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 November 1, 2014

OR

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

For the transition period from to

Commission file no. 333-133184-12

Neiman Marcus Group LTD LLC

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

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

NEIMAN MARCUS GROUP LTD LLC

INDEX

Table of Contents

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

(in thousands, except units)	November 1, 2014 (Successor)	August 2, 2014 (Successor)	November 2, 2013 (Successor)
ASSETS			
Current assets:			
Cash and cash equivalents	$ 81,577	$ 196,476	$ 78,987
Merchandise inventories	1,273,565	1,069,632	1,288,099
Deferred income taxes	39,049	39,049	—
Other current assets	107,296	104,617	196,652
Total current assets	1,501,487	1,409,774	1,563,738
Property and equipment, net	1,409,144	1,390,266	1,362,291
Intangible assets, net	3,603,473	3,652,984	3,801,610
Goodwill	2,375,490	2,148,627	2,148,627
Other assets	155,331	160,075	189,400
Total assets	$ 9,044,925	$ 8,761,726	$ 9,065,666
LIABILITIES AND MEMBER EQUITY			
Current liabilities:			
Accounts payable	$ 372,616	$ 375,085	$ 354,133
Accrued liabilities	475,299	452,172	448,094
Current portion of long-term debt	29,426	29,426	29,500
Total current liabilities	877,341	856,683	831,727
Long-term liabilities:			
Long-term debt	4,803,218	4,580,521	4,727,375
Deferred income taxes	1,512,485	1,540,076	1,611,068
Other long-term liabilities	422,192	351,852	312,240
Total long-term liabilities	6,737,895	6,472,449	6,650,683
Membership unit (1 unit issued and outstanding at November 1, 2014, August 2, 2014 and November 2, 2013)	—	—	—
Member capital	1,584,106	1,584,106	1,583,256
Accumulated other comprehensive loss	(20,530)	(17,429)	—
Accumulated deficit	(133,887)	(134,083)	—
Total member equity	1,429,689	1,432,594	1,583,256
Total liabilities and member equity	$ 9,044,925	$ 8,761,726	$ 9,065,666

See Notes to Condensed Consolidated Financial Statements.

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

(in thousands)	Thirteen weeks ended November 1, 2014 (Successor)	Thirteen weeks ended November 2, 2013 (Predecessor)
Revenues	$ 1,186,492	$ 1,129,138
Cost of goods sold including buying and occupancy costs (excluding depreciation)	728,493	685,408
Selling, general and administrative expenses (excluding depreciation)	288,404	266,543
Income from credit card program	(14,123)	(14,653)
Depreciation expense	43,508	34,239
Amortization of intangible assets	36,017	7,251
Amortization of favorable lease commitments	13,494	4,469
Other expenses	17,614	113,745
Operating earnings	73,085	32,136
Interest expense, net	72,610	37,315
Earnings (loss) before income taxes	475	(5,179)
Income tax expense	279	7,919
Net earnings (loss)	$ 196	$ (13,098)

See Notes to Condensed Consolidated Financial Statements.

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

	Thirteen weeks ended	
	November 1, 2014	November 2, 2013
(in thousands)	(Successor)	(Predecessor)
Net earnings (loss)	$ 196	$ (13,098)
Other comprehensive (loss) earnings:		
Change in unrealized loss on financial instruments, net of tax	(1,191)	610
Reclassification of realized loss on financial instruments to earnings, net of tax	—	224
Change in unrealized loss on unfunded benefit obligations, net of tax	(1,910)	490
Total other comprehensive (loss) earnings	(3,101)	1,324
Total comprehensive loss	$ (2,905)	$ (11,774)

See Notes to Condensed Consolidated Financial Statements.

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

	Thirteen weeks ended		
	November 1, 2014	November 2, 2013	November 2, 2013
(in thousands)	**(Successor)**	**(Successor)**	**(Predecessor)**
CASH FLOWS - OPERATING ACTIVITIES			
Net earnings (loss)	$ 196	$ —	$ (13,098)
Adjustments to reconcile net earnings (loss) to net cash (used for) provided by operating activities:			
Depreciation and amortization expense	99,150	—	48,425
Equity in loss of foreign e-commerce retailer	—	—	1,523
Deferred income taxes	(25,596)	—	(6,326)
Other	3,539	—	5,002
	77,289	—	35,526
Changes in operating assets and liabilities:			
Merchandise inventories	(169,264)	—	(142,417)
Other current assets	1,885	—	12,111
Other assets	(852)	—	(1,484)
Accounts payable and accrued liabilities	(10,702)	(97,958)	107,091
Deferred real estate credits	2,420	—	1,484
Payment of deferred compensation in connection with the Acquisition	—	(16,623)	—
Net cash (used for) provided by operating activities	(99,224)	(114,581)	12,311
CASH FLOWS - INVESTING ACTIVITIES			
Capital expenditures	(56,361)	—	(35,959)
Acquisition of Neiman Marcus Group LTD LLC	—	(3,388,585)	—
Acquisition of e-commerce retailer	(181,727)	—	—
Net cash used for investing activities	(238,088)	(3,388,585)	(35,959)
CASH FLOWS - FINANCING ACTIVITIES			
Borrowings under senior secured asset-based revolving credit facility	230,000	125,000	—
Borrowings under senior secured term loan facility	—	2,950,000	—
Repayment of borrowings under senior secured term loan facility	(7,357)	—	—
Borrowings under former senior secured asset-based revolving credit facility	—	—	130,000
Repayment of borrowings under former asset-based revolving credit facility	—	(145,000)	—
Repayment of borrowings under former senior secured term loan facility	—	(2,433,096)	(126,904)
Borrowings under cash pay notes	—	960,000	—
Borrowings under PIK toggle notes	—	600,000	—
Debt issuance costs paid	(230)	(147,375)	—
Cash equity contributions	—	1,556,500	—
Net cash provided by financing activities	222,413	3,466,029	3,096
CASH AND CASH EQUIVALENTS			
Decrease during the period	(114,899)	(37,137)	(20,552)
Beginning balance	196,476	116,124	136,676
Ending balance	$ 81,577	$ 78,987	$ 116,124
Supplemental Schedule of Cash Flow Information			
Cash paid during the period for:			
Interest	$ 97,825	$ 54	$ 40,789
Income taxes	$ 255	$ —	$ 7,544
Non-cash activities:			
Equity contribution from management	$ —	$ 26,756	$ —
Contingent earn-out obligation related to acquired e-commerce retailer	$ 59,779	$ —	$ —

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 retailer conducting integrated store and online operations principally under the Neiman Marcus and Bergdorf Goodman brand names. References to "we," "our" and "us" are used to refer to the Company or to the Company and its subsidiaries, as appropriate to the context. On October 25, 2013, the Company merged with and into Mariposa Merger Sub LLC (Mariposa) pursuant to an Agreement and Plan of Merger, dated September 9, 2013, by and among NM Mariposa Holdings, Inc. (Parent), Mariposa and the Company, with the Company surviving the merger (the Acquisition). As a result of the Acquisition and the Conversion (as defined below), the Company is now a direct subsidiary of Mariposa Intermediate Holdings LLC (Holdings), which in turn is a direct subsidiary of Parent. Parent is owned by private investment funds affiliated with Ares Management, L.P. and Canada Pension Plan Investment Board (together, the Sponsors) and certain co-investors. On October 28, 2013, the Company and NMG (as defined below) each converted from a Delaware corporation to a Delaware limited liability company (the Conversion). Previously, the Company was a subsidiary of Newton Holding, LLC, which was controlled by investment funds affiliated with TPG Global, LLC (together with its affiliates, TPG) and Warburg Pincus LLC (together with TPG, the Former Sponsors).

The Company's operations are conducted through its wholly owned subsidiary, The Neiman Marcus Group LLC (NMG).

The accompanying unaudited Condensed Consolidated Financial Statements are presented as "Predecessor" or "Successor" to indicate whether they relate to the period preceding the Acquisition or the period succeeding the Acquisition, respectively. 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 the first quarter of fiscal year 2015 relate to the thirteen weeks ended November 1, 2014 of the Successor. All references to the first quarter of fiscal year 2014 relate to the thirteen weeks ended November 2, 2013 of the Predecessor.

We have prepared the accompanying unaudited Condensed Consolidated Financial Statements in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. 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 August 2, 2014. In our opinion, the accompanying unaudited 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 specialty retail industry is seasonal in nature, with a higher level of sales typically generated in the fall and holiday selling seasons. Due to seasonal and other factors, the results of operations for the first quarter of fiscal year 2015 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 August 2, 2014.

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 unaudited 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 judgments on an ongoing basis and predicate those estimates and judgments on historical experience and on various other factors that we believe to be reasonable under the circumstances. We make adjustments to our assumptions and judgments when facts and circumstances dictate. Since future events and their effects cannot be determined with absolute certainty, actual results may differ from the estimates used in preparing the accompanying unaudited Condensed Consolidated Financial Statements.

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

- allocation of the price paid to acquire the Company to our assets and liabilities as of the date of the Acquisition (as more fully described in Note 2);
- 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 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 believe that our customers have allocated a higher portion of their luxury spending to online retailing in recent years and that our customers' expectations of a seamless shopping experience across our in-store and online channels have increased, and we expect these trends to continue for the foreseeable future. As a result, we have made investments and redesigned processes to integrate our shopping experience across channels so that it is consistent with our customers' shopping preferences and expectations. In particular, we have invested and continue to invest in technology and systems that further our omni-channel selling capabilities, and in fiscal year 2014, we realigned the management and merchandising responsibilities for our Neiman Marcus brand on an omni-channel basis. With the acceleration of omni-channel retailing and our past and ongoing investments in omni-channel initiatives, we believe the growth in our total comparable revenues and operating results are the best measures of our ongoing performance. As a result, effective with the first quarter of fiscal year 2015, we now view and report our specialty retail stores and online operation as a single, omni-channel reporting segment.

Recent Accounting Pronouncements. In May 2014, the Financial Accounting Standards Board (FASB) issued guidance to clarify the principles for recognizing revenue and to develop a common revenue standard for GAAP and International Financial Reporting Standards. The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes the most current revenue recognition guidance. This guidance is effective for us as of the first quarter of fiscal year 2018 using one of two retrospective application methods. We are currently evaluating the application method and the impact of adopting this new accounting guidance on our Condensed Consolidated Financial Statements.

We do not expect that any other recently issued accounting pronouncements will have a material impact on our financial statements.

2. The Acquisition

The Acquisition was completed on October 25, 2013 and was financed by:

- borrowings of $75.0 million under our senior secured asset-based revolving credit facility (Asset-Based Revolving Credit Facility);
- borrowings of $2,950.0 million under our senior secured term loan facility (Senior Secured Term Loan Facility and, together with the Asset-Based Revolving Credit Facility, the Senior Secured Credit Facilities);
- issuance of $960.0 million aggregate principal amount of 8.00% senior cash pay notes due 2021 (Cash Pay Notes);
- issuance of $600.0 million aggregate principal amount of 8.75%/9.50% senior PIK toggle notes due 2021 (PIK Toggle Notes); and
- $1,583.3 million of equity investments from Parent funded by direct and indirect equity investments from the Sponsors, certain co-investors and management.

The Acquisition occurred simultaneously with:

- the closing of the financing transactions and equity investments described previously;

- the termination of our former $700.0 million senior secured asset-based revolving credit facility (Former Asset-Based Revolving Credit Facility); and
- the termination of our former $2,560.0 million senior secured term loan facility (Former Senior Secured Term Loan Facility and, together with the Former Asset-Based Revolving Credit Facility, the Former Senior Secured Credit Facilities).

We have accounted for the Acquisition in accordance with the provisions of FASB Accounting Standards Codification Topic 805, *Business Combinations*, whereby the purchase price paid to effect the Acquisition was allocated to state the acquired assets and liabilities at fair value. The Acquisition and the preliminary allocation of the purchase price were recorded for accounting purposes as of November 2, 2013, the end of our first quarter of fiscal year 2014.

In connection with the purchase price allocation, we made estimates of the fair values of our long-lived and intangible assets 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. As of November 2, 2013, we recorded preliminary purchase accounting adjustments to increase the carrying value of our property and equipment and inventory, to revalue intangible assets for our tradenames, customer lists and favorable lease commitments and to revalue our long-term benefit plan obligations, among other things. We revised these preliminary purchase accounting adjustments during the second, third and fourth quarters of fiscal year 2014 as additional information became available. The final purchase accounting adjustments, as reflected in our Consolidated Balance Sheet as of August 2, 2014, were as follows (in millions):

Consideration payable to former equity holders (including $26.8 million management rollover)		$ 3,382.7
Capitalized transaction costs		32.7
Total consideration paid to effect the Acquisition		3,415.4
Net assets acquired at historical cost		821.9
Adjustments to state acquired assets at fair value:		
1) Increase carrying value of merchandise inventories	$ 129.6	
2) Increase carrying value of property and equipment	457.7	
3) Revalue intangible assets:		
Tradenames	739.3	
Other definite-lived intangible assets, primarily customer lists	492.1	
Favorable lease commitments	799.8	
4) Change in carrying values of other assets and liabilities	(67.0)	
5) Write-off historical deferred lease credits	102.3	
6) Write-off historical debt issuance costs	(31.3)	
7) Write-off historical goodwill	(1,263.4)	
8) Settlement of unvested Predecessor stock options (Note 10)	51.5	
9) Tax impact of valuation adjustments and other tax benefits	(965.7)	
Total adjustments to state acquired assets at fair value		444.9
Net assets acquired at fair value		1,266.8
Excess purchase price related to the Acquisition recorded as goodwill		$ 2,148.6

Our Condensed Consolidated Balance Sheet as of November 2, 2013 has been recast to reflect the final purchase accounting adjustments reflected in our Consolidated Balance Sheet as of August 2, 2014.

3. MyTheresa Acquisition

In October 2014, we acquired MyTheresa, a luxury retailer headquartered in Munich, Germany. The operations of MyTheresa are primarily conducted through the MyTheresa.com global luxury website. As of the time of the acquisition, the annual revenues of MyTheresa were approximately $130 million. The purchase price paid to acquire MyTheresa, net of cash acquired, was $181.7 million, which was financed through a combination of cash and debt. In addition, the MyTheresa purchase agreement contains contingent earn-out payments of up to €27.5 million per year for operating performance for each of calendar years 2015 and 2016. At November 1, 2014, the preliminary estimated fair value of the earn-out obligations was $59.8 million, which is included in other long-term liabilities.

The preliminary allocation of the purchase price to acquire MyTheresa is reflected in our Condensed Consolidated Balance Sheet as of November 1, 2014, with $226.9 million of the excess of the purchase price paid over the fair value of the acquired net assets being preliminarily allocated to goodwill. This preliminary allocation of the purchase price is subject to finalization of independent appraisals. The MyTheresa results of operations will be included in our consolidated results of operations beginning in the second quarter of fiscal year 2015.

4. Fair Value Measurements

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 that are required to be measured at fair value on a recurring basis in our Condensed Consolidated Balance Sheets:

(in thousands)	Fair Value Hierarchy	November 1, 2014 (Successor)	August 2, 2014 (Successor)	November 2, 2013 (Successor)
Other long-term assets:				
Interest rate caps	Level 2	$ 529	$ 1,132	$ —

The fair value of the interest rate caps are estimated using industry standard valuation models using market-based observable inputs, including interest rate curves. In addition, the fair value of the interest rate caps includes consideration of the counterparty's non-performance risk.

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:

		November 1, 2014 (Successor)		August 2, 2014 (Successor)		November 2, 2013 (Successor)	
(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	$ 230,000	$ 230,000	$ —	$ —	$ 125,000	$ 125,000
Senior Secured Term Loan Facility	Level 2	2,920,555	2,887,699	2,927,912	2,907,797	2,950,000	2,950,000
Cash Pay Notes	Level 2	960,000	1,027,200	960,000	994,800	960,000	960,000
PIK Toggle Notes	Level 2	600,000	643,500	600,000	633,000	600,000	600,000
2028 Debentures	Level 2	122,089	129,094	122,035	127,500	121,875	121,875

We estimated the fair value of long-term debt using 1) prevailing market rates for debt of similar remaining maturities and credit risk for the Senior Secured Credit Facilities and 2) quoted market prices of the same or similar issues for the Cash Pay Notes, 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 made estimates of the fair value of our long-lived and intangible assets 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). We also measure certain non-financial assets at fair value on a non-recurring basis, primarily long-lived assets, intangible assets and goodwill, in connection with our periodic evaluations of such assets for potential impairment.

Table of Contents

5. Intangible Assets, Net and Goodwill

(in thousands)		November 1, 2014 (Successor)		August 2, 2014 (Successor)		November 2, 2013 (Successor)
Favorable lease commitments, net	$	1,081,273	$	1,094,767	$	1,135,341
Other definite-lived intangible assets, net		551,502		587,519		695,571
Tradenames		1,970,698		1,970,698		1,970,698
Intangible assets, net	$	3,603,473	$	3,652,984	$	3,801,610
Goodwill	$	2,375,490	$	2,148,627	$	2,148,627

Intangible Assets Subject to Amortization. Our definite-lived intangible assets, which primarily consist of customer lists, are amortized over their estimated useful lives, currently estimated at 12 to 16 years (weighted average life of 14 years from the Acquisition). Favorable lease commitments are amortized over the remaining lives of the leases, currently estimated at two to 55 years (weighted average life of 30 years from the Acquisition). Total amortization of all intangible assets recorded in connection with the Acquisition for the current and next five fiscal years is currently estimated as follows (in thousands):

November 2, 2014 through August 1, 2015	$	82,565
2016		106,235
2017		102,071
2018		97,684
2019		94,565
2020		87,921

At November 1, 2014, accumulated amortization was $144.1 million for other definite-lived intangible assets and $54.1 million for favorable lease commitments.

Indefinite-lived Intangible Assets and Goodwill. Indefinite-lived intangible assets, such as our Neiman Marcus and Bergdorf Goodman tradenames and goodwill, are not subject to amortization. Rather, we assess the recoverability of indefinite-lived intangible assets and goodwill in the fourth quarter of each fiscal year and upon the occurrence of certain events.

6. Long-term Debt

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

(in thousands)	Interest Rate		November 1, 2014 (Successor)		August 2, 2014 (Successor)		November 2, 2013 (Successor)
Asset-Based Revolving Credit Facility	variable	$	230,000	$	—	$	125,000
Senior Secured Term Loan Facility	variable		2,920,555		2,927,912		2,950,000
Cash Pay Notes	8.00%		960,000		960,000		960,000
PIK Toggle Notes	8.75%/9.50%		600,000		600,000		600,000
2028 Debentures	7.125%		122,089		122,035		121,875
Total debt			4,832,644		4,609,947		4,756,875
Less: current portion of Senior Secured Term Loan Facility			(29,426)		(29,426)		(29,500)
Long-term debt		$	4,803,218	$	4,580,521	$	4,727,375

Asset-Based Revolving Credit Facility. On October 25, 2013, we entered into a credit agreement and related security and other agreements for a senior secured Asset-Based Revolving Credit Facility providing for a maximum committed borrowing capacity of $800.0 million. On October 10, 2014, we entered into an incremental amendment with respect to the Asset-Based Revolving Credit Facility, which increased the maximum committed borrowing capacity to $900.0 million. The Asset-Based Revolving Credit Facility matures on October 25, 2018. On November 1, 2014, we had $230.0 million of borrowings outstanding under this facility, no outstanding letters of credit and $580.0 million of unused borrowing availability.

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. We must at all times maintain excess availability of at least the greater of (a) 10% of the lesser of (1) the aggregate revolving commitments and (2) the borrowing base and (b) $50.0 million, but we are not required to maintain a fixed charge coverage ratio unless excess availability is below such levels.

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 up 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 November 1, 2014, 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% or 3) the adjusted one-month LIBOR plus 1.00% or (b) LIBOR, subject to certain adjustments, in each case plus an applicable margin. The applicable margin is up to 0.75% with respect to base rate borrowings and up to 1.75% with respect to LIBOR borrowings. The applicable margin is subject to adjustment based on the historical excess availability under the Asset-Based Revolving Credit Facility. The weighted average interest rate on the outstanding borrowings pursuant to the Asset-Based Revolving Credit Facility was 1.44% at November 1, 2014. In addition, we are required to pay a commitment fee in respect of unused commitments 0.25% 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 commitment amount 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 amount available 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, funds held in a collection account maintained with the agent would be applied to repay certain loans and, if an event of default has occurred, 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 October 25, 2018, unless extended.

Our 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 (unless such approval has been received). As of November 1, 2014, the assets of non-guarantor subsidiaries, primarily NMG Germany GmbH (through which NMG conducts the operations of MyTheresa), aggregated $282.4 million, or 3.1% 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 facility contains covenants limiting 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 pro forma excess availability under the Asset-Based Revolving Credit Facility, which exceeds the greater of $90.0 million or 15% of the lesser of (a) the revolving commitments under the facility and (b) the borrowing base. In addition, if pro forma excess availability under the Asset-Based Revolving Credit Facility is equal to or less than the greater of 1) $200.0 million or 2) 25% of the lesser of (i) the revolving commitments under the facility and (ii) the borrowing base, we must have a pro forma ratio of consolidated EBITDA to consolidated fixed charges of at least 1.0 to 1.0. 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 7 of the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended August 2, 2014.

Senior Secured Term Loan Facility. On October 25, 2013, we entered into a credit agreement and related security and other agreements for the $2,950.0 million Senior Secured Term Loan Facility. At November 1, 2014, the outstanding balance under our Senior Secured Term Loan Facility (after giving effect to the Refinancing Amendment discussed below) was $2,920.6 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 the Company 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, in the case of certain incremental equivalent loan debt, to be unsecured and pari passu in right of payment to the term loans, a total net leverage ratio equal to the total net leverage ratio as of October 25, 2013.

On March 13, 2014, we entered into a refinancing amendment with respect to the Senior Secured Term Loan Facility (the Refinancing Amendment). The Refinancing Amendment provided for an immediate reduction in the interest rate margin applicable to the loans outstanding under the Senior Secured Term Loan Facility from (a) 4.00% to 3.25% for LIBOR borrowings and (b) 3.00% to 2.25% for base rate borrowings. In addition, the interest rate margin in the event of a step down based on our senior secured net first lien leverage, as defined in the credit agreement, was reduced from 1) 3.75% to 3.00% for LIBOR borrowings and 2) 2.75% to 2.00% for base rate borrowings. Substantially all other terms are consistent with the October 25, 2013 credit agreement, including the amortization schedule and maturity dates. In connection with the Refinancing Amendment, we incurred costs of $29.5 million which were capitalized as debt issuance costs (included in other assets). In addition, we incurred a loss on debt extinguishment of $7.9 million, which primarily consisted of the write-off of debt issuance costs, previously incurred in connection with the initial issuance of the Senior Secured Term Loan Facility, allocable to lenders that no longer participate in the Senior Secured Term Loan Facility subsequent to the refinancing. The loss on debt extinguishment was recorded in the third quarter of fiscal year 2014 as a component of interest expense.

At November 1, 2014, 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 higher 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 the senior secured first lien net leverage ratio. The applicable margin with respect to outstanding LIBOR borrowings was 3.25% at November 1, 2014. The interest rate on the outstanding borrowings pursuant to the Senior Secured Term Loan Facility was 4.25% at November 1, 2014.

Subject to certain exceptions and reinvestment rights, our Senior Secured Term Loan Facility requires that 100% of the net cash proceeds from certain asset sales and debt issuances and 50% (subject to step downs based on our senior secured first lien net leverage ratio) from excess cash flow, as defined in the credit agreement, for each of our fiscal years (commencing with the period ending July 26, 2015) must be used to pay down outstanding borrowings under our Senior Secured Term Loan Facility.

Depending on the Company's 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. Required excess cash flow payments commence at 50% of our annual excess cash flow (which percentage will be reduced to 25% if our senior secured first lien net leverage ratio, as defined in the credit agreement, 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). We were not required to prepay any outstanding term loans pursuant to the annual excess cash flow requirements for fiscal year 2014. 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 net cash proceeds of certain asset sales under certain circumstances.

We may repay all or any portion of the outstanding 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 and in the event of certain repayments, conversions or replacements of the term loans under the Senior Secured Term Loan Facility that directly or indirectly result in a reduction of the "effective" interest rate applicable to such term loans or any applicable replacement tranche of debt prior to March 13, 2015, a payment of 1.00% of the aggregate principal amount of the term loans so repaid, converted or replaced. The Senior Secured Term Loan Facility amortizes in equal quarterly installments in an amount equal to 1.00% per annum of the principal amount outstanding as of the Refinancing Amendment, less any voluntary or mandatory prepayments, with the remaining balance due at final maturity.

Our 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 (unless such approval has been received). As of November 1, 2014, the assets of non-guarantor subsidiaries, primarily NMG Germany GmbH (through which NMG conducts the operations of MyTheresa), aggregated $282.4 million, or 3.1% of consolidated total assets. All obligations under the Senior Secured Term Loan Facility, and the guarantees of those obligations, are secured, subject to certain 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 7 of the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended August 2, 2014.

Cash Pay Notes. In connection with the Acquisition, we incurred indebtedness in the form of $960.0 million aggregate principal amount of 8.00% senior Cash Pay Notes. Interest on the Cash Pay Notes is payable semi-annually in arrears on each April 15 and October 15. The Cash Pay Notes were assumed by us as a result of the Acquisition and are guaranteed by the same entities that guarantee the Senior Secured Term Loan Facility. The Cash Pay Notes are unsecured and the guarantees are full and unconditional. The Cash Pay Notes include certain restrictive covenants and a cross-acceleration provision in respect of other indebtedness that has an aggregate principal amount exceeding $50.0 million. Our Cash Pay Notes mature on October 15, 2021.

For a more detailed description of the Cash Pay Notes, refer to Note 7 of the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended August 2, 2014.

PIK Toggle Notes. In connection with the Acquisition, we incurred indebtedness in the form of $600.0 million aggregate principal amount of our 8.75%/9.50% senior PIK Toggle Notes. Interest on the PIK Toggle Notes is payable semi-annually in arrears on each April 15 and October 15. Interest on the PIK Toggle Notes will be paid entirely in cash for the first two interest payments and thereafter may be paid (i) entirely in cash (Cash Interest), (ii) entirely by increasing the principal amount of the PIK Toggle Notes by the relevant interest (PIK Interest), or (iii) 50% in Cash Interest and 50% in PIK Interest, subject to certain restrictions on the timing and number of elections of PIK Interest or partial PIK Interest payments. Cash Interest on the PIK Toggle Notes accrues at a rate of 8.75% per annum. PIK Interest on the PIK Toggle Notes accrues at a rate of 9.50% per annum. The PIK Toggle Notes were assumed by us as a result of the Acquisition and are guaranteed by the same entities that guarantee the Senior Secured Term Loan Facility. The PIK Toggle Notes are unsecured and the guarantees are full and unconditional. The PIK Toggle Notes include certain restrictive covenants and a cross-acceleration provision in respect of other indebtedness that has an aggregate principal amount exceeding $50.0 million. Our PIK Toggle Notes mature on October 15, 2021.

For a more detailed description of the PIK Toggle Notes, refer to Note 7 of the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended August 2, 2014.

2028 Debentures. NMG has outstanding $125.0 million aggregate principal amount of its 7.125% 2028 Debentures. NMG equally and ratably secures its 2028 Debentures 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 us. Our guarantee is full and unconditional. Currently, our non-guarantor subsidiaries consist principally of Bergdorf Goodman, Inc., through which NMG conducts the operations of its Bergdorf Goodman stores, and NM Nevada Trust, which holds legal title to certain real property and intangible assets used by NMG in conducting its 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. Our 2028 Debentures mature on June 1, 2028.

For a more detailed description of the 2028 Debentures, refer to Note 7 of the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended August 2, 2014.

Former Asset-Based Revolving Credit Facility. In connection with the Acquisition, we repaid all outstanding obligations of $145.0 million under the Former Asset-Based Revolving Credit Facility and terminated the facility on October 25, 2013. This facility was replaced by the Asset-Based Revolving Credit Facility.

Former Senior Secured Term Loan Facility. In connection with the Acquisition, we repaid the outstanding balance of $2,433.1 million under our Former Senior Secured Term Loan Facility on October 25, 2013. This facility was replaced by the Senior Secured Term Loan Facility.

Maturities of Long-term Debt. Annual maturities of long-term debt outstanding at November 1, 2014 during the current and next five fiscal years and thereafter are as follows (in millions):

November 2, 2014 through August 1, 2015	$	22.1
2016		29.4
2017		29.4
2018		29.4
2019		259.4
2020		29.4
Thereafter		4,433.5

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. The significant components of interest expense are as follows:

	Thirteen weeks ended	
(in thousands)	**November 1, 2014 (Successor)**	**November 2, 2013 (Predecessor)**
Asset-Based Revolving Credit Facility	$ 230	$ 75
Senior Secured Term Loan Facility	31,579	3,687
Cash Pay Notes	19,200	2,773
PIK Toggle Notes	13,125	1,896
2028 Debentures	2,227	2,226
Former Asset-Based Revolving Credit Facility	—	477
Former Senior Secured Term Loan Facility	—	22,521
Amortization of debt issue costs	6,131	2,466
Other, net	553	1,334
Capitalized interest	(435)	(140)
Interest expense, net	$ 72,610	$ 37,315

We recorded interest expense of $8.4 million during the first quarter of fiscal year 2014 related to debt incurred as a result of the Acquisition.

7. Derivative Financial Instruments

At November 1, 2014, we had outstanding floating rate debt obligations of $3,150.6 million. In August 2011, we entered into interest rate cap agreements (at a cost of $5.8 million) for an aggregate notional amount of $1,000.0 million to hedge the variability of our cash flows related to a portion of our floating rate indebtedness. The interest rate cap agreements cap LIBOR at 2.50% from December 2012 through December 2014 with respect to the $1,000.0 million notional amount of such agreements. In the event

LIBOR is less than 2.50%, we will pay interest at the lower LIBOR rate. In the event LIBOR is higher than 2.50%, we will pay interest at the capped rate of 2.50%.

In April 2014, we entered into additional 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 once the current interest rate cap agreements expire in December 2014. The interest rate cap agreements cap LIBOR at 3.00% from December 2014 through December 2016 with respect to the $1,400.0 million notional amount of such agreements. In the event LIBOR is less than 3.00%, we will pay interest at the lower LIBOR rate. In the event LIBOR is higher than 3.00%, we will pay interest at the capped rate of 3.00%. On November 1, 2014, the fair value of our interest rate caps was $0.5 million.

Gains and losses realized due to the expiration of applicable portions of the interest rate caps are reclassified to interest expense at the time our quarterly interest payments are made. A summary of the recorded amounts related to our interest rate caps reflected in our Condensed Consolidated Statements of Operations is as follows:

	Thirteen weeks ended	
	November 1, 2014	November 2, 2013
(in thousands)	(Successor)	(Predecessor)
Realized hedging losses — included in interest expense, net	$ —	$ 369

8. Income Taxes

Our effective income tax expense rates for the following periods are as follows:

	Thirteen weeks ended	
	November 1, 2014	November 2, 2013
	(Successor)	(Predecessor)
Effective income tax rate	58.7%	152.9%

Our effective income tax rates for the first quarter of fiscal year 2015 and the first quarter of fiscal year 2014 exceeded the federal statutory tax rate due to the non-deductible portion of transaction costs incurred in connection with acquisitions and state income taxes and, with respect to the first quarter of fiscal year 2014, due to the lack of a U.S. tax benefit related to the losses from our investment in a foreign e-commerce retailer.

At November 1, 2014, the gross amount of unrecognized tax benefits was $2.5 million ($1.7 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 $5.2 million at November 1, 2014, $5.1 million at August 2, 2014 and $5.7 million at November 2, 2013.

We file income tax returns in the U.S. federal jurisdiction and various state and local jurisdictions. The Internal Revenue Service (IRS) is currently auditing our fiscal year 2010, 2011 and 2012 federal income tax returns. With respect to state and local jurisdictions, with limited exceptions, the Company and its subsidiaries are no longer subject to income tax audits for fiscal years before 2010. We believe our recorded tax liabilities as of November 1, 2014 are sufficient to cover any potential assessments to be made by the IRS or other taxing authorities upon the completion of their examinations 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 additional adjustments in the amounts of our unrecognized tax benefits could occur within the next twelve months as a result of settlements with tax authorities or expiration of statutes of limitation. 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 the Company and its subsidiaries. Income taxes are presented as if the Company and its subsidiaries are separate taxpayers from Parent. There are no differences between the Company's and Parent's current and deferred income taxes.

9. Employee Benefit Plans

Description of Benefit Plans. We currently maintain defined contribution plans consisting of a retirement savings plan (RSP) and a defined contribution supplemental executive retirement plan (Defined Contribution SERP Plan). In addition, we sponsor a defined benefit pension plan (Pension Plan) and an unfunded supplemental executive retirement plan (SERP Plan) which 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.

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

(in thousands)	November 1, 2014 (Successor)	August 2, 2014 (Successor)	November 2, 2013 (Successor)
Pension Plan	$ 197,062	$ 189,890	$ 163,090
SERP Plan	109,803	113,787	108,377
Postretirement Plan	10,932	10,945	14,752
	317,797	314,622	286,219
Less: current portion	(5,814)	(6,602)	(5,754)
Long-term portion of benefit obligations	$ 311,983	$ 308,020	$ 280,465

Funding Policy and Plan Status. Our policy is to fund the Pension Plan at or above the minimum required by law. In fiscal year 2014, we were not required to make contributions to the Pension Plan. As of November 1, 2014, we do not believe we will be required to make contributions to the Pension Plan for fiscal year 2015. We will continue to evaluate voluntary contributions to our Pension Plan based upon the unfunded position of the Pension Plan, our available liquidity and other factors.

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

	Thirteen weeks ended	
(in thousands)	November 1, 2014 (Successor)	November 2, 2013 (Predecessor)
Pension Plan:		
Interest cost	$ 6,382	$ 5,781
Expected return on plan assets	(6,234)	(6,401)
Net amortization of losses	—	1,095
Pension Plan expense	$ 148	$ 475
SERP Plan:		
Interest cost	$ 1,126	$ 1,104
SERP Plan expense	$ 1,126	$ 1,104
Postretirement Plan:		
Service cost	$ 3	$ 5
Interest cost	113	142
Net amortization of prior service cost	—	(321)
Net amortization of losses	(93)	35
Postretirement Plan expense (income)	$ 23	$ (139)

10. Stock-Based Compensation

Predecessor

Stock Options. The Predecessor had equity-based management arrangements, which authorized equity awards to be granted to certain management employees. At the time of the Acquisition, Predecessor stock options for 101,730 shares were outstanding, consisting of vested options for 67,899 shares and unvested options for 33,831 shares. In connection with the Acquisition, previously unvested options became fully vested at October 25, 2013.

All Predecessor stock options were subject to settlement in connection with the Acquisition in amounts equal to the excess of the per share merger consideration over the exercise prices of such options. The fair value of the consideration payable to holders of Predecessor stock options aggregated $187.4 million, of such amount $135.9 million represented the fair value of previously vested options which amount was included in the consideration paid by the Sponsors to acquire the Company. The remaining $51.5 million represented the fair value of previously unvested options, such amount was expensed in the results of operations of the Successor for the second quarter of fiscal year 2014.

Successor

Stock Options. Subsequent to the Acquisition, 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 Predecessor stock options into stock options of Parent. Specifically, upon the consummation of the Acquisition, Predecessor stock options were rolled over and converted into stock options for 56,979 shares of Parent (the Co-Invest Options).

The number of Co-Invest Options issued upon conversion of Predecessor stock options was equal to the product of (a) the number of shares subject to the applicable Predecessor 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 Predecessor stock option was adjusted by dividing the original exercise price of the Predecessor 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 intrinsic value of the rolled over Predecessor 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 Predecessor options. The Co-Invest Options contain sale and repurchase provisions.

Non-Qualified Stock Options. Pursuant to the terms of the incentive plans, Parent granted 81,607 time-vested non-qualified stock options and 76,385 performance-vested non-qualified stock options to certain executive officers, non-executive officers and non-employee directors of the Company in fiscal year 2014. These non-qualified stock options were granted at an exercise price of $1,000 per share and such options will expire no later than the tenth anniversary of the grant date. In the first quarter of fiscal year 2015, Parent granted 3,113 time-vested non-qualified stock options and 2,890 performance-vested non-qualified stock options to certain executive and non-executive officers of the Company. These non-qualified stock options were granted at an exercise price of $1,074 per share and such options will expire no later than the tenth anniversary of the grant date. Each grant of non-qualified stock options consists of options to purchase an equal number of shares of Parent's Class A common stock and Class B common stock.

Accounting for Successor Stock Options. Parent generally has the right to call shares issued upon exercise of vested stock options at the fair market value and vested unexercised stock options for the difference between the fair market value of the underlying share and the exercise price in the event the optionee ceases to be an employee of the Company. However, if the optionee voluntarily leaves the Company without good reason 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. In the event of the retirement of the optionee, the repurchase price is fair value at the retirement date. As a result of these repurchase rights, the Company accounts for stock options issued to optionees who will become retirement eligible prior to the expiration of their stock options (Retirement Eligible Optionees) using the liability method. Under the liability method, the Company establishes the estimated liability for option awards held by Retirement Eligible Optionees over the vesting/performance periods of such awards and the liability for the vested/earned options is adjusted to its estimated fair value through compensation expense at each balance sheet date. With respect to options held by non-retirement eligible optionees, such options are effectively forfeited should the optionee voluntarily leave the

Company without good reason or be terminated for cause. As a result, the Company records no expense or liability with respect to such options currently.

With respect to the Co-Invest Options, the fair value of such options at the Acquisition date was $36.3 million. Of such amount, $9.5 million represented the fair value of options held by Retirement Eligible Optionees for which a liability was established at the Acquisition date. The remaining value of $26.8 million represented the fair value of options held by non-retirement eligible optionees and such amount was credited to Successor equity.

At November 1, 2014, the aggregate number of co-invest, time-vested and performance-vested options held by Retirement Eligible Optionees aggregated 99,910 options and the recorded liability with respect to such options was $17.9 million. We recognize compensation expense, which is included in selling, general and administrative expenses, for stock options on a straight-line basis over the vesting/performance periods. The following table sets forth certain summary information with respect to our stock options for the periods indicated.

	Thirteen weeks ended	
	November 1, 2014	November 2, 2013
(in thousands, except number of options and per option price)	(Successor)	(Predecessor)
Stock compensation expense	$ 2,135	$ 2,548
Stock option grants:		
Number of options granted	6,003	—
Weighted average grant date fair value	$ 325	$ —
Stock option exercises:		
Number of options exercised	—	65
Weighted average exercise price	$ —	$ 1,557

11. 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)	Unrealized Losses on Financial Instruments	Unfunded Benefit Obligations	Total
Successor:			
Balance, August 2, 2014	$ (954)	$ (16,475)	$ (17,429)
Other comprehensive loss	(1,191)	(1,910)	(3,101)
Balance, November 1, 2014	$ (2,145)	$ (18,385)	$ (20,530)

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.

Pursuant to the Program Agreement, we receive payments from Capital One based on sales transacted on our proprietary credit cards. We may receive additional payments based on the profitability of the portfolio as determined under the Program Agreement depending on a number of factors including credit losses. In addition, we receive payments from Capital One for marketing and servicing activities we provide to Capital One.

13. Other Expenses

Other expenses consists of the following components:

	Thirteen weeks ended	
	November 1, 2014	November 2, 2013
(in thousands)	(Successor)	(Predecessor)
Costs incurred in connection with the Acquisition:		
Change-in-control cash payments due to Former Sponsors and management	$ —	$ 80,457
Other, primarily professional fees	—	28,942
Total transaction costs	—	109,399
MyTheresa acquisition costs	10,989	—
Costs related to the Cyber-Attack	4,301	—
Equity in loss of foreign e-commerce retailer	—	1,523
Management fee due to Former Sponsors	—	2,823
Other non-recurring expenses	2,324	—
Other expenses	$ 17,614	$ 113,745

We discovered in January 2014 that malicious software (malware) was clandestinely installed on our computer systems (the Cyber-Attack). In the first quarter of fiscal year 2015, we incurred investigative, legal and other costs in connection with the Cyber-Attack. We expect to incur additional costs related to the Cyber-Attack in the foreseeable future. Such costs are not currently estimable but could be material to our future operating results.

In the third quarter of fiscal year 2014, we sold our investment in a foreign e-commerce retailer, which was previously accounted for under the equity method, for $35.0 million, which amount equaled the carrying value of our investment.

14. Commitments and Contingencies

Employment and Consumer Class Actions Litigation. On April 30, 2010, a Class Action Complaint for Injunction and Equitable Relief was filed against the Company, Newton Holding, LLC, TPG Capital, L.P. and Warburg Pincus LLC in the United States District Court for the Central District of California by Sheila Monjazeb, individually and on behalf of other members of the general public similarly situated. On July 12, 2010, all defendants except for the Company were dismissed without prejudice, and on August 20, 2010, this case was dismissed by Ms. Monjazeb and refiled in the Superior Court of California for San Francisco County. This complaint, along with a similar class action lawsuit originally filed by Bernadette Tanguilig in 2007, alleges that the Company has engaged in various violations of the California Labor Code and Business and Professions Code, including without limitation, by (1) asking employees to work “off the clock,” (2) failing to provide meal and rest breaks to its employees, (3) improperly calculating deductions on paychecks delivered to its employees and (4) failing to provide a chair or allow employees to sit during shifts. The Monjazeb and Tanguilig class actions have been deemed “related” cases and are pending before the same trial court judge. On October 24, 2011, the court granted the Company’s motion to compel Ms. Monjazeb and Juan Carlos Pinela (a co-plaintiff in the Tanguilig case) to arbitrate their individual claims in accordance with the Company’s Mandatory Arbitration Agreement, foreclosing their ability to pursue a class action in court. However, the court’s order compelling arbitration did not apply to Ms. Tanguilig because she is not bound by the Mandatory Arbitration Agreement. Further, the court determined that Ms. Tanguilig could not be a class representative of employees who are subject to the Mandatory Arbitration Agreement, thereby limiting the putative class action to those associates who were employed between December 2003 and July 15, 2007 (the effective date of our Mandatory Arbitration Agreement). Following the court’s order, Ms. Monjazeb and Mr. Pinela filed demands for arbitration with the American Arbitration Association (AAA) seeking to arbitrate not only their individual claims, but also class claims, which the Company asserted violated the class action waiver in the Mandatory Arbitration Agreement. This led to further proceedings in the trial court, a stay of the arbitrations, and a decision by the trial court, on its own motion, to reconsider its order compelling arbitration. The trial court ultimately decided to vacate its order compelling arbitration due to a recent California appellate court decision. Following this ruling, the Company timely filed two separate appeals, one with respect to Mr. Pinela and one with respect to Ms. Monjazeb, with the Court of Appeal, asserting that the trial court did not have jurisdiction to change its earlier determination of the enforceability of the arbitration agreement. The appeal with respect to Mr. Pinela has been fully briefed and awaits the setting of a date for oral argument. The appeal with respect to Ms. Monjazeb was dismissed since final approval of the class action settlement (as described below) was granted.

Notwithstanding the appeal, the trial court decided to set certain civil penalty claims asserted by Ms. Tanguilig for trial on April 1, 2014. In these claims, Ms. Tanguilig sought civil penalties under the Private Attorneys General Act based on the Company's alleged failure to provide employees with meal periods and rest breaks in compliance with California law. On December 10, 2013, the Company filed a motion to dismiss all of Ms. Tanguilig's claims, including the civil penalty claims, based on her failure to bring her claims to trial within five years as required by California law. After several hearings, on February 28, 2014, the court dismissed all of Ms. Tanguilig's claims in the case and vacated the April 1, 2014 trial date. The court has awarded the Company its costs of suit in connection with the defense of Ms. Tanguilig's claims, but denied its request of an attorneys' fees award from Ms. Tanguilig. Ms. Tanguilig filed a notice of appeal from the dismissal of all her claims, as well as a second notice of appeal from the award of costs, both of which are pending before the Court of Appeal. Should the Court of Appeal reverse the trial court's dismissal of all of Ms. Tanguilig's claims, the litigation will resume, and Ms. Tanguilig will seek class certification of the claims asserted in her Third Amended Complaint. If this occurs, the scope of her class claims will likely be reduced by the class action settlement and release in the Monjazeb case (as described below); however, that settlement does not cover claims asserted by Ms. Tanguilig for alleged Labor Code violations from approximately December 19, 2003 to August 20, 2006 (the beginning of the settlement class period in the Monjazeb case). Briefing on the appeals is underway, but no date has been set for oral argument.

In Ms. Monjazeb's class action, a settlement was reached at a mediation held on January 25, 2014. After several hearings, the trial court granted preliminary approval of the settlement on May 6, 2014 and directed that notice of settlement be given to the settlement class. The deadline for class members to opt out of the settlement was August 11, 2014. The final approval hearing was held on September 18, 2014. The court granted final approval and issued a judgment approving the settlement. The settlement funds have been paid by the Company and have been disbursed by the claims administrator in accordance with the settlement.

Based upon the pending settlement agreement with respect to Ms. Monjazeb's class action claims, we recorded our currently estimable liabilities with respect to both Ms. Monjazeb's and Ms. Tanguilig's employment class actions litigation claims in fiscal year 2014, which amount was not material to our financial condition or results of operations. We will continue to evaluate these matters, and our recorded reserves for such matters, based on subsequent events, new information and future circumstances.

On December 6, 2013, a third putative class action was filed against the Company in the San Diego Superior Court by a former employee. The case was entitled Marisabella Newton v. Neiman Marcus Group, Inc., et al., and the complaint alleged claims similar to those made in the Monjazeb case. After filing an answer to the complaint in the Newton case and responding to discovery, we reached a settlement of Ms. Newton's individual claims and a dismissal of her class allegations, subject to court approval. The court approved the settlement and dismissed the case on August 25, 2014.

In addition to the foregoing matters, 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, which was submitted to an administrative law judge (ALJ) for determination on a stipulated record. Recently, the ALJ issued a recommended decision and order finding that the Company's Arbitration Agreement and class action waiver violated the National Labor Relations Act. The matter has now been transferred to the NLRB for further consideration and decision.

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 is allegedly of inferior quality to clothing sold at the full-line stores. On September 12, 2014, we removed the case to the United States District Court for the Central District of California. On October 17, 2014, we filed a motion to dismiss the complaint, which was set for hearing on December 1, 2014. On November 12, 2014, plaintiff filed a motion for class certification, which currently is set for hearing on July 20, 2015. On November 18, 2014, the court found our motion to dismiss suitable for disposition without oral argument and vacated the hearing scheduled for December 1, 2014.

We will continue to vigorously defend our interests in the matters described above and continue to evaluate them based on subsequent events, new information and future circumstances. 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 position, results of operations or cash flows.

Cyber-Attack Class Actions Litigation. Three class actions relating to the Cyber-Attack were filed in January 2014 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. Melissa Frank v. The Neiman Marcus Group, LLC, et al., was filed in the United States District Court for the Eastern District of New York on January 13, 2014 but was voluntarily dismissed by the plaintiff on

April 15, 2014, without prejudice to her right to re-file a complaint. Donna Clark v. Neiman Marcus Group LTD LLC was filed in the United States District Court for the Northern District of Georgia on January 27, 2014 but was voluntarily dismissed by the plaintiff on March 11, 2014, without prejudice to her right to re-file a complaint. Christina Wong v. The Neiman Marcus Group, LLC, et al., was filed in the United States District Court for the Central District of California on January 29, 2014, but was voluntarily dismissed by the plaintiff on February 10, 2014, without prejudice to her right to re-file a complaint. Three new 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, Katerina Chau v. Neiman Marcus Group LTD, Inc., filed in the United States District Court for the Southern District of California on March 14, 2014, and Michael Shields v. The Neiman Marcus Group, LLC, filed in the United States District Court for the Southern District of California on April 1, 2014, were voluntarily dismissed, with prejudice as to Chau and without prejudice as to Shields. The third case, Hilary Remijas v. The Neiman Marcus Group, LLC, was filed on March 12, 2014 in 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 on July 2, 2014. On September 16, 2014, the court granted the Company's motion to dismiss the Remijas case on the grounds that the plaintiffs lacked standing due to their failure to demonstrate an actionable injury. On September 25, 2014, plaintiffs appealed the district court's order dismissing the case. The appeal is currently pending in the Seventh Circuit Court of Appeals. Briefing on the appeal is underway, but no date has been set for oral argument.

In addition, 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 no outstanding irrevocable letters of credit relating to purchase commitments and insurance and other liabilities at November 1, 2014. We had approximately $3.4 million in surety bonds at November 1, 2014 relating primarily to merchandise imports and state sales tax and utility requirements.

15. Condensed Consolidating Financial Information

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. The Company's guarantee of the 2028 Debentures 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 1) Bergdorf Goodman, Inc., through which NMG conducts the operations of its Bergdorf Goodman stores, 2) NM Nevada Trust, which holds legal title to certain real property and intangible assets used by NMG in conducting its operations and 3) NMG Germany GmbH, through which NMG conducts the operations of MyTheresa.

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.

	November 1, 2014 (Successor)				
(in thousands)	**Company**	**NMG**	**Non-Guarantor Subsidiaries**	**Eliminations**	**Consolidated**
ASSETS					
Current assets:					
Cash and cash equivalents	$ —	$ 66,120	$ 15,457	$ —	$ 81,577
Merchandise inventories	—	1,090,010	183,555	—	1,273,565
Other current assets	—	133,596	12,749	—	146,345
Total current assets	—	1,289,726	211,761	—	1,501,487
Property and equipment, net	—	1,293,245	115,899	—	1,409,144
Intangible assets, net	—	672,338	2,931,135	—	3,603,473
Goodwill	—	1,669,364	706,126	—	2,375,490
Other assets	—	153,561	1,770	—	155,331
Investments in subsidiaries	1,429,689	3,765,133	—	(5,194,822)	—
Total assets	$ 1,429,689	$ 8,843,367	$ 3,966,691	$ (5,194,822)	$ 9,044,925
LIABILITIES AND MEMBER EQUITY					
Current liabilities:					
Accounts payable	$ —	$ 331,236	$ 41,380	$ —	$ 372,616
Accrued liabilities	—	376,310	98,989	—	475,299
Current portion of long-term debt	—	29,426	—	—	29,426
Total current liabilities	—	736,972	140,369	—	877,341
Long-term liabilities:					
Long-term debt	—	4,803,218	—	—	4,803,218
Deferred income taxes	—	1,512,485	—	—	1,512,485
Other long-term liabilities	—	361,003	61,189	—	422,192
Total long-term liabilities	—	6,676,706	61,189	—	6,737,895
Total member equity	1,429,689	1,429,689	3,765,133	(5,194,822)	1,429,689
Total liabilities and member equity	$ 1,429,689	$ 8,843,367	$ 3,966,691	$ (5,194,822)	$ 9,044,925

(in thousands)	Company	NMG	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	August 2, 2014 (Successor)				
ASSETS					
Current assets:					
Cash and cash equivalents	$ —	$ 195,004	$ 1,472	$ —	$ 196,476
Merchandise inventories	—	953,936	115,696	—	1,069,632
Other current assets	—	131,894	11,772	—	143,666
Total current assets	—	1,280,834	128,940	—	1,409,774
Property and equipment, net	—	1,275,264	115,002	—	1,390,266
Intangible assets, net	—	708,125	2,944,859	—	3,652,984
Goodwill	—	1,669,364	479,263	—	2,148,627
Other assets	—	158,637	1,438	—	160,075
Investments in subsidiaries	1,432,594	3,560,258	—	(4,992,852)	—
Total assets	$ 1,432,594	$ 8,652,482	$ 3,669,502	$ (4,992,852)	$ 8,761,726
LIABILITIES AND MEMBER EQUITY					
Current liabilities:					
Accounts payable	$ —	$ 343,783	$ 31,302	$ —	$ 375,085
Accrued liabilities	—	375,640	76,532	—	452,172
Current portion of long-term debt	—	29,426	—	—	29,426
Total current liabilities	—	748,849	107,834	—	856,683
Long-term liabilities:					
Long-term debt	—	4,580,521	—	—	4,580,521
Deferred income taxes	—	1,540,076	—	—	1,540,076
Other long-term liabilities	—	350,442	1,410	—	351,852
Total long-term liabilities	—	6,471,039	1,410	—	6,472,449
Total member equity	1,432,594	1,432,594	3,560,258	(4,992,852)	1,432,594
Total liabilities and member equity	$ 1,432,594	$ 8,652,482	$ 3,669,502	$ (4,992,852)	$ 8,761,726

(in thousands)	November 2, 2013 (Successor) Company	NMG	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ —	$ 77,908	$ 1,079	$ —	$ 78,987
Merchandise inventories	—	1,124,295	163,804	—	1,288,099
Other current assets	—	185,197	11,455	—	196,652
Total current assets	—	1,387,400	176,338	—	1,563,738
Property and equipment, net	—	1,245,764	116,527	—	1,362,291
Intangible assets, net	—	815,575	2,986,035	—	3,801,610
Goodwill	—	1,669,364	479,263	—	2,148,627
Other assets	—	149,696	39,704	—	189,400
Investments in subsidiaries	1,583,256	3,686,224	—	(5,269,480)	—
Total assets	$ 1,583,256	$ 8,954,023	$ 3,797,867	$ (5,269,480)	$ 9,065,666
LIABILITIES AND MEMBER EQUITY					
Current liabilities:					
Accounts payable	$ —	$ 319,585	$ 34,548	$ —	$ 354,133
Accrued liabilities	—	372,418	75,676	—	448,094
Current portion of long-term debt	—	29,500	—	—	29,500
Total current liabilities	—	721,503	110,224	—	831,727
Long-term liabilities:					
Long-term debt	—	4,727,375	—	—	4,727,375
Deferred income taxes	—	1,611,068	—	—	1,611,068
Other long-term liabilities	—	310,821	1,419	—	312,240
Total long-term liabilities	—	6,649,264	1,419	—	6,650,683
Total member equity	1,583,256	1,583,256	3,686,224	(5,269,480)	1,583,256
Total liabilities and member equity	$ 1,583,256	$ 8,954,023	$ 3,797,867	$ (5,269,480)	$ 9,065,666

(in thousands)	Thirteen weeks ended November 1, 2014 (Successor) Company	NMG	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues	$ —	$ 970,415	$ 216,077	$ —	$ 1,186,492
Cost of goods sold including buying and occupancy costs (excluding depreciation)	—	603,290	125,203	—	728,493
Selling, general and administrative expenses (excluding depreciation)	—	248,754	39,650	—	288,404
Income from credit card program	—	(12,740)	(1,383)	—	(14,123)
Depreciation expense	—	39,398	4,110	—	43,508
Amortization of intangible assets and favorable lease commitments	—	35,786	13,725	—	49,511
Other expenses	—	17,614	—	—	17,614
Operating earnings	—	38,313	34,772	—	73,085
Interest expense, net	—	72,610	—	—	72,610
Intercompany royalty charges (income)	—	35,295	(35,295)	—	—
Equity in (earnings) loss of subsidiaries	(196)	(70,067)	—	70,263	—
Earnings (loss) before income taxes	196	475	70,067	(70,263)	475
Income tax expense	—	279	—	—	279
Net earnings (loss)	$ 196	$ 196	$ 70,067	$ (70,263)	$ 196
Total other comprehensive (loss) earnings, net of tax	(3,101)	(3,101)	—	3,101	(3,101)
Total comprehensive (loss) earnings	$ (2,905)	$ (2,905)	$ 70,067	$ (67,162)	$ (2,905)

(in thousands)	Thirteen weeks ended November 2, 2013 (Predecessor) Company	NMG	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues	$ —	$ 926,436	$ 202,702	$ —	$ 1,129,138
Cost of goods sold including buying and occupancy costs (excluding depreciation)	—	568,665	116,743	—	685,408
Selling, general and administrative expenses (excluding depreciation)	—	230,090	36,453	—	266,543
Income from credit card program	—	(13,271)	(1,382)	—	(14,653)
Depreciation expense	—	31,057	3,182	—	34,239
Amortization of intangible assets and favorable lease commitments	—	8,773	2,947	—	11,720
Other expenses	—	112,222	1,523	—	113,745
Operating (loss) earnings	—	(11,100)	43,236	—	32,136
Interest expense, net	—	37,315	—	—	37,315
Intercompany royalty charges (income)	—	32,907	(32,907)	—	—
Equity in loss (earnings) of subsidiaries	13,098	(76,143)	—	63,045	—
(Loss) earnings before income taxes	(13,098)	(5,179)	76,143	(63,045)	(5,179)
Income tax expense	—	7,919	—	—	7,919
Net (loss) earnings	$ (13,098)	$ (13,098)	$ 76,143	$ (63,045)	$ (13,098)
Total other comprehensive earnings (loss), net of tax	1,324	1,324	—	(1,324)	1,324
Total comprehensive (loss) earnings	$ (11,774)	$ (11,774)	$ 76,143	$ (64,369)	$ (11,774)

	Thirteen weeks ended November 1, 2014 (Successor)				
(in thousands)	Company	NMG	Non-Guarantor Subsidiaries	Eliminations	Consolidated
CASH FLOWS—OPERATING ACTIVITIES					
Net earnings (loss)	$ 196	$ 196	$ 70,067	$ (70,263)	$ 196
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:					
Depreciation and amortization expense	—	81,315	17,835	—	99,150
Deferred income taxes	—	(25,596)	—	—	(25,596)
Other	—	3,518	21	—	3,539
Intercompany royalty income payable (receivable)	—	35,295	(35,295)	—	—
Equity in (earnings) loss of subsidiaries	(196)	(70,067)	—	70,263	—
Changes in operating assets and liabilities, net	—	(322,577)	146,064	—	(176,513)
Net cash (used for) provided by operating activities	—	(297,916)	198,692	—	(99,224)
CASH FLOWS—INVESTING ACTIVITIES					
Capital expenditures	—	(53,381)	(2,980)	—	(56,361)
Acquisition of e-commerce retailer	—	—	(181,727)	—	(181,727)
Net cash used for investing activities	—	(53,381)	(184,707)	—	(238,088)
CASH FLOWS—FINANCING ACTIVITIES					
Borrowings under Asset-Based Revolving Credit Facility	—	230,000	—	—	230,000
Repayment of borrowings under Senior Secured Term Loan Facility	—	(7,357)	—	—	(7,357)
Debt issuance costs paid	—	(230)	—	—	(230)
Net cash provided by financing activities	—	222,413	—	—	222,413
CASH AND CASH EQUIVALENTS					
(Decrease) increase during the period	—	(128,884)	13,985	—	(114,899)
Beginning balance	—	195,004	1,472	—	196,476
Ending balance	$ —	$ 66,120	$ 15,457	$ —	$ 81,577

(in thousands)	Company	NMG	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	Thirteen weeks ended November 2, 2013 (Predecessor)				
CASH FLOWS—OPERATING ACTIVITIES					
Net (loss) earnings	$ (13,098)	$ (13,098)	$ 76,143	$ (63,045)	$ (13,098)
Adjustments to reconcile net (loss) earnings to net cash provided by operating activities:					
Depreciation and amortization expense	—	42,296	6,129	—	48,425
Equity in loss of foreign e-commerce retailer	—	—	1,523	—	1,523
Deferred income taxes	—	(6,326)	—	—	(6,326)
Other	—	5,068	(66)	—	5,002
Intercompany royalty income payable (receivable)	—	32,907	(32,907)	—	—
Equity in loss (earnings) of subsidiaries	13,098	(76,143)	—	63,045	—
Changes in operating assets and liabilities, net	—	21,469	(44,684)	—	(23,215)
Net cash provided by operating activities	—	6,173	6,138	—	12,311
CASH FLOWS—INVESTING ACTIVITIES					
Capital expenditures	—	(30,051)	(5,908)	—	(35,959)
Net cash used for investing activities	—	(30,051)	(5,908)	—	(35,959)
CASH FLOWS—FINANCING ACTIVITIES					
Borrowings under Former Asset-Based Revolving Credit Facility	—	130,000	—	—	130,000
Repayment of borrowings	—	(126,904)	—	—	(126,904)
Net cash provided by financing activities	—	3,096	—	—	3,096
CASH AND CASH EQUIVALENTS					
(Decrease) increase during the period	—	(20,782)	230	—	(20,552)
Beginning balance	—	135,827	849	—	136,676
Ending balance	$ —	$ 115,045	$ 1,079	$ —	$ 116,124

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

EXECUTIVE OVERVIEW

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 August 2, 2014. 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. This discussion contains forward-looking statements. Please see “Other Matters — Factors That May Affect Future Results” for a discussion of the risks, uncertainties and assumptions relating to our forward-looking statements.

Business Overview

We are a luxury, multi-branded, omni-channel fashion retailer conducting integrated store and online operations principally under the Neiman Marcus and Bergdorf Goodman brand names.

The Company is a subsidiary of NM Mariposa Holdings, Inc., a Delaware corporation (Parent), which is owned by private investment funds affiliated with Ares Management, L.P. (Ares) and Canada Pension Plan Investment Board (CPPIB, and together with Ares, the Sponsors) and certain co-investors. The Company’s operations are conducted through its wholly owned subsidiary, The Neiman Marcus Group LLC (NMG). The Sponsors acquired the Company in a leveraged transaction on October 25, 2013 (the Acquisition). Prior to the Acquisition, we were owned by Newton Holding, LLC, which was controlled by investment funds affiliated with TPG Global, LLC (together with its affiliates, TPG) and Warburg Pincus LLC (together with TPG, the Former Sponsors). The accompanying unaudited Condensed Consolidated Financial Statements are presented as “Predecessor” or “Successor” to indicate whether they relate to the period preceding the Acquisition or the period succeeding the Acquisition, respectively. The Acquisition and the allocation of the purchase price were recorded for accounting purposes as of November 2, 2013, the end of our first quarter of fiscal year 2014.

We believe that our customers have allocated a higher portion of their luxury spending to online retailing in recent years and that our customers' expectations of a seamless shopping experience across our in-store and online channels have increased, and we expect these trends to continue for the foreseeable future. As a result, we have made investments and redesigned processes to integrate our shopping experience across channels so that it is consistent with our customers' shopping preferences and expectations. In particular, we have invested and continue to invest in technology and systems that further our omni-channel selling capabilities, and in fiscal year 2014, we realigned the management and merchandising responsibilities for our Neiman Marcus brand on an omni-channel basis. With the acceleration of omni-channel retailing and our past and ongoing investments in omni-channel initiatives, we believe the growth in our total comparable revenues and operating results are the best measures of our ongoing performance. As a result, effective with the first quarter of fiscal year 2015, we now view and report our specialty retail stores and online operation as a single, omni-channel reporting 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 the first quarter of fiscal year 2015 relate to the thirteen weeks ended November 1, 2014 of the Successor. All references to the first quarter of fiscal year 2014 relate to the thirteen weeks ended November 2, 2013 of the Predecessor.

In connection with the Acquisition, the Company incurred substantial new indebtedness, in part in replacement of former indebtedness. See “Liquidity and Capital Resources.” In addition, the purchase price paid in connection with the Acquisition has been allocated to state the acquired assets and liabilities at fair value. The purchase accounting adjustments increased the carrying value of our property and equipment and inventory, revalued our intangible assets related to our tradenames, customer lists and favorable lease commitments and revalued our long-term benefit plan obligations, among other things. As a result, our Successor financial statements subsequent to the Acquisition are not comparable to our Predecessor financial statements.

Fiscal Year 2015 Summary

A summary of our operating results is as follows:

- **Revenues** - Our revenues for the first quarter of fiscal year 2015 were $1,186.5 million, an increase of 5.1% compared to the first quarter of fiscal year 2014. In the first quarter of fiscal year 2015, revenues generated by our online operation aggregated $264.3 million, a comparable increase of 14.3% from the first quarter of the prior year.

- **Cost of goods sold including buying and occupancy costs (excluding depreciation) (COGS)** - Compared to the prior year, COGS increased in the first quarter of fiscal year 2015 by 0.7% of revenues. The increase in COGS in the first quarter of fiscal year 2015 is primarily attributable to 1) higher delivery and processing net costs and 2) higher buying and occupancy costs.

  At November 1, 2014, on-hand inventories totaled $1,273.6 million, a 1.1% decrease from November 2, 2013. At November 1, 2014, the carrying value of our on-hand inventories included inventories acquired in connection with the October 2014 acquisition of MyTheresa. At November 2, 2013, the carrying value of our on-hand inventories included purchase accounting adjustments of $129.6 million to state our inventories at fair value as of the Acquisition date. Excluding acquired inventories and purchase accounting adjustments, on-hand inventories at November 1, 2014 increased by 7.0% from the prior year. Based on our current inventory position, we will continue to closely monitor and align our inventory levels and purchases with anticipated customer demand.

- **Selling, general and administrative expenses (excluding depreciation) (SG&A)** - SG&A increased by 0.7% of revenues compared to the first quarter of fiscal year 2014. The higher levels of SG&A expenses, as a percentage of revenues, primarily reflect 1) higher planned investments and initiatives costs as a result of our ongoing investments in our omni-channel and other corporate initiatives and pre-opening costs incurred in connection with the opening of three small format stores in the first quarter of fiscal year 2015, 2) higher selling costs driven in part by the expansion of our small format stores and 3) higher current incentive compensation costs.

Liquidity - Net cash used for our operating activities was $99.2 million in the first quarter of fiscal year 2015 compared to $102.3 million in the first quarter of fiscal year 2014. We held cash balances of $81.6 million at November 1, 2014 compared to $79.0 million at November 2, 2013. At November 1, 2014, we had $230.0 million of borrowings outstanding under the Asset-Based Revolving Credit Facility, no outstanding letters of credit and $580.0 million of unused borrowing availability.

MyTheresa acquisition - In October 2014, we acquired MyTheresa, a luxury retailer headquartered in Munich, Germany. The operations of MyTheresa are primarily conducted through the MyTheresa.com global luxury website. As of the time of the acquisition, the annual revenues of MyTheresa were approximately $130 million. The purchase price paid to acquire MyTheresa, net of cash acquired, was $181.7 million, which was financed through a combination of cash and debt. In addition, the MyTheresa purchase agreement contains contingent earn-out payments of up to €27.5 million per year for operating performance for each of calendar years 2015 and 2016. At November 1, 2014, the preliminary estimated fair value of the earn-out obligations was $59.8 million, which is included in other long-term liabilities.

Outlook - Economic conditions continue to improve and we believe will continue to be impacted by a number of factors, including the rate of economic growth, changes and the volatility in the capital markets, changes in the housing market, unemployment levels, uncertainty regarding governmental spending and tax policies and overall consumer confidence. As a result, we intend to operate our business in a way that balances these economic conditions and current business trends with our long-term initiatives and growth strategies.

OPERATING RESULTS

Performance Summary

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

	Thirteen weeks ended	
	November 1, 2014	November 2, 2013
	(Successor)	(Predecessor)
Revenues	100.0 %	100.0 %
Cost of goods sold including buying and occupancy costs (excluding depreciation)	61.4	60.7
Selling, general and administrative expenses (excluding depreciation)	24.3	23.6
Income from credit card program	(1.2)	(1.3)
Depreciation expense	3.7	3.0
Amortization of intangible assets	3.0	0.6
Amortization of favorable lease commitments	1.1	0.4
Other expenses	1.5	10.1
Operating earnings	6.2	2.8
Interest expense, net	6.1	3.3
Earnings (loss) before income taxes	0.0	(0.5)
Income tax expense	0.0	0.7
Net earnings (loss)	0.0 %	(1.2)%

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

	Thirteen weeks ended	
	November 1, 2014	November 2, 2013
(in millions, except sales per square foot and store count)	**(Successor)**	**(Predecessor)**
CHANGE IN COMPARABLE REVENUES (1)		
Total revenues	5.5%	5.7%
Online revenues	14.3%	10.4%
SALES PER SQUARE FOOT (2)	$ 145	$ 138
STORE COUNT		
Neiman Marcus and Bergdorf Goodman full-line stores		
open during the period	43	43
Last Call stores:		
Open at beginning of period	38	36
Opened during the period	3	—
Open at end of period	41	36
NON-GAAP FINANCIAL MEASURES		
EBITDA (3)	$ 166.1	$ 78.1
Adjusted EBITDA (3)	$ 185.9	$ 193.2

(1) Comparable revenues include 1) revenues derived from our retail stores open for more than fifty-two weeks, including stores that have been relocated or expanded and 2) revenues from our online operation. Comparable revenues exclude revenues of 1) closed stores and 2) designer websites created and operated pursuant to contractual arrangements with certain designer brands that had expired by the first quarter of fiscal year 2015.

(2) Sales per square foot are calculated as Neiman Marcus stores and Bergdorf Goodman stores net sales divided by weighted average square footage. Weighted average square footage includes a percentage of quarter-end square footage for new and closed stores equal to the percentage of the quarter during which they were open. Our small format stores (Last Call and CUSP) are not included in this calculation.

(3) For an explanation of EBITDA and Adjusted EBITDA as measures of our operating performance and a reconciliation to net earnings (loss), see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measure — EBITDA and Adjusted EBITDA."

Factors Affecting Our Results

Revenues. We generate our revenues from the sale of high-end 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 customers return goods previously purchased. We maintain reserves for anticipated sales returns primarily based 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 economic conditions;
- changes in the level of consumer spending generally and, specifically, on luxury goods;
- our ability to acquire goods meeting customers' tastes and preferences;
- 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;
- our ability to successfully implement our expansion and growth strategies; and
- the rate of growth in internet revenues.

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 on the Condensed Consolidated Balance Sheets 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.
- 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 $6.0 million, or 0.5% of revenues, in the first quarter of fiscal year 2015 and $5.0 million, or 0.5% of revenues, in the first quarter of fiscal year 2014. The amounts of vendor allowances we receive fluctuate based on the level of markdowns taken and did not have a significant impact on the year-over-year change in gross margin during the first quarter of fiscal year 2015 and 2014.

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 onto the customer;
- changes in occupancy costs primarily associated with the opening of new stores or distribution facilities; and
- the amount of vendor reimbursements we receive during the fiscal year.

Selling, general and administrative expenses (excluding depreciation). SG&A principally consists 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 selling, general and administrative expenses is variable in nature and is dependent on the revenues we generate.

Advertising costs consist primarily of 1) online marketing costs, 2) advertising costs incurred related to the production of the photographic content for our websites and 3) 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. 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 aggregated approximately $20.8 million, or 1.8% of revenues, in the first quarter of fiscal year 2015 and $20.0 million, or 1.8% of revenues, in the first quarter of fiscal year 2014.

We also receive allowances from certain merchandise vendors in conjunction with compensation programs for employees who sell the vendor's merchandise. These allowances are netted against the related compensation expense that we incur. Amounts received from vendors related to compensation programs were $19.8 million, or 1.7% of revenues, in the first quarter of fiscal year 2015 and $18.5 million, or 1.6% of revenues, in the first quarter of fiscal year 2014.

Changes in our selling, general and administrative expenses are affected primarily by the following factors:

- changes in the number of sales associates primarily due to new store openings and expansion of existing stores, including increased health care and related benefits expenses;
- 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.

Pursuant to the Program Agreement, 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 historical 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 services we provide to Capital One.

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. Aggressive marketing activities designed to stimulate customer purchases, a lower level of markdowns and higher margins are characteristic of this quarter. The 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 the second fiscal quarter. However, due to the seasonal increase in revenues that occurs during the holiday season, the 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. Aggressive marketing activities designed to stimulate customer purchases, a lower level of markdowns and higher margins are again characteristic of this quarter. Revenues are generally the lowest in the 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 the 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, inherent in the successful execution of our business plans is our ability both to predict the fashion trends that will be of interest to our customers and to anticipate future spending patterns of our customer base.

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 in the event of higher than anticipated demand for the fashion goods we offer or a higher than anticipated level of consumer spending. Conversely, in the event we buy fashion goods that are not accepted by the customer or the level of consumer spending is less than we anticipated, we typically incur a higher than anticipated level of markdowns, net of vendor allowances, resulting in lower operating profits. We believe that the experience of our merchandising and selling organizations helps to minimize the inherent risk in predicting fashion trends.

Thirteen Weeks Ended November 1, 2014 Compared to Thirteen Weeks Ended November 2, 2013

Revenues. Our revenues for the first quarter of fiscal year 2015 of $1,186.5 million increased by $57.4 million, or 5.1%, from $1,129.1 million in the first quarter of fiscal year 2014. Comparable revenues for the first quarter of fiscal year 2015 were $1,181.1 million compared to $1,119.7 million in the first quarter of fiscal year 2014, representing an increase of 5.5%. New stores generated revenues of $4.3 million in the first quarter of fiscal year 2015. In addition, revenues generated by our online operation aggregated $264.3 million, a comparable increase of 14.3% from the first quarter of the prior year.

Cost of goods sold including buying and occupancy costs (excluding depreciation). COGS for the first quarter of fiscal year 2015 were 61.4% of revenues compared to 60.7% of revenues for the first quarter of fiscal year 2014. The increase in COGS by 0.7% of revenues in the first quarter of fiscal year 2015 was primarily due to:

- higher delivery and processing net costs of approximately 0.4% of revenues due to the free shipping/free returns policy we implemented on October 1, 2013 for our Neiman Marcus and Bergdorf Goodman brands; and
- higher buying and occupancy costs of approximately 0.2% of revenues as a result of 1) non-cash purchase accounting adjustments to increase our lease rentals to estimated market rates at the Acquisition date and 2) higher rental rates incurred in connection with the expansion of our small format stores.

Selling, general and administrative expenses (excluding depreciation). SG&A expenses as a percentage of revenues increased to 24.3% of revenues in the first quarter of fiscal year 2015 compared to 23.6% of revenues in the prior year fiscal period. The net increase in SG&A expenses by 0.7% of revenues in the first quarter of fiscal year 2015 was primarily due to:

- higher planned investments and initiatives costs of approximately 0.3% of revenues associated with our ongoing investments in our omni-channel and other corporate initiatives and pre-opening costs incurred in connection with the opening of three small format stores in the first quarter of fiscal year 2015;
- higher selling costs of approximately 0.2% of revenues driven in part by the expansion of our small format stores; and
- higher current incentive compensation costs of approximately 0.1% of revenues.

Income from credit card program. Income from our credit card program was $14.1 million, or 1.2% of revenues, in the first quarter of fiscal year 2015 compared to $14.7 million, or 1.3% of revenues, in the first quarter of fiscal year 2014.

Depreciation and amortization expenses. Depreciation expense was $43.5 million, or 3.7% of revenues, in the first quarter of fiscal year 2015 compared to $34.2 million, or 3.0% of revenues, in the first quarter of fiscal year 2014. Amortization of intangible assets (primarily customer lists and favorable lease commitments) aggregated $49.5 million, or 4.2% of revenues, in the first quarter of fiscal year 2015 compared to $11.7 million, or 1.0% of revenues, in the first quarter of fiscal year 2014. The increases in depreciation and amortization expenses by 3.9% of revenues in the first quarter of fiscal year 2015 were due to higher asset values attributable to fair value adjustments to our assets recorded in connection with the purchase price allocation to reflect the Acquisition.

Other expenses. Other expenses for the first quarter of fiscal year 2015 aggregated $17.6 million, or 1.5% of revenues, compared to $113.7 million, or 10.1% of revenues, in the first quarter of fiscal year 2014. Other expenses in the first quarter of fiscal year 2015 include 1) costs incurred in connection with the MyTheresa acquisition and 2) investigative, legal and other costs incurred in connection with the criminal cyber-attack on our systems (the Cyber-Attack). We expect to incur additional costs related to the Cyber-Attack in the foreseeable future. Such costs are not currently estimable but could be material to our future operating results. Other expenses in the first quarter of fiscal year 2014 consisted primarily of $109.4 million in transaction costs related to the Acquisition.

Operating earnings. In the first quarter of fiscal year 2015, we generated operating earnings of $73.1 million, or 6.2% of revenues, compared to $32.1 million, or 2.8% of revenues, in the first quarter of fiscal year 2014.

Interest expense. Net interest expense was $72.6 million, or 6.1% of revenues, in the first quarter of fiscal year 2015 and $37.3 million, or 3.3% of revenues, for the prior year fiscal period, reflecting the higher level of indebtedness incurred in connection with the Acquisition. The significant components of interest expense are as follows:

	Thirteen weeks ended	
	November 1, 2014	**November 2, 2013**
(in thousands)	**(Successor)**	**(Predecessor)**
Asset-Based Revolving Credit Facility	$ 230	$ 75
Senior Secured Term Loan Facility	31,579	3,687
Cash Pay Notes	19,200	2,773
PIK Toggle Notes	13,125	1,896
2028 Debentures	2,227	2,226
Former Asset-Based Revolving Credit Facility	—	477
Former Senior Secured Term Loan Facility	—	22,521
Amortization of debt issue costs	6,131	2,466
Other, net	553	1,334
Capitalized interest	(435)	(140)
Interest expense, net	$ 72,610	$ 37,315

Income tax (benefit) expense. Our effective income tax rate was 58.7% for the first quarter of fiscal year 2015 and 152.9% on the loss for the first quarter of fiscal year 2014. Our effective income tax rates exceeded the federal statutory tax rate primarily due to:

- non-deductible portion of transaction costs incurred in connection with acquisitions;
- state income taxes; and
- with respect to the first quarter of fiscal year 2014, the lack of a U.S. tax benefit related to the losses from our investment in a foreign e-commerce retailer.

We file income tax returns in the U.S. federal jurisdiction and various state and local jurisdictions. The Internal Revenue Service (IRS) is currently auditing our fiscal year 2010, 2011 and 2012 federal income tax returns. With respect to state and local jurisdictions, with limited exceptions, the Company and its subsidiaries are no longer subject to income tax audits for fiscal years before 2010. We believe our recorded tax liabilities as of November 1, 2014 are sufficient to cover any potential assessments to be made by the IRS or other taxing authorities upon the completion of their examinations 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 additional adjustments in the amounts of our unrecognized tax benefits could occur within the next twelve months as a result of settlements with tax authorities or expiration of statutes of limitation. At this time, we do not believe such adjustments will have a material impact on our Condensed Consolidated Financial Statements.

Non-GAAP Financial Measure — EBITDA and Adjusted EBITDA

We present the financial performance measures of earnings before interest, taxes, depreciation and amortization (EBITDA) and Adjusted EBITDA because we use these measures to monitor and evaluate the performance of our business and believe the presentation of these measures will enhance investors' ability to analyze trends in our business, evaluate our performance relative to other companies in our industry and evaluate our ability to service our debt. EBITDA and Adjusted EBITDA are not prepared in accordance with GAAP. Our computations of EBITDA and Adjusted EBITDA may vary from others in our industry.

The non-GAAP measures of EBITDA and Adjusted EBITDA contain some, but not all, adjustments that are taken into account in the calculation of the components of various covenants in the credit agreements and indentures governing our Senior Secured Credit Facilities, the Cash Pay Notes and the PIK Toggle Notes, as applicable. EBITDA and Adjusted EBITDA should not be considered as alternatives to operating earnings or net earnings (loss) as measures of operating performance. In addition, EBITDA and Adjusted EBITDA are not prepared in accordance with, and should not be considered as alternatives to, cash flows as measures of liquidity. EBITDA and Adjusted EBITDA have important limitations as analytical tools and should not be considered in isolation, or as a substitute for analysis of our results as reported under GAAP. For example, EBITDA and Adjusted EBITDA:

- do not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- do not reflect changes in, or cash requirements for, our working capital needs;
- do not reflect our considerable interest expense, or the cash requirements necessary to service interest or principal payments, on our debt;
- exclude tax payments that represent a reduction in available cash;
- do not reflect any cash requirements for assets being depreciated and amortized that may have to be replaced in the future; and
- exclude certain expenses that we do not consider to be indicative of our core operations even though we may expend cash for those expenses in the current period and/or future periods.

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 (figures may not sum due to rounding):

	Thirteen weeks ended	
	November 1, 2014	**November 2, 2013**
(dollars in millions)	**(Successor)**	**(Predecessor)**
Net earnings (loss)	$ 0.2	$ (13.1)
Income tax expense	0.3	7.9
Interest expense, net	72.6	37.3
Depreciation expense	43.5	34.2
Amortization of intangible assets and favorable lease commitments	49.5	11.7
EBITDA	$ 166.1	$ 78.1
EBITDA as a percentage of revenues	*14.0%*	*6.9%*
Other expenses	17.6	113.7
Non-cash stock-based compensation expense	2.1	2.5
Advisory fees and other	—	(1.1)
Adjusted EBITDA	$ 185.9	$ 193.2
Adjusted EBITDA as a percentage of revenues	*15.7%*	*17.1%*

Adjusted EBITDA as a percentage of revenues decreased by 1.4% of revenues in the first quarter of fiscal year 2015 compared to the first quarter of fiscal year 2014. This decrease was driven by:

- an increase in COGS, primarily driven by higher delivery and processing net costs and higher buying and occupancy costs; and
- an increase in SG&A expenses, primarily driven by higher planned investments and initiatives costs, higher selling costs and higher current incentive compensation costs.

LIQUIDITY AND CAPITAL RESOURCES

Our cash requirements consist principally of:

- the funding of our merchandise purchases;
- debt service requirements;
- capital expenditures for expansion and growth strategies, including new store construction, store renovations 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 on hand, availability under the Asset-Based Revolving Credit Facility and vendor payment terms. The amounts of cash on hand and borrowings under the Asset-Based Revolving Credit Facility 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 second quarters of each fiscal year as a result of higher seasonal levels of inventories. We have typically financed our cash requirements with available cash balances, cash flows from operations and, if necessary, with cash provided from borrowings under our Asset-Based Revolving Credit Facility. We have $230.0 million of outstanding borrowings under our Asset-Based Revolving Credit Facility at November 1, 2014.

We believe that operating cash flows, cash balances, available vendor payment terms and amounts available pursuant to the Asset-Based Revolving Credit Facility will be sufficient to fund our cash requirements through the remainder of fiscal year 2015, including merchandise purchases, anticipated capital expenditure requirements, debt service requirements, income tax payments and obligations related to our Pension Plan.

Cash used for our operating activities was $99.2 million in the first quarter of fiscal year 2015 compared to $102.3 million in the first quarter of fiscal year 2014. We held cash balances of $81.6 million at November 1, 2014 compared to $79.0 million at November 2, 2013.

Net cash used for investing activities was $238.1 million in the first quarter of fiscal year 2015 and $3,424.5 million in the first quarter of fiscal year 2014. In the first quarter of fiscal year 2015, net cash used for investing activities includes cash payments of $181.7 million incurred in connection with the MyTheresa acquisition. In the first quarter of fiscal year 2014, net cash used for investing activities consisted primarily of payments made in connection with the Acquisition. Currently, we project gross capital expenditures for fiscal year 2015 to be approximately $300 to $320 million. Net of developer contributions, capital expenditures for fiscal year 2015 are projected to be approximately $265 to $285 million.

Net cash provided by financing activities was $222.4 million in the first quarter of fiscal year 2015 comprised primarily of borrowings under our Asset-Based Revolving Credit Facility to fund the MyTheresa acquisition and seasonal working capital requirements. Net cash provided by financing activities was $3,469.1 million in the first quarter of fiscal year 2014 comprised of the proceeds from net increases in debt incurred in connection with the Acquisition and cash equity contributions received in connection with the Acquisition.

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, 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 November 1, 2014

Our major sources of funds are comprised of vendor payment terms, the $900.0 million Asset-Based Revolving Credit Facility, the $2,920.6 million Senior Secured Term Loan Facility, $960.0 million Cash Pay Notes, $600.0 million PIK Toggle Notes, $125.0 million 2028 Debentures and operating leases, each as described in more detail below.

Asset-Based Revolving Credit Facility. At November 1, 2014, the Asset-Based Revolving Credit Facility provided for a maximum committed borrowing capacity of $900.0 million. The Asset-Based Revolving Credit Facility matures on October 25, 2018. On November 1, 2014, we had $230.0 million of borrowings outstanding under this facility, no outstanding letters of credit and $580.0 million of unused borrowing availability.

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. We must at all times maintain excess availability of at least the greater of (a) 10% of the lesser of (1) the aggregate revolving commitments and (2) the borrowing base and (b) $50.0 million, but we are not required to maintain a fixed charge coverage ratio unless excess availability is below such levels.

The weighted average interest rate on the outstanding borrowings pursuant to the Asset-Based Revolving Credit Facility was 1.44% at November 1, 2014.

See Note 6 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.

Senior Secured Term Loan Facility. At November 1, 2014, the outstanding balance under the Senior Secured Term Loan Facility was $2,920.6 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. Required excess cash flow payments commence at 50% of our annual excess cash flow (which percentage will be reduced to 25% if our senior secured first lien net leverage ratio, as defined in the credit agreement, 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). 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 under certain circumstances.

The interest rate on the outstanding borrowings pursuant to the Senior Secured Term Loan Facility was 4.25% at November 1, 2014.

See Note 6 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% Cash Pay Notes. Our Cash Pay Notes mature on October 15, 2021.

See Note 6 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.

PIK Toggle Notes. We have outstanding $600.0 million aggregate principal amount of 8.75%/9.50% PIK Toggle Notes. Our PIK Toggle Notes mature on October 15, 2021.

See Note 6 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.

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

See Note 6 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 Caps. At November 1, 2014, we had outstanding floating rate debt obligations of $3,150.6 million. We have entered into interest rate cap agreements which cap LIBOR at 2.50% for an aggregate notional amount of $1,000.0 million from December 2012 through December 2014 and at 3.00% for an aggregate notional amount of $1,400.0 million from December 2014 through December 2016 to hedge the variability of our cash flows related to a portion of our floating rate indebtedness. In the event LIBOR is less than the capped rate, we will pay interest at the lower LIBOR rate. In the event LIBOR is higher than the capped rate, we will pay interest at the capped rate.

OTHER MATTERS

Factors That May Affect Future Results

Matters discussed in this Quarterly Report on Form 10-Q include forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "plan," "predict," "expect," "estimate," "intend," "would," "could," "should," "anticipate," "believe," "project" or "continue." We make these forward-looking statements based on our expectations and beliefs concerning future events, as well as currently available data. While we believe there is a reasonable basis for our forward-looking statements, they involve a number of risks and uncertainties. Therefore, these statements are not guarantees of future performance 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 affect future performance include, but are not limited, to:

General Economic and Political Conditions

- weakness in domestic and global capital markets and other economic conditions and the impact of such conditions on our ability to obtain credit;
- general economic and political conditions or changes in such conditions including relationships between the United States and the countries from which we source our merchandise;
- economic, political, social or other events resulting in the short- or long-term disruption in business at our stores, distribution centers or offices;

Leverage Considerations

- the effects of incurring a substantial amount of indebtedness under our Senior Secured Credit Facilities and the Notes;
- the ability to refinance our indebtedness under our Senior Secured Credit Facilities and the Notes and the effects of any refinancing;
- the effects upon us of complying with the covenants contained in the credit agreements governing our Senior Secured Credit Facilities and the indentures governing the Notes;
- restrictions on the terms and conditions of the indebtedness under our Senior Secured Credit Facilities and the Notes may place on our ability to respond to changes in our business or to take certain actions;

Customer Considerations

- changes in our relationships with customers due to, among other things, our failure to protect customer data, comply with regulations surrounding information security and privacy, provide quality service and competitive loyalty programs or provide credit pursuant to our proprietary credit card arrangement;
- changes in consumer confidence resulting in a reduction of discretionary spending on goods;
- changes in the demographic or retail environment;
- changes in consumer preferences or fashion trends;

Industry and Competitive Factors

- competitive responses to our loyalty program, marketing, merchandising and promotional efforts or inventory liquidations by vendors or other retailers;
- changes in the financial viability of our competitors;
- seasonality of the retail business;
- adverse weather conditions or natural disasters, particularly during peak selling seasons;
- delays in anticipated store openings and renovations;
- our success in enforcing our intellectual property rights;

Merchandise Procurement and Supply Chain Considerations

- changes in our relationships with designers, vendors and other sources of merchandise, including changes in the level of goods and/or changes in the form in which such goods are made available to us for resale;
- delays in receipt of merchandise ordered due to work stoppages or other causes of delay in connection with either the manufacture or shipment of such merchandise;
- changes in foreign currency exchange or inflation rates;
- significant increases in paper, printing and postage costs;

Employee Considerations

- changes in key management personnel and our ability to retain key management personnel;
- changes in our relationships with certain of our buyers or key sales associates and our ability to retain our buyers or key sales associates;

Legal and Regulatory Issues

- changes in government or regulatory requirements increasing our costs of operations;
- litigation that may have an adverse effect on our financial results or reputation;

Other Factors

- terrorist activities in the United States and elsewhere;
- the impact of funding requirements related to our Pension Plan;
- our ability to provide credit to our customers pursuant to our proprietary credit card program arrangement, including any future changes in the terms of such arrangement and/or legislation impacting the extension of credit to our customers;
- the design and implementation of new information systems as well as enhancements of existing systems; and
- other risks, uncertainties and factors set forth in Part I — Item 1A "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended August 2, 2014 as filed with the Securities and Exchange Commission on September 25, 2014.

The foregoing factors are not exhaustive, and new factors may emerge or changes to the foregoing factors may occur that could impact our business. 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.

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 judgments on an ongoing basis and predicate those estimates and judgments on historical experience and on various other factors that we believe are reasonable under the circumstances. We make adjustments to our assumptions and judgments when facts and circumstances dictate. Since future events and their effects cannot be determined with absolute certainty, actual results may differ from the estimates 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 August 2, 2014.

Recent Accounting Pronouncements. In May 2014, the Financial Accounting Standards Board (FASB) issued guidance to clarify the principles for recognizing revenue and to develop a common revenue standard for GAAP and International Financial Reporting Standards. The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes the most current revenue recognition guidance. This guidance is effective for us as of the first quarter of fiscal year 2018 using one of two retrospective application methods. We are currently evaluating the application method and the impact of adopting this new accounting guidance on our Condensed Consolidated Financial Statements.

We do not expect that any other recently issued accounting pronouncements will have a material impact on our financial statements.

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 August 2, 2014 as filed with the Securities and Exchange Commission on September 25, 2014. 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 November 1, 2014, under the supervision and with the participation of our Chief Executive Officer and 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 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 November 1, 2014 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 and Consumer Class Actions Litigation" and "Cyber-Attack Class Actions Litigation" in Note 14 of the Notes to Condensed Consolidated Financial Statements in Part I - Item 1 is incorporated herein by reference as if fully restated herein. Note 14 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 — Other Matters — Factors That May Affect Future Results."

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors described in 1) Part I — Item 1A "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended August 2, 2014 as filed with the Securities and Exchange Commission on September 25, 2014. 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 operating results.

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	First Incremental Amendment to Revolving Credit Agreement, dated October 1, 2014, among Neiman Marcus Group LTD LLC as Borrower, Mariposa Intermediate Holdings LLC, the co-borrowers and subsidiary loan parties party thereto, each of the banks and other financial institutions party thereto as lenders and Deutsche Bank AG New York Branch, as administrative agent and collateral agent.	Incorporated herein by reference to the Company’s Current Report on Form 8-K filed on October 16, 2014.
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 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.
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	Furnished herewith electronically.
101.SCH	XBRL Taxonomy Extension Schema Document	Furnished herewith electronically.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	Furnished herewith electronically.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	Furnished herewith electronically.
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document	Furnished herewith electronically.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	Furnished herewith electronically.

SIGNATURE

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

NEIMAN MARCUS GROUP LTD LLC
(Registrant)

Signature	Title	Date
/s/ T. Dale Stapleton T. Dale Stapleton	Senior Vice President and Chief Accounting Officer (on behalf of the registrant and as principal accounting officer)	December 8, 2014

EXHIBIT 31.1

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

I, Karen W. Katz, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: December 8, 2014

/s/ KAREN W. KATZ

Karen W. Katz

President and Chief Executive Officer

EXHIBIT 31.2

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

I, James E. Skinner, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: December 8, 2014

/s/ JAMES E. SKINNER

James E. Skinner
Executive Vice President, Chief Operating Officer
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, Karen W. Katz, as Chief Executive Officer of Neiman Marcus Group LTD LLC (the Company), and James E. Skinner, 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 November 1, 2014 (the Report) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

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

Dated: December 8, 2014

/s/ KAREN W. KATZ

Karen W. Katz
President and Chief Executive Officer

Dated: December 8, 2014

/s/ JAMES E. SKINNER

James E. Skinner
Executive Vice President, Chief Operating Officer
and Chief Financial Officer