Table of Contents

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 October 28, 2017

OR

☐ **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 ☐ 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 ☐

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 ☐	Accelerated filer ☐
Non-accelerated filer ☒ (Do not check if a smaller reporting company)	Smaller reporting company ☐ Emerging growth company ☐

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. ☐

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

Table of Contents

NEIMAN MARCUS GROUP LTD LLC

INDEX

Table of Contents

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

(in thousands, except units)	October 28, 2017	July 29, 2017	October 29, 2016
ASSETS			
Current assets:			
Cash and cash equivalents	$ 41,464	$ 49,239	$ 42,077
Credit card receivables	44,345	38,836	42,699
Merchandise inventories	1,342,296	1,153,657	1,325,060
Other current assets	134,341	146,439	141,622
Total current assets	1,562,446	1,388,171	1,551,458
Property and equipment, net	1,559,566	1,586,961	1,607,499
Intangible assets, net	2,809,015	2,831,416	3,218,582
Goodwill	1,885,391	1,880,894	2,075,122
Other long-term assets	23,306	16,074	13,715
Total assets	$ 7,839,724	$ 7,703,516	$ 8,466,376
LIABILITIES AND MEMBER EQUITY			
Current liabilities:			
Accounts payable	$ 327,930	$ 316,830	$ 347,287
Accrued liabilities	514,317	456,937	485,450
Current portion of long-term debt	29,426	29,426	29,426
Total current liabilities	871,673	803,193	862,163
Long-term liabilities:			
Long-term debt, net of debt issuance costs	4,783,224	4,675,540	4,772,596
Deferred income taxes	1,147,182	1,156,833	1,281,296
Other long-term liabilities	586,086	601,298	627,343
Total long-term liabilities	6,516,492	6,433,671	6,681,235
Membership unit (1 unit issued and outstanding at October 28, 2017, July 29, 2017 and October 29, 2016)	—	—	—
Member capital	1,587,813	1,587,086	1,586,606
Accumulated other comprehensive loss	(53,034)	(63,431)	(114,871)
Accumulated deficit	(1,083,220)	(1,057,003)	(548,757)
Total member equity	451,559	466,652	922,978
Total liabilities and member equity	$ 7,839,724	$ 7,703,516	$ 8,466,376

See Notes to Condensed Consolidated Financial Statements.

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

(in thousands)	Thirteen weeks ended October 28, 2017	Thirteen weeks ended October 29, 2016
Revenues	$ 1,120,299	$ 1,079,107
Cost of goods sold including buying and occupancy costs (excluding depreciation)	722,887	699,895
Selling, general and administrative expenses (excluding depreciation)	295,280	276,596
Income from credit card program	(11,864)	(13,668)
Depreciation expense	55,228	56,884
Amortization of intangible assets	12,164	13,623
Amortization of favorable lease commitments	12,785	13,654
Other expenses	2,840	6,818
Operating earnings	30,979	25,305
Interest expense, net	76,098	72,083
Loss before income taxes	(45,119)	(46,778)
Income tax benefit	(18,902)	(23,265)
Net loss	$ (26,217)	$ (23,513)

See Notes to Condensed Consolidated Financial Statements.

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

(in thousands)	Thirteen weeks ended October 28, 2017	Thirteen weeks ended October 29, 2016
Net loss	$ (26,217)	$ (23,513)
Other comprehensive earnings:		
Foreign currency translation adjustments, before tax	8,607	3,769
Change in unrealized gain on financial instruments, before tax	5,172	3,266
Reclassification of realized loss on financial instruments to earnings, before tax	1,216	591
Change in unrealized loss on unfunded benefit obligations, before tax	592	(6,367)
Tax effect related to items of other comprehensive earnings	(5,190)	(289)
Total other comprehensive earnings	10,397	970
Total comprehensive loss	$ (15,820)	$ (22,543)

See Notes to Condensed Consolidated Financial Statements.

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

(in thousands)	Thirteen weeks ended October 28, 2017	Thirteen weeks ended October 29, 2016
CASH FLOWS - OPERATING ACTIVITIES		
Net loss	$ (26,217)	$ (23,513)
Adjustments to reconcile net loss to net cash used for operating activities:		
Depreciation and amortization expense	86,294	90,304
Deferred income taxes	(14,591)	(15,996)
Payment-in-kind interest	14,362	—
Other	(1,232)	(1,138)
	58,616	49,657
Changes in operating assets and liabilities:		
Merchandise inventories	(185,484)	(186,038)
Other current assets	5,163	(14,825)
Accounts payable and accrued liabilities	69,359	12,458
Deferred real estate credits	(660)	7,701
Funding of defined benefit pension plan	(4,100)	—
Net cash used for operating activities	(57,106)	(131,047)
CASH FLOWS - INVESTING ACTIVITIES		
Capital expenditures	(24,660)	(66,197)
Net cash used for investing activities	(24,660)	(66,197)
CASH FLOWS - FINANCING ACTIVITIES		
Borrowings under revolving credit facilities	191,793	270,000
Repayment of borrowings under revolving credit facilities	(110,891)	(80,000)
Repayment of borrowings under senior secured term loan facility	(7,357)	(7,357)
Debt issuance costs paid	—	(5,440)
Net cash provided by financing activities	73,545	177,203
Effect of exchange rate changes on cash and cash equivalents	446	275
CASH AND CASH EQUIVALENTS		
Decrease during the period	(7,775)	(19,766)
Beginning balance	49,239	61,843
Ending balance	$ 41,464	$ 42,077
Supplemental Schedule of Cash Flow Information		
Cash paid (received) during the period for:		
Interest	$ 73,550	$ 97,949
Income taxes	$ (3,552)	$ (119)
Non-cash - investing and financing activities:		
Property and equipment acquired through developer financing obligations	$ 2,077	$ 14,763
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 first quarter of fiscal year 2018 relate to the thirteen weeks ended October 28, 2017 and (ii) the first quarter of fiscal year 2017 relate to the thirteen weeks ended October 29, 2016.

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 first 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. This new guidance is effective for us 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 results 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.

In February 2016, the FASB issued guidance that requires a lessee to recognize assets and liabilities arising from leases on the balance sheet. Previous GAAP did not require lease assets and liabilities to be recognized for most 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. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee will not significantly change under this new guidance. This new guidance is effective for us as of the first quarter of fiscal year 2020.

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 value of the hedging instrument 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.

With respect to the recent accounting pronouncements described above, we are currently evaluating the impact of adopting these new accounting standards 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**	**October 28, 2017**	**July 29, 2017**	**October 29, 2016**
Assets:				
Interest rate swaps (included in other long-term assets)	Level 2	$ 11,363	$ 3,628	$ —
Liabilities:				
Interest rate swaps (included in other long-term liabilities)	Level 2	$ —	$ —	$ 10,523
Contingent earn-out obligation (included in accrued liabilities)	Level 3	—	—	25,454
Stock-based award liability (included in other long-term liabilities)	Level 3	5,166	1,344	4,364

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	October 28, 2017 Carrying Value	October 28, 2017 Fair Value	July 29, 2017 Carrying Value	July 29, 2017 Fair Value	October 29, 2016 Carrying Value	October 29, 2016 Fair Value
Long-term debt:							
Asset-Based Revolving Credit Facility	Level 2	$ 339,000	$ 339,000	$ 263,000	$ 263,000	$ 355,000	$ 355,000
Senior Secured Term Loan Facility	Level 2	2,832,276	2,264,065	2,839,633	2,113,766	2,861,703	2,639,921
mytheresa.com Credit Facilities	Level 2	4,869	4,869	—	—	—	—
Cash Pay Notes	Level 2	960,000	583,450	960,000	532,253	960,000	798,240
PIK Toggle Notes	Level 2	628,500	342,922	600,000	297,000	600,000	474,000
2028 Debentures	Level 2	122,731	79,375	122,677	87,490	122,517	116,191

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)	October 28, 2017	July 29, 2017	October 29, 2016
Favorable lease commitments, net	$ 917,800	$ 930,585	$ 971,880
Other definite-lived intangible assets, net	389,081	401,081	438,234
Tradenames	1,502,134	1,499,750	1,808,468
Intangible assets, net	$ 2,809,015	$ 2,831,416	$ 3,218,582
Goodwill	$ 1,885,391	$ 1,880,894	$ 2,075,122

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):

October 29, 2017 through July 28, 2018	$	72,793
2019		94,997
2020		88,301
2021		82,323
2022		82,473
2023		82,028

At October 28, 2017, accumulated amortization was $213.2 million for favorable lease commitments and $312.1 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	October 28, 2017	July 29, 2017	October 29, 2016
Asset-Based Revolving Credit Facility	variable	$ 339,000	$ 263,000	$ 355,000
Senior Secured Term Loan Facility	variable	2,832,276	2,839,633	2,861,703
mytheresa.com Credit Facilities	2.25%/2.39%	4,869	—	—
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%	122,731	122,677	122,517
Total debt		4,887,376	4,785,310	4,899,220
Less: current portion of Senior Secured Term Loan Facility		(29,426)	(29,426)	(29,426)
Less: unamortized debt issuance costs		(74,726)	(80,344)	(97,198)
Long-term debt, net of debt issuance costs		$ 4,783,224	$ 4,675,540	$ 4,772,596

Asset-Based Revolving Credit Facility. At October 28, 2017, 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 October 28, 2017, we had outstanding borrowings of $339.0 million under this facility, outstanding letters of credit of $1.8 million and unused commitments of $559.3 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 October 28, 2017, 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 October 28, 2017. 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 3.20% at October 28, 2017. 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 October 28, 2017, 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 $422.1 million, or 5.4% 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.

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 October 28, 2017, the outstanding balance under the Senior Secured Term Loan Facility was $2,832.3 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 October 28, 2017, 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 October 28, 2017. The interest rate on the outstanding borrowings pursuant to the Senior Secured Term Loan Facility was 4.49% at October 28, 2017.

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 October 28, 2017, 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 $422.1 million, or 5.4% 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.

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 October 28, 2017, mytheresa.com GmbH had outstanding borrowings of $4.9 million, or €4.1 million, guarantees of $1.3 million, or €1.1 million, and unused commitments of $11.6 million, or €9.8 million.

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 October 28, 2017, 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 October 28, 2017, 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 October 28, 2017, 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 October 28, 2017, 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 October 28, 2017, annual maturities of long-term debt during the current and next five fiscal years and thereafter are as follows (in millions):

October 29, 2017 through July 28, 2018	$	22.1
2019		29.4
2020		29.4
2021		3,090.4
2022		1,588.5
2023		—
Thereafter		127.6

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	
(in thousands)	**October 28, 2017**	**October 29, 2016**
Asset-Based Revolving Credit Facility	$ 2,313	$ 1,204
Senior Secured Term Loan Facility	33,418	31,444
mytheresa.com Credit Facilities	21	15
Cash Pay Notes	19,200	19,200
PIK Toggle Notes	14,362	13,125
2028 Debentures	2,227	2,227
Amortization of debt issue costs	6,117	6,143
Capitalized interest	(1,723)	(1,715)
Other, net	163	440
Interest expense, net	$ 76,098	$ 72,083

6. Derivative Financial Instruments

Interest Rate Swaps. At October 28, 2017, we had outstanding floating rate debt obligations of $3,171.3 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 $11.4 million at October 28, 2017 and a gain of $3.6 million at July 29, 2017, which amounts were included in other long-term assets, and a loss of $10.5 million at

October 29, 2016, which amount is included in other long-term liabilities. 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	
(in thousands)	**October 28, 2017**	**October 29, 2016**
Realized hedging losses related to interest rate swaps – included in net interest expense	$ 1,216	$ —
Realized hedging losses related to interest rate caps – included in net interest expense	—	591
Total	$ 1,216	$ 591

The amount of net losses recorded in other comprehensive loss at October 28, 2017 that is expected to be reclassified into interest expense in the next 12 months, if interest rates remain unchanged, is approximately $0.8 million.

7. Income Taxes

Our effective income tax rates are as follows:

	Thirteen weeks ended	
	October 28, 2017	**October 29, 2016**
Effective income tax rate	41.9%	49.7%

Our effective income tax rate on the loss for the first quarter of fiscal year 2018 exceeded the federal statutory tax rate of 35% due primarily to state and foreign income taxes.

Our effective income tax rate on the loss for the first quarter of fiscal year 2017 exceeded the federal statutory tax rate 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 October 28, 2017, the gross amount of unrecognized tax benefits was $2.0 million ($1.3 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 $0.4 million at October 28, 2017, $0.4 million at July 29, 2017 and $0.1 million at October 29, 2016.

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 October 28, 2017 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 Benefit Plans

Description of 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)	October 28, 2017	July 29, 2017	October 29, 2016
Pension Plan	$ 236,229	$ 240,737	$ 303,504
SERP Plan	111,596	112,739	120,325
Postretirement Plan	6,537	6,916	8,404
	354,362	360,392	432,233
Less: current portion	(6,679)	(7,803)	(6,553)
Long-term portion of benefit obligations	$ 347,683	$ 352,589	$ 425,680

Funding Policy and Status. Our policy is to fund the Pension Plan at or above the minimum level required by law. As of October 28, 2017, we believe we will be required to contribute $25.1 million to the Pension Plan in fiscal year 2018, of which $4.1 million was funded during the first quarter of fiscal year 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			
(in thousands)		**October 28, 2017**		**October 29, 2016**
Pension Plan:				
Interest cost	$	4,973	$	4,870
Expected return on plan assets		(5,396)		(5,331)
Net amortization of losses		170		663
Pension Plan expense (income)	$	(253)	$	202
SERP Plan:				
Interest cost	$	844	$	784
Net amortization of losses		—		23
SERP Plan expense	$	844	$	807
Postretirement Plan:				
Interest cost	$	51	$	55
Net amortization of gains		(180)		(146)
Postretirement Plan income	$	(129)	$	(91)

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 is currently set for hearing on December 18, 2017.

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*.

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 November 8, 2017, the court maintained the stay and set a further status conference for January 29, 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 November 8, 2017, the court maintained the stay and set a further status conference for January 29, 2018.

On September 27, 2016, a dormant Illinois putative class action lawsuit, *Catherine Ohle v. Neiman Marcus Group*, originally filed in the Circuit Court of Cook County, was revived by an Illinois appeals court when it reversed a June 2014 trial court's order granting summary judgment to the Company and dismissing the matter in its entirety. In *Ohle*, the plaintiff alleged that the Company's prior practice of conducting pre-employment credit checks of sales associates and considering credit history as a factor in its hiring decisions violated the Illinois Employee Credit Privacy Act. The appellate court reversed, holding that no exemption applied. The Company appealed the decision to the Illinois Supreme Court, and review was denied on January 25, 2017. The case was returned to the trial court for further proceedings. On September 19, 2017, the court granted final approval of a class settlement. The class settlement has been funded and the proceeds have been distributed to the class members. Any class proceeds that are uncashed or unable to be distributed will be provided to two charities designated by Neiman Marcus.

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. The Court has advised that it intends to rule in writing on plaintiffs' motion for final approval of the settlement.

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 $3.3 million in surety bonds outstanding at October 28, 2017, 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	3,144	360	9,658
Amounts reclassified from accumulated other comprehensive loss	—	739	—	739
Balance, October 28, 2017	$ (5,446)	$ 7,277	$ (54,865)	$ (53,034)

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 September 2016, the Compensation Committee determined that the exercise prices of certain time-vested and performance-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 (1) a repricing of 18,225 time-vested and performance-vested stock options to an exercise price of $1,000 per share and (2) modifications to the performance metrics applicable to all performance-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 October 28, 2017, 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 $3.7 million at October 28, 2017, $0.2 million at July 29, 2017 and $4.4 million at October 29, 2016.

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

	Thirteen weeks ended October 28, 2017	
(in actuals)	**Shares**	**Weighted Average Exercise Price**
Outstanding at July 29, 2017	196,416	$ 854
Granted	40,406	467
Exercised	(974)	180
Cancelled	(40,406)	467
Forfeited	(3,188)	1,003
Expired	(1,551)	363
Outstanding at October 28, 2017	190,703	$ 859

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 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).

If our Chief Executive Officer's employment is terminated by Parent without cause, by her for good reason (as defined in her employment agreement) or by reason of the non-renewal of her employment agreement, (i) prior to a change in control of Parent, 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, and (ii) following a change in control but before an IPO, all unvested shares of restricted stock will accelerate and vest. Upon such termination, our Chief Executive Officer will have the ability to exercise the put right with respect to vested shares in the first put period following termination of employment.

At October 28, 2017, 20,313 shares of unvested restricted common stock were outstanding. The recorded liability with respect to such shares was $1.5 million at October 28, 2017 and $1.2 million at July 29, 2017.

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

	Thirteen weeks ended	
(in thousands)	**October 28, 2017**	**October 29, 2016**
Stock compensation expense:		
Stock options	$ 4,253	$ 1,381
Restricted stock	306	—
Total	$ 4,559	$ 1,381

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	
(in thousands)	**October 28, 2017**	**October 29, 2016**
Expenses related to store closures	$ 1,318	$ —
Expenses related to Cyber-Attack, net of insurance recoveries	1,100	—
Expenses incurred in connection with strategic initiatives	422	6,553
MyTheresa acquisition costs (benefits)	—	(615)
Other expenses	—	880
Total	$ 2,840	$ 6,818

During fiscal year 2017, we began a process to assess our Last Call footprint and closed four of our Last Call stores. During the first quarter of fiscal year 2018, we announced that we will be closing ten additional Last Call stores in fiscal year 2018 in order to optimize our Last Call store portfolio. In the first quarter of fiscal year 2018, we incurred $1.3 million of expenses related to these store closures, which primarily consisted of severance costs.

We discovered in January 2014 that malicious software was clandestinely installed on our computer systems. In the first quarter of fiscal year 2018, we incurred legal expenses in connection with the Cyber-Attack.

We incurred professional fees and other costs aggregating $0.4 million in the first quarter of fiscal year 2018 and $6.6 million in the first quarter of fiscal year 2017 in connection with review of our resources and organizational processes ("Organizing for Growth"), implementation of our integrated merchandising and distribution system ("NMG One") and the evaluation of potential strategic alternatives. In connection with Organizing for Growth, we eliminated approximately 90 positions in the first quarter of fiscal year 2017 across our stores, divisions and facilities. We incurred $3.3 million of severance costs in the first quarter of fiscal year 2017.

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.

	October 28, 2017					
(in thousands)	Company	NMG	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS						
Current assets:						
Cash and cash equivalents	$ —	$ 35,812	$ 868	$ 4,784	$ —	$ 41,464
Credit card receivables	—	40,836	—	3,509	—	44,345
Merchandise inventories	—	1,066,302	178,049	97,945	—	1,342,296
Other current assets	—	120,568	8,597	5,763	(587)	134,341
Total current assets	—	1,263,518	187,514	112,001	(587)	1,562,446
Property and equipment, net	—	1,308,927	147,231	103,408	—	1,559,566
Intangible assets, net	—	496,771	2,237,726	74,518	—	2,809,015
Goodwill	—	1,338,844	414,402	132,145	—	1,885,391
Other long-term assets	—	21,922	1,384	—	—	23,306
Investments in subsidiaries	451,559	3,243,542	—	—	(3,695,101)	—
Total assets	$ 451,559	$ 7,673,524	$ 2,988,257	$ 422,072	$ (3,695,688)	$ 7,839,724
LIABILITIES AND MEMBER EQUITY						
Current liabilities:						
Accounts payable	$ —	$ 313,887	$ —	$ 14,043	$ —	$ 327,930
Accrued liabilities	—	386,853	89,690	38,361	(587)	514,317
Current portion of long-term debt	—	29,426	—	—	—	29,426
Total current liabilities	—	730,166	89,690	52,404	(587)	871,673
Long-term liabilities:						
Long-term debt, net of debt issuance costs	—	4,778,355	—	4,869	—	4,783,224
Deferred income taxes	—	1,132,282	—	14,900	—	1,147,182
Other long-term liabilities	—	581,162	5,397	(473)	—	586,086
Total long-term liabilities	—	6,491,799	5,397	19,296	—	6,516,492
Total member equity	451,559	451,559	2,893,170	350,372	(3,695,101)	451,559
Total liabilities and member equity	$ 451,559	$ 7,673,524	$ 2,988,257	$ 422,072	$ (3,695,688)	$ 7,839,724

(in thousands)	Company	NMG	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	July 29, 2017					
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)	Company	NMG	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	October 29, 2016					
ASSETS						
Current assets:						
Cash and cash equivalents	$ —	$ 32,930	$ 590	$ 8,557	$ —	$ 42,077
Credit card receivables	—	41,986	—	713	—	42,699
Merchandise inventories	—	1,075,930	179,537	69,593	—	1,325,060
Other current assets	—	131,074	8,967	3,013	(1,432)	141,622
Total current assets	—	1,281,920	189,094	81,876	(1,432)	1,551,458
Property and equipment, net	—	1,455,501	148,965	3,033	—	1,607,499
Intangible assets, net	—	551,654	2,593,726	73,202	—	3,218,582
Goodwill	—	1,412,146	537,263	125,713	—	2,075,122
Other long-term assets	—	10,580	3,135	—	—	13,715
Intercompany notes receivable	—	—	199,460	—	(199,460)	—
Investments in subsidiaries	922,978	3,599,514	—	—	(4,522,492)	—
Total assets	$ 922,978	$ 8,311,315	$ 3,671,643	$ 283,824	$ (4,723,384)	$ 8,466,376
LIABILITIES AND MEMBER EQUITY						
Current liabilities:						
Accounts payable	$ —	$ 335,959	$ —	$ 11,328	$ —	$ 347,287
Accrued liabilities	—	357,641	76,906	52,335	(1,432)	485,450
Current portion of long-term debt	—	29,426	—	—	—	29,426
Total current liabilities	—	723,026	76,906	63,663	(1,432)	862,163
Long-term liabilities:						
Long-term debt, net of debt issuance costs	—	4,772,596	—	—	—	4,772,596
Intercompany notes payable	—	—	—	199,460	(199,460)	—
Deferred income taxes	—	1,269,579	—	11,717	—	1,281,296
Other long-term liabilities	—	623,136	4,207	—	—	627,343
Total long-term liabilities	—	6,665,311	4,207	211,177	(199,460)	6,681,235
Total member equity	922,978	922,978	3,590,530	8,984	(4,522,492)	922,978
Total liabilities and member equity	$ 922,978	$ 8,311,315	$ 3,671,643	$ 283,824	$ (4,723,384)	$ 8,466,376

(in thousands)	Thirteen weeks ended October 28, 2017 Company	NMG	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues	$ —	$ 850,146	$ 196,059	$ 74,094	$ —	$ 1,120,299
Cost of goods sold including buying and occupancy costs (excluding depreciation)	—	551,949	123,567	47,371	—	722,887
Selling, general and administrative expenses (excluding depreciation)	—	237,065	35,323	22,892	—	295,280
Income from credit card program	—	(10,531)	(1,333)	—	—	(11,864)
Depreciation expense	—	49,259	3,992	1,977	—	55,228
Amortization of intangible assets and favorable lease commitments	—	12,985	11,564	400	—	24,949
Other expenses (income)	—	2,840	—	—	—	2,840
Operating earnings (loss)	—	6,579	22,946	1,454	—	30,979
Interest expense (income), net	—	76,130	—	(32)	—	76,098
Intercompany royalty charges (income)	—	39,433	(39,433)	—	—	—
Equity in loss (earnings) of subsidiaries	26,217	(64,285)	—	—	38,068	—
Earnings (loss) before income taxes	(26,217)	(44,699)	62,379	1,486	(38,068)	(45,119)
Income tax expense (benefit)	—	(18,482)	—	(420)	—	(18,902)
Net earnings (loss)	$ (26,217)	$ (26,217)	$ 62,379	$ 1,906	$ (38,068)	$ (26,217)
Total other comprehensive earnings (loss), net of tax	10,397	4,243	—	6,154	(10,397)	10,397
Total comprehensive earnings (loss)	$ (15,820)	$ (21,974)	$ 62,379	$ 8,060	$ (48,465)	$ (15,820)

(in thousands)	Thirteen weeks ended October 29, 2016 Company	NMG	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues	$ —	$ 836,605	$ 185,064	$ 57,438	$ —	$ 1,079,107
Cost of goods sold including buying and occupancy costs (excluding depreciation)	—	544,538	117,109	38,248	—	699,895
Selling, general and administrative expenses (excluding depreciation)	—	225,940	33,756	16,900	—	276,596
Income from credit card program	—	(12,429)	(1,239)	—	—	(13,668)
Depreciation expense	—	52,186	4,420	278	—	56,884
Amortization of intangible assets and favorable lease commitments	—	14,432	11,687	1,158	—	27,277
Other expenses (income)	—	8,123	—	(1,305)	—	6,818
Operating earnings (loss)	—	3,815	19,331	2,159	—	25,305
Interest expense (income), net	—	72,089	(1,434)	1,428	—	72,083
Intercompany royalty charges (income)	—	34,004	(34,004)	—	—	—
Equity in loss (earnings) of subsidiaries	23,513	(56,078)	—	—	32,565	—
Earnings (loss) before income taxes	(23,513)	(46,200)	54,769	731	(32,565)	(46,778)
Income tax expense (benefit)	—	(22,687)	—	(578)	—	(23,265)
Net earnings (loss)	$ (23,513)	$ (23,513)	$ 54,769	$ 1,309	$ (32,565)	$ (23,513)
Total other comprehensive earnings (loss), net of tax	970	(1,526)	—	2,496	(970)	970
Total comprehensive earnings (loss)	$ (22,543)	$ (25,039)	$ 54,769	$ 3,805	$ (33,535)	$ (22,543)

(in thousands)	Company	NMG	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	Thirteen weeks ended October 28, 2017					
CASH FLOWS - OPERATING ACTIVITIES						
Net earnings (loss)	$ (26,217)	$ (26,217)	$ 62,379	$ 1,906	$ (38,068)	$ (26,217)
Adjustments to reconcile net earnings (loss) to net cash provided by (used for) operating activities:						
Depreciation and amortization expense	—	68,361	15,556	2,377	—	86,294
Deferred income taxes	—	(14,418)	—	(173)	—	(14,591)
Payment-in-kind interest	—	14,362	—	—	—	14,362
Other	—	1,068	324	(2,624)	—	(1,232)
Intercompany royalty income payable (receivable)	—	39,433	(39,433)	—	—	—
Equity in loss (earnings) of subsidiaries	26,217	(64,285)	—	—	38,068	—
Changes in operating assets and liabilities, net	—	(58,251)	(36,671)	(20,800)	—	(115,722)
Net cash provided by (used for) operating activities	—	(39,947)	2,155	(19,314)	—	(57,106)
CASH FLOWS - INVESTING ACTIVITIES						
Capital expenditures	—	(21,185)	(1,936)	(1,539)	—	(24,660)
Net cash provided by (used for) investing activities	—	(21,185)	(1,936)	(1,539)	—	(24,660)
CASH FLOWS - FINANCING ACTIVITIES						
Borrowings under revolving credit facilities	—	186,000	—	5,793	—	191,793
Repayment of borrowings	—	(117,357)	—	(891)	—	(118,248)
Net cash provided by (used for) financing activities	—	68,643	—	4,902	—	73,545
Effect of exchange rate changes on cash and cash equivalents	—	—	—	446	—	446
CASH AND CASH EQUIVALENTS						
Increase (decrease) during the period	—	7,511	219	(15,505)	—	(7,775)
Beginning balance	—	28,301	649	20,289	—	49,239
Ending balance	$ —	$ 35,812	$ 868	$ 4,784	$ —	$ 41,464

(in thousands)	Company	NMG	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	Thirteen weeks ended October 29, 2016					
CASH FLOWS - OPERATING ACTIVITIES						
Net earnings (loss)	$ (23,513)	$ (23,513)	$ 54,769	$ 1,309	$ (32,565)	$ (23,513)
Adjustments to reconcile net earnings (loss) to net cash provided by (used for) operating activities:						
Depreciation and amortization expense	—	72,761	16,107	1,436	—	90,304
Deferred income taxes	—	(16,539)	—	543	—	(15,996)
Other	—	1,679	(1,651)	(1,166)	—	(1,138)
Intercompany royalty income payable (receivable)	—	34,004	(34,004)	—	—	—
Equity in loss (earnings) of subsidiaries	23,513	(56,078)	—	—	32,565	—
Changes in operating assets and liabilities, net	—	(141,975)	(24,060)	(14,669)	—	(180,704)
Net cash provided by (used for) operating activities	—	(129,661)	11,161	(12,547)	—	(131,047)
CASH FLOWS - INVESTING ACTIVITIES						
Capital expenditures	—	(54,403)	(11,507)	(287)	—	(66,197)
Net cash provided by (used for) investing activities	—	(54,403)	(11,507)	(287)	—	(66,197)
CASH FLOWS - FINANCING ACTIVITIES						
Borrowings under revolving credit facilities	—	270,000	—	—	—	270,000
Repayment of borrowings	—	(87,357)	—	—	—	(87,357)
Debt issuance costs paid	—	(5,440)	—	—	—	(5,440)
Net cash provided (used for) by financing activities	—	177,203	—	—	—	177,203
Effect of exchange rate changes on cash and cash equivalents	—	—	—	275	—	275
CASH AND CASH EQUIVALENTS						
Increase (decrease) during the period	—	(6,861)	(346)	(12,559)	—	(19,766)
Beginning balance	—	39,791	936	21,116	—	61,843
Ending balance	$ —	$ 32,930	$ 590	$ 8,557	$ —	$ 42,077

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 October 28, 2017, 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 October 29, 2016 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 ended October 29, 2016 compared to the net earnings 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 $1.4 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)	October 28, 2017	July 29, 2017
Total assets	$ 422,003	$ 415,974
Net assets	143,593	137,661

(in thousands)	Thirteen weeks ended October 28, 2017
Revenues	$ 74,094
Net earnings	381

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.

	October 28, 2017				
(in thousands)	**Company**	**NMG**	**Non-Guarantor Subsidiaries**	**Eliminations**	**Consolidated**
ASSETS					
Current assets:					
Cash and cash equivalents	$ —	$ 35,812	$ 5,652	$ —	$ 41,464
Credit card receivables	—	40,836	3,509	—	44,345
Merchandise inventories	—	1,066,302	275,994	—	1,342,296
Other current assets	—	120,568	14,360	(587)	134,341
Total current assets	—	1,263,518	299,515	(587)	1,562,446
Property and equipment, net	—	1,308,927	250,639	—	1,559,566
Intangible assets, net	—	496,771	2,312,244	—	2,809,015
Goodwill	—	1,338,844	546,547	—	1,885,391
Other long-term assets	—	21,922	1,384	—	23,306
Investments in subsidiaries	451,559	3,243,542	—	(3,695,101)	—
Total assets	$ 451,559	$ 7,673,524	$ 3,410,329	$ (3,695,688)	$ 7,839,724
LIABILITIES AND MEMBER EQUITY					
Current liabilities:					
Accounts payable	$ —	$ 313,887	$ 14,043	$ —	$ 327,930
Accrued liabilities	—	386,853	128,051	(587)	514,317
Current portion of long-term debt	—	29,426	—	—	29,426
Total current liabilities	—	730,166	142,094	(587)	871,673
Long-term liabilities:					
Long-term debt, net of debt issuance costs	—	4,778,355	4,869	—	4,783,224
Deferred income taxes	—	1,132,282	14,900	—	1,147,182
Other long-term liabilities	—	581,162	4,924	—	586,086
Total long-term liabilities	—	6,491,799	24,693	—	6,516,492
Total member equity	451,559	451,559	3,243,542	(3,695,101)	451,559
Total liabilities and member equity	$ 451,559	$ 7,673,524	$ 3,410,329	$ (3,695,688)	$ 7,839,724

(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)	October 29, 2016 Company	NMG	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ —	$ 32,930	$ 9,147	$ —	$ 42,077
Credit card receivables	—	41,986	713	—	42,699
Merchandise inventories	—	1,075,930	249,130	—	1,325,060
Other current assets	—	131,074	10,548	—	141,622
Total current assets	—	1,281,920	269,538	—	1,551,458
Property and equipment, net	—	1,455,501	151,998	—	1,607,499
Intangible assets, net	—	551,654	2,666,928	—	3,218,582
Goodwill	—	1,412,146	662,976	—	2,075,122
Other long-term assets	—	10,580	3,135	—	13,715
Investments in subsidiaries	922,978	3,599,514	—	(4,522,492)	—
Total assets	$ 922,978	$ 8,311,315	$ 3,754,575	$ (4,522,492)	$ 8,466,376
LIABILITIES AND MEMBER EQUITY					
Current liabilities:					
Accounts payable	$ —	$ 335,959	$ 11,328	$ —	$ 347,287
Accrued liabilities	—	357,641	127,809	—	485,450
Current portion of long-term debt	—	29,426	—	—	29,426
Total current liabilities	—	723,026	139,137	—	862,163
Long-term liabilities:					
Long-term debt, net of debt issuance costs	—	4,772,596	—	—	4,772,596
Deferred income taxes	—	1,269,579	11,717	—	1,281,296
Other long-term liabilities	—	623,136	4,207	—	627,343
Total long-term liabilities	—	6,665,311	15,924	—	6,681,235
Total member equity	922,978	922,978	3,599,514	(4,522,492)	922,978
Total liabilities and member equity	$ 922,978	$ 8,311,315	$ 3,754,575	$ (4,522,492)	$ 8,466,376

(in thousands)	Thirteen weeks ended October 28, 2017 Company	NMG	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues	$ —	$ 850,146	$ 270,153	$ —	$ 1,120,299
Cost of goods sold including buying and occupancy costs (excluding depreciation)	—	551,949	170,938	—	722,887
Selling, general and administrative expenses (excluding depreciation)	—	237,065	58,215	—	295,280
Income from credit card program	—	(10,531)	(1,333)	—	(11,864)
Depreciation expense	—	49,259	5,969	—	55,228
Amortization of intangible assets and favorable lease commitments	—	12,985	11,964	—	24,949
Other expenses (income)	—	2,840	—	—	2,840
Operating earnings (loss)	—	6,579	24,400	—	30,979
Interest expense (income), net	—	76,130	(32)	—	76,098
Intercompany royalty charges (income)	—	39,433	(39,433)	—	—
Equity in loss (earnings) of subsidiaries	26,217	(64,285)	—	38,068	—
Earnings (loss) before income taxes	(26,217)	(44,699)	63,865	(38,068)	(45,119)
Income tax expense (benefit)	—	(18,482)	(420)	—	(18,902)
Net earnings (loss)	$ (26,217)	$ (26,217)	$ 64,285	$ (38,068)	$ (26,217)
Total other comprehensive earnings (loss), net of tax	10,397	4,243	6,154	(10,397)	10,397
Total comprehensive earnings (loss)	$ (15,820)	$ (21,974)	$ 70,439	$ (48,465)	$ (15,820)

(in thousands)	Thirteen weeks ended October 29, 2016 Company	NMG	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues	$ —	$ 836,605	$ 242,502	$ —	$ 1,079,107
Cost of goods sold including buying and occupancy costs (excluding depreciation)	—	544,538	155,357	—	699,895
Selling, general and administrative expenses (excluding depreciation)	—	225,940	50,656	—	276,596
Income from credit card program	—	(12,429)	(1,239)	—	(13,668)
Depreciation expense	—	52,186	4,698	—	56,884
Amortization of intangible assets and favorable lease commitments	—	14,432	12,845	—	27,277
Other expenses (income)	—	8,123	(1,305)	—	6,818
Operating earnings (loss)	—	3,815	21,490	—	25,305
Interest expense (income), net	—	72,089	(6)	—	72,083
Intercompany royalty charges (income)	—	34,004	(34,004)	—	—
Equity in loss (earnings) of subsidiaries	23,513	(56,078)	—	32,565	—
Earnings (loss) before income taxes	(23,513)	(46,200)	55,500	(32,565)	(46,778)
Income tax expense (benefit)	—	(22,687)	(578)	—	(23,265)
Net earnings (loss)	$ (23,513)	$ (23,513)	$ 56,078	$ (32,565)	$ (23,513)
Total other comprehensive earnings (loss), net of tax	970	(1,526)	2,496	(970)	970
Total comprehensive earnings (loss)	$ (22,543)	$ (25,039)	$ 58,574	$ (33,535)	$ (22,543)

(in thousands)	Company	NMG	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	Thirteen weeks ended October 28, 2017				
CASH FLOWS—OPERATING ACTIVITIES					
Net earnings (loss)	$ (26,217)	$ (26,217)	$ 64,285	$ (38,068)	$ (26,217)
Adjustments to reconcile net earnings (loss) to net cash provided by (used for) operating activities:					
Depreciation and amortization expense	—	68,361	17,933	—	86,294
Deferred income taxes		(14,418)	(173)	—	(14,591)
Payment-in-kind interest	—	14,362	—	—	14,362
Other	—	1,068	(2,300)	—	(1,232)
Intercompany royalty income payable (receivable)	—	39,433	(39,433)	—	—
Equity in loss (earnings) of subsidiaries	26,217	(64,285)	—	38,068	—
Changes in operating assets and liabilities, net	—	(58,251)	(57,471)		(115,722)
Net cash provided by (used for) operating activities	—	(39,947)	(17,159)	—	(57,106)
CASH FLOWS—INVESTING ACTIVITIES					
Capital expenditures	—	(21,185)	(3,475)	—	(24,660)
Net cash provided by (used for) investing activities	—	(21,185)	(3,475)	—	(24,660)
CASH FLOWS—FINANCING ACTIVITIES					
Borrowings under revolving credit facilities	—	186,000	5,793	—	191,793
Repayment of borrowings	—	(117,357)	(891)	—	(118,248)
Net cash provided by (used for) financing activities	—	68,643	4,902	—	73,545
Effect of exchange rate changes on cash and cash equivalents	—	—	446	—	446
CASH AND CASH EQUIVALENTS					
Increase (decrease) during the period	—	7,511	(15,286)	—	(7,775)
Beginning balance	—	28,301	20,938	—	49,239
Ending balance	$ —	$ 35,812	$ 5,652	$ —	$ 41,464

(in thousands)	Company	NMG	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	Thirteen weeks ended October 29, 2016				
CASH FLOWS—OPERATING ACTIVITIES					
Net earnings (loss)	$ (23,513)	$ (23,513)	$ 56,078	$ (32,565)	$ (23,513)
Adjustments to reconcile net earnings (loss) to net cash provided by (used for) operating activities:					
Depreciation and amortization expense	—	72,761	17,543	—	90,304
Deferred income taxes	—	(16,539)	543	—	(15,996)
Other	—	1,679	(2,817)	—	(1,138)
Intercompany royalty income payable (receivable)	—	34,004	(34,004)	—	—
Equity in loss (earnings) of subsidiaries	23,513	(56,078)	—	32,565	—
Changes in operating assets and liabilities, net	—	(141,975)	(38,729)	—	(180,704)
Net cash provided by (used for) operating activities	—	(129,661)	(1,386)	—	(131,047)
CASH FLOWS—INVESTING ACTIVITIES					
Capital expenditures	—	(54,403)	(11,794)	—	(66,197)
Net cash provided by (used for) investing activities	—	(54,403)	(11,794)	—	(66,197)
CASH FLOWS—FINANCING ACTIVITIES					
Borrowings under revolving credit facilities	—	270,000	—	—	270,000
Repayment of borrowings	—	(87,357)	—	—	(87,357)
Debt issuance costs paid	—	(5,440)	—	—	(5,440)
Net cash provided by (used for) financing activities	—	177,203	—	—	177,203
Effect of exchange rate changes on cash and cash equivalents	—	—	275	—	275
CASH AND CASH EQUIVALENTS					
Increase (decrease) during the period	—	(6,861)	(12,905)	—	(19,766)
Beginning balance	—	39,791	22,052	—	61,843
Ending balance	$ —	$ 32,930	$ 9,147	$ —	$ 42,077

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 first quarter of fiscal year 2018 relate to the thirteen weeks ended October 28, 2017 and (ii) the first quarter of fiscal year 2017 relate to the thirteen weeks ended October 29, 2016.

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 the first quarter of fiscal year 2018, we announced that we will be closing ten additional Last Call stores in fiscal year 2018 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 first quarter of fiscal year 2018 were $1,120.3 million, an increase of 3.8% compared to the first quarter of fiscal year 2017. Comparable revenues for the first quarter of fiscal year 2018 increased 4.2% compared to the first quarter of fiscal year 2017. During the first quarter of fiscal year 2018, Hurricane Harvey and Hurricane 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 100 basis points in the first quarter of fiscal year 2018.

  In the first quarter of fiscal year 2018, revenues generated by our online operations were $360.9 million, or 32.2% of consolidated revenues. Comparable revenues from our online operations for the first quarter of fiscal year 2018 increased 14.4% from the first quarter of fiscal year 2017.

- **Cost of Goods Sold Including Buying and Occupancy Costs (Excluding Depreciation) ("COGS")** — Compared to the corresponding period of the prior year, COGS as a percentage of revenues decreased 40 basis points in the first quarter of fiscal year 2018. The decrease in COGS, as a percentage of revenues, was primarily attributable to:

  - higher net product margins due primarily to lower markdowns and promotional costs; and
  - the leveraging of buying and occupancy costs on higher revenues.

  At October 28, 2017, consolidated inventories totaled $1,342.3 million, a 1.3% increase from October 29, 2016. Merchandise inventories supporting our U.S. operations decreased 0.9% and merchandise inventories supporting our MyTheresa operations increased 40.7% from the corresponding period of the prior year. We have and will continue to work aggressively to align our inventory levels and purchases with anticipated future customer demand.

- **Selling, General and Administrative Expenses (Excluding Depreciation) ("SG&A")** — Compared to the corresponding period of the prior year, SG&A expenses excluding current and long-term incentive compensation costs, as a percentage of revenues, decreased approximately 60 basis points in the first quarter of fiscal year 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) our ongoing strategic initiatives and (ii) leveraging of these expenses on higher revenues and lower benefits costs incurred;
  - lower expenses incurred in connection with openings of new stores and the remodeling of existing stores; partially offset by
  - certain corporate expenses, primarily professional fees; and
  - higher credit card chargebacks and other fees.

  Current and long-term incentive compensation costs increased approximately 140 basis points in the first quarter of fiscal year 2018 compared to the prior year due primarily to (i) our improved financial performance and (ii) the modification of certain Co-Invest Options in the first quarter of fiscal year 2018.

For the first quarter of fiscal year 2018, our total SG&A expenses including current and long-term incentive compensation costs, as a percentage of revenues, increased approximately 80 basis points compared to the prior year.

Liquidity — At October 28, 2017, we had outstanding revolving credit facilities aggregating $917.7 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 $17.7 million, or €15.0 million. Pursuant to these credit facilities, we had outstanding borrowings of $343.9 million, of which $339.0 million represented borrowings under our Asset-Based Revolving Credit Facility and $4.9 million, or €4.1 million, represented borrowings under the mytheresa.com Credit Facilities. Additionally, we had outstanding letters of credit and guarantees of $3.0 million as of October 28, 2017. Our borrowings under these credit facilities fluctuate based on our seasonal working capital requirements, which generally peak in our first and third quarters. At October 28, 2017, we had unused borrowing commitments aggregating $570.8 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) $11.6 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 $85.8 million bringing our available liquidity to $656.6 million at October 28, 2017, 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 spending and tax policies and overall consumer confidence. We believe such factors negatively impacted our operations in fiscal years 2017 and 2016 and may continue to 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	
	October 28, 2017	October 29, 2016
Revenues	100.0 %	100.0 %
Cost of goods sold including buying and occupancy costs (excluding depreciation)	64.5	64.9
Selling, general and administrative expenses (excluding depreciation)	26.4	25.6
Income from credit card program	(1.1)	(1.3)
Depreciation expense	4.9	5.3
Amortization of intangible assets	1.1	1.3
Amortization of favorable lease commitments	1.1	1.3
Other expenses	0.3	0.6
Operating earnings	2.8	2.3
Interest expense, net	6.8	6.7
Loss before income taxes	(4.0)	(4.3)
Income tax benefit	(1.7)	(2.2)
Net loss	(2.3)%	(2.2)%

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

(dollars in millions, except sales per square foot and store count)	Thirteen weeks ended October 28, 2017	Thirteen weeks ended October 29, 2016
Change in comparable revenues (1)		
Total revenues	4.2%	(8.0)%
Online revenues	14.4%	— %
Percentage of revenues transacted online	32.2%	29.2 %
Store count		
Neiman Marcus and Bergdorf Goodman full-line stores open at end of period	44	44
Last Call stores open at end of period	38	42
Sales per square foot (2)	$ 120	$ 118
Capital expenditures (3)	$ 24.7	$ 66.2
Depreciation expense	55.2	56.9
Rent expense and related occupancy costs	28.3	28.2
Non-GAAP financial measures		
EBITDA (4)	$ 111.2	$ 109.5
Adjusted EBITDA (4)	$ 123.5	$ 122.9

(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 contribution repayments of $0.7 million for the thirteen weeks ended October 28, 2017 and developer contributions of $7.7 million for the thirteen weeks ended October 29, 2016.

(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 $3.4 million, or 0.3% of revenues, in the first quarter of fiscal year 2018 and $1.2 million, or 0.1% of revenues, in the first quarter of fiscal year 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 the first quarter of fiscal years 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 $17.1 million, or 1.5% of revenues, in the first quarter of fiscal year 2018 and $18.4 million, or 1.7% of revenues, in the first quarter of fiscal year 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 $14.5 million, or 1.3% of revenues, in the first quarter of fiscal year 2018 and $16.5 million, or 1.5% of revenues, in the first quarter of fiscal year 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 are generally lower than in the United States. As a result, our effective income tax rate may vary significantly from the federal statutory tax rate.

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 October 28, 2017 Compared to the Thirteen Weeks Ended October 29, 2016

Revenues. Our revenues for the first quarter of fiscal year 2018 of $1,120.3 million increased by $41.2 million, or 3.8%, from $1,079.1 million in the first quarter of fiscal year 2017. Comparable revenues for the first quarter of fiscal year 2018 were $1,120.3 million compared to $1,075.3 million in the first quarter of fiscal year 2017, representing an increase of 4.2%. During the first quarter of fiscal year 2018, Hurricane Harvey and Hurricane 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 100 basis points in the first quarter of fiscal year 2018.

Revenues generated by our online operations were $360.9 million, or 32.2% of consolidated revenues. Comparable revenues from our online operations for the first quarter of fiscal year 2018 increased 14.4% from the first quarter of the prior year. Changes in comparable revenues for our last five fiscal quarters were:

Fiscal year 2018	
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 64.5% of revenues in the first quarter of fiscal year 2018 from 64.9% of revenues in the first quarter of fiscal year 2017. Compared to the prior year, COGS as a percentage of revenues decreased by 40 basis points due primarily to:

- higher net product margins of approximately 30 basis points due primarily to lower markdowns and promotional costs; and
- the leveraging of buying and occupancy costs of approximately 10 basis points on higher revenues.

Selling, General and Administrative Expenses (Excluding Depreciation). SG&A expenses as a percentage of revenues increased to 26.4% of revenues in the first quarter of fiscal year 2018 compared to 25.6% of revenues in the first quarter of fiscal year 2017. The components of SG&A expense consisted of:

	Thirteen weeks ended			
	October 28, 2017		October 29, 2016	
(in millions, except percentages)	**$**	**% of revenues**	**$**	**% of revenues**
Total SG&A excluding current and long-term incentive compensation costs	$ 279.0	24.9%	$ 275.1	25.5%
Current and long-term incentive compensation costs	16.3	1.5%	1.5	0.1%
Total SG&A	$ 295.3	26.4%	$ 276.6	25.6%

SG&A expenses excluding current and long-term incentive compensation costs, as a percentage of revenues, decreased approximately 60 basis points due primarily to:

- favorable payroll and related costs driven by (i) our ongoing strategic initiatives and (ii) leveraging of these expenses on higher revenues and lower benefits costs incurred of approximately 130 basis points; and
- lower expenses incurred in connection with openings of new stores and the remodeling of existing stores of approximately 20 basis points; partially offset by
- certain corporate expenses, primarily professional fees, of approximately 60 basis points; and
- higher credit card chargebacks and other fees of approximately 30 basis points.

Current and long-term incentive compensation costs, which include the annual bonus plan, long-term cash incentives and non-cash stock compensation expense, increased approximately 140 basis points in the first quarter of fiscal year 2018 compared to the prior year due primarily to (i) our improved financial performance and (ii) the modification of certain Co-Invest Options in the first quarter of fiscal year 2018.

Income From Credit Card Program. Income from our credit card program was $11.9 million, or 1.1% of revenues, in the first quarter of fiscal year 2018 compared to $13.7 million, or 1.3% of revenues, in the first quarter of fiscal year 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 was $55.2 million, or 4.9% of revenues, in the first quarter of fiscal year 2018 compared to $56.9 million, or 5.3% of revenues, in the first quarter of fiscal year 2017.

Amortization of intangible assets (primarily customer lists and favorable lease commitments) was $24.9 million, or 2.2% of revenues, in the first quarter of fiscal year 2018 compared to $27.3 million, or 2.5% of revenues, in the first quarter of fiscal year 2017.

Other Expenses. Other expenses for the first quarter of fiscal year 2018 were $2.8 million, or 0.3% of revenues, compared to $6.8 million, or 0.6% of revenues, in the first quarter of fiscal year 2017. Other expenses consisted of the following components:

	Thirteen weeks ended	
(in millions)	**October 28, 2017**	**October 29, 2016**
Expenses related to store closures	$ 1.3	$ —
Expenses related to Cyber-Attack, net of insurance recoveries	1.1	—
Expenses incurred in connection with strategic initiatives	0.4	6.6
MyTheresa acquisition costs (benefits)	—	(0.6)
Other expenses	—	0.9
Total	$ 2.8	$ 6.8

During fiscal year 2017, we began a process to assess our Last Call footprint and closed four of our Last Call stores. During the first quarter of fiscal year 2018, we announced that we will be closing ten additional Last Call stores in fiscal year 2018 in order to optimize our Last Call store portfolio. In the first quarter of fiscal year 2018, we incurred $1.3 million of expenses related to these store closures, which primarily consisted of severance costs.

We discovered in January 2014 that malicious software was clandestinely installed on our computer systems (the "Cyber-Attack"). In the first quarter of fiscal year 2018, we incurred legal expenses in connection with the Cyber-Attack.

We incurred professional fees and other costs aggregating $0.4 million in the first quarter of fiscal year 2018 and $6.6 million in the first quarter of fiscal year 2017 in connection with Organizing for Growth, NMG One and the evaluation of potential strategic alternatives. In connection with Organizing for Growth, we eliminated approximately 90 positions in the first quarter of fiscal year 2017 across our stores, divisions and facilities. We incurred $3.3 million of severance costs in the first quarter of fiscal year 2017.

Interest Expense, net. Net interest expense was $76.1 million in the first quarter of fiscal year 2018 and $72.1 million for the first quarter of fiscal year 2017. The significant components of interest expense are as follows:

(in millions)	Thirteen weeks ended October 28, 2017	Thirteen weeks ended October 29, 2016
Asset-Based Revolving Credit Facility	$ 2.3	$ 1.2
Senior Secured Term Loan Facility	33.4	31.4
mytheresa.com Credit Facilities	—	—
Cash Pay Notes	19.2	19.2
PIK Toggle Notes	14.4	13.1
2028 Debentures	2.2	2.2
Amortization of debt issue costs	6.1	6.1
Capitalized interest	(1.7)	(1.7)
Other, net	0.2	0.4
Interest expense, net	$ 76.1	$ 72.1

Income Tax Benefit. Our effective income tax rate was 41.9% on the loss for the first quarter of fiscal year 2018 and 49.7% on the loss for the first quarter of fiscal year 2017.

Our effective income tax rate on the loss for the first quarter of fiscal year 2018 exceeded the federal statutory tax rate of 35% due primarily to state and foreign income taxes.

Our effective income tax rate on the loss for the first quarter of fiscal year 2017 exceeded the federal statutory tax rate 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.

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 loss as reflected in our Condensed Consolidated Statements of Operations prepared in accordance with GAAP to EBITDA and Adjusted EBITDA:

	Thirteen weeks ended	
(dollars in millions)	**October 28, 2017**	**October 29, 2016**
Net loss	$ (26.2)	$ (23.5)
Income tax benefit	(18.9)	(23.3)
Interest expense, net	76.1	72.1
Depreciation expense	55.2	56.9
Amortization of intangible assets and favorable lease commitments	24.9	27.3
EBITDA	$ 111.2	$ 109.5
EBITDA as a percentage of revenues	*9.9%*	*10.1%*
Non-cash stock compensation and other long-term cash incentives	6.5	1.4
Incremental rent expense related to purchase accounting adjustments	2.3	2.5
Expenses related to store closures	1.3	—
Expenses related to Cyber-Attack, net of insurance recoveries	1.1	—
Expenses incurred in connection with openings of new stores / remodels of existing stores	0.8	2.7
Expenses incurred in connection with strategic initiatives	0.4	6.6
MyTheresa acquisition costs (benefits)	—	(0.6)
Other expenses	—	0.9
Adjusted EBITDA	$ 123.5	$ 122.9
Adjusted EBITDA as a percentage of revenues	*11.0%*	*11.4%*

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 $343.9 million as of October 28, 2017, of which $339.0 million represented borrowings under our Asset-Based Revolving Credit Facility and $4.9 million, or €4.1 million, represented borrowings under the mytheresa.com Credit Facilities, compared to outstanding borrowings of $355.0 million as of October 29, 2016, all of which represented borrowings under our Asset-Based Revolving Credit Facility. Additionally, we had outstanding letters of credit and guarantees of $3.0 million as of October 28, 2017. At October 28, 2017, we had unused borrowing commitments aggregating $570.8 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 October 28, 2017" and (ii) $11.6 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 $85.8 million bringing our available liquidity to $656.6 million at October 28, 2017, 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 October 28, 2017".

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 used for our operating activities was $57.1 million in the first quarter of fiscal year 2018 compared to $131.0 million in the first quarter of fiscal year 2017. In the first quarter of fiscal year 2018, the decrease in net cash used for operating activities was driven by (i) the increase in cash generated by our operating activities on a higher level of revenues and (ii) lower working capital requirements, partially offset by (iii) required fundings to our Pension Plan of $4.1 million in the first quarter of fiscal year 2018 compared to none in the first quarter of fiscal year 2017.

Net cash used for investing activities, representing capital expenditures, was $24.7 million in the first quarter of fiscal year 2018 and $66.2 million in the first quarter of fiscal year 2017. The decrease in capital expenditures in the first quarter of fiscal year 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 $208 to $218 million. Net of developer contributions, capital expenditures for fiscal year 2018 are projected to be approximately $155 to $165 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.

Net cash provided by financing activities of $73.5 million in the first quarter of fiscal year 2018 was comprised primarily of (i) net borrowings of $80.9 million under our revolving credit facilities due to seasonal working capital requirements, partially offset by (ii) repayments of borrowings of $7.4 million under our Senior Secured Term Loan Facility. Net cash provided by financing activities of $177.2 million in the first quarter of fiscal year 2017 was comprised primarily of (i) net borrowings of $190.0 million under our revolving credit facilities due to seasonal working capital requirements, partially offset by (ii) repayments of borrowings of $7.4 million under our Senior Secured Term Loan Facility and (iii) $5.4 million paid for debt issuance costs related to the Asset-Based Revolving Credit Facility refinancing amendment.

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 October 28, 2017

Our major sources of funds are comprised of our revolving credit facilities aggregating $917.7 million, the $2,832.3 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 October 28, 2017, 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 October 28, 2017, we had outstanding borrowings of $339.0 million under this facility, outstanding letters of credit of $1.8 million and unused commitments of $559.3 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 October 28, 2017, $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 3.20% at October 28, 2017.

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 October 28, 2017, mytheresa.com GmbH had outstanding borrowings of $4.9 million, or €4.1 million, guarantees of $1.3 million, or €1.1 million, and unused commitments of $11.6 million, or €9.8 million.

Senior Secured Term Loan Facility. At October 28, 2017, the outstanding balance under the Senior Secured Term Loan Facility was $2,832.3 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 4.49% at October 28, 2017.

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 October 28, 2017, we had outstanding floating rate debt obligations of $3,171.3 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 October 28, 2017, 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 October 28, 2017 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.
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.

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)	December 12, 2017

EXHIBIT 31.1

Certification of Chief Executive Officer
Pursuant to Rule 13a-14(a) and Rule 15d-14(a)

I, Karen W. Katz, 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: December 12, 2017

/s/ KAREN W. KATZ

Karen W. Katz
President and 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: December 12, 2017

/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, Karen W. Katz, 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 October 28, 2017 (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: December 12, 2017

/s/ KAREN W. KATZ

Karen W. Katz
President and Chief Executive Officer

Dated: December 12, 2017

/s/ T. DALE STAPLETON

T. Dale Stapleton
Interim Chief Financial Officer, Senior Vice President and Chief Accounting Officer