termination of a Participant's employment unless such termination is also a "separation from service", as defined in Section 409A of the Code. Whenever a payment under this Plan or pursuant to an Award specifies a payment period with reference to a number of days, the actual date of payment within the specified period shall be within the sole discretion of the Company.

4.15 **Effective Date**. This Plan is effective as of the Effective Date.

4.16 **Recoupment**. All Awards paid by the Company under this Plan will be subject to any compensation recapture policies adopted or established by the Company from time to time, as it deems advisable.

5. **Definitions**. Capitalized terms used in this Plan are used as defined below if not otherwise defined herein:

"**Adjusted EBITDA Before Bonus**" means audited consolidated net income, determined in accordance with generally accepted accounting principles, plus (without duplication) to the extent deducted in calculating such consolidated net income, the sum of (a) the provision for taxes based on income or profits; plus (b) consolidated net interest expense (or net interest income added as a negative number in calculating such sum); plus (c) consolidated depreciation and amortization expense; plus or minus (as applicable) (d) the expense or income effect of certain items, including non-cash lease expense, discontinued operations and closed store costs (including termination expenses), severance, termination and other one-time personnel-related expenses, and non-capitalized consulting expenses; plus (e) bonus payments (including bonuses payable under this Plan), plus (f) stock-based compensation, plus (g) certain other adjustments as determined to be appropriate by the Plan Administrator, in each case without regard to Mytheresa.com GmbH, Theresa Warenvertrieb GmbH, and their successors, as such sum may be adjusted by the Plan Administrator in its sole discretion. For the avoidance of doubt Adjusted EBITDA Before Bonus shall be determined based on a 52-week fiscal year.

"**Affiliate**" of any specified Person means any other Person directly or indirectly controlling, controlled by or under direct or indirect common control with such specified Person. No Person shall be deemed to be an Affiliate of another Person solely by virtue of the fact that both Persons own shares of the capital stock of the Company.

"**Award**" means a mid-term cash incentive award authorized by and granted under this Plan.

"**Board**" means the Board of Directors of the Company.

"**Capital Expenditures**" means, for any fiscal period, the Company's capital expenditures as calculated in accordance with generally accepted accounting principles,

consistent with the Company's annual audited or interim financial statements, as determined by the Plan Administrator.

"**Cash from Operations**" means the Company's net cash provided by operating activities, as calculated in accordance with generally accepted accounting principles in the preparation of the Company's statement of cash flows.

"**Code**" means the Internal Revenue Code of 1986, as amended.

"**Company**" means Neiman Marcus Group, Inc., a Delaware corporation, and its successors.

"**Effective Date**" means January 4, 2018.

"**Eligible Service Provider**" means any employee of the Company or a Subsidiary of the Company.

"**Free Cash Flow**" means, as of any Measurement Date, (i) the Company's Cash from Operations less (ii) Capital Expenditures, in each case consistently applied across periods. Free Cash Flow shall be determined based on the twelve month period prior to and including the Measurement Date, as such sum may be adjusted by the Plan Administrator in its sole discretion.

"**Participant**" means an Eligible Service Provider who has been granted an Award under this Plan, which Award has not terminated pursuant to any provision of this Plan.

"**Person"** means any individual, partnership, limited partnership, corporation, limited liability company, association, joint stock company, trust, joint venture, unincorporated organization or governmental entity or department, agency or political subdivision thereof.

"**Plan**" means this Neiman Marcus Group, Inc. FY 2018 Mid-Term Cash Incentive Plan, as it may hereafter be amended from time to time.

"**Plan Administrator**" means the compensation committee of the Board, provided that the functions of the compensation committee may be exercised by the Board.

"**Subsidiary**" means any subsidiary corporation of the Company within the meaning of Section 424(f) of the Code.

EXHIBIT 10.6

January 4, 2018

Karen Katz

Re: Retirement Agreement and General Release of Claims

Dear Karen:

This letter confirms our discussions concerning your retirement from The Neiman Marcus Group LLC, a Delaware limited liability company (the "Company") and its subsidiaries and parent entities. By signing this letter below, you and the Company will have entered into this Retirement Agreement and General Release of Claims (the "Agreement"), which will be binding on you, your heirs, successors and assigns, setting forth the terms of your retirement from the Company, subject to your right to revoke as set forth in Paragraph 8.

1. Retirement

   a. Your last day of active employment with the Company (the "Retirement Date") will be effective on the earliest of:
      i. February 12, 2018,
      ii. the date of completion of a satisfactory handover of responsibilities to a successor Chief Executive Officer of the Company (the "Successor CEO"), as determined by the Board of Directors of Neiman Marcus Group, Inc. (the "Parent") or an authorized committee thereof (the "Board"), but not prior to February 12, 2018 and not otherwise to exceed 30 days after the Successor CEO's commencement date (the earlier of i. and ii., the "Scheduled Retirement Date"), and
      iii. your earlier termination for Cause or as a result of your death or Disability, in accordance with, as defined in, your employment agreement with the Company dated October 25, 2013 (the "Employment Agreement").

   b. Contingent upon and subject to (i) the performance of your duties and responsibilities to the Company and its Affiliates (as defined in the Employment Agreement) (collectively, "NMG") through the Scheduled Retirement Date; (ii) your execution and delivery to the Company (without revocation) of this Agreement and the Reconfirmation Release in the form of Exhibit A hereto (the "Reconfirmation Release"); and (ii) your continued compliance with the restrictive covenants and other obligations contemplated by this Agreement (collectively, the "Restrictive Covenants") at all times, you and the Parent will enter into a director services agreement with the Parent substantially in the form attached hereto as Exhibit B (the "Director Services Agreement").

c. As of your Retirement Date, you will cease to be eligible to participate in, or be covered by, any employee benefit plan or program offered by or through NMG, and you shall not receive any benefits or payments from NMG, except as otherwise provided in this Agreement, the Director Services Agreement or as required under the terms of the Company's or its Affiliate's benefits plans or by law. Additionally, as of your Retirement Date, you will no longer have authorization to incur any expenses on behalf of NMG, except as otherwise provided in the Director Services Agreement.

d. Without limitation on the other covenants in this Agreement, you agree to not to issue any press release or public statement or otherwise publicly disclose any matter arising in connection with this Agreement or your retirement from the Company, in each case, unless so issued or disclosed with the prior written consent of the Company.

e. Upon the Retirement Date, you hereby resign, to the extent applicable, if any, as an officer of NMG and, other than as provided in the Director Services Agreement, as a member of the board of directors (and committee) of NMG and each other entity you serve at the request of the Company including as a fiduciary of any benefit plan of any of the foregoing. You further agree to confirm the foregoing by submitting to the Company in writing a confirmation of your resignation(s) to the extent reasonably requested by the Company.

2. Compensation and Benefits during Employment through the Retirement Date. Without regard to whether you sign this Agreement, you will be entitled to the following payments and benefits.

a. You will receive your current annual base salary of $1,100,000 per year and except as otherwise set forth in this Agreement, you will continue to participate through your Retirement Date in the Company's employee benefits arrangements consistent with your Employment Agreement and the terms and conditions (including eligibility) of the Company's plans, policies and programs as in effect from time to time.

b. On the Retirement Date, the Company will pay, provide to or reimburse you, as applicable, any: (i) accrued but unpaid salary, (ii) accrued but unused vacation time, (iii) vested employee benefits accrued under the Company's employee benefit plans, and (iv) unreimbursed business expenses in accordance with the Company's policies or practices for the reimbursement of expenses incurred by other Company senior executives.

c. If, prior to the Retirement Date (other than termination of employment due to death or Disability), you have not yet reached age 65, your benefit under the Company's Supplemental Executive Retirement Plan (the "SERP") shall not be reduced according to the terms of the SERP solely by reason of your failure to reach age 65

prior to the Retirement Date, and will otherwise be payable in accordance with the terms of the SERP.

3. Severance Benefits. Except as provided in this Agreement, you will not be eligible to receive the payments and benefits provided in the Employment Agreement. In exchange for and subject to you signing this Agreement and releasing and waiving claims that you may have against the Company and/or other Released Parties (as defined below in Paragraph 4 below), your signing and not revoking the Reconfirmation Release within thirty (30) days following the Retirement Date, and your compliance with the Restrictive Covenants and other terms and conditions of this Agreement, except in the case of a termination of your employment by the Company for Cause or as a result of your death or Disability or a resignation by you for any reason prior to the Scheduled Retirement Date:

    a. The Company will pay you a lump sum amount of $2,475,000 to be paid on the first business day after the 65th day following the Retirement Date and $1,000,000 on or before March 14, 2019;

    b. You will be eligible to receive a pro-rata incentive payment in respect of the 2018 fiscal year of the Company (the "FY18 Annual Bonus") pursuant to the terms of the Company's annual bonus program, as determined by the Compensation Committee of the Board (the "Committee") in its sole discretion. Any such FY18 Annual Bonus will be subject to the terms of such program and any ancillary documentation and the achievement of performance goals determined by the Committee in its sole discretion, and will be payable, on a pro-rata basis based on days employed during the 2018 fiscal year of the Company through the Retirement Date, following completion of audited financial results for fiscal 2018 at the time 2018 bonuses are paid to active executives of the Company (expected to be on or about October 2018, but no later than December 2018);

    c. Provided that you timely elect coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA"), the Company will pay you a lump sum amount equal to (1) the monthly COBRA premium applicable to you on the Retirement Date under the Company's group medical plan multiplied by (2) 18, payable on paid on the first business day after the 65th day following the Retirement Date;

    d. The Retirement Date will be a Termination (as defined in the Restricted Stock Agreement) for purposes of the Restricted Stock Agreement. Effective as of the Retirement Date, (i) 2,278 Shares (as defined in the Restricted Stock Agreement granted to you pursuant to the Neiman Marcus Group, Inc. Management Equity Incentive Plan (the "Equity Incentive Plan"), between you and Parent, dated as of October 27, 2016) will vest or will have vested and cease to be Restricted Stock (as defined in the Restricted Stock Agreement) and (ii) the remaining 2,279 unvested Shares shall be forfeited.

e. Effective as of the Retirement Date, the non-qualified stock option granted to you under the Time-Vested Option Non-Qualified Stock Option Agreement pursuant the Equity Incentive Plan between you and Parent, dated as of November 5, 2013, will be amended in the form as provided in Exhibit C.

f. Effective as of the Retirement Date, (i) you will forfeit the non-qualified stock options granted to you under the Performance-Vested Option Non-Qualified Stock Option Agreement pursuant the Equity Incentive Plan between you and Parent, dated as of November 5, 2013, as amended, and (ii) Section 9 (Participant's Put Right on an Option) of the Co-Invest Option Non-Qualified Stock Option Agreement between you and Parent dated as of September 8, 2017, will be deleted in its entirety.

You will not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, nor will the amount of any payment provided for under this Agreement be reduced by any profits, income, earnings, or other benefits received by you from any source other than NMG or its successor. If your employment with the Company is terminated as a result of your death or Disability prior to the Scheduled Retirement Date, you will only be eligible to receive the payments and benefits provided in Sections 7(a) or 7(b), as applicable, of the Employment Agreement.

4. Release of Claims. By signing this Agreement, you are releasing all claims against NMG and certain other parties, and promising not to sue NMG in the future, as described in more detail below. You are giving up your right to claim benefits and/or damages under laws that relate to or arise from your employment with NMG and/or separation from employment with NMG.

a. In consideration for the payment and benefits to be provided to you pursuant to Paragraph 3 above and other valuable consideration, and except as provided below, you, for yourself and for your heirs, executors, administrators, trustees, legal representatives, successors and assigns forever release and discharge the Company's and any and all of the Company's past and present parent companies, direct and indirect investors, subsidiaries, Affiliates, partners, successors and assigns and each of their respective past and present officers, directors, employees, shareholders, principals, members, agents, attorneys and employee benefit plans and their administrators and trustees, in their individual and official capacities (the "Released Parties"), from any and all claims, demands, causes of action, fees and liabilities of any kind whatsoever, whether known or unknown, which you ever had, now have, or may have against any of the Released Parties by reason of any act, omission, transaction, practice, plan, policy, procedure, conduct, occurrence, or other matter, up to and including the date you sign this Agreement, including but not limited to all claims, without limitation, under Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1866 and 1991, the Equal Pay Act, the Americans with Disabilities Act, Sections 1981 through 1988 of Title 42 of the United States Code, the National Labor Relations Act, the Employee Retirement Income Security Act, Age

Discrimination in Employment Act (ADEA), the Older Workers Benefit Protection Act (OWBPA), all claims under the Family and Medical Leave Act and other federal, state and local leave laws; all claims under the Workers Adjustment and Retraining Notification Act and similar state and local laws; all claims under any whistleblower protection law, including but not limited to any claims under the Sarbanes-Oxley Act or the Dodd-Frank Wall Street Reform and Consumer Protection Act; all claims of discrimination, harassment, hostile work environment, and retaliation in connection with your employment, the terms and conditions of such employment and your separation from employment under any federal, state and local fair employment, non-discrimination or civil rights law or regulation; all claims sounding in tort or breach of contract (express or implied), wrongful discharge, whistleblowing, detrimental reliance, defamation, emotional distress or compensatory and/or punitive damages; and all claims for attorneys' fees, costs, disbursements and/or the like. All of the above statutes are as amended.

b. This Agreement does not prevent you from participating in investigations or proceedings conducted by the Equal Employment Opportunity Commission ("EEOC"), the National Labor Relations Board ("NLRB"), or similar state agencies. This Agreement does not prevent you from reporting possible violations of federal law or regulation to, or cooperating with any investigation being conducted by, any governmental agency, or making other disclosures that are protected under the whistleblower provisions of federal law or regulation. This Agreement does not affect the rights and responsibilities of the EEOC to enforce the Title VII, the EPA, the ADEA, the ADA, GINA, Sections 102 and 103 of the Civil Rights Act if 1991, or Sections 501 and 505 of the Rehabilitation Act of 1973 and cannot be used to interfere with the protected rights of an employee related to an EEOC investigation or proceeding. However, you give up all rights to recover or receive damages, money, or other personal benefits as a result of any EEOC, NLRB or other agency charge, investigation or proceeding. This Agreement does not prevent you from exercising your rights, if any, to (i) vested benefits under any pension or savings plan or deferred compensation plan; (ii) COBRA benefits; (iii) workers' compensation benefits; (iv) unemployment benefit claims; (v) pay for accrued but unused vacation; (vi) base salary through the Retirement Date; and/or (vii) indemnification pursuant to any agreement with NMG, NMG by-laws or other organizational documents, or as provided by state law as well as any other claims that cannot lawfully be released.

c. You will not sue NMG with respect to claims you have released in this Agreement, or otherwise break your promises under this Agreement. You must pay NMG's legal fees if you sue NMG or otherwise break your promises in this Agreement. You do not have to pay NMG's legal fees under this paragraph, and that you will not be penalized in any way, if you challenge only the validity of the waiver or release of age discrimination claims under the ADEA.

d. The making of this Agreement is not intended, and shall not be construed, as an admission that the Company or any of the Released Parties have violated any federal,

state or local law (statutory or decisional), ordinance or regulation, breached any contract or committed any wrongdoing whatsoever against you or otherwise.

5. Cooperation and Other Covenants.

a. You will reasonably cooperate in any investigations and/or litigation regarding events that occurred during your employment with NMG, as provided in Section 12 of the Employment Agreement, and any transitional inquiries that arise following the Separation Date. You will cooperate with NMG with regard to the intellectual property covenants contained in Section 10(b) of the Employment Agreement.

b. You remain bound by the obligations and promises to NMG, including, but not limited to, any confidentiality, nondisparagement, non-competition, non-solicitation, or intellectual property covenants made by you, including, without limitation, such covenants contained in Sections 8, 9, 10 and 12 of the Employment Agreement and as modified in the Director Services Agreement.

c. Nothing in this Agreement shall prohibit or prevent you from: (i) reporting possible violations of federal law or regulations, including any possible securities laws violations, to any governmental agency or entity, including the U.S. Department of Justice, the U.S. Securities and Exchange Commission, the U.S. Congress, or any agency Inspector General; (ii) making any other disclosures that are protected under the whistleblower provisions of federal law or regulations; (iii) otherwise fully participating in any federal whistleblower programs, including any such programs managed by the U.S. Securities and Exchange Commission or the Occupational Safety and Health Administration; or (iv) receiving individual monetary awards or other individual relief by virtue of participating in any such Federal whistleblower programs.

d. Under the Federal Defend Trade Secrets Act of 2016, you will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made: (i) (A) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney and (B) solely for the purpose of reporting or investigating a suspected violation of law; (ii) to your attorney in relation to a lawsuit for retaliation against you for reporting a suspected violation of law; or (iii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

e. In accordance with your existing and continuing obligations to NMG (including those obligations arising under any applicable employee handbook or code of conduct and any confidentiality, intellectual property and/or your Employment Agreement), you will immediately return to NMG, within ten (10) days after the Retirement Date, all NMG property, including, as applicable, building passes, credit cards, keys, telephones, company files, documents, records, computer access codes, computer programs, instruction manuals, business plans, and other property that you

received, prepared, or helped to prepare in connection with your employment with NMG. You will not keep copies, duplicates, reproductions, computer disks, or excerpts of any NMG materials or documents.

6. Miscellaneous.

   a. The laws of Texas apply to this Agreement, except for its laws with respect to conflict of laws.

   b. This Agreement may be enforceable in parts. This Agreement is valid, even if any section or term is not enforceable. In the event that any one or more of the provisions contained in this Agreement shall for any reason be held to be unenforceable under the applicable law, the rest of the Agreement shall continue to apply.

   c. You waive your right to a trial by jury. You understand that pursuant to this Agreement, you are giving up your right to a trial by jury. The Company also waives its right to a trial by jury.

   d. This is the entire Agreement between the Company and you. This Agreement, including the Exhibits and references to the Employment Agreement contained herein, contains the entire agreement between the Company and you concerning the separation of your employment. In deciding to sign this Agreement, you are not relying on any statements or promises except those found in this Agreement.

   e. The Company has advised you to consult with an attorney, at your own expense, before signing this Agreement, and you have had the opportunity to do so.

   f. Any controversy, dispute or claim arising out of or relating to this Agreement or its breach will first be settled in accordance with Section 21 of the Employment Agreement.

7. Taxes.

   a. NMG shall withhold from any amounts payable to you hereunder all federal, state, city or other taxes that are required to be withheld pursuant to any applicable law or regulation.

   b. The payments and benefits under this Agreement are intended to comply with, or be exempt from, Internal Revenue Code Section 409A and the regulations and guidance promulgated thereunder (collectively, “Code Section 409A”) and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith. In no event whatsoever shall NMG be liable for any additional tax, interest or penalty that may be imposed on you by Code Section 409A or any damages for failing to comply with Code Section 409A. No person connected with NMG in any capacity, including but not limited to any affiliate of NMG, and their

respective directors, officers, agents and employees, makes any representation, commitment or guarantee that any particular tax treatment, including, but not limited to, federal, state and local income, estate and gift tax treatment, will be applicable with respect to any amounts payable under the Agreement or that such tax treatment will apply to or be available to you. Any reimbursements or in-kind benefits provided under this Agreement shall be made or provided in accordance with the requirements of Code Section 409A, including, where applicable, the requirement that (a) any reimbursement is for expenses incurred during the period of time specified in this Agreement, (b) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during a calendar year may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year, (c) the reimbursement of an eligible expense will be made no later than the last day of the calendar year following the year in which the expense is incurred, and (d) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit. For purposes of Code Section 409A, your right to receive any installment payment under this Agreement shall be treated as a right to receive a series of separate and distinct payments.

8. Acceptance and Effective Date.

a. You have twenty-one (21) calendar days from receipt of this Agreement to consider it and may sign it at any time during that period. This Agreement shall not become effective until the eighth day after you sign it (the “Effective Date”), and you may at any time prior to the Effective Date revoke this Agreement by giving notice to the Company in writing of such revocation. In the event that you do not timely sign, or if you revoke this Agreement, this Agreement will be null and void and you will not be entitled to receive the payments and benefits referred to in Paragraph 3.

b. In addition, you will have twenty-one (21) calendar days from your Retirement Date to consider the Reconfirmation Release and may sign it at any time during that period. The Reconfirmation Release shall not become effective until the eighth day after you sign it (the “Reconfirmation Release Effective Date”), and you may at any time prior to the Reconfirmation Release Effective Date revoke the Reconfirmation Release by giving notice to the Company in writing of such revocation. You are advised to consult with an attorney before signing the Reconfirmation Release. In the event that you do not timely sign, or if you revoke the Reconfirmation Release, the Reconfirmation Release will be null and void and you will not be entitled to receive the payments and benefits referred to in Paragraph 3.

c. You may accept this Agreement by signing it and delivering it to the Company’s General Counsel in the time period specified in this Agreement. This Agreement will not be effective or accepted if modified by you unilaterally without the express written consent/agreement of the Company.

d. This Agreement may be executed in several counterparts, each of which shall be deemed as an original, but all of which together shall constitute one and the same instrument.

9. Acknowledgments. By signing below, you acknowledge that you: (a) have carefully read this Agreement in its entirety; (b) have had an opportunity to consider the terms of this Agreement for at least twenty-one (21) calendar days; (c) are advised by the Company to consult with an attorney of your choice before signing this Agreement; (d) fully understand the significance of all of the terms and conditions of this Agreement and have discussed them with an attorney of your choice, or have had a reasonable opportunity to do so; and (e) are signing this Agreement voluntarily and of your own free will and agree to abide by all the terms and conditions contained herein.

[Remainder of Page Left Intentionally Blank]

PLEASE READ AND CONSIDER THIS AGREEMENT CAREFULLY BEFORE EXECUTING. THIS AGREEMENT INCLUDES A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS. If the terms of this Agreement are acceptable to you, please sign, date and return it to:

Agreed to and accepted by, on this 4th day of January, 2018:

Karen Katz

/s/ Karen Katz

Agreed to and accepted by, on this 4th day of January, 2018:

Neiman Marcus Group, Inc.

By: /s/ Tracy M. Preston

Title: Senior Vice President, General Counsel and Corporate Secretary

The Neiman Marcus Group LLC

By: /s/ Tracy M. Preston

Title: Senior Vice President, General Counsel and Corporate Secretary

Exhibit A

Reconfirmation Release

1. In consideration for the payment and benefits to be provided to you pursuant to Paragraph 3 of the Retirement Agreement and General Release of Claims The Neiman Marcus Group LLC (the "Company") dated January 4, 2018 (the "Retirement Agreement") and other valuable consideration, and except as provided below, you, for yourself and for your heirs, executors, administrators, trustees, legal representatives, successors and assigns forever release and discharge the Company and any and all of the Company's past and present parent companies, direct and indirect investors, subsidiaries, Affiliates (as defined in the Retirement Agreement), partners, successors and assigns and each of their respective past and present officers, directors, employees, shareholders, principles, members, agents, attorneys and employee benefit plans and their administrators and trustees, in their individual and official capacities (the "Released Parties"), from any and all claims, demands, causes of action, fees and liabilities of any kind whatsoever, whether known or unknown, which you ever had, now have, or may have against any of the Released Parties by reason of any act, omission, transaction, practice, plan, policy, procedure, conduct, occurrence, or other matter, up to and including the date you sign this Reconfirmation Release, including but not limited to all claims, without limitation, under Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1866 and 1991, the Equal Pay Act, the Americans with Disabilities Act, Sections 1981 through 1988 of Title 42 of the United States Code, the National Labor Relations Act, the Employee Retirement Income Security Act, Age Discrimination in Employment Act (ADEA), the Older Workers Benefit Protection Act (OWBPA), all claims under the Family and Medical Leave Act and other federal, state and local leave laws; all claims under the Workers Adjustment and Retraining Notification Act and similar state and local laws; all claims under any whistleblower protection law, including but not limited to any claims under the Sarbanes-Oxley Act or the Dodd-Frank Wall Street Reform and Consumer Protection Act; all claims of discrimination, harassment, hostile work environment, and retaliation in connection with your employment, the terms and conditions of such employment and your separation from employment under any federal, state and local fair employment, non-discrimination or civil rights law or regulation; all claims sounding in tort or breach of contract (express or implied), wrongful discharge, whistleblowing, detrimental reliance, defamation, emotional distress or compensatory and/or punitive damages; and all claims for attorneys' fees, costs, disbursements and/or the like. All of the above statutes are as amended.

2. This Reconfirmation Release does not prevent you from participating in investigations or proceedings conducted by the Equal Employment Opportunity Commission ("EEOC"), the National Labor Relations Board ("NLRB"), or similar state agencies. This Reconfirmation Release does not prevent you from reporting possible violations of federal law or regulation to, or cooperating with any investigation being conducted by, any governmental agency, or making other disclosures that are protected under the whistleblower provisions of federal law or regulation. This Reconfirmation Release does not affect the rights and responsibilities

of the EEOC to enforce the Title VII, the EPA, the ADEA, the ADA, GINA, Sections 102 and 103 of the Civil Rights Act if 1991, or Sections 501 and 505 of the Rehabilitation Act of 1973 and cannot be used to interfere with the protected rights of an employee related to an EEOC investigation or proceeding. However, you give up all rights to recover or receive damages, money, or other personal benefits as a result of any EEOC, NLRB or other agency charge, investigation or proceeding. This Reconfirmation Release does not prevent you from exercising your rights, if any, to (a) vested benefits under any pension or savings plan or deferred compensation plan; (b) COBRA benefits; (c) workers' compensation benefits; (d) unemployment benefit claims; (e) pay for accrued but unused vacation; (f) base salary through the Retirement Date; and/or (g) indemnification pursuant to any agreement with NMG, NMG by-laws or other organizational documents, or as provided by state law as well as any other claims that cannot lawfully be released.

3. You will not sue NMG (as defined in the Retirement Agreement) with respect to claims you have released in this Reconfirmation Release, or otherwise break your promises under the Retirement Agreement or Reconfirmation Release. You must pay NMG's legal fees if you sue NMG or otherwise break your promises in this Reconfirmation Release or the Retirement Agreement. You do not have to pay NMG's legal fees under this paragraph, and that you will not be penalized in any way, if you challenge only the validity of the waiver or release of age discrimination claims under the ADEA.

4. The making of this Reconfirmation Release is not intended, and shall not be construed, as an admission that the Company or any of the Released Parties have violated any federal, state or local law (statutory or decisional), ordinance or regulation, breached any contract or committed any wrongdoing whatsoever against you or otherwise.

5. By signing below, you acknowledge that you: (a) have carefully read this Reconfirmation Release in its entirety; (b) have had an opportunity to consider the terms of this Reconfirmation Release for at least twenty-one (21) calendar days; (c) are advised by the Company to consult with an attorney of your choice before signing this Reconfirmation Release; (d) fully understand the significance of all of the terms and conditions of this Reconfirmation Release and have discussed them with an attorney of your choice, or have had a reasonable opportunity to do so; and (e) are signing this Reconfirmation Release voluntarily and of your own free will and agree to abide by all the terms and conditions contained herein.

6. By signing below, you confirm that you have returned all equipment and intellectual property of NMG.

[Remainder of Page Left Intentionally Blank]

Agreed to and accepted by, on this ____ day of _____, 201__:

Karen Katz:

_____

Exhibit B

Director Services Agreement

Exhibit C

Amended & Restated Time-Vested Option Non-Qualified Stock Option Agreement

PRIVATE AND CONFIDENTIAL

February 12, 2018

Dear Ms. Katz:

Neiman Marcus Group, Inc. ("**us**", "**we**" or the "**Company**"), is pleased that you have accepted our offer to remain on the Company's Board of Directors (the "**Board**") as a member of the Board (a "**Director**"). This letter sets out the main terms of your continued service on the Board from and after the date hereof, and is a contract for services and not a contract of employment.

1. APPOINTMENT, RESIGNATION AND REMOVAL

1.1 You shall serve on the Board in accordance with, and subject to, the Certificate of Incorporation of the Company (as amended from time to time, the "**Charter**"), the By-Laws of the Company (as amended from time to time, the "**By-Laws**") and the Stockholders Agreement, dated as of October 25, 2013, by and among the Company, Ares Corporate Opportunities Fund III, L.P., Ares Corporate Opportunities Fund IV, L.P., CPP Investment Board (USRE) Inc., ACOF Mariposa Holdings LLC and the other Securityholders (as defined therein) party thereto (as amended from time to time, the "**Stockholders Agreement**").

1.2 You may resign as a Director at any time by providing written notice thereof in accordance with the By-Laws. In addition, you may be removed at any time in accordance with the Charter, the By-Laws and the Stockholders Agreement.

1.3 The Company may request that you serve as a director on the board of directors or other governing body of any of the Company's subsidiaries, and your appointment, resignation or removal from any such board of directors or other governing body shall be subject to the certificate of incorporation and by-laws (or other similar governing documents) of such subsidiary and the Stockholders Agreement.

2. ROLE AND DUTIES

2.1 For so long as you are a Director, you shall provide those services as (a) are required of a director under the General Corporation Law of the State of Delaware and all other applicable state and federal laws and regulations, (b) are customarily associated with and are incident to the position of a director and (c) the Company may, from time to time, reasonably request, consistent with your position as a Director.

2.2 Without limiting the foregoing, for so long as you are a Director, you shall (a) meet with the Company upon the Company's request, at dates and times mutually agreeable to you and the Company, to discuss any matters that involve or may involve issues of which you have knowledge, and (b) cooperate with the Company in the planning, review and execution of any such matter. The Company anticipates that you will participate in (i) at least four to five in person Board meetings per year at the Company's headquarters, or other locations

as determined by the Company and (ii) monthly conference calls to discuss financial and operational results with, and provide advice to, the Company, as may be reasonably requested by the Company.

2.3 Unless you are otherwise specifically authorized by the Board, you shall not enter into any legal or other commitment or contract on behalf of the Company, nor shall you hold yourself out as having any authority to bind or to speak on behalf of the Company.

2.4 For so long as you are a Director, you shall provide the Company with prior written notice before joining the board of directors, board of managers or other similar governing body of any entity.

3. FEES AND EXPENSES; INDEMNIFICATION

3.1 For so long as you are a Director, the Company shall pay, or cause to be paid, to you an annual fee of $50,000, which shall be payable in equal installments quarterly in arrears. If the Board requests your services as the chair of the Board or one of the committees of the Board, you may be paid an additional mutually agreed upon fee. Such fee(s) shall be prorated for the actual number of days you serve as a Director (or Chair) in any quarter.

3.2 In addition, the Company may from time to time grant you options to purchase common stock of the Company in accordance with, and subject to, one or more option award agreements.

3.3 For so long as you are a Director, you shall be eligible to participate in either the Company's medical and executive medical plans as in effect from time to time, or, if such participation is not permissible under applicable law or commercially practicable, under separate arrangements that provide you with comparable benefits.

3.4 The Company shall reimburse you, or cause to be reimbursed to you, all reasonable and properly documented out-of-pocket expenses that you incur in performing your duties in accordance with the Company's procedure and other guidance in respect of expense claims.

3.5 Upon your resignation or removal as a Director, you shall only be entitled to (a) a pro rata portion of your annual fee as set forth in Section 3.1 and (b) reimbursement of any expenses, in accordance with Section 3.4, that are properly incurred before the date of such resignation or removal.

3.6 All amounts payable hereunder will be paid after deduction or withholding of all taxes and other amounts that are required by law, as determined by the Company.

3.7 With respect to your service as a director, you will be entitled to indemnification to the maximum extent permitted by applicable state law, and as otherwise provided under the Company's by-laws or other organizational documents, and coverage under any director and officer liability insurance policy maintained by the Company, in each case, on a basis that is no less favorable than that available to any other director of the Company.

4. OUTSIDE INTERESTS

You represent and warrant that you are not subject to (a) any restrictions that prevent you from serving as a Director or (b) any commitments that give rise to a conflict of interest with respect to, or otherwise conflict with, any of your duties as a Director. You agree that (i) you hold a position of trust and confidence with the Company, (ii) have fiduciary duties as a Director to the Company that are subject to the standards imposed by the statutes, court decisions and other applicable law of the State of Delaware, (iii) you have been appointed as a Director in reliance on your agreements and representations in this letter and (iv) if, at any time, you become aware of any facts or circumstances that would cause any of your representations and warranties in the first sentence of this Section 4 to be untrue if made as of such time, you will promptly disclose such facts or circumstances in writing to the Board.

5. CONFIDENTIALITY

All information acquired from or on behalf of the Company or any of its affiliates, or otherwise in connection with your service as a Director, is confidential and you shall not directly or indirectly release, communicate, disclose or use such information for any reason other than, during your service as a Director, in the interests of the Company and its subsidiaries. This restriction shall not apply to any information that (a) is or may become generally available to the public, other than as a result of your breach of the terms of this letter, or (b) is required to be disclosed by applicable law; provided that you shall, to the extent legally permissible, give the Company written notice of such requirement prior to any such disclosure to enable Company to seek a protective order or otherwise prevent such disclosure. You shall hold and retain such information (in whatever form you may receive it) under appropriately secure conditions.

6. ADDRESS FOR NOTICE AND PERSONAL CONTACT DETAILS

You shall advise the Company's General Counsel promptly of any change in your address or other personal contact details.

7. RETURN OF PROPERTY

All files, documents, records, papers, electronic mail transmissions and other materials (collectively, "**Materials**") furnished to you by or on behalf of the Company or any of its affiliates are the sole and exclusive property of the Company or such affiliate. Upon your resignation or removal as a Director, or at any time upon the Company's request, you shall promptly return to the Company all such Materials and all other property belonging to the Company or any of its affiliates that may be in your possession or under your control, and you shall not retain any copies thereof.

8. RESTRICTIVE COVENANTS

You agree to be bound by the confidentiality, nondisparagement, non-competition, non-solicitation and intellectual property covenants contained in Sections 8, 9 and 10 of the Employment Agreement between you and The Neiman Marcus Group, LLC, dated October 25, 2013. Provided, however, for such purposes, any reference to your employment or the end of your employment in such sections

of the Employment Agreement shall also include your services or the end of your services as a Director. For the avoidance of doubt, you shall not engage in any Restricted Activities (as defined in the Employment Agreement) for a period of two years following your resignation or removal as a Director.

9. SEVERABILITY; COUNTERPARTS; AMENDMENTS; SECTION 409A

9.1 If at any time any of the provisions of this letter shall be held invalid or unenforceable, or are prohibited by the laws of the jurisdiction where they are to be performed or enforced, by reason of being vague or unreasonable as to duration or geographic scope or scope of the activities restricted, or for any other reason, such provisions shall be considered divisible and shall become and be immediately amended to include only such restrictions and to such extent as shall be deemed to be reasonable and enforceable by the court or other body having jurisdiction over this letter, and you and the Company agree that the provisions of this letter, as so amended, shall be valid and binding as though any invalid or unenforceable provisions had not been included.

9.2 This letter may be signed in counterparts (including (without limitation) by facsimile or electronic transmission).

9.3 No amendment or modification of this letter shall be effective unless it is in writing and signed by you and the Company (or either such party's authorized representative). The failure of either party to require the performance of any term or obligation of this letter, or the waiver by either party of any breach of this letter, shall not prevent any subsequent enforcement of such term or obligation and shall not be deemed a waiver of any subsequent breach.

9.4 Notwithstanding any provision of this letter to the contrary, this letter is intended to comply with the requirements of Section 409A of the Code and the regulations and Treasury guidance thereunder (collectively, "**Section 409A**"). Accordingly, all provisions herein, or incorporated by reference, shall be construed and interpreted to comply with Section 409A. Further, for purposes of the limitation on nonqualified deferred compensation under Section 409A, each payment of compensation under this letter shall be treated as a separate payment of compensation.

10. GOVERNING LAW AND JURISDICTION

10.1 This letter and any dispute or claim arising out of or in connection with it or its subject matter or formation (including without limitation non-contractual disputes or claims and the legal relationships between the parties hereto) shall be governed by the laws of the State of Delaware without regard to the principles of conflict of laws that would cause the application of laws of any jurisdiction other than those of the State of Delaware.

10.2 Any legal actions or proceedings against either party arising out of this letter or any dispute or claim arising out of or in connection with it or its subject matter or formation (including without limitation non-contractual disputes or claims and the legal relationships between

the parties hereto) will be brought in any state or federal court of appropriate jurisdiction sitting in Dallas County, Texas. Each party submits to and accepts the exclusive jurisdiction of such courts for the purpose of legal actions or proceedings and waives any objection (including without limitation any objection based on inconvenient forum) to this choice of venue for any dispute or claim that arises out of or in connection with this letter or its subject matter or formation (including without limitation non-contractual disputes or claims and the legal relationships between the parties hereto). Each party agrees that the exclusive choice of forum set forth in this Section 10.2 does not prohibit the enforcement of any judgment obtained in that forum or any other appropriate forum.

[*Remainder of Page Left Intentionally Blank*]

Please indicate your acceptance of these terms by signing and returning the attached copy of this letter to the Chief Executive Officer.

Yours sincerely,

For and on behalf of the Company

/s/ Geoffroy van Raemdonck
Name: Geoffroy van Raemdonck
Title: Chief Executive Officer

I confirm and agree to the terms of my appointment as a Director of the Company as set out in this letter.

/s/ Karen Katz
Karen Katz

EXHIBIT 10.8

Award Number: ____

NEIMAN MARCUS GROUP, INC.

Amended & Restated
Time-Vested
Non-Qualified Stock Option Agreement
Pursuant to the
Neiman Marcus Group, Inc.
Management Equity Incentive Plan

AMENDED AND RESTATED AGREEMENT ("**Agreement**"), dated as of **[●]** between Neiman Marcus Group, Inc., a Delaware corporation (the "**Company**"), and Karen Katz (the "**Participant**").

Preliminary Statement

This Agreement amends and restates the Time-Vested Option Non-Qualified Stock Option Agreement pursuant to the Neiman Marcus Group, Inc. Management Equity Incentive Plan, dated November 5, 2013 (the "**Previous Agreement**"), in its entirety. The Committee granted a non-qualified stock option (the "**Option**") as of November 5, 2013 (the "**Grant Date**"), pursuant to the Neiman Marcus Group, Inc. Management Equity Incentive Plan (the "**Plan**"), to purchase 25,099 shares of Class A Common Stock, $0.001 par value per share of the Company (the "**Class A Common Stock**"), and Class B Common Stock, par value $0.001 per share, of the Company (the "**Class B Common Stock**," and, together with the Class A Common Stock, the "**Common Stock**"), set forth below to the Participant, as an Eligible Employee. The Participant has consented to the forfeiture of 16,733 shares of Common Stock underlying the Option for a remaining grant of 8,366 shares of Class A Common Stock and Class B Common Stock underlying the Option. Except as otherwise indicated, any capitalized term used but not defined herein shall have the meaning ascribed to such term in the Plan. By signing and returning this Agreement, the Participant acknowledges having received and read a copy of the Plan and agrees to comply with it, this Agreement and all applicable laws and regulations.

Accordingly, the parties hereto agree as follows:

1. **Tax Matters**. No part of the Option is intended to qualify as an "incentive stock option" under Section 422 of the Internal Revenue Code of 1986, as amended (the "**Code**").

2. **Common Stock Subject to Option; Unit Exercise Price**.

(a) Subject to the Plan and the terms and conditions set forth herein and therein, the Option entitles the Participant to purchase from the Company, upon exercise thereof, 8,366 shares of Class A Common Stock and 8,366 shares of Class B Common Stock, provided that any exercise of the Option shall be with respect to an equal number of shares of Class A Common Stock and Class B Common Stock concurrently. The exercise price under the

Option is $500 for each unit (a "**Unit**") consisting of one share of Class A Common Stock and one share of Class B Common Stock, subject to increase as provided in this Section 2 and adjustment as provided in Section 4.2 of the Plan (the "**Unit Exercise Price**").

(b) If the Company declares or pays an extraordinary dividend or distribution (whether in cash, securities or other property) to the holders of Class A Common Stock, the Unit Exercise Price shall be increased immediately prior to the earlier of the declaration or payment of such dividend or distribution by an amount equal to 50% of the value of the dividend or distribution declared or paid, as the case may be, with respect to one share of Class A Common Stock prior to such exercise price being decreased or otherwise adjusted in accordance with Section 4.2(b) of the Plan at the time of such extraordinary dividend or distribution; provided, that the total amount of all increases in the Unit Exercise Price made pursuant to this Section 2(b) may not exceed $500. Notwithstanding the foregoing, if the extraordinary dividend or distribution is declared or paid, as the case may be, following the sale (in a single transaction or a series of related transactions) of (i) at least 95% of the assets of the Company and its Subsidiaries, taken as a whole (determined by fair market value), and (ii) all business lines of the Company and its Subsidiaries, the Unit Exercise Price shall not be increased pursuant to this Section 2(b).

(c) Notwithstanding any other provisions in the Plan or this Agreement, the Committee may, in its sole discretion, declare that, during any periods determined by the Committee (a "**Restricted Exercise Period**"), the Unit Exercise Price will be $1,000, subject to adjustment as provided in Section 4.2 of the Plan; provided, no Restricted Exercise Period may end on or after the business day immediately prior to the Expiration Date. In the event of the Participant's Termination during a Restricted Exercise Period by reason of death, Disability, involuntary termination without Cause, or by the Participant for Good Reason, the Participant may exercise that portion of the Option that is vested and exercisable on the later of (i) the expiration of the applicable post-Termination exercise period (as provided in Section 9.2 of the Plan), and (ii) the day immediately following the termination of such Restricted Exercise Period.

3. **Vesting**. The Options are fully vested as of the date of this Agreement.

4. **Exercise**.

(a) **Exercise Requirements**. To the extent that the Option has become vested and exercisable with respect to a number of shares of Common Stock, the Option may thereafter be exercised by the Participant, in whole or in part, at any time or from time to time prior to the expiration of the Option in accordance with the Plan, provided that the Participant must exercise the Option with respect to an equal number of shares of Class A Common Stock and Class B Common Stock subject to the Option concurrently. Notwithstanding the foregoing, the Participant may not exercise the Option unless the offering of shares of Common Stock issuable upon such exercise (i) is then registered under the Securities Act, or, if such offering is not then so registered, the Company has determined that such offering is exempt from the registration requirements of the Securities Act and (ii) complies with all other applicable laws and regulations; provided that, if the Option cannot be exercised by reason of this Section 4(a),

then, to the extent the circumstances preventing the exercise of the Option can reasonably be remedied, the Company shall use commercially reasonable efforts to remedy such circumstances, which method of remediation shall be determined by the Company in its sole discretion.

(b) **Post-Termination Exercise**. Following Participant's Termination of Employment (as defined in the Plan but without giving effect to the second sentence of the definition thereof for all purposes hereunder), subject to Section 5 below, any then outstanding portion of the Option shall remain outstanding and shall be exercisable until the later of (A) three years from the Retirement Date (as defined in the Retirement Agreement and General Release of Claims between the Participant and The Neiman Group, LLC dated January 4, 2018) and (B) 180 days following the date of Termination of Directorship. If prior to the expiration of the periods set forth in clauses (A) and (B) above, as applicable, no Initial Public Offering or Acquisition Event in which stockholders are entitled to receive all cash or marketable securities has occurred, the Participant may exercise such vested portion of the Option by means of a Cashless Exercise. "**Cashless Exercise**" means an election by the Participant to exercise the vested portion of the Option by having the Company withhold, from fully vested Units otherwise issuable to Participant upon such exercise, a number of whole Units having a Fair Market Value, as of the date of exercise, equal to (A) an amount equal to the applicable aggregate Unit Exercise Price relating to the vested portion of the Option, or (B) an amount necessary to satisfy any required federal, state, local or other non-U.S. withholding obligations using the minimum statutory withholding rates for federal, state, local or non-U.S. tax purposes, including payroll taxes, in all cases under clause (A) or (B), to the extent not prohibited under any debt or financing agreements of the Company or any of its subsidiaries ("**Company Agreements**").

(c) **Contingent Exercise**. In connection with a Drag-Along Sale, a Tag-Along Sale or a Piggyback Registration (as such terms are defined in the Stockholders Agreement) (in each case a "**Sale**"), the Company shall deliver a notice informing the Participant of such Sale (a "**Sale Notice**") prior to the date of consummation of the Sale. During the period from the date on which the Sale Notice is delivered to the date specified in the Sale Notice, the Participant shall have the right to exercise any then vested Options in accordance with the Plan, contingent upon and subject to the consummation of the Sale, and, if the Sale does not take place within a specified period after delivery of the Sale Notice for any reason whatsoever, the exercise pursuant thereto shall be null and void.

5. **Option Term**. The term of the Option shall be until the tenth anniversary of the Grant Date, after which time it shall expire (the "**Expiration Date**"). Notwithstanding anything herein to the contrary, upon the Expiration Date, the Option (whether vested or not) shall be immediately forfeited, canceled and terminated for no consideration and no longer shall be exercisable. The Option is subject to termination prior to the Expiration Date to the extent provided in this Agreement.

6. **Detrimental Activity**. The provisions in the Plan regarding Detrimental Activity shall apply to the Option; provided, that notwithstanding anything contained in Section

6.3(c)(i) of the Plan to the contrary, such provision shall apply only if the Detrimental Activity occurs during the Participant's employment or service or the two year period following the date of Termination. The restrictions regarding Detrimental Activity are necessary for the protection of the business and goodwill of the Company and are considered by the Participant to be reasonable for such purposes.

7. **Termination and Change in Control**. Except as expressly provided herein, the provisions in the Plan regarding Termination and Change in Control shall apply to the Option.

8. **Restriction on Transfer of Option**. Unless otherwise determined by the Committee in accordance with the Plan, (a) no part of the Option shall be Transferable other than by will or by the laws of descent and distribution and (b) during the lifetime of the Participant, the Option may be exercised only by the Participant or the Participant's guardian or legal representative. Any attempt to Transfer the Option other than in accordance with the Plan shall be void.

9. **Company's Right to Repurchase; Other Restrictions**.

(a) **Company's Right to Repurchase**. In the event of the Participant's Termination for any reason, the Company shall have the right (the "**Repurchase Right**"), but not the obligation, to repurchase (or to cause one or more of its designees to repurchase) from the Participant (or her transferee) (1) any or all of the shares of Common Stock acquired upon the exercise of the Option and still held at the time of such repurchase by the Participant (or her transferee) or (2) any vested but unexercised portion of the Option, at the price determined in the manner set forth below (the "**Repurchase Price**"), during each period set forth below (each, a "**Repurchase Period**") and to the extent set forth below:

(i) Termination for Cause and Detrimental Activity. In the event of Termination by the Company for Cause or the discovery that the Participant engaged in Detrimental Activity during the period of employment or service or the two-year period following Termination, the Company may exercise the Repurchase Right with respect to all Units previously acquired pursuant to the exercise of the Option. The Repurchase Period under this Section 9(a)(i) shall be 180 days from the date of Termination (or, if later, 180 days from the date of discovery by the Company that the Participant engaged in Detrimental Activity). The Repurchase Price under this Section 9(a)(i) shall be, with respect to each Unit, the lesser of (A) the Unit Exercise Price and (B) the Fair Market Value of a Unit on the date of Termination.

(ii) Other Termination. In the event of Termination for any reason other than (x) Termination by the Company for Cause or (y) the discovery by the Company that the Participant engaged in Detrimental Activity during the period of employment or service or the two-year period following Termination:

(A) The Company may exercise the Repurchase Right with respect to all Units acquired pursuant to the exercise of the Option. The Repurchase

Period under this Section 9(a)(ii)(A) shall be the later of (i) 180 days from the date of Termination and (ii) if the Participant exercises any Option prior to or following Termination, 30 days from the date of such exercise. The Repurchase Price under this Section 9(a)(ii)(A) shall be, with respect to each Unit, the Fair Market Value of a Unit on the date the repurchase is exercised.

(B) The Company may exercise the Repurchase Right with respect to the vested but unexercised portion of the Option. The Repurchase Period under this Section 9(a)(ii)(B) shall be 180 days from the date of Termination but not prior to the third anniversary of the Retirement Date. The Repurchase Price under this Section 9(a)(ii)(B) shall be the product of (1) the excess (if any) of the Fair Market Value of a Unit on the date the repurchase is exercised over the Unit Exercise Price multiplied by (2) the number of Units covered by the Option being repurchased. For the avoidance of doubt, upon such repurchase such Option shall no longer be exercisable for any Units or shares of Common Stock.

(iii) Method of Repurchase. To exercise any Repurchase Right, the Company (or one or more of its designees) shall deliver a written notice to the Participant (or her transferee) setting forth the securities to be repurchased and the applicable Repurchase Price thereof, and the date on which such repurchase is to be consummated, which date shall be not less than 15 days or more than 30 days after the date of such notice. On the date of consummation of the repurchase, the Company (or its designee) will pay the Participant (or her transferee) the applicable Repurchase Price in cash or, in the Company's discretion and to the extent not prohibited by law, by cancellation of undisputed indebtedness of the Participant to the Company. The Company may exercise its Repurchase Rights upon one or more occasions at any time during the Repurchase Periods set forth above.

(iv) Extension of Repurchase Period. Notwithstanding the foregoing and Section 13.1(d) of the Plan, the Repurchase Period and the date on which any repurchase is to be consummated only may be extended by the Company at any time when repurchase by the Company (or its designee) (A) is prohibited pursuant to applicable law or (B) is prohibited under any Company Agreement.

(v) Effect of Registration. Notwithstanding the foregoing, the Company shall cease to have rights of repurchase pursuant to this Section 9(a) on and after a Registration Date.

(b) Placing Shares in Escrow. Prior to an Initial Public Offering, to ensure that the shares of Common Stock issuable upon exercise of the Option are not transferred in contravention of the terms of the Plan and this Agreement, and to ensure compliance with other provisions of the Plan and this Agreement, the Company may deposit any certificates evidencing such shares with an escrow agent designated by the Company to be held on terms consistent with the Plan, this Agreement and the Stockholders Agreement.

10. **Securities Representations**. Prior to registration of the offering of the Common Stock subject to the Option pursuant to the Securities Act and all other applicable securities laws, upon each exercise thereof, the Participant shall be deemed to make the representations, warranties and covenants set forth below, and any issuances of Common Stock by the Company shall be made in reliance upon the express representations and warranties of the Participant. The Company may also condition any such exercise on the Participant making any other representations, warranties and covenants, requested by the Company for compliance with applicable laws. The Company is relying on the Participant's representations, warranties and covenants set forth in this Section 10.

(a) The Participant is acquiring and will hold the Units for investment for her account only and not with a view to, or for resale in connection with, any "distribution" thereof within the meaning of the Securities Act or other applicable securities laws.

(b) The Participant has been advised that offerings of the Units or shares of Common Stock have not been registered under the Securities Act or other applicable securities laws, and that the Units must be held indefinitely, unless the resales thereof are subsequently registered under the applicable securities laws or the Participant obtains an opinion of counsel (in the form and substance satisfactory to the Company and its counsel) that registration is not required. The Company is under no obligation to register offerings of the Units or shares of Common Stock.

(c) The Participant is an "Accredited Investor" as such term is defined under Rule 501(a) of Regulation D promulgated under the Securities Act. The Participant has such knowledge and experience in financial and business matters that the Participant is capable of evaluating the merits and risks of investment in the Company and of making an informed investment decision. The Participant, or the Participant's professional advisor, has the capacity to protect the Participant's concerns in connection with the investment in the shares of Common Stock, and the Participant is able to bear the economic risk, including the complete loss, of an investment in the shares of Common Stock.

(d) The Participant will not sell, transfer or otherwise dispose of the Units or shares of Common Stock in violation of the Plan, this Agreement, the Securities Act (or the rules and regulations promulgated thereunder) or any other applicable laws.

(e) The Participant has been furnished with, and has had access to, such information as she considers necessary or appropriate for deciding whether to exercise the Option, and the Participant has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions hereof.

(f) The Participant is aware that any investment in the Company is a speculative investment that has limited liquidity and is subject to the risk of complete loss. The Participant is able, without impairing her financial condition, to hold the Units for an indefinite period and to suffer a complete loss of her investment.

11. **No Rights as Stockholder**. The Participant shall have no rights as a stockholder with respect to any shares of Common Stock covered by the Option unless and until the Participant has become the holder of record of such shares, and no adjustments shall be made for dividends (whether in cash, in kind or other property), distributions or other rights in respect of any such shares, except as otherwise specifically provided for in the Plan.

12. **Provisions of Plan Control**. This Agreement is subject to all the terms, conditions and provisions of the Plan, including the amendment provisions thereof, and to such rules, regulations and interpretations relating to the Plan as may be adopted by the Committee and as may be in effect from time to time. The Plan is incorporated herein by reference.

13. **Notices**. All notices, demands or requests made pursuant to, under or by virtue of this Agreement must be in writing and sent to the party to which the notice, demand or request is being made:

(a) unless otherwise specified by the Company in a notice delivered by the Company in accordance with this Section 13, any notice required to be delivered to the Company shall be properly delivered if delivered to:

Neiman Marcus Group, Inc.
c/o Ares Management LLC
2000 Avenue of the Stars, 12th Floor
Los Angeles, CA 90067
Attention: Dennis Gies
Telephone: (310) 201-4100
Facsimile: (310) 201-4170

Neiman Marcus Group, Inc.
1618 Main Street
Dallas, TX 75201
Attention: General Counsel
Telephone: (214) 743-7610
Facsimile: (214) 743-7611

with a copy (which shall not constitute notice) to:

Proskauer Rose LLP
2049 Century Park East, Suite 3200
Los Angeles, CA 90067
Attention: Jonathan Benloulou, Esq.
Telephone: (310) 284-5698
Facsimile: (310) 557-2193

(b) if to the Participant, to the address on file with the Employer.

Any notice, demand or request, if made in accordance with this Section 13 shall be deemed to have been duly given: (i) when delivered in person; (ii) three days after being sent by United States mail; or (iii) on the first business day following the date of deposit if delivered by a nationally recognized overnight delivery service.

14. **No Right to Directorship, Consultancy or Employment**. This Agreement is not an agreement of directorship, consultancy or employment. None of this Agreement, the Plan or the grant of the Option hereunder shall (a) guarantee that the Company or any other person or entity will employ or retain the services of the Participant for any specific time period or (b) modify or limit in any respect the Company's or any other person's or entity's right to terminate or modify the Participant's employment, services or compensation.

15. **Stockholders Agreement**. As a condition to the receipt of shares of Common Stock when the Option is exercised, the Participant shall execute and deliver a Joinder Agreement or such other documentation as required by the Committee. The Participant acknowledges receipt of a copy of the Stockholders Agreement as in effect on the date hereof.

16. **Lock-Up Period**. The Option shall be subject to the lock-up provisions of Section 14.18 of the Plan except that any Lock-Up Period to which the Participant may be subject in connection with the Option shall not be longer or more restrictive than the lock-up period that applies to Ares or CPPIB.

17. **Dispute Resolution**. All controversies and claims arising out of or relating to this Agreement, or the breach hereof, shall be settled by the dispute resolution provisions in any employment agreement, or similar agreement, between the Company and the Participant or, if none, the Employer's mandatory dispute resolution procedures as may be in effect from time to time with respect to matters arising out of or relating to Participant's employment with the Employer.

18. **Severability of Provisions**. If any provision of this Agreement shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof, and the Agreement shall be construed and enforced as if such provisions had not been included.

19. **Governing Law**. All matters arising out of or relating to this Agreement and the transactions contemplated hereby, including its validity, interpretation, construction, performance and enforcement, shall be governed by and construed in accordance with the internal laws of the State of Delaware, without giving effect to its principles of conflict of laws that would require the application of the laws of another jurisdiction.

20. **Section 409A**. The Option is intended to be exempt from the applicable requirements of Section 409A of the Code and shall be limited, construed and interpreted in accordance with such intent; provided, that the Company does not guarantee to the Participant any particular tax treatment of the Option. The Company shall not be liable to the Participant for any additional tax, interest or penalties that may be imposed on the Participant by Section 409A of the Code or any damages for failing to comply with Section 409A of the Code. For

purposes of determining the Fair Market Value of the shares of Common Stock underlying the Options, any appraisal of a nationally recognized independent valuation firm shall be determined in a manner generally consistent with prior valuations relating to Stock Options with respect to minority discounts and discounts for lack of marketability or liquidity, to the extent permitted by the applicable requirements of Section 409A of the Code.

21. **Interpretation**. Wherever any words are used in this Agreement in the masculine gender they shall be construed as though they were also used in the feminine gender in all cases where they would so apply. As used herein, (i) "or" shall mean "and/or" and (ii) "including" or "include" shall mean "including, without limitation."

22. **No Strict Construction**. This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted.

23. **Other Shares**. Notwithstanding anything in this Agreement or the Plan to the contrary, none of the shares of Common Stock owned from time to time by a Participant that were not acquired in connection with the grant of an Award to such Participant shall be subject to any of the terms, conditions or provisions of this Agreement or the Plan.

24. **Confidentiality**. The Participant hereby agrees to hold all confidential and proprietary information of the Company and its Affiliates received in connection with the grant of the Option, including any plan summaries or risk factors, in the strictest confidence. The Participant shall not, directly or indirectly, disclose or divulge any such confidential or proprietary information to any Person other than the Participant's legal counsel and financial advisors, or an officer, director or employee of, or legal counsel for, the Company or its Affiliates, to the extent necessary for the proper performance of his or her responsibilities, unless authorized to do so by the Company or compelled to do so by law or valid legal process; provided that nothing in this Agreement shall prohibit the Participant from reporting or disclosing information under the terms of the Company's Reporting Suspected Violations of Law Policy or such similar policy as the Company may have in effect from time to time.

[Remainder of Page Left Intentionally Blank]

IN WITNESS WHEREOF, the parties have executed this Agreement on the date and year first above written.

NEIMAN MARCUS GROUP, INC.

By:
Name:
Title:

Karen Katz

EXHIBIT 10.9

NEIMAN MARCUS GROUP, INC.

AMENDMENT TO
TIME-VESTED OPTION
NON-QUALIFIED STOCK OPTION AGREEMENT

Preliminary Statement

The terms of the Time-Vested Non-Qualified Stock Option Agreement [(designated as Award Number [●])], dated as of [●], evidencing an option granted pursuant to the **[Neiman Marcus Group, Inc. Management Equity Incentive Plan]/[Neiman Marcus Group, Inc. Vice President Long Term Incentive Plan]** (the "**Plan**") to **[NAME]** to purchase [●] shares of Class A Common Stock and [●] shares of Class B Common Stock of Neiman Marcus Group, Inc. at an exercise price of $[●] (the "**Agreement**"), hereby are amended by this amendment ("**Amendment**") effective January 4, 2018.

I. Section 2 of the Agreement is hereby deleted and replaced with the following:

"**Common Stock Subject to Option; Unit Exercise Price**.

(a) Subject to the Plan and the terms and conditions set forth herein and therein, the Option entitles the Participant to purchase from the Company, upon exercise thereof, [●] shares of Class A Common Stock and [●] shares of Class B Common Stock, provided that any exercise of the Option shall be with respect to an equal number of shares of Class A Common Stock and Class B Common Stock concurrently. The exercise price under the Option is $[●] for each unit (a "**Unit**") consisting of one share of Class A Common Stock and one share of Class B Common Stock, subject to increase as provided in this Section 2 and adjustment as provided in Section 4.2 of the Plan (the "**Unit Exercise Price**").

(b) If the Company declares or pays an extraordinary dividend or distribution (whether in cash, securities or other property) to the holders of Class A Common Stock, the Unit Exercise Price shall be increased immediately prior to the earlier of the declaration or payment of such dividend or distribution by an amount equal to 50% of the value of the dividend or distribution declared or paid, as the case may be, with respect to one share of Class A Common Stock prior to such exercise price being decreased or otherwise adjusted in accordance with Section 4.2(b) of the Plan at the time of such extraordinary dividend or distribution; provided, that the total amount of all increases in the Unit Exercise Price made pursuant to this Section 2(b) may not exceed $[●]. Notwithstanding the foregoing, if the extraordinary dividend or distribution is declared or paid, as the case may be, following the sale (in a single transaction or a series of related transactions) of (i) at least 95% of the assets of the Company and its Subsidiaries, taken as a whole (determined by fair market value), and (ii) all business lines of the Company and its Subsidiaries, the Unit Exercise Price shall not be increased pursuant to this Section 2(b).

(c) Notwithstanding any other provisions in the Plan or this Agreement, the Committee may, in its sole discretion, declare that, during any periods determined by the Committee (a "**Restricted Exercise Period**"), the Unit Exercise Price will be $[●], subject to adjustment as provided in Section 4.2 of the Plan; provided, no Restricted Exercise Period may end on or after the business day immediately prior to the Expiration Date. In the event of the Participant's Termination during a Restricted Exercise Period by reason of death, Disability, involuntary termination without Cause, or by the Participant for Good Reason, the Participant may exercise that portion of the Option that is vested and exercisable on the later of (i) the expiration of the applicable post-Termination exercise period (as provided in Section 9.2 of the Plan), and (ii) the day immediately following the termination of such Restricted Exercise Period."

2. Except as expressly modified by this Amendment, the Agreement shall continue to be and remain in full force and effect in accordance with its terms.

3. Capitalized terms used but not defined herein have the meaning ascribed to them in the Plan or the Agreement.

NEIMAN MARCUS GROUP, INC.

By: __
Name: Karen Katz
Title: Chief Executive Officer

EXHIBIT 31.1

Certification of Chief Executive Officer
Pursuant to Rule 13a-14(a) and Rule 15d-14(a)

I, Geoffroy van Raemdonck, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Neiman Marcus Group LTD LLC;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 9, 2018

/s/ GEOFFROY VAN RAEMDONCK

Geoffroy van Raemdonck
Chief Executive Officer

EXHIBIT 31.2

Certification of Interim Chief Financial Officer
Pursuant to Rule 13a-14(a) and Rule 15d-14(a)

I, T. Dale Stapleton, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Neiman Marcus Group LTD LLC;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 9, 2018

/s/ T. DALE STAPLETON

T. Dale Stapleton
Interim Chief Financial Officer, Senior Vice President and Chief Accounting Officer

EXHIBIT 32.1

Certification of Chief Executive Officer and Interim Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350

Pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, Geoffroy van Raemdonck, as Chief Executive Officer of Neiman Marcus Group LTD LLC (the Company), and T. Dale Stapleton, as Interim Chief Financial Officer of the Company, each hereby certifies, that, to such officer's knowledge:

(i) the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended January 27, 2018 (the Report) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 9, 2018

/s/ GEOFFROY VAN RAEMDONCK

Geoffroy van Raemdonck
Chief Executive Officer

Dated: March 9, 2018

/s/ T. DALE STAPLETON

T. Dale Stapleton
Interim Chief Financial Officer, Senior Vice President and Chief Accounting Officer