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

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

**For the Quarterly Period Ended April 28, 2018**

**OR**

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

**For the transition period from to**

**Commission file no. 333-133184-12**

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

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

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

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

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

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

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

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

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

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

**NEIMAN MARCUS GROUP LTD LLC**

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

| (in thousands, except units) | April 28, 2018 | July 29, 2017 | April 29, 2017 |
|---|---|---|---|
| **ASSETS** | | | |
| Current assets: | | | |
| Cash and cash equivalents | $ 38,851 | $ 49,239 | $ 53,615 |
| Credit card receivables | 52,599 | 38,836 | 48,681 |
| Merchandise inventories | 1,180,141 | 1,153,657 | 1,231,210 |
| Other current assets | 111,416 | 146,439 | 162,345 |
| Total current assets | 1,383,007 | 1,388,171 | 1,495,851 |
| Property and equipment, net | 1,566,541 | 1,586,961 | 1,600,759 |
| Intangible assets, net | 2,763,609 | 2,831,416 | 3,011,656 |
| Goodwill | 1,891,062 | 1,880,894 | 2,069,082 |
| Other long-term assets | 45,001 | 16,074 | 20,298 |
| Total assets | $ 7,649,220 | $ 7,703,516 | $ 8,197,646 |
| **LIABILITIES AND MEMBER EQUITY** | | | |
| Current liabilities: | | | |
| Accounts payable | $ 292,909 | $ 316,830 | $ 213,709 |
| Accrued liabilities | 503,858 | 456,937 | 441,182 |
| Current portion of long-term debt | 29,426 | 29,426 | 29,426 |
| Total current liabilities | 826,193 | 803,193 | 684,317 |
| Long-term liabilities: | | | |
| Long-term debt, net of debt issuance costs | 4,637,570 | 4,675,540 | 4,849,225 |
| Deferred income taxes | 750,494 | 1,156,833 | 1,242,518 |
| Other long-term liabilities | 605,577 | 601,298 | 634,667 |
| Total long-term liabilities | 5,993,641 | 6,433,671 | 6,726,410 |
| Membership unit (1 unit issued and outstanding at April 28, 2018, July 29, 2017 and April 29, 2017) | — | — | — |
| Member capital | 1,588,393 | 1,587,086 | 1,587,086 |
| Accumulated other comprehensive loss | (28,438) | (63,431) | (109,467) |
| Accumulated deficit | (730,569) | (1,057,003) | (690,700) |
| Total member equity | 829,386 | 466,652 | 786,919 |
| Total liabilities and member equity | $ 7,649,220 | $ 7,703,516 | $ 8,197,646 |

*See Notes to Condensed Consolidated Financial Statements.*

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

| (in thousands) | Thirteen weeks ended | | Thirty-nine weeks ended | |
|---|---|---|---|---|
| | April 28, 2018 | April 29, 2017 | April 28, 2018 | April 29, 2017 |
| Revenues | $ 1,165,084 | $ 1,111,435 | $ 3,767,501 | $ 3,586,118 |
| Cost of goods sold including buying and occupancy costs (excluding depreciation) | 756,371 | 730,543 | 2,503,314 | 2,412,903 |
| Selling, general and administrative expenses (excluding depreciation) | 280,686 | 265,566 | 898,325 | 849,880 |
| Income from credit card program | (10,966) | (15,053) | (36,895) | (45,471) |
| Depreciation expense | 53,188 | 55,694 | 161,844 | 169,791 |
| Amortization of intangible assets | 11,517 | 12,126 | 35,181 | 38,630 |
| Amortization of favorable lease commitments | 12,785 | 13,379 | 38,354 | 40,476 |
| Other expenses | 10,849 | 10,908 | 26,303 | 22,937 |
| Impairment charges | — | — | — | 153,772 |
| Operating earnings (loss) | 50,654 | 38,272 | 141,075 | (56,800) |
| Interest expense, net | 77,651 | 73,718 | 230,298 | 219,998 |
| Loss before income taxes | (26,997) | (35,446) | (89,223) | (276,798) |
| Income tax benefit | (7,116) | (10,572) | (415,657) | (111,342) |
| Net earnings (loss) | $ (19,881) | $ (24,874) | $ 326,434 | $ (165,456) |

*See Notes to Condensed Consolidated Financial Statements.*

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

| | Thirteen weeks ended | | Thirty-nine weeks ended | |
|---|---|---|---|---|
| **(in thousands)** | **April 28, 2018** | **April 29, 2017** | **April 28, 2018** | **April 29, 2017** |
| Net earnings (loss) | $ (19,881) | $ (24,874) | $ 326,434 | $ (165,456) |
| Other comprehensive earnings: | | | | |
| Foreign currency translation adjustments, before tax | 6,515 | 2,993 | 19,671 | (6,053) |
| Change in unrealized gain on financial instruments, before tax | 6,823 | (3,068) | 25,733 | 18,272 |
| Reclassification of realized loss (gain) on financial instruments to earnings, before tax | (119) | 2,015 | 2,153 | 4,133 |
| Change in unrealized loss on unfunded benefit obligations, before tax | (10) | 542 | 572 | (5,286) |
| Tax effect related to items of other comprehensive earnings | (3,268) | (748) | (13,136) | (4,692) |
| Total other comprehensive earnings | 9,941 | 1,734 | 34,993 | 6,374 |
| Total comprehensive earnings (loss) | $ (9,940) | $ (23,140) | $ 361,427 | $ (159,082) |

*See Notes to Condensed Consolidated Financial Statements.*

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

| (in thousands) | Thirty-nine weeks ended April 28, 2018 | Thirty-nine weeks ended April 29, 2017 |
|---|---|---|
| **CASH FLOWS - OPERATING ACTIVITIES** | | |
| Net earnings (loss) | $ 326,434 | $ (165,456) |
| Adjustments to reconcile net earnings (loss) to net cash provided by (used for) operating activities: | | |
| Depreciation and amortization expense | 253,738 | 267,286 |
| Impairment charges | — | 153,772 |
| Deferred income taxes | (418,611) | (99,880) |
| Payment-in-kind interest | 41,755 | 2,349 |
| Other | 1,980 | 3,607 |
| | 205,296 | 161,678 |
| Changes in operating assets and liabilities: | | |
| Merchandise inventories | (18,503) | (89,949) |
| Other current assets | 14,513 | (19,609) |
| Accounts payable and accrued liabilities | 1,360 | (145,282) |
| Deferred real estate credits | 30,099 | 32,502 |
| Funding of defined benefit pension plan | (20,000) | (6,600) |
| **Net cash provided by (used for) operating activities** | 212,765 | (67,260) |
| **CASH FLOWS - INVESTING ACTIVITIES** | | |
| Capital expenditures | (109,754) | (164,364) |
| **Net cash used for investing activities** | (109,754) | (164,364) |
| **CASH FLOWS - FINANCING ACTIVITIES** | | |
| Borrowings under revolving credit facilities | 762,665 | 730,000 |
| Repayment of borrowings under revolving credit facilities | (854,019) | (460,000) |
| Repayment of borrowings under senior secured term loan facility | (22,070) | (22,070) |
| Payment of contingent earn-out obligation | — | (22,857) |
| Debt issuance costs paid | — | (5,359) |
| Repurchase of stock | (266) | — |
| Shares withheld for remittance of employee taxes | (332) | — |
| **Net cash provided by (used for) for financing activities** | (114,022) | 219,714 |
| Effect of exchange rate changes on cash and cash equivalents | 623 | 3,682 |
| **CASH AND CASH EQUIVALENTS** | | |
| Decrease during the period | (10,388) | (8,228) |
| Beginning balance | 49,239 | 61,843 |
| **Ending balance** | $ 38,851 | $ 53,615 |
| **Supplemental Schedule of Cash Flow Information** | | |
| Cash paid (received) during the period for: | | |
| Interest | $ 189,030 | $ 245,130 |
| Income taxes | $ (3,713) | $ 518 |
| Non-cash - investing and financing activities: | | |
| Property and equipment acquired through developer financing obligations | $ 13,077 | $ 35,142 |
| Issuance of PIK Toggle Notes | $ 58,354 | $ — |

*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 third quarter of fiscal year 2018 relate to the thirteen weeks ended April 28, 2018, (ii) the third quarter of fiscal year 2017 relate to the thirteen weeks ended April 29, 2017, (iii) year-to-date fiscal 2018 relate to the thirty-nine weeks ended April 28, 2018 and (iv) year-to-date fiscal 2017 relate to the thirty-nine weeks ended April 29, 2017.

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

The luxury retail industry is seasonal in nature, with higher sales typically generated in the fall and holiday selling seasons. Due to seasonal and other factors, the results of operations for the third 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, certain promotional programs, income from our credit card program and recognizing revenue at time of shipment versus delivery. We intend to adopt this new guidance no earlier than the first quarter of fiscal year 2019. We are currently evaluating which application method to adopt.

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

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

In August 2017, the FASB issued guidance to simplify how hedge accounting arrangements are accounted for and presented in the financial statements, including the assessment of hedge effectiveness. Under the new standard, all changes in the fair value of cash flow hedges included in the assessment of effectiveness will be recorded in other comprehensive income and reclassified to earnings in the same income statement line item when the hedged item affects earnings. This new guidance is effective for us as of the first

quarter of fiscal year 2020. We are currently evaluating the impact of adopting this new accounting guidance on our Condensed Consolidated Financial Statements.

## 2. Fair Value Measurements

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

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

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

| (in thousands) | Fair Value Hierarchy | April 28, 2018 | July 29, 2017 | April 29, 2017 |
|---|---|---|---|---|
| Assets: | | | | |
| Interest rate swaps (included in other long-term assets) | Level 2 | $ 34,159 | $ 3,628 | $ 7,308 |
| Liabilities: | | | | |
| Stock-based award liability (included in other long-term liabilities) | Level 3 | 6,052 | 1,344 | 3,225 |

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

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:

| | | April 28, 2018 | | July 29, 2017 | | April 29, 2017 | |
|---|---|---|---|---|---|---|---|
| (in thousands) | Fair Value Hierarchy | Carrying Value | Fair Value | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Long-term debt: | | | | | | | |
| Asset-Based Revolving Credit Facility | Level 2 | $ 162,000 | $ 162,000 | $ 263,000 | $ 263,000 | $ 435,000 | $ 435,000 |
| mytheresa.com Credit Facilities | Level 2 | 9,731 | 9,731 | — | — | — | — |
| Senior Secured Term Loan Facility | Level 2 | 2,817,563 | 2,484,753 | 2,839,633 | 2,113,766 | 2,846,989 | 2,266,916 |
| Cash Pay Notes | Level 2 | 960,000 | 648,806 | 960,000 | 532,253 | 960,000 | 567,533 |
| PIK Toggle Notes | Level 2 | 658,354 | 448,806 | 600,000 | 297,000 | 600,000 | 326,718 |
| 2028 Debentures | Level 2 | 122,839 | 97,719 | 122,677 | 87,490 | 122,623 | 97,216 |

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 $658.4 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) | April 28, 2018 | July 29, 2017 | April 29, 2017 |
|---|---|---|---|
| Favorable lease commitments, net | $ 892,231 | $ 930,585 | $ 943,581 |
| Other definite-lived intangible assets, net | 366,237 | 401,081 | 412,916 |
| Tradenames | 1,505,141 | 1,499,750 | 1,655,159 |
| Intangible assets, net | $ 2,763,609 | $ 2,831,416 | $ 3,011,656 |
| | | | |
| Goodwill | $ 1,891,062 | $ 1,880,894 | $ 2,069,082 |

***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):

| | |
|---|---|
| April 29, 2018 through July 28, 2018 | $ 24,229 |
| 2019 | 95,026 |
| 2020 | 88,318 |
| 2021 | 82,274 |
| 2022 | 82,422 |
| 2023 | 81,276 |

At April 28, 2018, accumulated amortization was $237.6 million for favorable lease commitments and $335.6 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 | April 28, 2018 | July 29, 2017 | April 29, 2017 |
|---|---|---|---|---|
| Asset-Based Revolving Credit Facility | variable | $ 162,000 | $ 263,000 | $ 435,000 |
| mytheresa.com Credit Facilities | variable | 9,731 | — | — |
| Senior Secured Term Loan Facility | variable | 2,817,563 | 2,839,633 | 2,846,989 |
| Cash Pay Notes | 8.00% | 960,000 | 960,000 | 960,000 |
| PIK Toggle Notes | 8.75%/9.50% | 658,354 | 600,000 | 600,000 |
| 2028 Debentures | 7.125% | 122,839 | 122,677 | 122,623 |
| Total debt | | 4,730,487 | 4,785,310 | 4,964,612 |
| Less: current portion of Senior Secured Term Loan Facility | | (29,426) | (29,426) | (29,426) |
| Less: unamortized debt issuance costs | | (63,491) | (80,344) | (85,961) |
| Long-term debt, net of debt issuance costs | | $ 4,637,570 | $ 4,675,540 | $ 4,849,225 |

***Asset-Based Revolving Credit Facility***. At April 28, 2018, we have an Asset-Based Revolving Credit Facility with a maximum committed borrowing capacity of $900.0 million. The Asset-Based Revolving Credit Facility matures on July 25, 2021 (or July 25, 2020 if our obligations under our Senior Secured Term Loan Facility or any permitted refinancing thereof have not been repaid or the maturity date thereof has not been extended to October 25, 2021 or later). At April 28, 2018, we had outstanding borrowings of $162.0 million under this facility, outstanding letters of credit of $1.8 million and unused commitments of $736.2 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 April 28, 2018, borrowings under the Asset-Based Revolving Credit Facility bore interest at a rate per annum equal to, at our option, either (a) a base rate determined by reference to the highest of (1) the prime rate of Deutsche Bank AG New York Branch (the administrative agent), (2) the federal funds effective rate plus ½ of 1.00% and (3) the adjusted one-month LIBOR plus 1.00% or

(b) LIBOR, subject to certain adjustments, in each case plus an applicable margin of 0.75% with respect to base rate borrowings and 1.75% with respect to LIBOR borrowings at April 28, 2018. The applicable margin is based on the average historical excess availability under the Asset-Based Revolving Credit Facility, and is up to 1.00% with respect to base rate borrowings and up to 2.00% with respect to LIBOR borrowings, in each case with one 0.25% step down based on achievement and maintenance of a certain senior secured first lien net leverage ratio (as defined in the credit agreement governing the Asset-Based Revolving Credit Facility). The weighted average interest rate on the outstanding borrowings pursuant to the Asset-Based Revolving Credit Facility was 3.90% at April 28, 2018. In addition, we are required to pay a commitment fee in respect of unused commitments at a rate of up to 0.375% per annum. We must also pay customary letter of credit fees and agency fees.

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

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

The Asset-Based Revolving Credit Facility is guaranteed by Holdings and each of our current and future direct and indirect wholly owned subsidiaries (subsidiary guarantors) other than (a) unrestricted subsidiaries, (b) certain immaterial subsidiaries, (c) foreign subsidiaries and any domestic subsidiary of a foreign subsidiary, (d) certain holding companies of foreign subsidiaries, (e) captive insurance subsidiaries, not for profit subsidiaries, or a subsidiary which is a special purpose entity for securitization transactions or like special purposes and (f) any subsidiary that is prohibited by applicable law or contractual obligation from acting as a guarantor or which would require governmental approval to provide a guarantee. At April 28, 2018, the assets of non-guarantor subsidiaries, primarily (i) NMG Germany GmbH, through which we conduct the operations of MyTheresa, (ii) NMG International LLC, a holding company with respect to our foreign operations and (iii) Nancy Holdings LLC, which holds legal title to certain real property used by us in conducting our operations, aggregated $445.1 million, or 5.8% of consolidated total assets. All obligations under the Asset-Based Revolving Credit Facility, and the guarantees of those obligations, are secured, subject to certain significant exceptions by substantially all of the assets of Holdings, the Company and the subsidiary guarantors.

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

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

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

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

As of April 28, 2018, mytheresa.com GmbH had outstanding borrowings of $9.7 million, or €7.9 million, guarantees of $1.5 million, or €1.2 million, and unused commitments of $7.2 million, or €5.9 million.

***Senior Secured Term Loan Facility***. We have a credit agreement and related security and other agreements for the $2,950.0 million Senior Secured Term Loan Facility. At April 28, 2018, the outstanding balance under the Senior Secured Term Loan Facility was $2,817.6 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 April 28, 2018, borrowings under the Senior Secured Term Loan Facility bore interest at a rate per annum equal to, at our option, either (a) a base rate determined by reference to the highest of (1) the prime rate of Credit Suisse AG (the administrative agent), (2) the federal funds effective rate plus ½ of 1.00% and (3) the adjusted one-month LIBOR plus 1.00%, or (b) an adjusted LIBOR (for a period equal to the relevant interest period, and in any event, never less than 1.00%), subject to certain adjustments, in each case plus an applicable margin. The applicable margin is up to 2.25% with respect to base rate borrowings and up to 3.25% with respect to LIBOR borrowings. The applicable margin is subject to adjustment based on our senior secured first lien net leverage ratio. The applicable margin with respect to outstanding LIBOR borrowings was 3.25% at April 28, 2018. The interest rate on the outstanding borrowings pursuant to the Senior Secured Term Loan Facility was 5.14% at April 28, 2018.

Subject to certain exceptions and reinvestment rights, the Senior Secured Term Loan Facility requires that 100% of the net cash proceeds from certain asset sales and debt issuances and 50% (which percentage will be reduced to 25% if our senior secured first lien net leverage ratio, as defined in the credit agreement governing the Senior Secured Term Loan Facility, is equal to or less than 4.0 to 1.0 but greater than 3.5 to 1.0 and will be reduced to 0% if our senior secured first lien net leverage ratio is equal to or less than 3.5 to 1.0) from excess cash flow, as defined in the credit agreement governing the Senior Secured Term Loan Facility, for each of our fiscal years (commencing with the period ended July 26, 2015) must be used to prepay outstanding term loans under the Senior Secured Term Loan Facility at 100% of the principal amount to be prepaid, plus accrued and unpaid interest. We were not required to prepay any outstanding term loans pursuant to the annual excess cash flow requirements for fiscal year 2017.

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

The Senior Secured Term Loan Facility is guaranteed by Holdings and each of our current and future subsidiary guarantors other than (a) unrestricted subsidiaries, (b) certain immaterial subsidiaries, (c) foreign subsidiaries and any domestic subsidiary of a foreign subsidiary, (d) certain holding companies of foreign subsidiaries, (e) captive insurance subsidiaries, not for profit subsidiaries, or a subsidiary which is a special purpose entity for securitization transactions or like special purposes and (f) any subsidiary that is prohibited by applicable law or contractual obligation from acting as a guarantor or which would require governmental approval to provide a guarantee. At April 28, 2018, the assets of non-guarantor subsidiaries, primarily (i) NMG Germany GmbH, through which we conduct the operations of MyTheresa, (ii) NMG International LLC, a holding company with respect to our foreign operations and (iii) Nancy Holdings LLC, which holds legal title to certain real property used by us in conducting our operations, aggregated $445.1 million, or 5.8% of consolidated total assets. All obligations under the Senior Secured Term Loan Facility, and the guarantees of those obligations, are secured, subject to certain significant exceptions, by substantially all of the assets of Holdings, the Company and the subsidiary guarantors.

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

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

***Cash Pay Notes***. The Company, along with Mariposa Borrower, Inc. as co-issuer, incurred indebtedness in the form of $960.0 million aggregate principal amount of 8.00% Senior Cash Pay Notes due 2021. Interest on the Cash Pay Notes is payable semi-annually in arrears on each April 15 and October 15. The Cash Pay Notes are guaranteed by the same entities that guarantee the Senior Secured Term Loan Facility, other than Holdings. The Cash Pay Notes are unsecured and the guarantees are full and unconditional. At April 28, 2018, the redemption price at which we may redeem the Cash Pay Notes, in whole or in part, as set forth in the indenture governing the Cash Pay Notes, was 104.000%. The Cash Pay Notes mature on October 15, 2021.

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

***PIK Toggle Notes***. The Company, along with Mariposa Borrower, Inc. as co-issuer, incurred indebtedness in the form of $600.0 million aggregate principal amount of 8.75%/9.50% Senior PIK Toggle Notes due 2021. At April 28, 2018, the outstanding balance under the PIK Toggle Notes was $658.4 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 April 28, 2018, the redemption price at which we may redeem the PIK Toggle Notes, in whole or in part, as set forth in the indenture governing the PIK Toggle Notes, was 104.375%. The PIK Toggle Notes mature on October 15, 2021.

Interest on the PIK Toggle Notes is payable semi-annually in arrears on each April 15 and October 15. Prior to October 2018, interest on the PIK Toggle Notes, subject to certain restrictions, was payable (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 accrued 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 additional PIK Toggle Notes of $28.5 million in October 2017 and $29.9 million in April 2018. We did not elect to pay interest in the form of PIK Interest or partial PIK Interest with respect to the interest payment due in October 2018. All future interest payments are required to be paid in Cash Interest.

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 April 28, 2018, our non-guarantor subsidiaries consisted principally of (i) Bergdorf Goodman, Inc., through which we conduct the operations of our Bergdorf Goodman stores, (ii) NM Nevada Trust, which holds legal title to certain real property and intangible assets used by us in conducting our operations, (iii) NMG Germany GmbH, through which we conduct the operations of MyTheresa, (iv) NMG International LLC, a holding company with respect to our foreign operations and (v) Nancy Holdings LLC, which holds legal title to certain real property used by us in conducting our operations. The 2028 Debentures include certain restrictive covenants and a cross-acceleration provision in respect of any other indebtedness that has an aggregate principal amount exceeding $15.0 million. The 2028 Debentures mature on June 1, 2028.

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

***Maturities of Long-term Debt.*** At April 28, 2018, annual maturities of long-term debt during the current and next five fiscal years and thereafter are as follows (in millions):

| | | |
|---|---|---|
| April 29, 2018 through July 28, 2018 | $ | 7.4 |
| 2019 | | 29.4 |
| 2020 | | 29.4 |
| 2021 | | 2,913.4 |
| 2022 | | 1,618.4 |
| 2023 | | — |
| Thereafter | | 132.5 |

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 | | Thirty-nine weeks ended | |
|---|---|---|---|---|
| **(in thousands)** | **April 28, 2018** | **April 29, 2017** | **April 28, 2018** | **April 29, 2017** |
| Asset-Based Revolving Credit Facility | $ 1,364 | $ 2,241 | $ 5,160 | $ 4,811 |
| mytheresa.com Credit Facilities | 440 | 2 | 482 | 45 |
| Senior Secured Term Loan Facility | 34,913 | 32,732 | 102,145 | 96,991 |
| Cash Pay Notes | 19,200 | 19,200 | 57,600 | 57,600 |
| PIK Toggle Notes | 14,846 | 13,310 | 44,135 | 39,560 |
| 2028 Debentures | 2,227 | 2,227 | 6,680 | 6,680 |
| Amortization of debt issue costs | 6,121 | 6,125 | 18,359 | 18,389 |
| Capitalized interest | (2,074) | (1,219) | (5,638) | (4,463) |
| Other, net | 614 | (900) | 1,375 | 385 |
| Interest expense, net | $ 77,651 | $ 73,718 | $ 230,298 | $ 219,998 |

## 6. Derivative Financial Instruments

***Interest Rate Swaps.*** At April 28, 2018, we had outstanding floating rate debt obligations of $2,985.1 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 $34.2 million at April 28, 2018, $3.6 million at July 29, 2017 and $7.3 million at April 29, 2017, which amounts were included in other long-term assets. The interest rate swap agreements expire in October 2020.

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

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

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

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

| | Thirteen weeks ended | | Thirty-nine weeks ended | |
|---|---|---|---|---|
| **(in thousands)** | **April 28, 2018** | **April 29, 2017** | **April 28, 2018** | **April 29, 2017** |
| Realized hedging loss (gain) related to interest rate swaps – included in net interest expense | $ (119) | $ 2,015 | $ 2,153 | $ 2,709 |
| Realized hedging loss related to interest rate caps – included in net interest expense | — | — | — | 1,424 |
| Total | $ (119) | $ 2,015 | $ 2,153 | $ 4,133 |

The amount of net gains recorded in other comprehensive earnings at April 28, 2018 that is expected to be reclassified into net interest expense in the next 12 months, if interest rates remain unchanged, is approximately $9.1 million.

## 7. Income Taxes

Our effective income tax rates are as follows:

| | Thirteen weeks ended | | Thirty-nine weeks ended | |
|---|---|---|---|---|
| | **April 28, 2018** | **April 29, 2017** | **April 28, 2018** | **April 29, 2017** |
| Effective income tax rate excluding impact of Tax Reform | 32.1 % | 29.8% | 33.0% | 40.2% |
| Impact of Tax Reform | (5.7)% | —% | 432.9% | —% |
| Effective income tax rate | 26.4 % | 29.8% | 465.9% | 40.2% |

Included in the income tax benefit recognized in the third quarter of fiscal year 2018 and year-to-date fiscal 2018 is the impact of the Tax Cuts and Jobs Act ("Tax Reform"), which was signed into law on December 22, 2017. Among numerous provisions included in the Tax Reform was the reduction of the corporate federal income tax rate from 35% to 21% effective January 1, 2018. As the effective date of the Tax Reform falls five months into our fiscal year, we are subject to a blended federal statutory rate of 26.9% in fiscal year 2018. In connection with our application of the new federal statutory rate, we are measuring our long-term deferred income taxes at the new lower rate, which has resulted in provisional non-cash benefits aggregating $386.2 million in year-to-date fiscal 2018. We recognized the income tax effects of the Tax Reform in our fiscal year 2018 financial statements in accordance with Staff Accounting Bulletin No. 118 ("SAB 118"), which provides the SEC staff guidance for the application of the FASB's Accounting Standards Codification Topic 740, *Income Taxes*, in the reporting period in which the Tax Reform was signed into law. At April 28, 2018, we calculated the effects of the tax law change, as written, and made reasonable estimates of the effects on our deferred income tax balances. We will continue to refine our estimates as additional information, such as interpretive or regulatory guidance, becomes available on key aspects of the law, including its impact on the deductibility of purchased assets, state taxes and employee compensation.

Excluding the impact of the Tax Reform, our effective income tax rate of 32.1% on the loss for the third quarter of fiscal year 2018 exceeded the blended federal statutory rate of 26.9% due primarily to state and foreign income taxes. Our effective income tax rate of 29.8% on the loss for the third quarter of fiscal year 2017 was less than the previous federal statutory rate of 35% due primarily to:

- adjustments to prior year recorded tax benefits upon finalization of our federal income tax return for fiscal year 2016; and

- the non-deductible portion of transaction and other costs incurred in connection with the MyTheresa acquisition; partially offset by
- state income taxes.

Excluding the impact of the Tax Reform, our effective income tax rate of 33.0% on the loss for year-to-date fiscal 2018 exceeded the blended federal statutory rate of 26.9% due primarily to state and foreign income taxes. Our effective income tax rate of 40.2% on the loss for year-to-date fiscal 2017 exceeded the previous federal statutory rate of 35% due primarily to:

- state income taxes;
- the benefit associated with the release of certain tax reserves for settled tax matters; and
- lower foreign tax rates associated with the MyTheresa operations.

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

We file income tax returns in the U.S. federal jurisdiction and various state, local and foreign jurisdictions. The Internal Revenue Service ("IRS") finalized its audits of our fiscal year 2012 and short-year 2013 (prior to the Acquisition) federal income tax returns and is conducting an audit of our short-year 2014 (subsequent to the Acquisition) and fiscal year 2015 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 April 28, 2018 are sufficient to cover any potential assessments made by the IRS or other taxing authorities and we will continue to review our recorded tax liabilities for potential audit assessments based upon subsequent events, new information and future circumstances. We believe it is reasonably possible that adjustments to the amounts of our unrecognized tax benefits could occur within the next 12 months as a result of settlements with tax authorities or expiration of statutes of limitations. At this time, we do not believe such adjustments will have a material impact on our Condensed Consolidated Financial Statements.

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

## 8. Employee Benefits

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

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

| (in thousands) | April 28, 2018 | July 29, 2017 | April 29, 2017 |
|---|---|---|---|
| Pension Plan | $ 219,483 | $ 240,737 | $ 295,982 |
| SERP Plan | 110,541 | 112,739 | 119,275 |
| Postretirement Plan | 6,392 | 6,916 | 8,150 |
| | 336,416 | 360,392 | 423,407 |
| Less: current portion | (6,679) | (7,803) | (6,553) |
| Long-term portion of benefit obligations | $ 329,737 | $ 352,589 | $ 416,854 |

***Funding Policy and Status.*** Our policy is to fund the Pension Plan at or above the minimum level required by law. As of April 28, 2018, we believe we will be required to contribute $25.2 million to the Pension Plan in fiscal year 2018, of which $20.0 million has been funded as of April 28, 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 | | Thirty-nine weeks ended | |
|---|---|---|---|---|
| **(in thousands)** | **April 28, 2018** | **April 29, 2017** | **April 28, 2018** | **April 29, 2017** |
| Pension Plan: | | | | |
| Interest cost | $ 4,973 | $ 4,870 | $ 14,919 | $ 14,610 |
| Expected return on plan assets | (5,396) | (5,331) | (16,188) | (15,993) |
| Net amortization of losses | 170 | 663 | 510 | 1,989 |
| Pension Plan expense (income) | $ (253) | $ 202 | $ (759) | $ 606 |
| SERP Plan: | | | | |
| Interest cost | $ 844 | $ 784 | $ 2,532 | $ 2,352 |
| Net amortization of losses | — | 23 | — | 69 |
| SERP Plan expense | $ 844 | $ 807 | $ 2,532 | $ 2,421 |
| Postretirement Plan: | | | | |
| Interest cost | $ 51 | $ 55 | $ 153 | $ 165 |
| Net amortization of gains | (180) | (146) | (540) | (438) |
| Postretirement Plan income | $ (129) | $ (91) | $ (387) | $ (273) |

***Employee Vacation Benefit Liability.*** Effective in fiscal year 2019, we are changing our vacation policy. Pursuant to the provisions of our new vacation policy, vacation hours earned during each fiscal year must be taken during that fiscal year. Any accrued but unused vacation is forfeited at the end of the fiscal year subject to statutory requirements in certain states precluding such forfeitures. As a result of this policy change, we expect our liability for unused vacation will be reduced by $18 to $20 million, which benefit is being recorded as a non-cash gain in fiscal year 2018 within selling, general and administrative expenses. We recorded non-cash gains of $5.3 million in the third quarter of fiscal year 2018 and $14.3 million in year-to-date fiscal 2018.

## 9. Commitments and Contingencies

***Employment, Consumer and Benefits Class Actions Litigation.*** In 2007, Bernadette Tanguilig filed a lawsuit in the Superior Court of California for San Francisco County alleging wrongful termination and retaliation arising from her refusal to sign the Company’s mandatory arbitration agreement. Ms. Tanguilig later filed several amendments to her complaint adding claims under the California Labor Code Private Attorneys General Act ("PAGA") and class action allegations of wage and hour violations. She also added Juan Carlos Pinela as an additional plaintiff. In December 2013, the Company filed a motion to dismiss Ms. Tanguilig’s claims based on her failure to bring her claims to trial within five years as required by California law. In February 2014, the Company’s motion was granted and Ms. Tanguilig’s claims were dismissed. Ms. Tanguilig appealed.

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.

On April 16, 2018, the appellate court issued its decision affirming the trial court's dismissal of Ms. Tanguilig's claims. The parties reached a settlement to resolve Ms. Tanguilig's and Mr. Pinela's claims.

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.

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 ("NLRA"), 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 has been stayed while another similar case has been pending before the U.S. Supreme Court, which was decided on May 21, 2018 and held that class action waivers in arbitration agreements are lawful under the NLRA and must be enforced under the Federal Arbitration Act.

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. On September 7, 2017, the district court issued an order permitting Ms. Rubenstein to file a proposed Third Amended Complaint, which modifies the putative class period. Additionally, Ms. Rubenstein filed a motion for class certification, which was fully briefed by both parties. The parties reached an agreement in principle to settle the case, subject to court approval. A notice of settlement was filed, and the hearing on Ms. Rubenstein’s motion for class certification was vacated. On May 21, 2018, the court granted the motion for preliminary approval of the settlement and scheduled a final approval hearing for October 1, 2018.

The Company has several wage and hour putative class action matters pending in California. The earliest, filed in December 2015 and amended in February 2016, was filed against The Neiman Marcus Group, Inc. by Holly Attia and seven other named plaintiffs, seeking to certify a class of nonexempt employees for alleged violations for failure to pay overtime wages, failure to provide meal and rest breaks, failure to reimburse business expenses, failure to timely pay wages due at termination and failure to provide accurate itemized wage statements. Plaintiffs also allege derivative claims for restitution under California unfair competition law and a representative claim for penalties under PAGA, and all related damages for alleged violations (restitution, statutory penalties under PAGA, and attorneys' fees, interest and costs of suit). The case was removed to the U.S. District Court for the Central District of California in March 2016, and the Company filed a motion to compel arbitration and requested to stay the PAGA claim. In June 2016, the court granted the motion and compelled arbitration of the individual claims. The court retained jurisdiction of the PAGA claim and stayed that claim pending the outcome of arbitration. In October 2016, the court granted the plaintiffs' motion for reconsideration of the arbitration decision based on a recent decision by the Ninth Circuit Court of Appeals in *Morris v. Ernst & Young, LLP*, and reversed its order compelling arbitration. The Company appealed. The U.S. Supreme Court granted certiorari of the *Morris* decision, and the Ninth Circuit appeal is currently stayed pending the Supreme Court's decision. In June 2017, the district court stayed the entire case pending the Supreme Court’s decision in *Morris*. The parties reached an agreement in principle to settle this case, subject to court approval.

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

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

On December 5, 2017, former employees Ondrea Roces and Sophia Ahmed file a putative class and representative action in California state court against The Neiman Marcus Group LLC and Neiman Marcus Group LTD LLC, seeking to certify a class of current and former sales associates for alleged failure to pay wages for all hours worked, recordkeeping and wage statement violations, and failure to timely pay wages due at termination. Plaintiffs also allege derivative claims for restitution under California unfair competition law and a representative claim for penalties under PAGA, and all related damages for alleged violations

(restitution, statutory penalties under PAGA, and attorneys' fees, interest and costs of suit). The Company removed the action to the U.S. District Court for the Northern District of California on January 10, 2018. In February 2018, the court granted the parties' joint stipulation to stay this case pending completion of settlement proceedings in *Attia*. In April 2018, the court maintained the stay pending resolution of the motion for preliminary approval of the *Attia* settlement and set a compliance hearing for July 13, 2018, which may be vacated if the parties file a status report in advance of the hearing date.

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. The defendant Companies have filed a joint answer denying the claims.

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

***Cyber-Attack Class Actions Litigation.*** In January 2014, three class actions relating to a cyber-attack on our computer systems in 2013 (the "Cyber-Attack") were filed and later voluntarily dismissed by the plaintiffs between February and April 2014. The plaintiffs had alleged negligence and other claims in connection with their purchases by payment cards and sought monetary and injunctive relief. Three additional putative class actions relating to the Cyber-Attack were filed in March and April 2014, also alleging negligence and other claims in connection with plaintiffs’ purchases by payment cards. Two of the cases were voluntarily dismissed. The third case, Hilary Remijas v. The Neiman Marcus Group, LLC, was filed on March 12, 2014 in the U.S. District Court for the Northern District of Illinois. On June 2, 2014, an amended complaint in the Remijas case was filed, which added three plaintiffs (Debbie Farnoush and Joanne Kao, California residents; and Melissa Frank, a New York resident) and asserted claims for negligence, implied contract, unjust enrichment, violation of various consumer protection statutes, invasion of privacy and violation of state data breach laws. The Company moved to dismiss the Remijas amended complaint, and the court granted the Company's motion on the grounds that the plaintiffs lacked standing due to their failure to demonstrate an actionable injury. Plaintiffs appealed the district court's order dismissing the case to the Seventh Circuit Court of Appeals, and the Seventh Circuit Court of Appeals reversed the district court's ruling, remanding the case back to the district court. The Company filed a petition for rehearing en banc, which the Seventh Circuit Court of Appeals denied. The Company filed a motion for dismissal on other grounds, which the court denied. The parties jointly requested, and the court granted, an extension of time for filing a responsive pleading, which was due on December 28, 2016. On February 9, 2017, the court denied the parties' request for another extension of time, dismissed the case without prejudice, and stated that plaintiffs could file a motion to reinstate. On March 8, 2017, plaintiffs filed a motion to reinstate, which the court granted on March 16, 2017. On March 17, 2017, plaintiffs filed a motion seeking preliminary approval of a class action settlement resolving this action, which the court granted on June 21, 2017. On August 21, 2017, plaintiffs moved for final approval of the proposed settlement. In September 2017, purported settlement class members filed two objections to the settlement, and plaintiffs and the Company filed responses to the objections on October 19, 2017. At the fairness hearing on October 26, 2017, the Court ordered supplemental briefing on the objections. Objectors filed a supplemental brief in support of their objections on November 9, 2017, and plaintiffs and the Company filed their supplemental responses to the objections on November 21, 2017. On January 16, 2018, an order was issued by the District Court reassigning the case to Judge Sharon Johnson Coleman due to the prior judge’s retirement. The motion for final approval of the settlement remains pending.

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

***Other.*** We had $1.8 million of irrevocable letters of credit and $3.4 million in surety bonds outstanding at April 28, 2018, relating primarily to merchandise imports and state sales tax and utility requirements.

**10. Accumulated Other Comprehensive Loss**

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

| (in thousands) | Foreign Currency Translation Adjustments | Unrealized Gains on Financial Instruments | Unfunded Benefit Obligations | Total |
|---|---|---|---|---|
| Balance, July 29, 2017 | $ (11,600) | $ 3,394 | $ (55,225) | $ (63,431) |
| Other comprehensive earnings | 6,154 | 3,129 | 360 | 9,643 |
| Amounts reclassified from accumulated other comprehensive loss | — | 754 | — | 754 |
| Balance, October 28, 2017 | $ (5,446) | $ 7,277 | $ (54,865) | $ (53,034) |
| Other comprehensive earnings (loss) | 4,567 | 9,449 | (6) | 14,010 |
| Amounts reclassified from accumulated other comprehensive loss | — | 645 | — | 645 |
| Balance, January 27, 2018 | $ (879) | $ 17,371 | $ (54,871) | $ (38,379) |
| Other comprehensive earnings (loss) | 5,377 | 4,652 | (7) | 10,022 |
| Amounts reclassified from accumulated other comprehensive loss | — | (81) | — | (81) |
| Balance, April 28, 2018 | $ 4,498 | $ 21,942 | $ (54,878) | $ (28,438) |

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

**11. Stock-Based Awards**

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

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

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

In September 2017, the Compensation Committee approved grants of non-qualified Co-Invest Options (the “New Co-Invest Options”) to certain continuing employees who previously held Co-Invest Options. The New Co-Invest Options have the effect of replacing the previous Co-Invest Options held by those employees, which were cancelled, and extending the expiration date to the tenth anniversary of the grant date. All other terms of the New Co-Invest Options remain unchanged from the terms of the

cancelled Co-Invest Options. In the first quarter of fiscal year 2018, we recorded non-cash stock compensation expense aggregating $4.2 million related to the cancellation and replacement of the previous Co-Invest Options with the New Co-Invest Options.

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

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

***Accounting for Stock Options.*** Prior to an initial public offering ("IPO"), in the event the optionee ceases to be an employee of the Company, Parent generally has the right to repurchase shares issued upon exercise of vested stock options at fair market value and shares underlying vested unexercised stock options for the difference between the fair market value of the underlying share on the date of such optionee's termination of employment and the exercise price. However, other than with respect to the Co-Invest Options and options held by our current and former Chief Executive Officers, 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 and certain options held by our former Chief Executive Officer ("Eligible Optionees") as variable awards using the liability method as these optionees could receive a cash settlement of their awards 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 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-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 April 28, 2018, an aggregate of 49,676 Co-Invest Options and time-vested options were held by Eligible Optionees. The recorded liability with respect to such options was $5.6 million at April 28, 2018, $0.2 million at July 29, 2017 and $1.5 million at April 29, 2017.

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

| | Thirty-nine weeks ended April 28, 2018 | |
|---|---|---|
| **(in actuals)** | **Shares** | **Weighted Average Exercise Price** |
| Outstanding at July 29, 2017 | 196,416 | $ 854 |
| Granted | 79,706 | 494 |
| Exercised | (974) | 180 |
| Cancelled | (40,406) | 467 |
| Forfeited | (59,777) | 987 |
| Expired | (2,274) | 346 |
| Outstanding at April 28, 2018 | 172,691 | $ 589 |

***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 current and former Chief Executive Officers, a recipient will forfeit all unvested shares of restricted stock and may not exercise the put right with respect to any vested shares following the termination of his or her employment for any reason. Following a voluntary departure without good reason or a termination for cause, we have the right to repurchase any vested shares of restricted stock at par value ($0.001 per share).

In connection with the hire of our Chief Executive Officer, Parent approved a grant of 8,000 restricted shares of common stock of Parent. Subject to his continued employment, shares of restricted stock will vest over four years in equal increments on each anniversary of February 12, 2018. If Parent’s majority stockholders sell a percentage of their stock in Parent, subject to certain limitations, our Chief Executive Officer will have a put right with respect to an equal percentage of his total shares (or, if less, the number of his vested shares) during 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. Our Chief Executive Officer will forfeit all unvested shares of restricted stock upon his termination of employment. Our Chief Executive Officer will have the ability to exercise the put right with respect to vested shares in the first put period following his termination by the Company without cause, his voluntary termination for good reason or his termination due to the Company not renewing his employment agreement. Following a termination for cause, we have the right to repurchase any vested shares of restricted stock at par value ($0.001 per share).

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

At April 28, 2018, 16,473 shares of unvested restricted common stock were outstanding. The recorded liability with respect to such shares was $0.5 million at April 28, 2018, $1.2 million at July 29, 2017 and $1.7 million at April 29, 2017.

| | Thirty-nine weeks ended April 28, 2018 | |
|---|---|---|
| **(in actuals)** | **Unvested Shares** | **Weighted Average Grant Date Fair Value** |
| Outstanding at July 29, 2017 | 21,355 | $ 768 |
| Granted | 8,000 | 268 |
| Vested | (6,349) | 768 |
| Forfeited | (6,533) | 768 |
| Outstanding at April 28, 2018 | 16,473 | $ 525 |

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

| | Thirteen weeks ended | | Thirty-nine weeks ended | |
|---|---|---|---|---|
| **(in thousands)** | **April 28, 2018** | **April 29, 2017** | **April 28, 2018** | **April 29, 2017** |
| Stock compensation expense (benefit): | | | | |
| Stock options | $ 57 | $ (635) | $ 5,461 | $ (958) |
| Restricted stock | 664 | 840 | 1,152 | 1,680 |
| Total | $ 721 | $ 205 | $ 6,613 | $ 722 |

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 | | Thirty-nine weeks ended | |
|---|---|---|---|---|
| **(in thousands)** | **April 28, 2018** | **April 29, 2017** | **April 28, 2018** | **April 29, 2017** |
| Expenses incurred in connection with strategic initiatives | $ 8,873 | $ 8,309 | $ 10,683 | $ 17,011 |
| Expenses related to store closures | 1,328 | 15 | 9,248 | 1,510 |
| Expenses related to Cyber-Attack, net of insurance recoveries | — | — | 1,100 | — |
| MyTheresa acquisition costs | — | 2,584 | — | 3,286 |
| Other expenses | 648 | — | 5,272 | 1,130 |
| Total | $ 10,849 | $ 10,908 | $ 26,303 | $ 22,937 |

We incurred professional fees and other costs aggregating $8.9 million in the third quarter of fiscal year 2018, $8.3 million in the third quarter of fiscal year 2017, $10.7 million in year-to-date fiscal 2018 and 17.0 million in year-to-date fiscal 2017 in connection with the review of our resources and organizational processes, implementation of our integrated merchandising and distribution system and the evaluation of potential strategic alternatives. In connection with the review of our resources and organizational processes, we eliminated approximately 90 positions in the first quarter of fiscal year 2017 across our stores, divisions and facilities.

During fiscal year 2017, we began a process to assess our Last Call footprint and closed four of our Last Call stores. During the second quarter of fiscal year 2018, we closed 11 additional Last Call stores in order to optimize our Last Call store portfolio. We incurred expenses related to these store closures, which primarily consisted of severance and store closing costs, of $1.3 million in the third quarter of fiscal year 2018, $9.2 million in year-to-date fiscal 2018 and $1.5 million in year-to-date fiscal 2017.

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

In October 2014, we acquired MyTheresa, a luxury retailer headquartered in Munich, Germany. Acquisition costs of $2.6 million in the third quarter of fiscal year 2017 and $3.3 million in year-to-date fiscal 2017 consisted primarily of professional fees as well as adjustments of our earn-out obligations to estimated fair value at each reporting date.

In connection with the retirement of our former Chief Executive Officer and President, we incurred certain charges primarily related to lump sum compensation payable as a consequence of her retirement of approximately $5.3 million in year-to-date fiscal 2018.

**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.

| | April 28, 2018 | | | | | |
|---|---|---|---|---|---|---|
| (in thousands) | Company | NMG | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
| **ASSETS** | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | $ — | $ 32,750 | $ 1,485 | $ 4,616 | $ — | $ 38,851 |
| Credit card receivables | — | 48,445 | — | 4,154 | — | 52,599 |
| Merchandise inventories | — | 911,212 | 154,401 | 114,528 | — | 1,180,141 |
| Other current assets | — | 100,358 | 8,324 | 3,320 | (586) | 111,416 |
| Total current assets | — | 1,092,765 | 164,210 | 126,618 | (586) | 1,383,007 |
| Property and equipment, net | — | 1,321,846 | 140,882 | 103,813 | — | 1,566,541 |
| Intangible assets, net | — | 471,940 | 2,214,790 | 76,879 | — | 2,763,609 |
| Goodwill | — | 1,338,843 | 414,402 | 137,817 | — | 1,891,062 |
| Other long-term assets | — | 43,749 | 1,252 | — | — | 45,001 |
| Investments in subsidiaries | 829,386 | 3,213,024 | — | — | (4,042,410) | — |
| Total assets | $ 829,386 | $ 7,482,167 | $ 2,935,536 | $ 445,127 | $ (4,042,996) | $ 7,649,220 |
| **LIABILITIES AND MEMBER EQUITY** | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable | $ — | $ 275,774 | $ — | $ 17,135 | $ — | $ 292,909 |
| Accrued liabilities | — | 387,862 | 80,382 | 36,200 | (586) | 503,858 |
| Current portion of long-term debt | — | 29,426 | — | — | — | 29,426 |
| Total current liabilities | — | 693,062 | 80,382 | 53,335 | (586) | 826,193 |
| Long-term liabilities: | | | | | | |
| Long-term debt, net of debt issuance costs | — | 4,627,839 | — | 9,731 | — | 4,637,570 |
| Deferred income taxes | — | 733,024 | — | 17,470 | — | 750,494 |
| Other long-term liabilities | — | 598,856 | 7,421 | (700) | — | 605,577 |
| Total long-term liabilities | — | 5,959,719 | 7,421 | 26,501 | — | 5,993,641 |
| Total member equity | 829,386 | 829,386 | 2,847,733 | 365,291 | (4,042,410) | 829,386 |
| Total liabilities and member equity | $ 829,386 | $ 7,482,167 | $ 2,935,536 | $ 445,127 | $ (4,042,996) | $ 7,649,220 |

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

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| (in thousands) | April 29, 2017 Company | NMG | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | $ — | $ 41,700 | $ 924 | $ 10,991 | $ — | $ 53,615 |
| Credit card receivables | — | 47,801 | — | 880 | — | 48,681 |
| Merchandise inventories | — | 978,201 | 181,474 | 71,535 | — | 1,231,210 |
| Other current assets | | 152,214 | 7,557 | 3,595 | (1,021) | 162,345 |
| Total current assets | — | 1,219,916 | 189,955 | 87,001 | (1,021) | 1,495,851 |
| Property and equipment, net | — | 1,345,614 | 151,787 | 103,358 | — | 1,600,759 |
| Intangible assets, net | — | 522,952 | 2,420,493 | 68,211 | — | 3,011,656 |
| Goodwill | — | 1,412,147 | 537,263 | 119,672 | — | 2,069,082 |
| Other long-term assets | — | 18,461 | 1,837 | — | — | 20,298 |
| Investments in subsidiaries | 786,919 | 3,549,644 | — | — | (4,336,563) | — |
| Total assets | $ 786,919 | $ 8,068,734 | $ 3,301,335 | $ 378,242 | $ (4,337,584) | $ 8,197,646 |
| **LIABILITIES AND MEMBER EQUITY** | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable | $ — | $ 202,716 | $ — | $ 10,993 | $ — | $ 213,709 |
| Accrued liabilities | — | 336,864 | 77,992 | 27,347 | (1,021) | 441,182 |
| Current portion of long-term debt | — | 29,426 | — | — | — | 29,426 |
| Total current liabilities | — | 569,006 | 77,992 | 38,340 | (1,021) | 684,317 |
| Long-term liabilities: | | | | | | |
| Long-term debt, net of debt issuance costs | — | 4,849,225 | — | — | — | 4,849,225 |
| Deferred income taxes | — | 1,234,045 | — | 8,473 | — | 1,242,518 |
| Other long-term liabilities | — | 629,539 | 5,361 | (233) | — | 634,667 |
| Total long-term liabilities | — | 6,712,809 | 5,361 | 8,240 | — | 6,726,410 |
| Total member equity | 786,919 | 786,919 | 3,217,982 | 331,662 | (4,336,563) | 786,919 |
| Total liabilities and member equity | $ 786,919 | $ 8,068,734 | $ 3,301,335 | $ 378,242 | $ (4,337,584) | $ 8,197,646 |

| (in thousands) | Thirteen weeks ended April 28, 2018 Company | NMG | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|---|
| Revenues | $ — | $ 886,494 | $ 180,132 | $ 98,458 | $ — | $ 1,165,084 |
| Cost of goods sold including buying and occupancy costs (excluding depreciation) | — | 568,633 | 119,268 | 68,470 | — | 756,371 |
| Selling, general and administrative expenses (excluding depreciation) | — | 220,440 | 32,370 | 27,876 | — | 280,686 |
| Income from credit card program | — | (9,749) | (1,217) | — | — | (10,966) |
| Depreciation expense | — | 47,021 | 4,174 | 1,993 | — | 53,188 |
| Amortization of intangible assets and favorable lease commitments | — | 12,416 | 11,468 | 418 | — | 24,302 |
| Other expenses (income) | — | 10,849 | — | — | — | 10,849 |
| Operating earnings (loss) | — | 36,884 | 14,069 | (299) | — | 50,654 |
| Interest expense (income), net | — | 77,284 | — | 367 | — | 77,651 |
| Intercompany royalty charges (income) | — | 43,638 | (43,638) | — | — | — |
| Equity in loss (earnings) of subsidiaries | 19,881 | (57,910) | — | — | 38,029 | — |
| Earnings (loss) before income taxes | (19,881) | (26,128) | 57,707 | (666) | (38,029) | (26,997) |
| Income tax expense (benefit) | — | (6,247) | — | (869) | — | (7,116) |
| Net earnings (loss) | $ (19,881) | $ (19,881) | $ 57,707 | $ 203 | $ (38,029) | $ (19,881) |
| Total other comprehensive earnings (loss), net of tax | 9,941 | 4,564 | — | 5,377 | (9,941) | 9,941 |
| Total comprehensive earnings (loss) | $ (9,940) | $ (15,317) | $ 57,707 | $ 5,580 | $ (47,970) | $ (9,940) |

| (in thousands) | Thirteen weeks ended April 29, 2017 Company | NMG | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|---|
| Revenues | $ — | $ 872,880 | $ 168,430 | $ 70,125 | $ — | $ 1,111,435 |
| Cost of goods sold including buying and occupancy costs (excluding depreciation) | — | 574,929 | 109,267 | 46,347 | — | 730,543 |
| Selling, general and administrative expenses (excluding depreciation) | — | 215,561 | 30,277 | 19,728 | — | 265,566 |
| Income from credit card program | — | (13,788) | (1,265) | — | — | (15,053) |
| Depreciation expense | — | 51,134 | 3,793 | 767 | — | 55,694 |
| Amortization of intangible assets and favorable lease commitments | — | 13,578 | 11,564 | 363 | — | 25,505 |
| Other expenses (income) | — | 8,535 | — | 2,373 | — | 10,908 |
| Operating earnings (loss) | — | 22,931 | 14,794 | 547 | — | 38,272 |
| Interest expense (income), net | — | 73,761 | — | (43) | — | 73,718 |
| Intercompany royalty charges (income) | — | 36,646 | (36,646) | — | — | — |
| Equity in loss (earnings) of subsidiaries | 24,874 | (52,145) | — | — | 27,271 | — |
| Earnings (loss) before income taxes | (24,874) | (35,331) | 51,440 | 590 | (27,271) | (35,446) |
| Income tax expense (benefit) | — | (10,457) | — | (115) | — | (10,572) |
| Net earnings (loss) | $ (24,874) | $ (24,874) | $ 51,440 | $ 705 | $ (27,271) | $ (24,874) |
| Total other comprehensive earnings (loss), net of tax | 1,734 | (311) | — | 2,045 | (1,734) | 1,734 |
| Total comprehensive earnings (loss) | $ (23,140) | $ (25,185) | $ 51,440 | $ 2,750 | $ (29,005) | $ (23,140) |

| (in thousands) | Thirty-nine weeks ended April 28, 2018 Company | NMG | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|---|
| Revenues | $ — | $ 2,914,261 | $ 591,981 | $ 261,259 | $ — | $ 3,767,501 |
| Cost of goods sold including buying and occupancy costs (excluding depreciation) | — | 1,935,327 | 395,859 | 172,128 | — | 2,503,314 |
| Selling, general and administrative expenses (excluding depreciation) | — | 719,785 | 104,143 | 74,397 | — | 898,325 |
| Income from credit card program | — | (32,901) | (3,994) | — | — | (36,895) |
| Depreciation expense | — | 143,547 | 12,329 | 5,968 | — | 161,844 |
| Amortization of intangible assets and favorable lease commitments | — | 37,817 | 34,500 | 1,218 | — | 73,535 |
| Other expenses (income) | — | 26,303 | — | — | — | 26,303 |
| Operating earnings (loss) | — | 84,383 | 49,144 | 7,548 | — | 141,075 |
| Interest expense, net | — | 230,036 | — | 262 | — | 230,298 |
| Intercompany royalty charges (income) | — | 132,435 | (132,435) | — | — | — |
| Equity in loss (earnings) of subsidiaries | (326,434) | (188,971) | — | — | 515,405 | — |
| Earnings (loss) before income taxes | 326,434 | (89,117) | 181,579 | 7,286 | (515,405) | (89,223) |
| Income tax expense (benefit) | — | (415,551) | — | (106) | — | (415,657) |
| Net earnings (loss) | $ 326,434 | $ 326,434 | $ 181,579 | $ 7,392 | $ (515,405) | $ 326,434 |
| Total other comprehensive earnings (loss), net of tax | 34,993 | 18,895 | — | 16,098 | (34,993) | 34,993 |
| Total comprehensive earnings (loss) | $ 361,427 | $ 345,329 | $ 181,579 | $ 23,490 | $ (550,398) | $ 361,427 |

| (in thousands) | Thirty-nine weeks ended April 29, 2017 Company | NMG | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|---|
| Revenues | $ — | $ 2,840,506 | $ 555,092 | $ 190,520 | $ — | $ 3,586,118 |
| Cost of goods sold including buying and occupancy costs (excluding depreciation) | — | 1,914,889 | 375,186 | 122,828 | — | 2,412,903 |
| Selling, general and administrative expenses (excluding depreciation) | — | 696,407 | 99,779 | 53,694 | — | 849,880 |
| Income from credit card program | — | (41,461) | (4,010) | — | — | (45,471) |
| Depreciation expense | — | 156,215 | 12,238 | 1,338 | — | 169,791 |
| Amortization of intangible assets and favorable lease commitments | — | 41,653 | 34,815 | 2,638 | — | 79,106 |
| Other expenses (income) | — | 21,222 | — | 1,715 | — | 22,937 |
| Impairment charges | — | 153,772 | — | — | — | 153,772 |
| Operating earnings (loss) | — | (102,191) | 37,084 | 8,307 | — | (56,800) |
| Interest expense, net | — | 219,830 | — | 168 | — | 219,998 |
| Intercompany royalty charges (income) | — | 113,090 | (113,090) | — | — | — |
| Equity in loss (earnings) of subsidiaries | 165,456 | (157,614) | — | — | (7,842) | — |
| Earnings (loss) before income taxes | (165,456) | (277,497) | 150,174 | 8,139 | 7,842 | (276,798) |
| Income tax expense (benefit) | — | (112,041) | — | 699 | — | (111,342) |
| Net earnings (loss) | $ (165,456) | $ (165,456) | $ 150,174 | $ 7,440 | $ 7,842 | $ (165,456) |
| Total other comprehensive earnings (loss), net of tax | 6,374 | 10,408 | — | (4,034) | (6,374) | 6,374 |
| Total comprehensive earnings (loss) | $ (159,082) | $ (155,048) | $ 150,174 | $ 3,406 | $ 1,468 | $ (159,082) |

| (in thousands) | Thirty-nine weeks ended April 28, 2018 Company | NMG | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|---|
| **CASH FLOWS - OPERATING ACTIVITIES** | | | | | | |
| Net earnings (loss) | $ 326,434 | $ 326,434 | $ 181,579 | $ 7,392 | $ (515,405) | $ 326,434 |
| Adjustments to reconcile net earnings (loss) to net cash provided by (used for) operating activities: | | | | | | |
| Depreciation and amortization expense | — | 199,723 | 46,829 | 7,186 | — | 253,738 |
| Deferred income taxes | — | (418,182) | — | (429) | — | (418,611) |
| Payment-in-kind interest | — | 41,755 | — | — | — | 41,755 |
| Other | — | (358) | 2,480 | (142) | — | 1,980 |
| Intercompany royalty income payable (receivable) | — | 132,435 | (132,435) | — | — | — |
| Equity in loss (earnings) of subsidiaries | (326,434) | (188,971) | — | — | 515,405 | — |
| Changes in operating assets and liabilities, net | — | 135,481 | (93,541) | (34,471) | — | 7,469 |
| Net cash provided by (used for) operating activities | — | 228,317 | 4,912 | (20,464) | — | 212,765 |
| **CASH FLOWS - INVESTING ACTIVITIES** | | | | | | |
| Capital expenditures | — | (100,200) | (4,076) | (5,478) | — | (109,754) |
| Net cash provided by (used for) investing activities | — | (100,200) | (4,076) | (5,478) | — | (109,754) |
| **CASH FLOWS - FINANCING ACTIVITIES** | | | | | | |
| Borrowings under revolving credit facilities | — | 725,000 | — | 37,665 | — | 762,665 |
| Repayment of borrowings | — | (848,070) | — | (28,019) | — | (876,089) |
| Repurchase of stock | — | (266) | — | — | — | (266) |
| Shares withheld for remittance of employee taxes | — | (332) | — | — | — | (332) |
| Net cash provided by (used for) financing activities | — | (123,668) | — | 9,646 | — | (114,022) |
| Effect of exchange rate changes on cash and cash equivalents | — | — | — | 623 | — | 623 |
| **CASH AND CASH EQUIVALENTS** | | | | | | |
| Increase (decrease) during the period | — | 4,449 | 836 | (15,673) | — | (10,388) |
| Beginning balance | — | 28,301 | 649 | 20,289 | — | 49,239 |
| Ending balance | $ — | $ 32,750 | $ 1,485 | $ 4,616 | $ — | $ 38,851 |

| (in thousands) | Thirty-nine weeks ended April 29, 2017 Company | NMG | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|---|
| **CASH FLOWS - OPERATING ACTIVITIES** | | | | | | |
| Net earnings (loss) | $ (165,456) | $ (165,456) | $ 150,174 | $ 7,440 | $ 7,842 | $ (165,456) |
| Adjustments to reconcile net earnings (loss) to net cash provided by (used for) operating activities: | | | | | | |
| Depreciation and amortization expense | — | 216,257 | 47,053 | 3,976 | — | 267,286 |
| Impairment charges | — | 153,772 | — | — | — | 153,772 |
| Deferred income taxes | — | (97,690) | — | (2,190) | — | (99,880) |
| Payment-in-kind interest | — | 2,349 | — | — | — | 2,349 |
| Other | — | (2,251) | 2,235 | 3,623 | — | 3,607 |
| Intercompany royalty income payable (receivable) | — | 113,090 | (113,090) | — | — | — |
| Equity in loss (earnings) of subsidiaries | 165,456 | (157,614) | — | — | (7,842) | — |
| Changes in operating assets and liabilities, net | — | (139,652) | (63,739) | (25,547) | — | (228,938) |
| Net cash provided by (used for) operating activities | — | (77,195) | 22,633 | (12,698) | — | (67,260) |
| **CASH FLOWS - INVESTING ACTIVITIES** | | | | | | |
| Capital expenditures | — | (136,425) | (22,645) | (5,294) | — | (164,364) |
| Investment in subsidiaries | — | (27,042) | — | 27,042 | — | — |
| Net cash provided by (used for) investing activities | — | (163,467) | (22,645) | 21,748 | — | (164,364) |
| **CASH FLOWS - FINANCING ACTIVITIES** | | | | | | |
| Borrowings under revolving credit facilities | — | 730,000 | — | — | — | 730,000 |
| Repayment of borrowings | — | (482,070) | | — | — | (482,070) |
| Payment of contingent earn-out obligation | — | — | — | (22,857) | — | (22,857) |
| Debt issuance costs paid | — | (5,359) | — | — | — | (5,359) |
| Net cash provided (used for) by financing activities | — | 242,571 | — | (22,857) | — | 219,714 |
| Effect of exchange rate changes on cash and cash equivalents | — | — | — | 3,682 | — | 3,682 |
| **CASH AND CASH EQUIVALENTS** | | | | | | |
| Increase (decrease) during the period | — | 1,909 | (12) | (10,125) | — | (8,228) |
| Beginning balance | — | 39,791 | 936 | 21,116 | — | 61,843 |
| Ending balance | $ — | $ 41,700 | $ 924 | $ 10,991 | $ — | $ 53,615 |

***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 April 28, 2018, the unrestricted subsidiaries consisted primarily of (i) NMG Germany GmbH, through which we conduct the operations of MyTheresa and (ii) Nancy Holdings LLC, which holds legal title to certain real property located in McLean, Virginia, San Antonio, Texas and Longview, Texas used by us in conducting our operations.

Pursuant to the terms of the indentures governing the Cash Pay Notes and the PIK Toggle Notes, we are presenting the following financial information with respect to the unrestricted subsidiaries separate from the Company and its restricted subsidiaries. The unrestricted subsidiary Nancy Holdings LLC had no assets or operations prior to March 10, 2017. The financial information of NMG Germany GmbH for the thirteen weeks ended April 29, 2017 was substantially the same as the financial information presented for “Non-Guarantor Subsidiaries” for such period included in the tables above in this Note 14. The difference in net earnings (loss) of the unrestricted subsidiaries for the thirteen weeks and thirty-nine weeks ended April 28, 2018 compared to the net earnings (loss) of the non-guarantor subsidiaries for such period, as presented in the tables above in this Note 14, consisted primarily of a net interest income of approximately $1.5 million per fiscal quarter associated with an intercompany note payable by the MyTheresa unrestricted subsidiaries and held by NMG International LLC, which is a non-guarantor restricted subsidiary.

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

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

| (in thousands) | April 28, 2018 | July 29, 2017 | April 29, 2017 |
|---|---|---|---|
| Total assets | $ 445,059 | $ 415,974 | $ 378,173 |
| Net assets | 155,495 | 137,661 | 127,839 |

| | Thirteen weeks ended | | Thirty-nine weeks ended | |
|---|---|---|---|---|
| (in thousands) | April 28, 2018 | April 29, 2017 | April 28, 2018 | April 29, 2017 |
| Revenues | $ 98,458 | $ 70,125 | $ 261,259 | $ 190,520 |
| Net earnings (loss) | (1,289) | (710) | 2,850 | 3,147 |

## 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.

| | April 28, 2018 | | | | |
|---|---|---|---|---|---|
| **(in thousands)** | **Company** | **NMG** | **Non-Guarantor Subsidiaries** | **Eliminations** | **Consolidated** |
| **ASSETS** | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | $ — | $ 32,750 | $ 6,101 | $ — | $ 38,851 |
| Credit card receivables | — | 48,445 | 4,154 | — | 52,599 |
| Merchandise inventories | — | 911,212 | 268,929 | — | 1,180,141 |
| Other current assets | — | 100,358 | 11,644 | (586) | 111,416 |
| Total current assets | — | 1,092,765 | 290,828 | (586) | 1,383,007 |
| Property and equipment, net | — | 1,321,846 | 244,695 | — | 1,566,541 |
| Intangible assets, net | — | 471,940 | 2,291,669 | — | 2,763,609 |
| Goodwill | — | 1,338,843 | 552,219 | — | 1,891,062 |
| Other long-term assets | — | 43,749 | 1,252 | — | 45,001 |
| Investments in subsidiaries | 829,386 | 3,213,024 | — | (4,042,410) | — |
| Total assets | $ 829,386 | $ 7,482,167 | $ 3,380,663 | $ (4,042,996) | $ 7,649,220 |
| **LIABILITIES AND MEMBER EQUITY** | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | $ — | $ 275,774 | $ 17,135 | $ — | $ 292,909 |
| Accrued liabilities | — | 387,862 | 116,582 | (586) | 503,858 |
| Current portion of long-term debt | — | 29,426 | — | — | 29,426 |
| Total current liabilities | — | 693,062 | 133,717 | (586) | 826,193 |
| Long-term liabilities: | | | | | |
| Long-term debt, net of debt issuance costs | — | 4,627,839 | 9,731 | — | 4,637,570 |
| Deferred income taxes | — | 733,024 | 17,470 | — | 750,494 |
| Other long-term liabilities | — | 598,856 | 6,721 | — | 605,577 |
| Total long-term liabilities | — | 5,959,719 | 33,922 | — | 5,993,641 |
| Total member equity | 829,386 | 829,386 | 3,213,024 | (4,042,410) | 829,386 |
| Total liabilities and member equity | $ 829,386 | $ 7,482,167 | $ 3,380,663 | $ (4,042,996) | $ 7,649,220 |

| (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) | April 29, 2017 Company | NMG | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | $ — | $ 41,700 | $ 11,915 | $ — | $ 53,615 |
| Credit card receivables | — | 47,801 | 880 | — | 48,681 |
| Merchandise inventories | — | 978,201 | 253,009 | — | 1,231,210 |
| Other current assets | — | 152,214 | 11,152 | (1,021) | 162,345 |
| Total current assets | — | 1,219,916 | 276,956 | (1,021) | 1,495,851 |
| Property and equipment, net | — | 1,345,614 | 255,145 | — | 1,600,759 |
| Intangible assets, net | — | 522,952 | 2,488,704 | — | 3,011,656 |
| Goodwill | — | 1,412,147 | 656,935 | — | 2,069,082 |
| Other long-term assets | — | 18,461 | 1,837 | — | 20,298 |
| Investments in subsidiaries | 786,919 | 3,549,644 | — | (4,336,563) | — |
| Total assets | $ 786,919 | $ 8,068,734 | $ 3,679,577 | $ (4,337,584) | $ 8,197,646 |
| **LIABILITIES AND MEMBER EQUITY** | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | $ — | $ 202,716 | $ 10,993 | $ — | $ 213,709 |
| Accrued liabilities | — | 336,864 | 105,339 | (1,021) | 441,182 |
| Current portion of long-term debt | — | 29,426 | — | — | 29,426 |
| Total current liabilities | — | 569,006 | 116,332 | (1,021) | 684,317 |
| Long-term liabilities: | | | | | |
| Long-term debt, net of debt issuance costs | — | 4,849,225 | — | — | 4,849,225 |
| Deferred income taxes | — | 1,234,045 | 8,473 | — | 1,242,518 |
| Other long-term liabilities | — | 629,539 | 5,128 | — | 634,667 |
| Total long-term liabilities | — | 6,712,809 | 13,601 | — | 6,726,410 |
| Total member equity | 786,919 | 786,919 | 3,549,644 | (4,336,563) | 786,919 |
| Total liabilities and member equity | $ 786,919 | $ 8,068,734 | $ 3,679,577 | $ (4,337,584) | $ 8,197,646 |

| (in thousands) | Thirteen weeks ended April 28, 2018 Company | NMG | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Revenues | $ — | $ 886,494 | $ 278,590 | $ — | $ 1,165,084 |
| Cost of goods sold including buying and occupancy costs (excluding depreciation) | — | 568,633 | 187,738 | — | 756,371 |
| Selling, general and administrative expenses (excluding depreciation) | — | 220,440 | 60,246 | — | 280,686 |
| Income from credit card program | — | (9,749) | (1,217) | — | (10,966) |
| Depreciation expense | — | 47,021 | 6,167 | — | 53,188 |
| Amortization of intangible assets and favorable lease commitments | — | 12,416 | 11,886 | — | 24,302 |
| Other expenses (income) | — | 10,849 | — | — | 10,849 |
| Operating earnings (loss) | — | 36,884 | 13,770 | — | 50,654 |
| Interest expense (income), net | — | 77,284 | 367 | — | 77,651 |
| Intercompany royalty charges (income) | — | 43,638 | (43,638) | — | — |
| Equity in loss (earnings) of subsidiaries | 19,881 | (57,910) | — | 38,029 | — |
| Earnings (loss) before income taxes | (19,881) | (26,128) | 57,041 | (38,029) | (26,997) |
| Income tax expense (benefit) | — | (6,247) | (869) | — | (7,116) |
| Net earnings (loss) | $ (19,881) | $ (19,881) | $ 57,910 | $ (38,029) | $ (19,881) |
| Total other comprehensive earnings (loss), net of tax | 9,941 | 4,564 | 5,377 | (9,941) | 9,941 |
| Total comprehensive earnings (loss) | $ (9,940) | $ (15,317) | $ 63,287 | $ (47,970) | $ (9,940) |

| (in thousands) | Thirteen weeks ended April 29, 2017 Company | NMG | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Revenues | $ — | $ 872,880 | $ 238,555 | $ — | $ 1,111,435 |
| Cost of goods sold including buying and occupancy costs (excluding depreciation) | — | 574,929 | 155,614 | — | 730,543 |
| Selling, general and administrative expenses (excluding depreciation) | — | 215,561 | 50,005 | — | 265,566 |
| Income from credit card program | — | (13,788) | (1,265) | — | (15,053) |
| Depreciation expense | — | 51,134 | 4,560 | — | 55,694 |
| Amortization of intangible assets and favorable lease commitments | — | 13,578 | 11,927 | — | 25,505 |
| Other expenses (income) | — | 8,535 | 2,373 | — | 10,908 |
| Operating earnings (loss) | — | 22,931 | 15,341 | — | 38,272 |
| Interest expense (income), net | — | 73,761 | (43) | — | 73,718 |
| Intercompany royalty charges (income) | — | 36,646 | (36,646) | — | — |
| Equity in loss (earnings) of subsidiaries | 24,874 | (52,145) | — | 27,271 | — |
| Earnings (loss) before income taxes | (24,874) | (35,331) | 52,030 | (27,271) | (35,446) |
| Income tax expense (benefit) | — | (10,457) | (115) | — | (10,572) |
| Net earnings (loss) | $ (24,874) | $ (24,874) | $ 52,145 | $ (27,271) | $ (24,874) |
| Total other comprehensive earnings (loss), net of tax | 1,734 | (311) | 2,045 | (1,734) | 1,734 |
| Total comprehensive earnings (loss) | $ (23,140) | $ (25,185) | $ 54,190 | $ (29,005) | $ (23,140) |

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| (in thousands) | Thirty-nine weeks ended April 28, 2018<br>Company | NMG | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Revenues | $ — | $ 2,914,261 | $ 853,240 | $ — | $ 3,767,501 |
| Cost of goods sold including buying and occupancy costs (excluding depreciation) | — | 1,935,327 | 567,987 | — | 2,503,314 |
| Selling, general and administrative expenses (excluding depreciation) | — | 719,785 | 178,540 | — | 898,325 |
| Income from credit card program | — | (32,901) | (3,994) | — | (36,895) |
| Depreciation expense | — | 143,547 | 18,297 | — | 161,844 |
| Amortization of intangible assets and favorable lease commitments | — | 37,817 | 35,718 | — | 73,535 |
| Other expenses (income) | — | 26,303 | — | — | 26,303 |
| Operating earnings (loss) | — | 84,383 | 56,692 | — | 141,075 |
| Interest expense, net | — | 230,036 | 262 | — | 230,298 |
| Intercompany royalty charges (income) | — | 132,435 | (132,435) | — | — |
| Equity in loss (earnings) of subsidiaries | (326,434) | (188,971) | — | 515,405 | — |
| Earnings (loss) before income taxes | 326,434 | (89,117) | 188,865 | (515,405) | (89,223) |
| Income tax expense (benefit) | — | (415,551) | (106) | — | (415,657) |
| Net earnings (loss) | $ 326,434 | $ 326,434 | $ 188,971 | $ (515,405) | $ 326,434 |
| Total other comprehensive earnings (loss), net of tax | 34,993 | 18,895 | 16,098 | (34,993) | 34,993 |
| Total comprehensive earnings (loss) | $ 361,427 | $ 345,329 | $ 205,069 | $ (550,398) | $ 361,427 |

| (in thousands) | Thirty-nine weeks ended April 29, 2017<br>Company | NMG | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Revenues | $ — | $ 2,840,506 | $ 745,612 | $ — | $ 3,586,118 |
| Cost of goods sold including buying and occupancy costs (excluding depreciation) | — | 1,914,889 | 498,014 | — | 2,412,903 |
| Selling, general and administrative expenses (excluding depreciation) | — | 696,407 | 153,473 | — | 849,880 |
| Income from credit card program | — | (41,461) | (4,010) | — | (45,471) |
| Depreciation expense | — | 156,215 | 13,576 | — | 169,791 |
| Amortization of intangible assets and favorable lease commitments | — | 41,653 | 37,453 | — | 79,106 |
| Other expenses (income) | — | 21,222 | 1,715 | — | 22,937 |
| Impairment charges | — | 153,772 | — | — | 153,772 |
| Operating earnings (loss) | — | (102,191) | 45,391 | — | (56,800) |
| Interest expense, net | — | 219,830 | 168 | — | 219,998 |
| Intercompany royalty charges (income) | — | 113,090 | (113,090) | — | — |
| Equity in loss (earnings) of subsidiaries | 165,456 | (157,614) | — | (7,842) | — |
| Earnings (loss) before income taxes | (165,456) | (277,497) | 158,313 | 7,842 | (276,798) |
| Income tax expense (benefit) | — | (112,041) | 699 | — | (111,342) |
| Net earnings (loss) | $ (165,456) | $ (165,456) | $ 157,614 | $ 7,842 | $ (165,456) |
| Total other comprehensive earnings (loss), net of tax | 6,374 | 10,408 | (4,034) | (6,374) | 6,374 |
| Total comprehensive earnings (loss) | $ (159,082) | $ (155,048) | $ 153,580 | $ 1,468 | $ (159,082) |

| (in thousands) | Thirty-nine weeks ended April 28, 2018<br>Company | NMG | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| **CASH FLOWS—OPERATING ACTIVITIES** | | | | | |
| Net earnings (loss) | $ 326,434 | $ 326,434 | $ 188,971 | $ (515,405) | $ 326,434 |
| Adjustments to reconcile net earnings (loss) to net cash provided by (used for) operating activities: | | | | | |
| Depreciation and amortization expense | — | 199,723 | 54,015 | — | 253,738 |
| Deferred income taxes | | (418,182) | (429) | — | (418,611) |
| Payment-in-kind interest | — | 41,755 | — | — | 41,755 |
| Other | — | (358) | 2,338 | — | 1,980 |
| Intercompany royalty income payable (receivable) | — | 132,435 | (132,435) | — | — |
| Equity in loss (earnings) of subsidiaries | (326,434) | (188,971) | — | 515,405 | — |
| Changes in operating assets and liabilities, net | — | 135,481 | (128,012) | | 7,469 |
| Net cash provided by (used for) operating activities | — | 228,317 | (15,552) | — | 212,765 |
| **CASH FLOWS—INVESTING ACTIVITIES** | | | | | |
| Capital expenditures | — | (100,200) | (9,554) | — | (109,754) |
| Net cash provided by (used for) investing activities | — | (100,200) | (9,554) | — | (109,754) |
| **CASH FLOWS—FINANCING ACTIVITIES** | | | | | |
| Borrowings under revolving credit facilities | — | 725,000 | 37,665 | — | 762,665 |
| Repayment of borrowings | — | (848,070) | (28,019) | — | (876,089) |
| Repurchase of stock | — | (266) | — | — | (266) |
| Shares withheld for remittance of employee taxes | — | (332) | — | — | (332) |
| Net cash provided by (used for) financing activities | — | (123,668) | 9,646 | — | (114,022) |
| Effect of exchange rate changes on cash and cash equivalents | — | — | 623 | — | 623 |
| **CASH AND CASH EQUIVALENTS** | | | | | |
| Increase (decrease) during the period | — | 4,449 | (14,837) | — | (10,388) |
| Beginning balance | — | 28,301 | 20,938 | — | 49,239 |
| Ending balance | $ — | $ 32,750 | $ 6,101 | $ — | $ 38,851 |

| (in thousands) | Thirty-nine weeks ended April 29, 2017 | | | | |
|---|---|---|---|---|---|
| | Company | NMG | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
| **CASH FLOWS—OPERATING ACTIVITIES** | | | | | |
| Net earnings (loss) | $ (165,456) | $ (165,456) | $ 157,614 | $ 7,842 | $ (165,456) |
| Adjustments to reconcile net earnings (loss) to net cash provided by (used for) operating activities: | | | | | |
| Depreciation and amortization expense | — | 216,257 | 51,029 | — | 267,286 |
| Impairment charges | — | 153,772 | — | — | 153,772 |
| Deferred income taxes | — | (97,690) | (2,190) | — | (99,880) |
| Payment-in-kind interest | — | 2,349 | — | — | 2,349 |
| Other | — | (2,251) | 5,858 | — | 3,607 |
| Intercompany royalty income payable (receivable) | — | 113,090 | (113,090) | — | — |
| Equity in loss (earnings) of subsidiaries | 165,456 | (157,614) | — | (7,842) | — |
| Changes in operating assets and liabilities, net | — | (139,652) | (89,286) | — | (228,938) |
| Net cash provided by (used for) operating activities | — | (77,195) | 9,935 | — | (67,260) |
| **CASH FLOWS—INVESTING ACTIVITIES** | | | | | |
| Capital expenditures | — | (136,425) | (27,939) | — | (164,364) |
| Investment in subsidiaries | — | (27,042) | 27,042 | — | — |
| Net cash provided by (used for) investing activities | — | (163,467) | (897) | — | (164,364) |
| **CASH FLOWS—FINANCING ACTIVITIES** | | | | | |
| Borrowings under revolving credit facilities | — | 730,000 | — | — | 730,000 |
| Repayment of borrowings | — | (482,070) | — | — | (482,070) |
| Payment of contingent earn-out obligation | — | — | (22,857) | — | (22,857) |
| Debt issuance costs paid | — | (5,359) | — | — | (5,359) |
| Net cash provided by (used for) financing activities | — | 242,571 | (22,857) | — | 219,714 |
| Effect of exchange rate changes on cash and cash equivalents | — | — | 3,682 | — | 3,682 |
| **CASH AND CASH EQUIVALENTS** | | | | | |
| Increase (decrease) during the period | — | 1,909 | (10,137) | — | (8,228) |
| Beginning balance | — | 39,791 | 22,052 | — | 61,843 |
| Ending balance | $ — | $ 41,700 | $ 11,915 | $ — | $ 53,615 |

## 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 third quarter of fiscal year 2018 relate to the thirteen weeks ended April 28, 2018, (ii) the third quarter of fiscal year 2017 relate to the thirteen weeks ended April 29, 2017, (iii) year-to-date fiscal 2018 relate to the thirty-nine weeks ended April 28, 2018 and (iv) year-to-date fiscal 2017 relate to the thirty-nine weeks ended April 29, 2017.

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

**Investments and Strategic Initiatives**

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

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

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

- We have assessed and will continue to assess our Last Call operations. During fiscal year 2017, we began a process to assess our Last Call footprint and closed four of our Last Call stores. During fiscal year 2018, we closed 11 additional Last Call stores in order to optimize our Last Call store portfolio. We will continue to evaluate our off-price business and seek to optimize the operations of Last Call in the future;
- We have re-engineered and will continue to re-engineer our costs to optimize our resources and organizational processes through a comprehensive review project we refer to as "Organizing for Growth". In connection with Organizing for Growth, we eliminated a total of approximately 800 positions during fiscal years 2017 and 2016 across our stores, divisions and facilities; and
- We are making capital investments to remodel our existing stores as well as to open new stores in select markets such as New York City (currently scheduled to open in March 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 third quarter of fiscal year 2018 were $1,165.1 million, an increase of 4.8% compared to the third quarter of fiscal year 2017. Comparable revenues for the third quarter of fiscal year 2018 increased 6.0% compared to the third quarter of fiscal year 2017. Our year-to-date fiscal 2018 revenues were $3,767.5 million, an increase of 5.1% compared to year-to-date fiscal 2017. Comparable revenues for year-to-date fiscal 2018 increased 5.7% compared to year-to-date fiscal 2017.

  In the third quarter of fiscal year 2018, revenues generated by our online operations were $415.9 million, or 35.7% of consolidated revenues. Comparable revenues from our online operations for the third quarter of fiscal year 2018 increased 17.1% from the third quarter of fiscal year 2017. In year-to-date fiscal 2018, revenues generated by our online operations were $1,284.0 million, or 34.1% of consolidated revenues. Comparable revenues from our online operations for year-to-date fiscal 2018 increased 15.8% from year-to-date fiscal 2017.

- **Cost of Goods Sold Including Buying and Occupancy Costs (Excluding Depreciation) ("COGS")** — Compared to the corresponding periods of the prior year, COGS as a percentage of revenues decreased approximately 80 basis points in the third quarter of fiscal year 2018 and 90 basis points in year-to-date fiscal 2018. The decreases in COGS, as a percentage of revenues, were primarily attributable to:

    - higher net product margins due primarily to lower markdowns and promotional costs driven by a higher level of customer demand, a higher level of full-price sales and improved inventory productivity driven by the reduction in on-hand inventories; partially offset by
    - closed store liquidation markdown requirements of $5.6 million, or 0.1% of year-to-date fiscal 2018 revenues, related to the closing of 11 Last Call stores in the second quarter of fiscal year 2018; and
    - higher buying and occupancy costs in the third quarter of fiscal year 2018.

  At April 28, 2018, consolidated inventories totaled $1,180.1 million, a 4.1% decrease from April 29, 2017. Merchandise inventories supporting our U.S. operations decreased 8.1% and merchandise inventories supporting our MyTheresa operations increased 60.1% from the corresponding period of the prior year. We have worked aggressively to align our inventory levels and purchases with anticipated future customer demand and have experienced significant improvement in inventory alignment during fiscal year 2018.

- **Selling, General and Administrative Expenses (Excluding Depreciation) ("SG&A")** — Compared to the corresponding periods of the prior year, SG&A expenses excluding net incentive compensation costs and other benefits decreased, as a percentage of revenues, by approximately 40 basis points in the third quarter of fiscal year 2018 and 60 basis points in year-to-date fiscal 2018. The lower levels of SG&A expenses, as a percentage of revenues, were primarily attributable to:

- favorable payroll and related costs driven by (i) our ongoing strategic initiatives, (ii) lower benefits costs incurred and (iii) the leveraging of these expenses on higher revenues; and
- lower expenses incurred in connection with new stores and the remodeling of existing stores; partially offset by
- higher marketing expenses, related primarily to the growth in our online operations; and
- higher corporate expenses, primarily professional fees, in year-to-date fiscal 2018.

Net incentive compensation costs and other benefits costs increased approximately 60 basis points in the third quarter of fiscal year 2018 and 80 basis points in year-to-date fiscal 2018. Those increases were due primarily to (i) higher levels of current and long-term cash incentive costs resulting from our improved financial performance and (ii) non-cash charges related to the modifications of certain stock options, net of (iii) a non-cash gain related to a change in our vacation policy.

Compared to the corresponding periods of the prior year, our total SG&A expenses including net incentive compensation costs and other benefits, as a percentage of revenues, increased approximately 20 basis points in the third quarter of fiscal year 2018 and 10 basis points in year-to-date fiscal 2018.

**Liquidity** — At April 28, 2018, we had outstanding revolving credit facilities aggregating $918.5 million consisting of (i) our Asset-Based Revolving Credit Facility of $900.0 million in the U.S. and (ii) the mytheresa.com Credit Facilities of $18.5 million, or €15.0 million. Pursuant to these credit facilities, we had outstanding borrowings of $171.7 million, of which $162.0 million represented borrowings under our Asset-Based Revolving Credit Facility and $9.7 million, or €7.9 million, represented borrowings under the mytheresa.com Credit Facilities. Additionally, we had outstanding letters of credit and guarantees of $3.3 million as of April 28, 2018. Our borrowings under these credit facilities fluctuate based on our seasonal working capital requirements, which generally peak in our first and third quarters. At April 28, 2018, we had unused borrowing commitments aggregating $743.5 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) $7.2 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 $91.5 million bringing our available liquidity to $834.9 million at April 28, 2018, inclusive of the amount available to MyTheresa. We believe that cash generated from our operations along with our existing cash balances and available sources of financing will enable us to meet our anticipated cash obligations during the next 12 months.

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

## Results of Operations

***Performance Summary***

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

| | Thirteen weeks ended | | Thirty-nine weeks ended | |
|---|---|---|---|---|
| | April 28, 2018 | April 29, 2017 | April 28, 2018 | April 29, 2017 |
| Revenues | 100.0 % | 100.0 % | 100.0 % | 100.0 % |
| Cost of goods sold including buying and occupancy costs (excluding depreciation) | 64.9 | 65.7 | 66.4 | 67.3 |
| Selling, general and administrative expenses (excluding depreciation) | 24.1 | 23.9 | 23.8 | 23.7 |
| Income from credit card program | (0.9) | (1.4) | (1.0) | (1.3) |
| Depreciation expense | 4.6 | 5.0 | 4.3 | 4.7 |
| Amortization of intangible assets | 1.0 | 1.1 | 0.9 | 1.1 |
| Amortization of favorable lease commitments | 1.1 | 1.2 | 1.0 | 1.1 |
| Other expenses | 0.9 | 1.0 | 0.7 | 0.6 |
| Impairment charges | — | — | — | 4.3 |
| Operating earnings (loss) | 4.3 | 3.4 | 3.7 | (1.6) |
| Interest expense, net | 6.7 | 6.6 | 6.1 | 6.1 |
| Loss before income taxes | (2.3) | (3.2) | (2.4) | (7.7) |
| Income tax benefit | (0.6) | (1.0) | (11.0) | (3.1) |
| Net earnings (loss) | (1.7)% | (2.2)% | 8.7 % | (4.6)% |

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

| | Thirteen weeks ended | | Thirty-nine weeks ended | |
|---|---|---|---|---|
| **(dollars in millions, except sales per square foot and store count)** | April 28, 2018 | April 29, 2017 | April 28, 2018 | April 29, 2017 |
| Change in comparable revenues (1) | | | | |
| Total revenues | 6.0% | (4.9)% | 5.7% | (6.6)% |
| Online revenues | 17.1% | 2.1 % | 15.8% | 0.5 % |
| | | | | |
| Percentage of revenues transacted online | 35.7% | 32.0 % | 34.1% | 30.9 % |
| | | | | |
| Store count | | | | |
| Neiman Marcus and Bergdorf Goodman full-line stores open at end of period | 44 | 44 | 44 | 44 |
| Last Call stores open at end of period | 27 | 41 | 27 | 41 |
| | | | | |
| Sales per square foot (2) | $ 120 | $ 118 | $ 394 | $ 387 |
| | | | | |
| Capital expenditures (3) | $ 44.0 | $ 48.7 | $ 109.8 | $ 164.4 |
| Depreciation expense | 53.2 | 55.7 | 161.8 | 169.8 |
| Rent expense and related occupancy costs | 31.5 | 28.1 | 90.7 | 86.6 |
| | | | | |
| Non-GAAP financial measures | | | | |
| EBITDA (4) | $ 128.1 | $ 119.5 | $ 376.5 | $ 192.1 |
| Adjusted EBITDA (4) | $ 143.8 | $ 135.9 | $ 421.0 | $ 385.6 |

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

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

(3) Amounts represent gross capital expenditures and exclude developer contributions of $18.4 million for the thirteen weeks ended April 28, 2018, $30.1 million for the thirty-nine weeks ended April 28, 2018 and $32.5 million for the thirty-nine weeks ended April 29, 2017. There were no developer contributions for the thirteen weeks ended April 29, 2017.

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

**Key Factors Affecting Our Results**

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

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

Our revenues can be affected by the following factors:

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

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

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

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

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

Consistent with industry business practice, we receive allowances from certain of our vendors in support of the merchandise we purchase for resale. Certain allowances are received to reimburse us for markdowns taken or to support the gross margins that we earn in connection with the sales of the vendor's merchandise. These allowances result in an increase to gross margin when we earn the allowances and they are approved by the vendor. Other allowances we receive represent reductions to the amounts we pay to acquire the merchandise. These allowances reduce the cost of the acquired merchandise and are recognized at the time the goods are sold. We received vendor allowances of $3.9 million, or 0.3% of revenues, in the third quarter of fiscal year 2018, $4.9 million, or 0.4% of revenues, in the third quarter of fiscal year 2017, $46.2 million, or 1.2% of revenues, in year-to-date fiscal 2018 and $46.4 million, or 1.3% of revenues, in year-to-date fiscal 2017. The amounts of vendor allowances we receive fluctuate based partially on the level of markdowns taken and did not have a significant impact on the year-over-year change in gross margin during year-to-date fiscal 2018 and 2017.

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

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

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

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

other print media and digital media.  Advertising allowances fluctuate based on the level of advertising expenses incurred and are recorded as a reduction of our advertising costs when earned.  Advertising allowances were approximately $14.5 million, or 1.3% of revenues, in the third quarter of fiscal year 2018, $17.6 million, or 1.6% of revenues, in the third quarter of fiscal year 2017, $40.7 million, or 1.1% of revenues, in year-to-date fiscal 2018 and $46.6 million, or 1.3% of revenues, in year-to-date fiscal 2017.

We also receive allowances from certain merchandise vendors in connection with compensation programs for employees who sell the vendor's merchandise. These allowances are netted against the related compensation expenses that we incur.  Amounts received from vendors related to compensation programs were $15.3 million, or 1.3% of revenues, in the third quarter of fiscal year 2018, $15.8 million, or 1.4% of revenues, in the third quarter of fiscal year 2017, $45.2 million, or 1.2% of revenues, in year-to-date fiscal 2018 and $48.5 million, or 1.4% of revenues, in year-to-date fiscal 2017.

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

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

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

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

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

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

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

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

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

The Tax Cuts and Jobs Act ("Tax Reform") was signed into law on December 22, 2017 (see Note 7 of the Notes to Condensed Consolidated Financial Statements in Part I — Item 1). Among numerous provisions included in the Tax Reform was the reduction of the corporate federal income tax rate from 35% to 21%. In connection with our application of the new federal statutory rate, we are measuring our long-term deferred income taxes at the new lower rate which has resulted in provisional non-cash benefits aggregating $386.2 million in year-to-date fiscal 2018.

**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 April 28, 2018 Compared to the Thirteen Weeks Ended April 29, 2017***

***Revenues.*** Our revenues for the third quarter of fiscal year 2018 of $1,165.1 million increased by $53.7 million, or 4.8%, from $1,111.4 million in the third quarter of fiscal year 2017. Comparable revenues for the third quarter of fiscal year 2018 were $1,165.1 million compared to $1,099.1 million in the third quarter of fiscal year 2017, representing an increase of 6.0%.

Revenues generated by our online operations were $415.9 million, or 35.7% of consolidated revenues. Comparable revenues from our online operations for the third quarter of fiscal year 2018 increased 17.1% from the third quarter of the prior year.

***Cost of Goods Sold Including Buying and Occupancy Costs (Excluding Depreciation).*** COGS as a percentage of revenues decreased to 64.9% of revenues in the third quarter of fiscal year 2018 from 65.7% of revenues in the third quarter of fiscal year 2017. Compared to the prior year, COGS as a percentage of revenues, decreased by 80 basis points due primarily to:

- higher net product margins of approximately 90 basis points due primarily to lower markdowns and promotional costs driven by a higher level of customer demand, a higher level of full-price sales and improved inventory productivity driven by the reduction in on-hand inventories; partially offset by
- higher buying and occupancy costs of approximately 20 basis points.

***Selling, General and Administrative Expenses (Excluding Depreciation).*** SG&A expenses as a percentage of revenues increased to 24.1% of revenues in the third quarter of fiscal year 2018 compared to 23.9% of revenues in the third quarter of fiscal year 2017. The components of SG&A expense consisted of:

| | Thirteen weeks ended | | | |
|---|---|---|---|---|
| | April 28, 2018 | | April 29, 2017 | |
| **(in millions, except percentages)** | **$** | **% of revenues** | **$** | **% of revenues** |
| Total SG&A excluding net incentive compensation costs and other benefits | $ 271.4 | 23.3% | $ 263.2 | 23.7% |
| Net incentive compensation costs and other benefits | 9.3 | 0.8% | 2.4 | 0.2% |
| Total SG&A | $ 280.7 | 24.1% | $ 265.6 | 23.9% |

SG&A expenses excluding net incentive compensation costs and other benefits decreased, as a percentage of revenues, by approximately 40 basis points compared to the prior year due primarily to:

- favorable payroll and related costs of approximately 100 basis points driven by (i) our ongoing strategic initiatives, (ii) lower benefits costs incurred and (iii) the leveraging of these expenses on higher revenues; and
- lower expenses of approximately 10 basis points incurred in connection with new stores and the remodeling of existing stores; partially offset by
- higher marketing expenses of approximately 60 basis points related primarily to the growth in our online operations.

Net incentive compensation costs and other benefits costs aggregated $9.3 million in the third quarter of fiscal year 2018, an increase of approximately 60 basis points compared to the prior year. This increase is due primarily to (i) higher levels of current and long-term cash incentive costs of approximately 100 basis points resulting from our improved financial performance and (ii) non-cash charges related to the modifications of certain stock options of approximately 10 basis points, net of (iii) a non-cash gain related to a change in our vacation policy of approximately 50 basis points.

***Income From Credit Card Program.*** Income from our credit card program was $11.0 million, or 0.9% of revenues, in the third quarter of fiscal year 2018 compared to $15.1 million, or 1.4% of revenues, in the third quarter of fiscal year 2017. Compared to the prior year, income from our credit card program as a percentage of revenues decreased by 50 basis points due primarily to the decrease of our allocated share of the profits generated by the credit card portfolio, which was reduced as a result of our current credit ratings.

***Depreciation and Amortization Expenses.*** Depreciation expense was $53.2 million, or 4.6% of revenues, in the third quarter of fiscal year 2018 compared to $55.7 million, or 5.0% of revenues, in the third quarter of fiscal year 2017.

Amortization of intangible assets (primarily customer lists and favorable lease commitments) was $24.3 million, or 2.1% of revenues, in the third quarter of fiscal year 2018 compared to $25.5 million, or 2.3% of revenues, in the third quarter of fiscal year 2017.

***Other Expenses.*** Other expenses for the third quarter of fiscal year 2018 were $10.8 million, or 0.9% of revenues, compared to $10.9 million, or 1.0% of revenues, in the third quarter of fiscal year 2017. Other expenses consisted of the following components:

| (in millions) | Thirteen weeks ended April 28, 2018 | Thirteen weeks ended April 29, 2017 |
|---|---|---|
| Expenses incurred in connection with strategic initiatives | $ 8.9 | $ 8.3 |
| Expenses related to store closures | 1.3 | — |
| MyTheresa acquisition costs | — | 2.6 |
| Other expenses | 0.6 | — |
| Total | $ 10.8 | $ 10.9 |

We incurred professional fees and other costs aggregating $8.9 million in the third quarter of fiscal year 2018 and $8.3 million in the third quarter of fiscal year 2017 in connection with the review of our resources and organizational processes, implementation of our integrated merchandising and distribution system and the evaluation of potential strategic alternatives.

During fiscal year 2017, we began a process to assess our Last Call footprint and closed four of our Last Call stores. During the second quarter of fiscal year 2018, we closed 11 additional Last Call stores in order to optimize our Last Call store portfolio. We incurred expenses related to these store closures, which primarily consisted of severance and store closing costs, of $1.3 million in the third quarter of fiscal year 2018.

In October 2014, we acquired MyTheresa, a luxury retailer headquartered in Munich, Germany. Acquisition costs of $2.6 million in the third quarter of fiscal year 2017 consisted primarily of professional fees as well as adjustments of our earn-out obligations to estimated fair value at each reporting date.

***Interest Expense, net.*** Net interest expense was $77.7 million in the third quarter of fiscal year 2018 and $73.7 million for the third quarter of fiscal year 2017. The significant components of interest expense are as follows:

| (in millions) | Thirteen weeks ended April 28, 2018 | Thirteen weeks ended April 29, 2017 |
|---|---|---|
| Asset-Based Revolving Credit Facility | $ 1.4 | $ 2.2 |
| mytheresa.com Credit Facilities | 0.4 | — |
| Senior Secured Term Loan Facility | 34.9 | 32.7 |
| Cash Pay Notes | 19.2 | 19.2 |
| PIK Toggle Notes | 14.8 | 13.3 |
| 2028 Debentures | 2.2 | 2.2 |
| Amortization of debt issue costs | 6.1 | 6.1 |
| Capitalized interest | (2.1) | (1.2) |
| Other, net | 0.6 | (0.9) |
| Interest expense, net | $ 77.7 | $ 73.7 |

***Income Tax Benefit.*** Our income tax benefit was $7.1 million for the third quarter of fiscal year 2018 and $10.6 million for the third quarter of fiscal year 2017. The components of our tax benefits consisted of:

| (in millions, except percentages) | Thirteen weeks ended April 28, 2018 $ | April 28, 2018 % | April 29, 2017 $ | April 29, 2017 % |
|---|---|---|---|---|
| Income tax benefit excluding impact of Tax Reform | $ (8.7) | 32.1 % | $ (10.6) | 29.8% |
| Impact of Tax Reform | 1.5 | (5.7)% | — | —% |
| Total income tax benefit | $ (7.1) | 26.4 % | $ (10.6) | 29.8% |

Included in the income tax benefit recognized in the third quarter of fiscal year 2018 is the impact of the Tax Reform, which was signed into law on December 22, 2017. Among numerous provisions included in the Tax Reform was the reduction of the corporate federal income tax rate from 35% to 21% effective January 1, 2018. As the effective date of the Tax Reform falls five months into our fiscal year, we are subject to a blended federal statutory rate of 26.9% in fiscal year 2018. In connection with our application of the new federal statutory rate, we are measuring our long-term deferred income taxes at the new lower rate, which has resulted in provisional non-cash benefits aggregating $386.2 million in year-to-date fiscal 2018. We recognized the income tax effects of the Tax Reform in our fiscal year 2018 financial statements in accordance with Staff Accounting Bulletin No. 118 ("SAB 118"), which provides the SEC staff guidance for the application of the FASB's Accounting Standards Codification Topic 740, *Income Taxes*, in the reporting period in which the Tax Reform was signed into law. At April 28, 2018, we calculated the effects of the tax law change, as written, and made reasonable estimates of the effects on our deferred income tax balances. We will continue to refine our estimates as additional information, such as interpretive or regulatory guidance, becomes available on key aspects of the law, including its impact on the deductibility of purchased assets, state taxes and employee compensation.

Excluding the impact of the Tax Reform, our effective income tax rate of 32.1% on the loss for the third quarter of fiscal year 2018 exceeded the blended federal statutory rate of 26.9% due primarily to state and foreign income taxes. Our effective income tax rate of 29.8% on the loss for the third quarter of fiscal year 2017 was less than the previous federal statutory rate of 35% due primarily to:

- adjustments to prior year recorded tax benefits upon finalization of our federal income tax return for fiscal year 2016; and
- the non-deductible portion of transaction and other costs incurred in connection with the My Theresa acquisition; partially offset by
- state income taxes.

***Results of Operations for the Thirty-nine Weeks Ended April 28, 2018 Compared to the Thirty-nine Weeks Ended April 29, 2017***

***Revenues.*** Our revenues for year-to-date fiscal 2018 of $3,767.5 million increased by $181.4 million, or 5.1%, from $3,586.1 million in year-to-date fiscal 2017. Comparable revenues for year-to-date fiscal 2018 were $3,767.5 million compared to $3,563.2 million in year-to-date fiscal 2017, representing an increase of 5.7%.

Revenues generated by our online operations were $1,284.0 million, or 34.1% of consolidated revenues. Comparable revenues from our online operations in year-to-date fiscal 2018 increased 15.8% from the prior year fiscal period. Changes in comparable revenues for our last six fiscal quarters were:

| **Fiscal year 2018** | |
|---|---|
| Third quarter | 6.0 % |
| Second quarter | 6.7 |
| First quarter | 4.2 |
| | |
| **Fiscal year 2017** | |
| Fourth quarter | (0.5) |
| Third quarter | (4.9) |
| Second quarter | (6.8) |
| First quarter | (8.0) |

***Cost of Goods Sold Including Buying and Occupancy Costs (Excluding Depreciation).*** COGS as a percentage of revenues decreased to 66.4% of revenues in year-to-date fiscal 2018 from 67.3% of revenues in year-to-date fiscal 2017. The components of COGS expense consisted of:

| | Thirty-nine weeks ended | | | |
|---|---|---|---|---|
| | April 28, 2018 | | April 29, 2017 | |
| **(in millions, except percentages)** | **$** | **% of revenues** | **$** | **% of revenues** |
| Total COGS excluding closed store liquidation markdowns | $ 2,497.7 | 66.3% | $ 2,412.9 | 67.3% |
| Closed store liquidation markdowns | 5.6 | 0.1% | — | —% |
| Total COGS | $ 2,503.3 | 66.4% | $ 2,412.9 | 67.3% |

COGS excluding closed store liquidation markdowns as a percentage of revenues, decreased by 100 basis points compared to the prior year due primarily to higher net product margins of approximately 90 basis points due primarily to lower markdowns and promotional costs driven by a higher level of customer demand, a higher level of full-price sales and improved inventory productivity driven by the reduction in on-hand inventories.

In connection with the closing of 11 Last Call stores in the second quarter of fiscal year 2018, we incurred incremental liquidation markdowns of $5.6 million, or 0.1% of revenues.

***Selling, General and Administrative Expenses (Excluding Depreciation).*** SG&A expenses as a percentage of revenues increased 10 basis points to 23.8% of revenues in year-to-date fiscal 2018 compared to 23.7% of revenues in year-to-date fiscal 2017. The components of SG&A expense consisted of:

| | Thirty-nine weeks ended | | | |
|---|---|---|---|---|
| | April 28, 2018 | | April 29, 2017 | |
| **(in millions, except percentages)** | **$** | **% of revenues** | **$** | **% of revenues** |
| Total SG&A excluding net incentive compensation costs and other benefits | $ 865.2 | 23.0% | $ 846.6 | 23.6% |
| Net incentive compensation costs and other benefits | 33.1 | 0.9% | 3.3 | 0.1% |
| Total SG&A | $ 898.3 | 23.8% | $ 849.9 | 23.7% |

SG&A expenses excluding net incentive compensation costs and other benefits decreased, as a percentage of revenues, by approximately 60 basis points compared to the prior year due primarily to:

- favorable payroll and related costs of approximately 110 basis points driven by (i) our ongoing strategic initiatives, (ii) lower benefits costs incurred and (iii) the leveraging of these expenses on higher revenues; and
- lower expenses of approximately 10 basis points incurred in connection with new stores and the remodeling of existing stores; partially offset by
- higher marketing expenses of approximately 40 basis points related primarily to the growth in our online operations; and
- higher corporate expenses, primarily professional fees, of approximately 20 basis points.

Net incentive compensation costs and other benefits costs aggregated $33.1 million in year-to-date fiscal 2018, an increase of approximately 80 basis points compared to the prior year. This increase is due primarily to (i) higher levels of current and long-term cash incentive costs of approximately 100 basis points resulting from our improved financial performance and (ii) non-cash charges related to the modifications of certain stock options of approximately 20 basis points, net of (iii) a non-cash gain related to a change in our vacation policy of approximately 40 basis points.

***Income From Credit Card Program.*** Income from our credit card program was $36.9 million, or 1.0% of revenues, in year-to-date fiscal 2018 compared to $45.5 million, or 1.3% of revenues, in year-to-date fiscal 2017. Compared to the prior year, income from our credit card program as a percentage of revenues decreased by 30 basis points due primarily to the decrease of our allocated share of the profits generated by the credit card portfolio, which was reduced as a result of our current credit ratings.

***Depreciation and Amortization Expenses.*** Depreciation expense of $161.8 million, or 4.3% of revenues, in year-to-date fiscal 2018 compared to $169.8 million, or 4.7% of revenues, in year-to-date fiscal 2017.

Amortization of intangible assets (primarily customer lists and favorable lease commitments) was $73.5 million, or 2.0% of revenues, in year-to-date fiscal 2018 compared to $79.1 million, or 2.2% of revenues, in year-to-date fiscal 2017.

***Other Expenses.*** Other expenses for year-to-date fiscal 2018 aggregated $26.3 million, or 0.7% of revenues, compared to $22.9 million, or 0.6% of revenues, in year-to-date fiscal 2017. Other expenses consisted of the following components:

| (in millions) | Thirty-nine weeks ended | |
|---|---|---|
| | April 28, 2018 | April 29, 2017 |
| Expenses incurred in connection with strategic initiatives | $ 10.7 | $ 17.0 |
| Expenses related to store closures | 9.2 | 1.5 |
| Expenses related to Cyber-Attack, net of insurance recoveries | 1.1 | — |
| MyTheresa acquisition costs | — | 3.3 |
| Other expenses | 5.3 | 1.1 |
| Total | $ 26.3 | $ 22.9 |

We incurred professional fees and other costs aggregating $10.7 million in year-to-date fiscal 2018 and $17.0 million in year-to-date fiscal 2017 in connection with the review of our resources and organizational processes, implementation of our integrated merchandising and distribution system and the evaluation of potential strategic alternatives. In connection with the review of our resources and organizational processes, we eliminated approximately 90 positions in the first quarter of fiscal year 2017 across our stores, divisions and facilities.

During fiscal year 2017, we began a process to assess our Last Call footprint and closed four of our Last Call stores. During the second quarter of fiscal year 2018, we closed 11 additional Last Call stores in order to optimize our Last Call store portfolio. We incurred expenses related to these store closures, which primarily consisted of severance and store closing costs, of $9.2 million in year-to-date fiscal 2018 and $1.5 million during year-to-date fiscal 2017.

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

In October 2014, we acquired MyTheresa, a luxury retailer headquartered in Munich, Germany. Acquisition costs of $3.3 million in year-to-date fiscal 2017 consisted primarily of professional fees as well as adjustments of our earn-out obligations to estimated fair value at each reporting date.

In connection with the retirement of our former Chief Executive Officer and President, we incurred certain charges primarily related to lump sum compensation payable as a consequence of her retirement of approximately $5.3 million in year-to-date fiscal 2018.

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

***Interest Expense, net.*** Net interest expense was $230.3 million, or 6.1% of revenues, in year-to-date fiscal 2018 and $220.0 million, or 6.1% of revenues, in year-to-date fiscal 2017. The significant components of interest expense are as follows:

| (in millions) | Thirty-nine weeks ended | |
|---|---|---|
| | April 28, 2018 | April 29, 2017 |
| Asset-Based Revolving Credit Facility | $ 5.2 | $ 4.8 |
| mytheresa.com Credit Facilities | 0.5 | — |
| Senior Secured Term Loan Facility | 102.1 | 97.0 |
| Cash Pay Notes | 57.6 | 57.6 |
| PIK Toggle Notes | 44.1 | 39.6 |
| 2028 Debentures | 6.7 | 6.7 |
| Amortization of debt issue costs | 18.4 | 18.4 |
| Capitalized interest | (5.6) | (4.5) |
| Other, net | 1.4 | 0.4 |
| Interest expense, net | $ 230.3 | $ 220.0 |

***Income Tax Benefit.*** Our income tax benefit was $415.7 million for year-to-date fiscal 2018 and $111.3 million for year-to-date fiscal 2017. The components of our tax benefits consisted of:

| | Thirty-nine weeks ended | | | |
|---|---|---|---|---|
| | April 28, 2018 | | April 29, 2017 | |
| **(in millions, except percentages)** | **$** | **%** | **$** | **%** |
| Income tax benefit excluding impact of Tax Reform | $ (29.5) | 33.0% | $ (111.3) | 40.2% |
| Impact of Tax Reform | (386.2) | 432.9% | — | —% |
| Total income tax benefit | $ (415.7) | 465.9% | $ (111.3) | 40.2% |

Included in the income tax benefit recognized in year-to-date fiscal 2018 is the impact of the Tax Reform, which was signed into law on December 22, 2017. Among numerous provisions included in the Tax Reform was the reduction of the corporate federal income tax rate from 35% to 21% effective January 1, 2018. As the effective date of the Tax Reform falls five months into our fiscal year, we are subject to a blended federal statutory rate of 26.9% in fiscal year 2018. In connection with our application of the new federal statutory rate, we are measuring our long-term deferred income taxes at the new lower rate which has resulted in provisional non-cash benefits aggregating $386.2 million in year-to-date fiscal 2018. We recognized the income tax effects of the Tax Reform in our fiscal year 2018 financial statements in accordance with SAB 118, which provides the SEC staff guidance for the application of the FASB's Accounting Standards Codification Topic 740, *Income Taxes*, in the reporting period in which the Tax Reform was signed into law. At April 28, 2018, we calculated the effects of the tax law change, as written, and made reasonable estimates of the effects on our deferred income tax balances. We will continue to refine our estimates as additional information, such as interpretive or regulatory guidance, becomes available on key aspects of the law, including its impact on the deductibility of purchased assets, state taxes and employee compensation.

Excluding the impact of the Tax Reform, our effective income tax rate of 33.0% on the loss for year-to-date fiscal 2018 exceeded the blended federal statutory rate of 26.9% due primarily to state and foreign income taxes. Our effective income tax rate of 40.2% on the loss for year-to-date fiscal 2017 exceeded the previous federal statutory rate of 35% due primarily to:

- state income taxes;
- the benefit associated with the release of certain tax reserves for settled tax matters; and
- lower foreign tax rates associated with the MyTheresa operations.

We file income tax returns in the U.S. federal jurisdiction and various state, local and foreign jurisdictions. The Internal Revenue Service finalized its audits of our fiscal year 2012 and short-year 2013 (prior to the Acquisition) federal income tax returns and is conducting an audit of our short-year 2014 (subsequent to the Acquisition) and fiscal year 2015 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 April 28, 2018 are sufficient to cover any potential assessments made by the IRS or other taxing authorities and we will continue to review our recorded tax liabilities for potential audit assessments based upon subsequent events, new information and future circumstances. We believe it is reasonably possible that adjustments to the amounts of our unrecognized tax benefits could occur within the next 12 months as a result of settlements with tax authorities or expiration of statutes of limitations. At this time, we do not believe such adjustments will have a material impact on our Condensed Consolidated Financial Statements.

## 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 $171.7 million as of April 28, 2018, of which $162.0 million represented borrowings under our Asset-Based Revolving Credit Facility and $9.7 million, or €7.9 million, represented borrowings under the mytheresa.com Credit Facilities, compared to outstanding borrowings of $435.0 million as of April 29, 2017, all of which represented borrowings under our Asset-Based Revolving Credit Facility. Additionally, we had outstanding letters of credit and guarantees of $3.3 million as of April 28, 2018. At April 28, 2018, we had unused borrowing commitments aggregating $743.5 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 April 28, 2018" and (ii) $7.2 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 $91.5 million bringing our available liquidity to $834.9 million at April 28, 2018, inclusive of the amount available to MyTheresa.

Under the Asset-Based Revolving Credit Facility, if "excess availability" falls below 10% of aggregate revolving commitments, we will be required to maintain a minimum fixed charge coverage ratio and we may be subject to further restrictions as discussed below under "Financing Structure at April 28, 2018".

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

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

Net cash provided by our operating activities of $212.8 million in year-to-date fiscal 2018 increased by $280.0 million from net cash used for operating activities of $67.3 million in year-to-date fiscal 2017. This increase in net cash provided by our operating activities was due primarily to (i) the increase in cash generated by our operating activities on a higher level of revenues and (ii) lower working capital requirements driven by the reduction in our net investment in inventories, partially offset by (iii) required fundings to our Pension Plan of $20.0 million in year-to-date fiscal year 2018 compared to $6.6 million in year-to-date fiscal year 2017.

Net cash used for investing activities, representing capital expenditures, of $109.8 million in year-to-date fiscal 2018 decreased by $54.6 million from $164.4 million in year-to-date fiscal 2017. This decrease in capital expenditures in year-to-date fiscal 2018 reflects lower spending for NMG One, the construction of new stores and the remodeling of existing stores.

Currently, we project capital expenditures for fiscal year 2018 to be approximately $180 to $200 million. Net of developer contributions, capital expenditures for fiscal year 2018 are projected to be approximately $130 to $145 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.

Free cash flow was $103.0 million in year-to-date fiscal 2018 compared to free cash outflows of $231.7 million in year-to-date fiscal 2017. For an explanation of free cash flow as a measure of our operating performance and a reconciliation to net cash provided by (used for) operating activities and capital expenditures, see "— Non-GAAP Financial Measures".

Net cash used for financing activities of $114.0 million in year-to-date fiscal 2018 was comprised primarily of (i) net repayments of borrowings of $91.4 million under our revolving credit facilities due to the higher level of cash flows from operations, lower

working capital requirements and lower capital expenditures and (ii) repayments of borrowings of $22.1 million under our Senior Secured Term Loan Facility. Net cash provided by financing activities of $219.7 million in year-to-date fiscal 2017 was comprised primarily of (i) net borrowings of $270.0 million under our Asset-Based Revolving Credit Facility due to seasonal workings capital requirements as well as a reduction in accounts payable experienced as a result of NMG One implementation issues, primarily offset by (ii) payment of $22.9 million for the contingent earn-out obligation for calendar year 2016, (iii) repayments of borrowings of $22.1 million under our Senior Secured Term Loan Facility and (iv) $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 April 28, 2018**

Our major sources of funds are comprised of our revolving credit facilities aggregating $918.5 million, the $2,817.6 million Senior Secured Term Loan Facility, $960.0 million Cash Pay Notes, $658.4 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 April 28, 2018, we have an Asset-Based Revolving Credit Facility with a maximum committed borrowing capacity of $900.0 million. The Asset-Based Revolving Credit Facility matures on July 25, 2021 (or July 25, 2020 if our obligations under our Senior Secured Term Loan Facility or any permitted refinancing thereof have not been repaid or the maturity date thereof has not been extended to October 25, 2021 or later). At April 28, 2018, we had outstanding borrowings of $162.0 million under this facility, outstanding letters of credit of $1.8 million and unused commitments of $736.2 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 April 28, 2018, $90.0 million of the aggregate unused commitments under the Asset-Based Revolving Credit Facility is available to us subject to the foregoing restrictions.

The weighted average interest rate on the outstanding borrowings pursuant to the Asset-Based Revolving Credit Facility was 3.90% at April 28, 2018.

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

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

entered into June 8, 2017, is a revolving credit line for up to €8.5 million in availability and bears interest at a fixed rate of 2.25% (until further notice) for any loan drawn under the overdraft facility at rates to be agreed on a case-by-case basis for any other loans.

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

As of April 28, 2018, mytheresa.com GmbH had outstanding borrowings of $9.7 million, or €7.9 million, guarantees of $1.5 million, or €1.2 million, and unused commitments of $7.2 million, or €5.9 million.

***Senior Secured Term Loan Facility.*** At April 28, 2018, the outstanding balance under the Senior Secured Term Loan Facility was $2,817.6 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 5.14% at April 28, 2018.

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

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

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

***PIK Toggle Notes***. We have outstanding $658.4 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. Prior to October 2018, interest on the PIK Toggle Notes, subject to certain restrictions, was payable (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 accrued 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 $29.9 million of additional PIK Toggle Notes in April 2018. We did not elect to pay interest in the form of PIK Interest or partial PIK Interest with respect to the interest payment due in October 2018. All future interest payments are required to be paid in Cash Interest.

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 April 28, 2018, we had outstanding floating rate debt obligations of $2,985.1 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.

**Non-GAAP Financial Measures**

To supplement our financial information presented in accordance with generally accepted accounting principles ("GAAP"), we use EBITDA, Adjusted EBITDA and free cash flow 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, (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 and (iii) free cash flow as net cash flow provided by (used for) operating activities, less capital expenditures. These financial metrics are not presentations made in accordance with GAAP.

EBITDA, Adjusted EBITDA and free cash flow should not be considered as alternatives to operating earnings (loss) or net earnings (loss) as measures of operating performance. In addition, EBITDA, Adjusted EBITDA and free cash flow are not presented as and should not be considered as alternatives to cash flows as measures of liquidity. EBITDA, Adjusted EBITDA and free cash flow 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 or free cash flow differently than we do, limiting their usefulness as comparative measures.

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

| (dollars in millions) | Thirteen weeks ended | | Thirty-nine weeks ended | |
|---|---|---|---|---|
| | April 28, 2018 | April 29, 2017 | April 28, 2018 | April 29, 2017 |
| Net earnings (loss) | $ (19.9) | $ (24.9) | $ 326.4 | $ (165.5) |
| Income tax benefit | (7.1) | (10.6) | (415.7) | (111.3) |
| Interest expense, net | 77.7 | 73.7 | 230.3 | 220.0 |
| Depreciation expense | 53.2 | 55.7 | 161.8 | 169.8 |
| Amortization of intangible assets and favorable lease commitments | 24.3 | 25.5 | 73.5 | 79.1 |
| EBITDA | $ 128.1 | $ 119.5 | $ 376.5 | $ 192.1 |
| EBITDA as a percentage of revenues | *11.0%* | *10.7%* | *10.0%* | *5.4%* |
| | | | | |
| Impairment charges | — | — | — | 153.8 |
| Expenses incurred in connection with strategic initiatives | 8.9 | 8.3 | 10.7 | 17.0 |
| Incremental non-cash rent expense | 5.2 | 2.4 | 9.6 | 7.4 |
| Non-cash stock compensation and other long-term cash incentives | 3.0 | 0.2 | 13.2 | 0.7 |
| Expenses incurred in connection with openings of new stores / remodels of existing stores | 1.8 | 3.0 | 4.1 | 8.7 |
| Liquidation markdowns and expenses related to store closures | 1.3 | — | 14.8 | 1.5 |
| Non-cash gain related to change in vacation policy | (5.3) | — | (14.3) | — |
| Expenses related to Cyber-Attack, net of insurance recoveries | — | — | 1.1 | — |
| MyTheresa acquisition costs | — | 2.6 | — | 3.3 |
| Other expenses | 0.6 | — | 5.3 | 1.1 |
| Adjusted EBITDA | $ 143.8 | $ 135.9 | $ 421.0 | $ 385.6 |
| Adjusted EBITDA as a percentage of revenues | *12.3%* | *12.2%* | *11.2%* | *10.8%* |

The following table reconciles free cash flow to (i) net cash provided by (used for) operating activities, less (ii) capital expenditures, in each case as reflected in our Condensed Consolidated Statements of Cash Flows prepared in accordance with GAAP:

| (in millions) | Thirty-nine weeks ended | |
|---|---|---|
| | April 28, 2018 | April 29, 2017 |
| Net cash provided by (used for) operating activities | $ 212.8 | $ (67.3) |
| Capital expenditures | (109.8) | (164.4) |
| Free cash flow | $ 103.0 | $ (231.7) |

**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 April 28, 2018, under the supervision and with the participation of our Chief Executive Officer and Interim Chief Financial Officer, as well as other key members of our management, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act). Based on that evaluation, our Chief Executive Officer and Interim Chief Financial Officer concluded that our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, accumulated, processed, summarized, reported and communicated on a timely basis and within the time periods specified in the Securities and Exchange Commission’s rules and forms.

**b. Changes in Internal Control Over Financial Reporting.**

In the ordinary course of business, we routinely enhance our information systems by either upgrading our current systems or implementing new systems. No change occurred in our internal controls over financial reporting during the quarter ended April 28, 2018 that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

# PART II

## ITEM 1. LEGAL PROCEEDINGS

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

## ITEM 1A. RISK FACTORS

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

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

None.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**ITEM 5. OTHER INFORMATION**

Not applicable.

**ITEM 6. EXHIBITS**

| Exhibit | | Method of Filing |
|---|---|---|
| 3.1 | Certificate of Formation of the Company, dated as of October 28, 2013. | Incorporated herein by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended November 2, 2013. |
| 3.2 | Amended and Restated Limited Liability Company Agreement of the Company, dated as of October 28, 2013. | Incorporated herein by reference to the Company's Current Report on Form 8-K filed on October 29, 2013. |
| 10.1 | Employment Agreement, dated as of March 28, 2018, by and between The Neiman Marcus Group LLC and Adam Orvos. | Filed herewith. |
| 10.2 | Director Services Agreement, dated May 22, 2018, by and between Neiman Marcus Group, Inc. and Graeme Eadie. | Filed herewith. |
| 10.3 | Director Services Agreement, dated May 22, 2018, by and between Neiman Marcus Group, Inc. and Alan Herrick. | Filed herewith. |
| 31.1 | Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | Filed herewith. |
| 31.2 | Certification of 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 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<br>T. Dale Stapleton | Senior Vice President<br>and Chief Accounting Officer<br>(on behalf of the registrant and<br>as principal accounting officer) | June 6, 2018 |

**EXHIBIT 10.1**

# EMPLOYMENT AGREEMENT

This Employment Agreement ("Agreement") is entered into effective as of **March 28**, **2018** (the "Effective Date") between **Adam Orvos** (the "Executive") and The Neiman Marcus Group LLC, a Delaware limited liability company ("NMG"). All capitalized terms used but not defined herein shall have the meanings assigned to them in **Appendix A**, which is attached hereto and incorporated fully herein by reference.

1. Employment. Beginning on April 23, 2018 (the "Start Date"), NMG agrees to employ the Executive, and the Executive agrees to be employed in the position and with the duties and responsibilities set forth in Section 3, and upon the other terms and conditions set out in this Agreement.

2. At-Will Employment. The Executive acknowledges and agrees that the Executive's employment is on an "at-will" basis and may be terminated by either party at any time for any reason, or for no reason.

3. Position and Duties.

(a) The Executive shall serve as Executive Vice President and Chief Financial Officer of NMG. In such capacities, the Executive shall report to and be accountable to the Chief Executive Officer of NMG and Parent (the "CEO"). The Executive shall have such duties, functions, responsibilities, and authority as are from time to time delegated to the Executive by the CEO; provided such duties, functions, responsibilities and authority are consistent with his titles and reasonable or customary for a person serving in the same or similar capacity of a comparable enterprise.

(b) While employed by NMG, the Executive shall devote his full time, skill, and attention and his best efforts to the business and affairs of NMG to the extent necessary to discharge fully, faithfully, and efficiently the duties and responsibilities delegated and assigned to the Executive in or pursuant to this Agreement, except for usual, ordinary, and customary periods of vacation and absence due to illness or other disability. Notwithstanding the foregoing, the Executive may (i) subject to the prior written approval of the Parent Board, serve as a director or as a member of an advisory board of a noncompeting company, (ii) serve as an officer or director or otherwise participate in non-profit educational, welfare, social, religious, professional, and civic organizations, and (iii) manage personal and family investments; provided, that any such activities as described in (i), (ii) or (iii) of the preceding provisions of this Section 3(b) do not interfere with the performance and fulfillment of the Executive's duties and responsibilities as an executive of NMG in accordance with this Agreement.

(c) In connection with the Executive's employment by NMG, the Executive shall be based in NMG's offices in Dallas, Texas, except for such travel as the performance of the Executive's duties in the business of NMG and its Affiliates may require.

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

4. Compensation and Related Matters.

(a) Base Salary. While employed by NMG, NMG shall pay to the Executive for his services under this Agreement an annual base salary of $750,000 (such amount, as may be increased by NMG, the "Base Salary"), less required withholding. The Base Salary shall be payable in installments in accordance with the general payroll practices of NMG, no less frequently than monthly.

(b) Annual Incentives. The Executive will be eligible to participate in NMG's annual incentive bonus program(s) applicable to the Executive's position, in accordance with the terms of such program(s), and shall have the opportunity to earn an annual bonus thereunder based on the achievement of performance objectives determined by the Parent Board. During each fiscal year, the Executive's target bonus will be 75% of his annual Base Salary with a maximum bonus opportunity of 150% of his annual Base Salary. Notwithstanding the foreging, the Executive's annual incentive bonus for the fiscal year ended July 28, 2018 shall be prorated by multiplying the bonus earned for such year by a fraction, the numerator of which is the number of days the Executive was employed during the fiscal year and the denominator of which is the total number of days in such fiscal year. For fiscal year 2018, Executive will receive the prorata annual incentive bonus guaranteed at least the target level. Except as otherwise expressly provided for in Section 5 hereof, no annual incentive bonus (including the bonus described in the foregoing sentence) will be paid pursuant to this Section 4(b) unless the Executive has remained continuously employed with NMG through the applicable payment date. Each annual bonus, if any, will be paid in the calendar year in which the applicable fiscal year ends. The actual amount of any annual incentive bonus paid to the Executive will be determined according to the terms of the annual incentive bonus program(s), including any such terms that place the amount of any annual incentive bonus within the discretion of the Parent Board.

(c) Long-term Incentives. The Executive will participate in such long-term incentive programs as the Parent Board may determine. The Executive acknowledges and agrees that the terms of the grant of an award pursuant to the Parent's Management Equity Incentive Plan (the "Equity Plan") shall be governed exclusively by the terms of such plan and award agreement, including, without limitation, with respect to the vesting (which may consist of time vesting, performance vesting or a combination thereof). Following the Start Date, subject to the approval of the Parent Board, the Executive will be awarded (i) 10,000 options (the "Options") to purchase Class A Common Stock and Class B Common Stock of Parent (collectively, a "Parent Common Unit") with an exercise price equal to or greater than Fair Market Value (as defined in the Equity Plan) at the date of grant and (ii) 1,750 restricted Parent Common Units (the "Restricted Shares"). 50% of the Options shall be subject to time-based vesting and 50% of the Options shall be subject to performance-based

vesting. The Restricted Shares shall be subject to time-based vesting. The Options and the Restricted Shares shall be subject to the terms of the Equity Plan and governed by award agreements substantially in the form previously approved by the Parent Board. Further, Executive will receive an additional 750 restricted Parent Common Units which will be subject to the terms of the Equity Plan and governed by an award agreement substantially in the form previously approved by the Parent Board with respect to the CEO. The Executive acknowledges that the Equity Plan and such award agreements, and not this Agreement, will govern the terms of the Options and Restricted Shares.

(d) Mid-Term Incentive Plan. The Executive will participate in the FY2018 Mid-Term Cash Incentive Plan (the "Mid-Term Plan") on the terms as set forth in the Mid-Term Plan. For purposes of the Mid-Term Plan, the Executive's (i) FY 2018 target bonus will be $400,000, (ii) FY 2019 target bonus will be $900,000 and (iii) FY 2020 target bonus will be $1,000,000. Further, as to the FY 2018 target bonus only, Executive will be guaranteed payment of said bonus for the fiscal year. Notwithstanding, Executive's participation in the Mid-Term Plan is in accordance with the plan terms. The FY 2018 target bonus will be paid in 2018.

(e) Employee Benefits. While employed by NMG, the Executive shall be eligible to participate in the employee benefit plans, programs, and arrangements that are generally made available by NMG to its senior executives, subject to the terms of such plans, programs and arrangements; provided that medical and dental benefits shall begin on the first month following the Executive's 60th day of employment by NMG. For the period of employment prior to the Executive's participation in a group medical plan offered by NMG, NMG shall pay the Executive the difference between the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA") rate payable by the Executive with his prior employer and the rate that similarly situated executives of NMG pay out-of-pocket for medical insurance; provided the Executive submits documentation of such COBRA payments in accordance with Section 4(h). The Executive shall cooperate with, and participate in any medical or physical examinations as may be required by, any insurance company in connection with the applications for any life and/or disability insurance policies, in all cases, provided such examinations and the results therefrom are consistent with governing law.

(f) Relocation. A relocation program will be made available to the Executive to assist the Executive with relocation to the greater Dallas, Texas area. A summary of such program will be provided to the Executive. Notwithstanding the program, the Executive will be provided up to a total of 6 months of the temporary housing benefit under the program. As agreed between the Executive and the Company, a residence of the Executive will be eligible for the Amended Value Sale program (as defined in the relocation policy) and a residence of the Executive may be eligible for the Guaranteed Purchase benefit should it not sell within 90 days, as provided in the relocation policy. If the Executive's employment with NMG is terminated for Cause or if the Executive resigns his employment for any reason other than Good Reason, in each case, prior to the 24 month anniversary of the Effective Date (the "Reimbursement Period"), the Executive shall reimburse NMG a prorated amount

of the cost associated with his relocation. The amount of the reimbursement payable to NMG by the Executive shall be determined by (i) dividing (A) the number of months remaining in the Reimbursement Period by (B) 24, then (ii) multiplying the result by the total cost of the relocation. Any amounts that have been paid by NMG to gross-up the Executive for taxes associated with the relocation costs shall be included in the calculation toward the total costs of the relocation. It will be the Executive's responsibility to file personal taxes for moving expenses. The Executive acknowledges that he has read and understands the Neiman Marcus Relocation Policy and his obligations thereunder.

(g) The Executive shall receive a one-time signing bonus of $100,000 (the "Signing Bonus"), less required withholdings, to be paid in the first pay period following the Effective Date. If the Executive's employment is terminated for any reason prior to the first anniversary of the Effective Date, other than by NMG without Cause or by the Executive for Good Reason, the Executive shall repay the Signing Bonus to NMG within 60 days following the date of termination of the Executive's employment, prorated for the number of months that the Executive was employed by NMG.

(h) Financial Planning and Advice. The Executive shall be entitled to receive reimbursement for up to $5,000 per each calendar year while employed by NMG for fees and expenses incurred by him for personal financial and tax advice and planning, including without limitation fees and expenses covering services relating to personal financial and tax advice and planning arising from the Executive's compensation and benefits provided pursuant to this Agreement and otherwise by NMG. The Executive shall provide to NMG a request for reimbursement along with a reasonably detailed receipt indicating the nature of the services provided for any such fees and expenses within 30 days of the occurrence of such fees and expenses. Any such reimbursement shall be made as soon as administratively possible, but in any event no later than the maximum time permitted by Treasury Regulation Section 1.409A-3(i)(1)(iv). The amount of expenses incurred that are eligible for reimbursement pursuant to this Section 4(g) with respect to any calendar year shall not affect the amount eligible for reimbursement in any other calendar year.

(i) Expenses. The Executive shall be entitled to receive reimbursement for all reasonable expenses incurred by the Executive in performing his duties and responsibilities under this Agreement, consistent with NMG's policies or practices for reimbursement of expenses incurred by other NMG senior executives.

(j) Vacations. While employed by NMG, the Executive shall be eligible for five weeks of vacation per year, the accrual and carryover of which shall be governed by NMG's vacation policy as applicable from time to time to other NMG senior executives, and shall be eligible for sick pay and other paid and unpaid time off in accordance with the policies and practices of NMG from time to time. The Executive agrees to use his vacation and other paid time off at such times that are (i) consistent with the proper performance of his duties and responsibilities and (ii) mutually convenient for NMG and the Executive.

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

5. Termination of Employment.

(a) Termination by NMG for Cause, Total Disability or Death; Termination by the Executive without Good Reason. If the Executive's employment is terminated (x) by NMG for Cause, (y) by reason of his Total Disability, or death, or (z) by the Executive without Good Reason, NMG shall pay to the Executive within 30 days of the date of the Executive's termination of employment (i) any unpaid portion of the Executive's Base Salary accrued through the date of the Executive's termination of employment, and (ii) any reimbursement for business travel and other expenses to which the Executive is entitled pursuant to Section 4(h) (the amounts in clauses (i) and (ii), the "Accrued Amounts").

(b) While the Executive is employed at-will by NMG, if (i) NMG terminates the Executive's employment for any reason other than for Cause, his Total Disability, or his death, or the Executive terminates his employment for Good Reason in accordance with Section 5(g), and (ii) the Executive executes in a timely fashion, and does not revoke, the Release, then, subject to Sections 5(c), (d) and (f) below, in addition to the Accrued Amounts, NMG shall provide the Executive with benefits ("Termination Benefits") consisting of:

(1) an amount equivalent to one (1) times the then-current annualized Base Salary, less required withholding, which amount shall be paid over a 12-month period (hereinafter, the "Salary Continuance Period") in regular, bi-weekly installments beginning with the first payroll period on or following the 30th day after the date of the Executive's termination of employment (with any payments that otherwise would have been paid during such 30-day period being made in a lump sum in the first payment);

(2) the Executive's pro-rated annual incentive bonus for the year of the Executive's termination of employment, less required withholding, pursuant to the terms of the NMG annual incentive plan and payable at the time bonuses are paid generally pursuant to the NMG annual incentive plan;

(3) any earned and unpaid annual incentive bonus for the year prior to the year of the Executive's termination of employment, less required withholding, payable in accordance with the terms of the NMG annual incentive plan; and

(4) if, at the time of the Executive's termination of employment, the Executive participates in a group medical plan offered by NMG and the Executive is eligible for and elects to receive continued coverage under such plan in accordance with COBRA or any successor law, NMG will pay the Executive, for a period of eighteen (18) months, a monthly amount equal to cost of the monthly COBRA

medical insurance premiums for the Executive as of the date of the Executive's termination of employment, less required withholdings on such amounts.

(c) If, in the reasonable judgment of NMG, the Executive engages in any of the Restricted Activities described in Section 7 of this Agreement, NMG's obligation to provide the Termination Benefits shall end as of the date NMG so notifies the Executive in writing.

(d) If the Executive is arrested or indicted for any felony, other serious criminal offense, or any violation of federal or state securities laws, or has any civil enforcement action brought against him by any regulatory agency, in each case, for actions or omissions related to his employment with NMG, or if NMG reasonably determines in its sole judgment that the Executive has committed any act or omission that would have entitled NMG to terminate his employment for Cause, whether such act or omission was committed during his employment with NMG or during the Salary Continuance Period, then (i) NMG's obligation to provide Termination Benefits shall immediately end, and (ii) the Executive shall repay to NMG any amounts paid to him as Termination Benefits within 30 days after a written request to do so by NMG.

(e) The Executive will not be required to mitigate the amount of any payment provided herein by seeking other employment or otherwise, nor will the amount of payment provided for under this Agreement be reduced by any earnings received by the Executive from any third party.

(f) As indicated in subsection 5(b)(ii) above, the payment to the Executive of the Termination Benefits is conditioned on the Executive's timely execution and non-revocation of the Release within 30 days of the Executive's termination of employment. If (i) the Executive does not execute the Release within such period; or (ii) the Executive revokes the Release within such period, NMG shall have no obligation to pay the Executive any of the Termination Benefits. The Executive understands and agrees, however, that, in such event, the Executive's agreements, obligations and restrictions set forth in Sections 6 and 7 hereof shall continue to be in full force and effect.

(g) The Executive may terminate his employment for Good Reason. To exercise his right to terminate for Good Reason, the Executive must provide written notice to NMG of his belief that Good Reason exists within 90 days of the initial existence of the circumstance(s) believed to constitute Good Reason, and such notice shall describe the circumstance(s) believed to constitute Good Reason. If such circumstance(s) may reasonably be remedied, as determined by NMG, NMG shall have 30 days to effect that remedy. If not remedied within that 30-day period, the Executive may terminate his employment for Good Reason by delivery of written notice to NMG; provided that a termination for Good Reason must occur no later than 135 days after the initial existence of the circumstance(s) believed to constitute Good Reason; otherwise, the Executive is deemed to have accepted the circumstance(s) that may have given rise to the existence of Good Reason.

6. Confidential Information. The Executive acknowledges and agrees that (i) NMG is engaged in a highly competitive business; (ii) NMG has expended considerable time and resources to develop goodwill with its customers, vendors, and others, and to create, protect, and exploit Confidential Information; (iii) NMG must continue to prevent the dilution of its goodwill and unauthorized use or disclosure of its Confidential Information to avoid irreparable harm to its legitimate business interests; (iv) in the specialty retail business, his participation in or direction of NMG's day-to-day operations and strategic planning are an integral part of NMG's continued success and goodwill; (v) given his position and responsibilities, he necessarily will be creating Confidential Information that belongs to NMG and enhances NMG's goodwill, and in carrying out his responsibilities he in turn will be relying on NMG's goodwill and the disclosure by NMG to him of Confidential Information; (vi) he will have access to Confidential Information that could be used by any competitor of NMG in a manner that would irreparably harm NMG's competitive position in the marketplace and dilute its goodwill; and (vii) he necessarily would use or disclose Confidential Information if he were to engage in competition with NMG. NMG acknowledges and agrees that the Executive must have and continue to have throughout his employment the benefits and use of its goodwill and Confidential Information to properly carry out his responsibilities. NMG accordingly promises to provide the Executive with access to new and additional Confidential Information and authorize him to engage in activities that will create new and additional Confidential Information. NMG and the Executive thus acknowledge and agree that during the Executive's employment with NMG he (1) will receive new and additional Confidential Information that is unique, proprietary, and valuable to NMG, (2) will create new and additional Confidential Information that is unique, proprietary, and valuable to NMG, and (3) will benefit, including without limitation by way of increased earnings and earning capacity, from the goodwill NMG has generated and from the Confidential Information. Accordingly, the Executive acknowledges and agrees that at all times during his employment by NMG and thereafter:

(a) all Confidential Information shall remain and be the sole and exclusive property of NMG;

(b) the Executive will protect and safeguard all Confidential Information;

(c) the Executive will hold all Confidential Information in strictest confidence and not, directly or indirectly, disclose or divulge any Confidential Information to any person other than an officer, director, or employee of NMG to the extent necessary for the proper performance of his responsibilities unless authorized to do so by NMG or compelled to do so by law or valid legal process; provided that nothing in this Agreement shall be construed to prohibit him from reporting possible violations of law or regulation to any governmental agency or regulatory body or making other disclosures that are protected under any law or regulation, from filing a charge with or participating in any investigation or proceeding conducted by any governmental agency or regulatory body, or receiving individual monetary awards or other individual relief by virtue of participating in any federal whistleblower programs, and that he does not need the prior authorization of NMG to make any such reports

or disclosures and he is not required to notify NMG that he has made such reports or disclosures;

(d) if the Executive believes he is compelled by law or valid legal process to disclose or divulge any Confidential Information, subject to the proviso in Section 6(c) above, he will notify NMG in writing sufficiently in advance of any such disclosure to allow NMG the opportunity to defend, limit, or otherwise protect its interests against such disclosure;

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

(f) absent the promises and representations of the Executive in this Section 6 and Section 7 below, NMG would require him immediately to return any tangible Confidential Information in his possession, would not provide the Executive with new and additional Confidential Information, would not authorize the Executive to engage in activities that will create new and additional Confidential Information, and would not enter or have entered into this Agreement.

7. Restricted Activities. In consideration of the new and additional Confidential Information which the Executive will obtain in connection with his employment with NMG, the goodwill of NMG that will be created by the Executive's employment, and to permit NMG to protect such Confidential Information and goodwill, as well as the other promises and undertakings of NMG in this Agreement, the Executive agrees that, while he is employed by NMG and for a period of 12 months following the end of that employment for any reason, he shall not engage in any of the following activities (the "Restricted Activities"):

(a) the Executive will not directly or indirectly make or publish any disparaging or derogatory statements or otherwise disparage NMG or its Affiliates, any products, services, or operations of NMG or its Affiliates, or any of the former, current, or future officers, directors, or employees of NMG or its Affiliates;

(b) the Executive will not, whether on his own behalf or on behalf of any other individual, partnership, firm, corporation or business organization, either (i) solicit or attempt to hire any individual who is at that time employed by or otherwise engaged to perform services for NMG or its Affiliates or (ii) directly or indirectly solicit, induce, persuade, or entice, or endeavor to solicit, induce, persuade, or entice, any person who is then employed by or otherwise engaged to perform services for NMG or its Affiliates to leave that employment or cease performing or materially reduce services. Notwithstanding the foregoing, (i) this restriction only applies to those employees and service providers with whom the Executive had contact or from whom the Executive received Confidential Information, (ii) general solicitations not directed at employees of NMG or its Affiliates shall not constitute a violation of this provision;

(c) the Executive will not, whether on his own behalf or on behalf of any other individual, partnership, firm, corporation or business organization, either directly or indirectly solicit, induce, persuade, or entice, or endeavor to solicit, induce, persuade, or entice, any person who is then a customer, supplier, or vendor of NMG or any of its Affiliates to cease being a customer, supplier, or vendor of NMG or any of its Affiliates or to divert all or any part of such person's or entity's business from NMG or any of its Affiliates; and

(d) the Executive will not, directly or indirectly, as an employee, officer, director, agent, partner, stockholder, owner, representative, or consultant, provide services to any Competitor. After the end of the Executive's employment with NMG and any Affiliate, the restriction just set forth in this Section 7(d) applies only to conduct of the Executive that takes place anywhere in, or is directed at any part of, the Noncompetition Area. The Executive shall not be in violation of this Section 7(d) solely as a result of his investment in stock or other securities of a Competitor or any of its Affiliates listed on a national securities exchange or actively traded in the over-the-counter market if he and the members of his immediate family do not, directly or indirectly, hold more than a total of one (1) percent of all such shares of stock or other securities issued and outstanding. The Executive acknowledges and agrees that engaging in the Restricted Activities described in this subsection would result in the inevitable disclosure or use of Confidential Information, and the damage or diminution of NMG's goodwill, for the Competitor's benefit or to the detriment of NMG.

The Executive acknowledges and agrees that the restrictions contained in this Section 7 are ancillary to an otherwise enforceable agreement, including without limitation the mutual promises and undertakings set forth in Section 6 of this Agreement; that NMG's promises and undertakings set forth in Section 6 of this Agreement, and the Executive's position and responsibilities with NMG, give rise to NMG's interest in restricting the Executive's post-employment activities; that such restrictions are designed to enforce the Executive's promises and undertakings set forth in this Section 7 and his common-law obligations and duties owed to NMG; that the restrictions are reasonable and necessary, are valid and enforceable under Texas law, and do not impose a greater restraint than necessary to protect NMG's goodwill, Confidential Information, and other legitimate business interests; that he will immediately notify NMG in writing should he believe or be advised that the restrictions are not valid or enforceable under Texas law or the law of any other state that he contends or is advised is applicable; and that absent the promises and representations made by the Executive in Sections 6 and 7 of this Agreement, NMG would require him to return any Confidential Information in his possession, would not provide the Executive with new and additional Confidential Information, would not authorize the Executive to engage in activities that will create new and additional Confidential Information, and would not enter or have entered into this Agreement or employed the Executive.

8. Invention Assignment. The Executive hereby assigns to NMG all right, title and interest to all Work Product that (i) relates to NMG's actual or anticipated business, research and development or existing or future products or services, or (ii) is conceived, reduced to

practice, developed or made using any equipment, supplies, facilities, assets, information or resources of NMG (including, without limitation, any intellectual property rights). The Executive shall promptly disclose Work Product to NMG and perform all actions reasonably requested by NMG (whether during or after the Executive's period of employment) to establish and confirm the ownership and proprietary interest of NMG in any Work Product (including, without limitation, the execution of assignments, consents, powers of attorney, applications and other instruments). The Executive shall not file any patent or copyright applications related to any Work Product except with NMG's written consent.

9. Resignation of Positions. Upon the Executive's termination of employment for any reason (unless otherwise agreed in writing by Parent and the Executive), the Executive will be deemed to have resigned without any further action by the Executive, from any and all officer and director positions that the Executive, immediately prior to such termination, (a) held with Parent or any of its subsidiaries and (b) held with any other entities at the direction of, or as a result of the Executive's affiliation with, Parent or any of its subsidiaries.

10. Indemnification. The Executive will be entitled to indemnification on the same terms as indemnification is made available by NMG to its other senior executives, whether through NMG's bylaws or otherwise.

11. Entirety of Obligations. Payment of the Termination Benefits (conditioned upon execution and non-revocation of the Release) constitute all of NMG's obligations to the Executive with respect to the Executive's termination of employment with NMG. However, nothing in this Agreement is intended to limit any accrued and vested benefits (other than any entitlement to severance or separation pay, if any) that the Executive may have under the applicable provisions of any benefit plan of NMG in which the Executive is participating at the time of his termination of employment or resignation, or any rights under applicable law.

12. Remedies. The Executive acknowledges and agrees that NMG would not have an adequate remedy at law and would be irreparably harmed if any of the provisions of Section 6 and 7 of this Agreement were not performed in accordance with their specific terms or were otherwise breached. Accordingly, the Executive agrees that NMG shall be entitled to equitable relief, including preliminary and permanent injunctions and specific performance, if the Executive breaches or threatens to breach any of the provisions of such sections, without the necessity of posting any bond or proving special damages or irreparable injury. Such remedies shall not be deemed to be the exclusive remedies for a breach or threatened breach of this Agreement by the Executive, but shall be in addition to all other remedies available to NMG at law or equity. The Executive acknowledges and agrees that NMG shall be entitled to seek to recover its attorneys' fees, expenses, and court costs, in addition to any other remedies to which it may be entitled, if he breaches this Agreement. Each party acknowledges and agrees that no breach by the other party of this Agreement or failure to enforce or insist on its rights under this Agreement shall constitute a waiver or abandonment of any such rights or defense to enforcement of such rights.

13. Tolling. If the Executive violates the restrictive covenants set forth in Section 6 and 7 of this Agreement and NMG brings legal action for injunctive or other relief and obtains such relief, the terms of such restrictions, as applicable, shall be extended by computing the applicable period of time from the date relief is granted for NMG and then reducing such period by the amount of time, after the Executive's termination of employment with NMG, during which the Executive complied with such restrictions.

14. Reformation. If the provisions of Sections 6 or 7 of this Agreement are ever deemed by a court to exceed the limitations permitted by applicable law, the Executive and NMG agree that such provisions shall be, and are, automatically reformed to the maximum limitations permitted by such law.

15. Entire Agreement; Severability. This Agreement contains the entire agreement between the parties and supersedes all prior agreements and understandings, oral or written, with respect to the ending of the Executive's at-will employment and the subject matter of this Agreement. This Agreement may not be changed orally. It may be changed only by written agreement signed by the party against whom any waiver, change, amendment, modification or discharge is sought to be enforced. This Agreement is to be construed as a whole, according to its fair meaning, and not strictly for or against any of the parties. If any provision of this Agreement shall be determined by a court to be invalid or unenforceable, the remaining provisions of this Agreement shall not be affected thereby, shall remain in full force and effect, and shall be enforceable to the fullest extent permitted by applicable law.

16. Governing Law; Arbitration. The validity, performance and enforceability of this Agreement shall be determined and governed by the laws of the State of Texas, without regard to its conflict of laws principles. Except with respect to claims by NMG for equitable relief under Section 12 of this Agreement, all disputes under, or relating to, this Agreement shall be subject to, and resolved exclusively under, The Neiman Marcus Group LLC Mandatory Arbitration Agreement effective as of March 1, 2013, and as amended from time to time ("Mandatory Arbitration Agreement"). The Executive hereby acknowledges and agrees that the Executive is a Covered Employee under the Mandatory Arbitration Agreement, and is subject to the Mandatory Arbitration Agreement in all respects. With respect to claims by NMG for equitable relief under Section 12 of this Agreement, NMG and the Executive agree that the exclusive forum for any such claim shall be in a court of competent jurisdiction in Dallas County, Texas, with respect to a state court, or the Dallas Division of the United States District Court for the Northern District of Texas, with respect to a federal court.

17. Representations. The Executive hereby represents, warrants and agrees that: (i) there are no restrictions or agreements, oral or written, to which the Executive is a party or by which the Executive is bound that prevent or make unlawful the Executive's employment by NMG or execution and delivery of, or performance under, this Agreement; (ii) to the best actual knowledge and belief of the Executive, none of the information supplied by the Executive to NMG in connection with the Executive's employment by NMG misstated a

material fact or omitted material facts necessary to make the information supplied by the Executive not materially misleading; (iii) the Executive will not, as of the Effective Date, have any business or employment relationship that creates a conflict between the interests of the Executive and NMG or any of its Affiliates; and (iv) the Executive will not disclose to NMG, or use, or induce NMG to use, any proprietary information or trade secrets of others.

18. Cooperation. Following the Executive's termination of employment, the Executive shall (i) cooperate with NMG, as reasonably requested by NMG, to effect a transition of the Executive's responsibilities and to ensure that NMG is aware of all matters being handled by the Executive and (ii) cooperate and provide assistance to NMG at its reasonable request in connection with any action, suit or proceeding brought by or against NMG or any of its Affiliates (or in which any of them is or may be a party) or that relates in any way to the Executive's acts or omissions while employed by NMG. NMG agrees to promptly reimburse the Executive for reasonable expenses incurred by him in connection with assisting NMG in the manner described in the immediately preceding sentence (including reasonable legal fees approved in advance by NMG). Reimbursement shall be made in accordance with the applicable policy of NMG then in effect. NMG shall provide reasonable notice of any need for assistance, and shall use reasonable best efforts to not materially interfere with his employment or business activities.

19. Successors and Assigns. This Agreement is intended to bind and inure to the benefit of and be enforceable by the Executive, NMG and their respective heirs, successors and assigns, except that the Executive may not assign his rights or delegate his duties or obligations hereunder without the prior written consent of NMG. NMG may (i) assign any or all of its rights and interests hereunder to one or more of its Affiliates, (ii) designate one or more of its Affiliates to perform their respective obligations hereunder, and (iii) assign this Agreement in connection with the sale of all or substantially all of NMG's or any of its subsidiaries' or parents' equity interests (directly or indirectly), business or assets (whether by merger, sale of stock or assets, recapitalization or otherwise). The rights of NMG hereunder are enforceable by its Affiliates, who are the intended third party beneficiaries hereof. NMG shall require any entity that acquires all or substantially all the business and/or assets of NMG to assume and agree to perform this Agreement in the same manner and to the same extent that NMG would be required to perform it if no such acquisition had taken place. If NMG fails to obtain such agreement, such failure (after notice and opportunity to cure as set forth in Section 5(g)) shall constitute Good Reason; provided that the Termination Benefits to which the Executive is entitled upon a termination for Good Reason pursuant to Section 5(b) shall be the sole remedy of the Executive for any failure by NMG to obtain such agreement. As used in this Agreement, "NMG" shall include any acquirer of all or substantially all the business and/or assets of NMG that executes and delivers the agreement provided for in this section or that otherwise becomes obligated under this Agreement by operation of law

20. Survival. The Executive's termination of employment will not impair the rights or obligations of any party hereto that accrue hereunder prior to such termination, except to

the extent specifically stated herein. In addition to the foregoing, NMG's obligation under Sections 5 or 10, and the Executive's obligations under Sections 4(e), 6, 7, 8, and 18, will survive the Executive's termination of employment.

21. Defend Trade Secrets Act Notice. The Executive is hereby provided notice that under the 2016 Defend Trade Secrets Act: (a) no individual will be held criminally or civilly liable under federal or state trade secret law for the disclosure of a trade secret (as defined in the Economic Espionage Act) that: (i) is made in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and made solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal so that it is not made public; and (b) an individual who pursues a lawsuit for retaliation by an employer for reporting a suspected violation of the law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual files any document containing the trade secret under seal, and does not disclose the trade secret, except as permitted by court order.

22. Section 409A. It is the intent of the parties that this Agreement be interpreted and administered in compliance with the requirements of Code Section 409A to the extent applicable. In no event whatsoever shall NMG be liable for any additional tax, interest or penalties that may be imposed on the Executive by Code Section 409A or any damages for failing to comply with Code Section 409A. In furtherance, but not in limitation of the foregoing: (a) in the event that the Executive is a "specified employee" within the meaning of Code Section 409A, payments which constitute a "deferral of compensation" under Code Section 409A and which would otherwise become due during the first six (6) months following the Executive's termination of employment shall be delayed and all such delayed payments shall be paid in full in the seventh (7th) month after the Executive's termination of employment, and all subsequent payments shall be paid in accordance with their original payment schedule, provided that the above delay shall not apply to any payments that are excepted from coverage by Code Section 409A, such as those payments covered by the "short-term deferral" exception described in Treasury Regulations section 1.409A-1(b)(4), or the exception for an "involuntary separation from service" described in Treasury Regulations section 1.409A-1(n); and (b) notwithstanding any other provision of this Agreement, a termination of the Executive's employment hereunder shall mean, and be interpreted consistent with, a "separation from service" within the meaning of Code Section 409A. For purposes of Code Section 409A, the Executive's right to receive any installment payments pursuant to this Agreement shall be treated as a right to receive a series of separate and distinct payments. In no event may the Executive, directly or indirectly, designate the calendar year of any payment to be made under this Agreement that is considered non-qualified deferred compensation. Any reimbursements or in-kind benefits provided under this Agreement shall be made or provided in accordance with the requirements of Code Section 409A, including, where applicable, the requirement that (i) any reimbursement is for expenses incurred during the period of time specified in this Agreement, (ii) the amount of expenses eligible for reimbursement, or in kind benefits provided, during a calendar year may not affect the expenses eligible for reimbursement, or in kind benefits to be provided,

in any other calendar year, (iii) the reimbursement of an eligible expense will be made no later than the last day of the calendar year following the year in which the expense is incurred, and (iv) the right to reimbursement or in kind benefits is not subject to liquidation or exchange for another benefit.

*[Remainder of Page Intentionally Left Blank]*

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

**EXECUTIVE:** **THE NEIMAN MARCUS GROUP LLC**

| /s/ Adam Orvos | /s/ Joseph Weber |
| --- | --- |
| Adam Orvos | By: Joseph Weber |
| | Title: Senior Vice President and<br>Chief Human Resources Officer |

## APPENDIX A

## Definitions

1. "**Affiliate**" means, with respect to any entity, any other corporation, organization, association, partnership, sole proprietorship or other type of entity, whether incorporated or unincorporated, directly or indirectly controlling or controlled by or under direct or indirect common control with such entity.

2. "**Cause**" means, any of the following, as determined in NMG's sole discretion, (i) the commission of any acts of fraud, dishonesty (other than inadvertent acts or omissions), disloyalty to NMG or its Affiliates, or moral turpitude; (ii) conduct that is materially detrimental to NMG, monetarily or otherwise, or reflects unfavorably on NMG or the Executive; (iii) acts of the Executive in material violation of his obligations under this Agreement or at law; (iv) the Executive's failure to comply with or enforce NMG's policies concerning equal employment opportunity, including, without limitation, engaging in sexually or otherwise harassing conduct; (v) the Executive's insubordination, failure to perform any duties reasonably assigned to him by NMG or failure to comply with or enforce other personnel policies of NMG or its Affiliates (other than by reason of physical or mental illness or injury); (vi) the Executive's failure to devote his full working time and best efforts to the performance of his responsibilities to NMG or its Affiliates; (vii) any act of material misconduct or gross negligence by the Executive in the performance of his duties relating to his employment; or (viii) the Executive's indictment for or entry of a plea agreement or consent decree or similar arrangement with respect to, a felony, other serious criminal offense, or any violation of federal or state securities laws; provided, however, that with respect to items (iii), (v) and (vi), the Executive has been provided prior written notice of the failure and afforded a reasonable opportunity to correct same.

3. "**Code**" means the Internal Revenue Code of 1986, as amended, or any successor statute.

4. "**Competitor**" means (i) the retail operations of any Person who, at any time during the Executive's employment with NMG was a vendor of NMG or any of its Affiliates and who, during any consecutive 12-month period during the five years immediately preceding the Executive's termination of employment with NMG had annual gross sales to NMG and its Affiliates in the aggregate of $150 million or more at retail; (ii) any Person (Other than NMG or an Affiliate of NMG) that owns or operates a multi-brand luxury apparel and accessories (x) department store, (y) specialty retail store or (z) online store; (iii) Saks Incorporated, Nordstrom, Inc., Barneys New York, Inc., Macy's Inc., Hudson's Bay Company, Amazon.com, Inc., Lord & Taylor Holdings, LLC; Yoox Net-a-Porter S.p.A., Gilt Groupe, Inc., Matches Fashion, Luisa Via Roma S.p.A., Farfetch, Revolve, Stylebop GmbH, and Moda Operandi, Inc. or if those corporate names are not correct, the businesses commonly referred to as "Saks," "Nordstrom's," "Barney's," "Macy's," "Bloomingdale's," "Hudson's Bay,"

“Lord & Taylor,” “Amazon,” “Net-a-Porter,” or “Yoox Net-a-Porter,” “Gilt” “Matches,” “Matches Fashion,” “Luisa via Roma,” “Farfetch,” “Revolve,” “Stylebop” and “Moda Operandi” or any of their respective parent companies, if applicable; and (iv) the Affiliates of, successors to and assigns of the Persons described in (i) and (iii).

5. “**Confidential Information**” shall mean, without limitation, all documents or information, in whatever form or medium, that relates to the business, products, financial condition, services or research or development of Parent, any of its subsidiaries, or any of their respective suppliers, distributors, customers, independent contractors, consultants or other business relations (unless and to the extent that the Confidential Information becomes generally known to and available for use by the public other than as a result of any breach of this Agreement or other unauthorized disclosure by the Executive). Confidential Information includes, but is not limited to, the following: (i) internal business and financial information (including information relating to strategic and staffing plans and practices, business, finances, training, marketing, promotional and sales plans and practices, cost, rate and pricing structures and accounting and business methods); (ii) identities of, individual requirements of, specific contractual arrangements with, and information about, Parents’ and any of its Affiliates’ suppliers, distributors, customers, independent contractors, consultants or other business relations and their confidential information; (iii) trade secrets, know-how, compilations of data and analyses, techniques, systems, formulae, recipes, research, records, reports, manuals, documentation, models, data and data bases relating thereto; (iv) inventions, innovations, improvements, developments, methods, designs, analyses, drawings, reports and all similar or related information (whether or not patentable); and (v) other Work Product. Confidential Information shall not include information that (a) is or becomes generally available to the public other than a result of a disclosure by the Executive, or (b) is required to be disclosed by applicable law.

6. “**Good Reason**” shall mean any of the following actions if taken without the Executive’s prior written consent: (i) a material diminution in the Executive’s base compensation (other than pursuant to action of NMG or its Affiliates reducing the base compensation of all NMG senior executives by substantially equal amounts or substantially equal percentages as the reduction of the Executive’s base compensation); (ii) a material diminution in the Executive’s authority or duties or (iii) a material change in the primary geographic location at which the Executive must perform services.

7. “**Management Equity Incentive Plan**” means the Neiman Marcus Group, Inc. Management Equity Incentive Plan, as it may be amended from time to time.

8. “**Noncompetition Area**” means the following geographic areas: (i) any foreign country where NMG or its Affiliates engage in business of any kind, including selling, purchasing or ordering goods, at any time during the Executive's employment with

NMG or its Affiliate, and where the Executive has, during the twenty-four (24) month period immediately predating the termination of employment, engaged in business on behalf of NMG or its Affiliates, either in person or remotely; (ii) the United States of America; and (iii) each metropolitan statistical area, as defined by the US Office of Management and Budget, where, during the twenty-four (24) month period immediately predating the termination of employment, the Executive engaged in business on behalf of NMG or its Affiliates, either in person or remotely.

9. "**Parent**" means Neiman Marcus Group, Inc.

10. "**Parent Board**" means the Board of Directors of Parent, or any successor governing body of Parent or its successors and, unless otherwise stated, shall include the Compensation Committee of the Board of Directors of Parent.

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

12. "**Release**" means the Agreement and Release to be executed by the Executive in favor of NMG, which Agreement and Release shall be in the form prepared by NMG, but which shall contain no post-employment restrictions other than as stated herein.

13. "**Total Disability**" means that the Executive has been determined under NMG's long-term disability plan to be eligible for long-term disability benefits, or, in the absence of the Executive's participation in such plan, in NMG's reasonable judgment, either (i) the Executive has been unable to perform his duties because of a physical or mental impairment for 80% or more of the normal working days during six consecutive calendar months or 50% or more of the normal working days during twelve consecutive calendar months, or (ii) the Executive has become totally and permanently incapable of performing the usual duties of his employment with NMG on account of a physical or mental impairment.

14. "**Work Product**" means all patents and patent applications, all inventions, innovations, improvements, developments, methods, designs, analyses, drawings, reports, creative works, discoveries, software, computer programs, modifications, enhancements, know-how, formulations, concepts and ideas, and all similar or related information (in each case whether or not patentable), all copyrights and copyrightable works, all trade secrets, confidential information, and all other intellectual property and intellectual property rights that are conceived, reduced to practice, developed or made by the Executive either alone or with others in the course of employment with NMG (including employment prior to the date of this Agreement).

**EXHIBIT 10.2**

PRIVATE AND CONFIDENTIAL

May 22, 2018

Dear Mr. Eadie:

Neiman Marcus Group, Inc. ("**us**", "**we**" or the "**Company**"), is pleased that you have accepted our offer to remain on the Company's Board of Directors (the "**Board**") as a member of the Board (a "**Director**"). This letter sets out the main terms of your continued service on the Board from and after the date hereof, and is a contract for services and not a contract of employment.

**1. APPOINTMENT, RESIGNATION AND REMOVAL**

1.1 You shall serve on the Board in accordance with, and subject to, the Certificate of Incorporation of the Company (as amended from time to time, the "Charter"), the By-Laws of the Company (as amended from time to time, the "By-Laws") and the Stockholders Agreement, dated as of October 25, 2013, by and among the Company, Ares Corporate Opportunities Fund III, L.P., Ares Corporate Opportunities Fund IV, L.P., CPP Investment Board (USRE) Inc., ACOF Mariposa Holdings LLC and the other Securityholders (as defined therein) party thereto (as amended from time to time, the "Stockholders Agreement").

1.2 You may resign as a Director at any time by providing written notice thereof in accordance with the By-Laws. In addition, you may be removed at any time in accordance with the Charter, the By-Laws and the Stockholders Agreement.

1.3 The Company may request that you serve as a director on the board of directors or other governing body of any of the Company's subsidiaries, and your appointment, resignation or removal from any such board of directors or other governing body shall be subject to the certificate of incorporation and by-laws (or other similar governing documents) of such subsidiary and the Stockholders Agreement.

**2. ROLE AND DUTIES**

2.1 For so long as you are a Director, you shall provide those services as (a) are required of a director under the General Corporation Law of the State of Delaware and all other applicable state and federal laws and regulations, (b) are customarily associated with and are incident to the position of a director and (c) the Company may, from time to time, reasonably request, consistent with your position as a Director.

2.2 Without limiting the foregoing, for so long as you are a Director, you shall (a) meet with the Company upon the Company's request, at dates and times mutually agreeable to you and the Company, to discuss any matters that involve or may involve issues of which you have knowledge, and (b) cooperate with the Company in the planning, review and execution of any such matter. The Company anticipates that you will participate in (i) at least four to five in person Board meetings per year at the Company's headquarters, or other locations as determined by the Company and (ii) monthly conference calls to

discuss financial and operational results with, and provide advice to, the Company, as may be reasonably requested by the Company.

2.3 Unless you are otherwise specifically authorized by the Board, you shall not enter into any legal or other commitment or contract on behalf of the Company, nor shall you hold yourself out as having any authority to bind or to speak on behalf of the Company.

2.4 For so long as you are a Director, you shall provide the Company with prior written notice before joining the board of directors, board of managers or other similar governing body of any entity.

**3. FEES AND EXPENSES**

3.1 For so long as you are a Director, the Company shall pay, or cause to be paid, to you an annual fee of $150,000, which shall be payable in equal installments quarterly in arrears. Such fee shall be prorated for the actual number of days you serve as a Director in any quarter. Your first quarterly payment fee shall be retroactive to, and begin accruing as of, April 1, 2018.

3.2 The Company shall reimburse you, or cause to be reimbursed to you, all reasonable and properly documented out-of-pocket expenses that you incur in performing your duties in accordance with the Company's procedure and other guidance in respect of expense claims. In the case of travel to and from Board meetings, reimbursement will be available in accordance with CPPIB's travel policies, *i.e.* business class airfare for flights longer than four hours, and for economy-class roundtrip airfare otherwise.

3.3 Upon your resignation or removal as a Director, you shall only be entitled to (a) a pro rata portion of your annual fee as set forth in Section 3.1 and (b) reimbursement of any expenses, in accordance with Section 3.2, that are properly incurred before the date of such resignation or removal.

3.4 All amounts payable hereunder will be paid after deduction or withholding of all taxes and other amounts that are required by law, as determined by the Company.

**4. OUTSIDE INTERESTS**

You represent and warrant that you are not subject to (a) any restrictions that prevent you from serving as a Director or (b) any commitments that give rise to a conflict of interest with respect to, or otherwise conflict with, any of your duties as a Director. You agree that (i) you hold a position of trust and confidence with the Company, (ii) have fiduciary duties as a Director to the Company that are subject to the standards imposed by the statutes, court decisions and other applicable law of the State of Delaware, (iii) you have been appointed as a Director in reliance on your agreements and representations in this letter and (iv) if, at any time, you become aware of any facts or circumstances that would cause any of your representations and warranties in the first sentence of this Section 4 to be untrue if made as of such time, you will promptly disclose such facts or circumstances in writing to the Board and you may (and if requested by the Board you agree to) recuse yourself from any proceedings as appropriate or alternatively you will have the opportunity to resign from the Board.

**5. CONFIDENTIALITY**

All information acquired from or on behalf of the Company or any of its affiliates, or otherwise in connection with your service as a Director (including prior to the date hereof), is confidential and you shall not directly or indirectly release, communicate, disclose or use such information for any reason other than, during your service as a Director, in the interests of the Company and its subsidiaries. This restriction shall not apply to any information that (a) is or may become generally available to the public, other than as a result of your

breach of the terms of this letter, or (b) is required to be disclosed by applicable law; provided that you shall, to the extent legally permissible, give the Company written notice of such requirement prior to any such disclosure to enable Company to seek a protective order or otherwise prevent such disclosure. You shall hold and retain such information (in whatever form you may receive it) under appropriately secure conditions.

**6. ADDRESS FOR NOTICE AND PERSONAL CONTACT DETAILS**

You shall advise the Company's General Counsel promptly of any change in your address or other personal contact details.

**7. RETURN OR DESTRUCTION OF PROPERTY**

All files, documents, records, papers, electronic mail transmissions and other materials (collectively, "**Materials**") furnished to you by or on behalf of the Company or any of its affiliates are the sole and exclusive property of the Company or such affiliate. Upon your resignation or removal as a Director, or at any time upon the Company's request, you shall promptly return to the Company or destroy (and, if requested, confirm in writing such destruction) all such Materials and all other property belonging to the Company or any of its affiliates that may be in your possession or under your control, and you shall not retain any copies thereof.

**8. SEVERABILITY; COUNTERPARTS; AMENDMENTS; SecTION 409A**

8.1 If at any time any of the provisions of this letter shall be held invalid or unenforceable, or are prohibited by the laws of the jurisdiction where they are to be performed or enforced, by reason of being vague or unreasonable as to duration or geographic scope or scope of the activities restricted, or for any other reason, such provisions shall be considered divisible and shall become and be immediately amended to include only such restrictions and to such extent as shall be deemed to be reasonable and enforceable by the court or other body having jurisdiction over this letter, and you and the Company agree that the provisions of this letter, as so amended, shall be valid and binding as though any invalid or unenforceable provisions had not been included.

8.2 This letter may be signed in counterparts (including (without limitation) by facsimile or electronic transmission).

8.3 No amendment or modification of this letter shall be effective unless it is in writing and signed by you and the Company (or either such party's authorized representative). The failure of either party to require the performance of any term or obligation of this letter, or the waiver by either party of any breach of this letter, shall not prevent any subsequent enforcement of such term or obligation and shall not be deemed a waiver of any subsequent breach.

8.4 Notwithstanding any provision of this letter to the contrary, this letter is intended to comply with the requirements of Section 409A of the Code and the regulations and Treasury guidance thereunder (collectively, "**Section 409A**"). Accordingly, all provisions herein, or incorporated by reference, shall be construed and interpreted to comply with Section 409A. Further, for purposes of the limitation on nonqualified deferred compensation under Section 409A, each payment of compensation under this letter shall be treated as a separate payment of compensation.

## 9. GOVERNING LAW AND JURISDICTION

9.1 This letter and any dispute or claim arising out of or in connection with it or its subject matter or formation (including without limitation non-contractual disputes or claims and the legal relationships between the parties hereto) shall be governed by the laws of the State of Delaware without regard to the principles of conflict of laws that would cause the application of laws of any jurisdiction other than those of the State of Delaware.

9.2 Any legal actions or proceedings against either party arising out of this letter or any dispute or claim arising out of or in connection with it or its subject matter or formation (including without limitation non-contractual disputes or claims and the legal relationships between the parties hereto) will be brought in any federal court of appropriate jurisdiction located in the State of New York or any state court of appropriate jurisdiction located in New York county. Each party submits to and accepts the exclusive jurisdiction of such courts for the purpose of legal actions or proceedings and waives any objection (including without limitation any objection based on inconvenient forum) to this choice of venue for any dispute or claim that arises out of or in connection with this letter or its subject matter or formation (including without limitation non-contractual disputes or claims and the legal relationships between the parties hereto). Each party agrees that the exclusive choice of forum set forth in this Section 9.2 does not prohibit the enforcement of any judgment obtained in that forum or any other appropriate forum.

[*Remainder of Page Left Intentionally Blank*]

Please indicate your acceptance of these terms by signing and returning your signature to the Chief Executive Officer.

Yours sincerely,

For and on behalf of the Company

/s/ Geoffroy van Raemdonck
Name: Geoffroy van Raemdonck
Title: Chief Executive Officer

I confirm and agree to the terms of my appointment as a Director of the Company as set out in this letter.

/s/ Graeme Eadie

Graeme Eadie

**EXHIBIT 10.3**

PRIVATE AND CONFIDENTIAL

May 22, 2018

Dear Mr. Herrick:

Neiman Marcus Group, Inc. ("**us**", "**we**" or the "**Company**"), is pleased that you have accepted our offer to join the Company's Board of Directors (the "**Board**") as a member of the Board (a "**Director**"). This letter sets out the main terms of your appointment, and is a contract for services and not a contract of employment.

## 1. APPOINTMENT, RESIGNATION AND REMOVAL

1.1 You shall serve on the Board in accordance with, and subject to, the Certificate of Incorporation of the Company (as amended from time to time, the "**Charter**"), the By-Laws of the Company (as amended from time to time, the "**By-Laws**") and the Stockholders Agreement, dated as of October 25, 2013, by and among the Company, Ares Corporate Opportunities Fund III, L.P., Ares Corporate Opportunities Fund IV, L.P., CPP Investment Board (USRE) Inc., ACOF Mariposa Holdings LLC and the other Securityholders (as defined therein) party thereto (as amended from time to time, the "**Stockholders Agreement**").

1.2 You may resign as a Director at any time by providing written notice thereof in accordance with the By-Laws. In addition, you may be removed at any time in accordance with the Charter, the By-Laws and the Stockholders Agreement.

1.3 The Company may request that you serve as a director on the board of directors or other governing body of any of the Company's subsidiaries, and your appointment, resignation or removal from any such board of directors or other governing body shall be subject to the certificate of incorporation and by-laws (or other similar governing documents) of such subsidiary and the Stockholders Agreement.

## 2. ROLE AND DUTIES

2.1 For so long as you are a Director, you shall provide those services as (a) are required of a director under the General Corporation Law of the State of Delaware and all other applicable state and federal laws and regulations, (b) are customarily associated with and are incident to the position of a director and (c) the Company may, from time to time, reasonably request, consistent with your position as a Director.

2.2 Without limiting the foregoing, for so long as you are a Director, you shall (a) meet with the Company upon the Company's request, at dates and times mutually agreeable to you and the Company, to discuss any matters that involve or may involve issues of which you have knowledge, and (b) cooperate with the Company in the planning, review and execution of any such matter. The Company anticipates that you will participate in (i) at least four to five in person Board meetings per year at the Company's headquarters, or other locations as determined by the Company and (ii) monthly conference calls to discuss financial and operational results with, and provide advice to, the Company, as may be reasonably requested by the Company.

2.3 You agree to provide one half-day to one full day per month of advisory services to the Company, which may take place in the form of in-person meetings before or after Board or Committee meetings, telephone or video conference meetings or, as may be mutually agreed between you and the Company, additional in-person meetings.

2.4 Unless you are otherwise specifically authorized by the Board, you shall not enter into any legal or other commitment or contract on behalf of the Company, nor shall you hold yourself out as having any authority to bind or to speak on behalf of the Company.

2.5 For so long as you are a Director, you shall provide the Company with prior written notice before joining the board of directors, board of managers or other similar governing body of any entity.

**3. FEES AND EXPENSES**

3.1 For so long as you are a Director, the Company shall pay, or cause to be paid, to you an annual fee of $75,000, which shall be payable in equal installments quarterly in arrears. Such fee shall be prorated for the actual number of days you serve as a Director in any quarter.

3.2 In addition, the Company may from time to time grant you options to purchase common stock of the Company, restricted common stock and/or other equity awards, in each case in accordance with, and subject to, one or more option award agreements and equity incentive plans.

3.3 The Company shall reimburse you, or cause to be reimbursed to you, all reasonable and properly documented out-of-pocket expenses that you incur in performing your duties in accordance with the Company's procedure and other guidance in respect of expense claims.

3.4 Upon your resignation or removal as a Director, you shall only be entitled to (a) a pro rata portion of your annual fee as set forth in Section 3.1 and (b) reimbursement of any expenses, in accordance with Section 3.3, that are properly incurred before the date of such resignation or removal.

3.5 All amounts payable hereunder will be paid after deduction or withholding of all taxes and other amounts that are required by law, as determined by the Company.

**4. OUTSIDE INTERESTS**

You represent and warrant that you are not subject to (a) any restrictions that prevent you from serving as a Director or (b) any commitments that give rise to a conflict of interest with respect to, or otherwise conflict with, any of your duties as a Director. You agree that (i) you hold a position of trust and confidence with the Company, (ii) have fiduciary duties as a Director to the Company that are subject to the standards imposed by the statutes, court decisions and other applicable law of the State of Delaware, (iii) you have been appointed as a Director in reliance on your agreements and representations in this letter and (iv) if, at any time, you become aware of any facts or circumstances that would cause any of your representations and warranties in the first sentence of this Section 4 to be untrue if made as of such time, you will promptly disclose such facts or circumstances in writing to the Board.

**5. CONFIDENTIALITY**

All information acquired from or on behalf of the Company or any of its affiliates, or otherwise in connection with your service as a Director (including prior to the date hereof), is confidential and you shall not directly

or indirectly release, communicate, disclose or use such information for any reason other than, during your service as a Director, in the interests of the Company and its subsidiaries. This restriction shall not apply to any information that (a) is or may become generally available to the public, other than as a result of your breach of the terms of this letter, or (b) is required to be disclosed by applicable law; provided that you shall, to the extent legally permissible, give the Company written notice of such requirement prior to any such disclosure to enable Company to seek a protective order or otherwise prevent such disclosure. You shall hold and retain such information (in whatever form you may receive it) under appropriately secure conditions.

## 6. ADDRESS FOR NOTICE AND PERSONAL CONTACT DETAILS

You shall advise the Company's General Counsel promptly of any change in your address or other personal contact details.

## 7. RETURN OR DESTRUCTION OF PROPERTY

All files, documents, records, papers, electronic mail transmissions and other materials (collectively, "**Materials**") furnished to you by or on behalf of the Company or any of its affiliates are the sole and exclusive property of the Company or such affiliate. Upon your resignation or removal as a Director, or at any time upon the Company's request, you shall promptly return to the Company or destroy (and, if requested, confirm in writing such destruction) all such Materials and all other property belonging to the Company or any of its affiliates that may be in your possession or under your control, and you shall not retain any copies thereof.

## 8. SEVERABILITY; COUNTERPARTS; AMENDMENTS; SecTION 409A

8.1 If at any time any of the provisions of this letter shall be held invalid or unenforceable, or are prohibited by the laws of the jurisdiction where they are to be performed or enforced, for any reason, such provisions shall be considered divisible and shall become and be immediately amended to include only such restrictions and to such extent as shall be deemed to be reasonable and enforceable by the court or other body having jurisdiction over this letter, and you and the Company agree that the provisions of this letter, as so amended, shall be valid and binding as though any invalid or unenforceable provisions had not been included.

8.2 This letter may be signed in counterparts (including (without limitation) by facsimile or electronic transmission).

8.3 No amendment or modification of this letter shall be effective unless it is in writing and signed by you and the Company (or either such party's authorized representative). The failure of either party to require the performance of any term or obligation of this letter, or the waiver by either party of any breach of this letter, shall not prevent any subsequent enforcement of such term or obligation and shall not be deemed a waiver of any subsequent breach.

8.4 Notwithstanding any provision of this letter to the contrary, this letter is intended to comply with the requirements of Section 409A of the Code and the regulations and Treasury guidance thereunder (collectively, "**Section 409A**"). Accordingly, all provisions herein, or incorporated by reference, shall be construed and interpreted to comply with Section 409A. Further, for purposes of the limitation on nonqualified deferred compensation under Section 409A, each payment of compensation under this letter shall be treated as a separate payment of compensation.

**9. GOVERNING LAW AND JURISDICTION**

9.1 This letter and any dispute or claim arising out of or in connection with it or its subject matter or formation (including without limitation non-contractual disputes or claims and the legal relationships between the parties hereto) shall be governed by the laws of the State of Delaware without regard to the principles of conflict of laws that would cause the application of laws of any jurisdiction other than those of the State of Delaware.

9.2 Any legal actions or proceedings against either party arising out of this letter or any dispute or claim arising out of or in connection with it or its subject matter or formation (including without limitation non-contractual disputes or claims and the legal relationships between the parties hereto) will be brought in any federal court of appropriate jurisdiction located in the State of New York or any state court of appropriate jurisdiction located in New York county. Each party submits to and accepts the exclusive jurisdiction of such courts for the purpose of legal actions or proceedings and waives any objection (including without limitation any objection based on inconvenient forum) to this choice of venue for any dispute or claim that arises out of or in connection with this letter or its subject matter or formation (including without limitation non-contractual disputes or claims and the legal relationships between the parties hereto). Each party agrees that the exclusive choice of forum set forth in this Section 9.2 does not prohibit the enforcement of any judgment obtained in that forum or any other appropriate forum.

[*Remainder of Page Left Intentionally Blank*]

Please indicate your acceptance of these terms by signing and returning your signature to the Chief Executive Officer.

Yours sincerely,

For and on behalf of the Company

/s/ Geoffroy van Raemdonck
Geoffroy van Raemdonck
Chief Executive Officer

I confirm and agree to the terms of my appointment as a Director of the Company as set out in this letter.

/s/ Alan Herrick
Alan Herrick

**EXHIBIT 31.1**

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

I, Geoffroy van Raemdonck, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Neiman Marcus Group LTD LLC;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 6, 2018

/s/ GEOFFROY VAN RAEMDONCK

Geoffroy van Raemdonck
Chief Executive Officer

**EXHIBIT 31.2**

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

I, Adam Orvos, 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: June 6, 2018

/s/ ADAM ORVOS

Adam Orvos
Executive Vice President and Chief Financial Officer

**EXHIBIT 32.1**

**Certification of Chief Executive Officer and Chief Financial Officer**
**Pursuant to 18 U.S.C. Section 1350**

Pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, Geoffroy van Raemdonck, as Chief Executive Officer of Neiman Marcus Group LTD LLC (the Company), and Adam Orvos, as 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 April 28, 2018 (the Report) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: June 6, 2018

/s/ GEOFFROY VAN RAEMDONCK
Geoffroy van Raemdonck
Chief Executive Officer

Dated: June 6, 2018

/s/ ADAM ORVOS
Adam Orvos
Executive Vice President and Chief Financial Officer