NEIMAN MARCUS GROUP INC
Form 424B3
September 28, 2012
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Filed Pursuant to Rule 424(b)(3)

Registration No. 333-133184

The Neiman Marcus Group, Inc.
10 3/8% Senior Subordinated Notes due 2015

The 10 3/8% Senior Subordinated Notes due 2015 (the senior subordinated notes) will mature on October 15, 2015. We will pay interest on the senior subordinated notes on each April 15 and October 15, commencing on April 15, 2006. The senior subordinated notes will be our unsecured, senior subordinated obligations and will rank junior in right of payment to all of our existing and future senior indebtedness, including our senior secured credit facilities and our 2028 debentures.

Neiman Marcus, Inc., our parent company, and each of our wholly-owned domestic subsidiaries that has guaranteed our senior secured credit facilities unconditionally guarantees the senior subordinated notes with guarantees that will be subordinated in right of payment to all existing and future senior indebtedness of such guarantor.

We may redeem some or all of the senior subordinated notes at the redemption prices set forth in this prospectus.

You should consider carefully the Risk Factors beginning on page 5 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

This prospectus will be used by Credit Suisse Securities (USA) LLC in connection with offers and sales in market-making transactions at negotiated prices related to prevailing market prices. There is currently no public market for the securities. We do not intend to list the securities on any securities exchange. Credit Suisse Securities (USA) LLC has advised us that it is currently making a market in the securities; however, it is not obligated to do so and may stop at any time. Credit Suisse Securities (USA) LLC may act as principal or agent in any such transaction. We will not receive the proceeds of the sale of the securities but will bear the expenses of registration. See Plan of Distribution.

Credit Suisse

The date of this prospectus is September 27, 2012.

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WHERE YOU CAN FIND MORE INFORMATION

We, our parent guarantor and our guarantor subsidiaries have filed with the Securities and Exchange Commission, or the SEC, a registration statement on Form S-1 under the Securities Act with respect to the senior subordinated notes. This prospectus, which forms a part of the registration statement, does not contain all of the information set forth in the registration statement. For further information with respect to us and the senior subordinated notes, reference is made to the registration statement. Statements contained in this prospectus as to the contents of any contract or other document are not necessarily complete. In addition, we incorporate by reference important information into this prospectus. See Incorporation of Certain Information by Reference.

We file reports and other information with the SEC. The registration statement, such reports and other information can be read and copied at the Public Reference Room of the SEC located at 100 F Street, N.E., Washington D.C. 20549. Copies of such materials, including copies of all or any portion of the registration statement, can be obtained from the Public Reference Room of the SEC at prescribed rates. You can call the SEC at 1-800-SEC-0330 to obtain information on the operation of the Public Reference Room. Such materials may also be accessed electronically by means of the SEC s home page on the Internet (http://www.sec.gov).

We have agreed under the terms of the senior subordinated notes that, even if we are not required under the Securities Exchange Act of 1934 (the Exchange Act) to furnish reports to the SEC, we will nonetheless continue to furnish information that would be required to be furnished by us on Forms 10-Q, 10-K and 8-K if we were subject to Sections 13 or 15(d) of the Exchange Act. So long as our parent is a guarantor, this requirement in respect of the senior subordinated notes may be satisfied by the filing of such reports by our parent, provided that specified consolidating information is provided. See Description of Senior Subordinated Notes.

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FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements based on estimates and assumptions. Forward-looking statements give our current expectations or forecasts of future events. 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 or t similar words. Any or all of our forward-looking statements in this prospectus may turn out to be incorrect, possibly to a material degree. Such statements can be affected by inaccurate assumptions we might make or by known or unknown risks or uncertainties. Consequently, no forward-looking statement can be guaranteed. Actual results may vary materially from our forward-looking statements. Investors are cautioned not to place undue reliance on any forward-looking statements.

Investors should also understand that it is not possible to predict or identify all the risks and uncertainties that could affect future events and should not consider the following list to be a complete statement of all potential risks and uncertainties. Important factors that could cause actual results to differ materially from the forward-looking statements 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;

Customer Considerations

- 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;

- changes in our relationships with customers due to, among other things, 1) our failure to provide quality service and competitive loyalty programs, 2) our inability to provide credit pursuant to our proprietary credit card arrangement or 3) our failure to protect customer data or comply with regulations surrounding information security and privacy;

Leverage Considerations

- the effects of incurring a substantial amount of indebtedness under our senior secured credit facilities and our senior subordinated notes;

- the ability to refinance our indebtedness under our senior secured credit facilities and the effects of any refinancing;

- the effects upon us of complying with the covenants contained in our senior secured credit facilities and the indenture governing our senior subordinated notes;

- restrictions on the terms and conditions of the indebtedness under our senior secured credit facilities may place on our ability to respond to changes in our business or to take certain actions;

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Industry and Competitive Factors

- competitive responses to our loyalty programs, 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 adverse changes in their financial viability, cash flows or available sources of funds;
- 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 key sales associates and our ability to retain our 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

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- other risks, uncertainties and factors set forth in this prospectus, including under Risk Factors, and in our parent s Annual Report on Form 10-K incorporated by reference herein.

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.

You should review carefully the section captioned Risk Factors in this prospectus for a more complete discussion of the risks of an investment in the senior subordinated notes.

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ABOUT THIS PROSPECTUS

Unless the context otherwise indicates or requires, as used in this prospectus:

- the terms we, us, our, Company or Neiman Marcus refer to The Neiman Marcus Group, Inc., and its consolidated subsidiaries, un we expressly state otherwise or the context otherwise requires;
- references to the issuer are to The Neiman Marcus Group, Inc.;
- references to the parent are to Neiman Marcus, Inc. (formerly known as Newton Acquisition, Inc.);
- the term domestic refers to the United States;
- references to Kate Spade are to Kate Spade LLC, a Delaware limited liability company in which we formerly owned a 56% interest (although we no longer own Kate Spade, references to Kate Spade in the description of the covenants applicable to the senior subordinated notes have been retained for historical accuracy);
- references to the Transactions are to the transactions defined as the Acquisition in our parent s Annual Report on Form 10-K for the fiscal year ended July 28, 2012, which is incorporated by reference in this prospectus;
- references to the Sponsors (other than in the section Description of Senior Subordinated Notes) are to the investment funds affiliated with TPG Global, LLC and Warburg Pincus LLC that provided equity investments that funded a portion of the cash consideration paid as part of the merger;
- references to the Initial Purchasers are to Credit Suisse Securities (USA) LLC (formerly known as Credit Suisse First Boston LLC), Deutsche Bank Securities Inc., Banc of America Securities LLC, and Goldman, Sachs & Co, who were the initial purchasers of the senior subordinated notes on October 6, 2005;
- references to Sponsor Funds are to investment funds associated with or designated by a Sponsor, including certain other funds which invested directly through a Sponsor Fund to provide equity financing for the Transactions;

- references to the Co-Investors are to certain investors who agreed to co-invest with the Sponsor Funds or through a vehicle jointly controlled by the Sponsors to provide equity financing for the Transactions;

- references to the 2008 notes are to the 6.65% senior notes due 2008 issued by The Neiman Marcus Group, Inc. pursuant the indenture dated as of May 27, 1998, by and between The Neiman Marcus Group, Inc. and The Bank of New York, as trustee; and

- references to any fiscal year are to our fiscal year, which ends on the Saturday closest to July 31 (all references to fiscal year 2012 relate to the fifty two weeks ended July 28, 2012, and all references to fiscal year 2011 relate to the fifty two weeks ended July 30, 2011).

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SUMMARY

The following summary contains selected information about us and about this offering. It likely does not contain all of the information that is important to you. Before you make an investment decision, you should review this prospectus in its entirety, including the documents incorporated herein by reference.

The Neiman Marcus Group, Inc.

Overview

We are one of the nation s leading luxury retailers, offering distinctive merchandise and excellent customer service that cater to the needs of the affluent consumer. Since our founding in the early 1900s, we have established ourselves as a leading fashion authority among luxury consumers and have become a premier U.S. retail channel for many of the world s most exclusive designers. We operate in both the in-store and on-line retail channels to provide our customers the ability to shop any time, anywhere and any place. We believe this omni-channel model maximizes the recognition of our brands and strengthens our customer relationships. We are investing and plan to continue to invest resources to ensure a seamless shopping experience across channels consistent with our customers expectations as well as our core value of exceptional customer service. We generated revenues of $4,345.4 million in fiscal year 2012, $4,002.3 million in fiscal year 2011 and $3,692.8 million in fiscal year 2010 and operating earnings of $403.6 million in fiscal year 2012, $329.7 million in fiscal year 2011 and $231.8 million in fiscal year 2010.

Corporate Information

The Neiman Marcus Group, Inc. is incorporated in the state of Delaware. Our principal executive offices are located at One Marcus Square, 1618 Main Street, Dallas, Texas. Our telephone number is (214) 743-7600. Our website address is www.neimanmarcusgroup.com. The information on our website is not a part of this prospectus.

Summary of Terms of the Senior Subordinated Notes

Issuer	The Neiman Marcus Group, Inc.
Notes Offered	$500,000,000 aggregate principal amount of 10 3/8% Senior Subordinated Notes due 2015.
Maturity Date	The senior subordinated notes will mature on October 15, 2015.
Interest Payment Dates	April 15 and October 15 of each year commencing April 15, 2006.
Form of Interest Payment	In cash.

Optional Redemption	We may redeem some or all of the senior subordinated notes at the redemption prices listed under Description of Senior Subordinated Notes Optional Redemption.
Change of Control	If a Change of Control occurs, we must give holders of the senior subordinated notes an opportunity to sell to us the applicable notes at a purchase price of 101% of the principal amount of the applicable notes, plus accrued and unpaid interest to the date of the purchase. The term Change of Control is defined under Description of Senior Subordinated Notes Repurchase at the Option of Holders Change of Control.
Guarantees	The senior subordinated notes are guaranteed, jointly and severally, on an unsecured, senior subordinated basis, by each of our wholly-owned domestic

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	subsidiaries that guarantee our obligations under our senior secured credit facilities and by our parent.
Ranking	The senior subordinated notes and the guarantees thereof are our and the guarantors unsecured, senior subordinated obligations and rank:

- junior to all of our and the guarantors existing and future senior indebtedness, including any borrowings under our senior secured credit facilities, and the guarantees thereof and our 2028 debentures;
- equally with any of our and the guarantors future senior subordinated indebtedness; and
- senior to any of our and the guarantors future subordinated indebtedness.

In addition, the senior subordinated notes are structurally subordinated to all existing and future liabilities, including trade payables, of our subsidiaries that are not providing guarantees. See Description of Senior Subordinated Notes Ranking Liabilities of Subsidiaries versus Senior Subordinated Notes.

As of July 28, 2012, we had outstanding on a consolidated basis:

- $2,285.0 million principal amount of secured senior indebtedness, consisting of:
- our 2028 debentures in an aggregate principal amount of $125.0 million;
- indebtedness under our senior secured term loan facility in an aggregate principal amount of $2,060.0 million;
- indebtedness under our senior secured asset-based revolving credit facility in an aggregate principal amount of $100.0 million; and
- $500.0 million principal amount of unsecured senior subordinated indebtedness, consisting of the senior subordinated notes.

As of July 28, 2012, we had $529.7 million of unused borrowing availability under our $700.0 million senior secured asset-based revolving credit facility and $0.3 million of outstanding letters of credit.

Furthermore, as of July 28, 2012, there were no assets or liabilities held by our non-guarantor subsidiaries.

Restrictive Covenants	The indentures governing the senior subordinated notes contain covenants that limit our ability and certain of our subsidiaries ability to:

- incur additional indebtedness;

- pay dividends on our capital stock or redeem, repurchase or retire our capital stock or subordinated indebtedness;

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- make investments;
- create restrictions on the payment of dividends or other amounts to us from our restricted subsidiaries that are not guarantors of the senior subordinated notes;
- engage in transactions with our affiliates;
- sell assets, including capital stock of our subsidiaries;
- consolidate or merge;
- create liens; and
- enter into sale and lease back transactions.

These covenants are subject to important exceptions and qualifications, which are described under Description of Senior Subordinated Notes Certain Covenants.

The indenture governing the senior subordinated notes provides for events of default, including a cross-default provision in respect of any other indebtedness that has an aggregate principal amount exceeding $50 million, which, if any of them occurs, would permit or require the principal, premium, if any, interest and any other monetary obligations on all outstanding senior subordinated notes to be due and payable immediately, subject to certain exceptions.

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Risk Factors

Investing in the senior subordinated notes involves substantial risk. See Risk Factors for a discussion of certain factors that you should consider before investing in the senior subordinated notes.

Ratio of Earnings to Fixed Charges

The following table sets forth the ratio of earnings to fixed charges and for the periods indicated.

	Fiscal Year Ended				
	July 28, 2012	July 30, 2011	July 31, 2010(2)	August 1, 2009(3)	August 2, 2008
Ratio of earnings to fixed charges(1)	2.1	1.2			1.8

(1) For purposes of calculating the ratio of earnings to fixed charges, earnings consist of income (loss) before income taxes and fixed charges, and fixed charges consist of interest expense, capitalized interest, amortization of debt issuance costs and the portion of operating lease rentals deemed representative of the interest factor. Interest associated with income tax liabilities is excluded from our calculation.

(2) For fiscal year 2010, the aggregate amount of fixed charges exceeded our earnings by approximately $4.5 million, which is the amount of additional earnings that would have been required to achieve a ratio of earnings to fixed charges of 1.0x for such period.

(3) For fiscal year 2009, the aggregate amount of fixed charges exceeded our earnings by approximately $888.4 million, which is the amount of additional earnings that would have been required to achieve a ratio of earnings to fixed charges of 1.0x for such period. The deficiency of the ratio of earnings to fixed charges for fiscal year 2009 is primarily due to the pretax impairment charges related to 1) $329.7 million for the writedown to fair value of goodwill, 2) $343.2 million for the writedown to fair value of the net carrying value of tradenames and 3) $30.3 million for the writedown to fair value of the net carrying value of certain long-lived assets.

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RISK FACTORS

You should carefully consider the risk factors set forth below and the risk factors included under Part I, Item 1A to our parent s Annual Report on Form 10-K for the fiscal year ended July 28, 2012, which is incorporated by reference in this prospectus, as well as the other information contained in this prospectus and in our parent s Annual Report on Form 10-K for the fiscal year ended July 28, 2012 before making an investment decision. The risks described below are not the only risks facing us. Additional risks and uncertainties not currently known to us or those we currently deem to be immaterial may also materially and adversely affect our business, financial condition or results of operations. Any of the following risks could materially adversely affect our business, financial condition or results of operations. In such a case, you may lose all or part of your original investment in the senior subordinated notes.

Risks Related to the Senior Subordinated Notes

We have a substantial amount of indebtedness, which may adversely affect our cash flow and our ability to operate our business, comply with debt covenants and make payments on our indebtedness, including the senior subordinated notes.

We are highly leveraged. As of July 28, 2012, the principal amount of our total indebtedness was approximately $2,785.0 million, which included the senior subordinated notes. In addition, as of July 28, 2012, we had $529.7 million of unused borrowing availability under our $700.0 million senior secured asset-based revolving credit facility and $0.3 million of outstanding letters of credit. Our substantial indebtedness, combined with our lease and other financial obligations and contractual commitments, could materially and adversely affect our business, financial condition and results of operations by:

- making it more difficult for us to satisfy our obligations with respect to our indebtedness, including the senior subordinated notes, including restrictive covenants and borrowing conditions, which may lead to an event of default under the indentures governing the senior subordinated notes and the agreements governing such other indebtedness;

- making us more vulnerable to adverse changes in general economic, industry and competitive conditions and government regulation;

- requiring us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flows to fund current operations and future growth;

- placing us at a competitive disadvantage compared to our competitors that are less leveraged;

- limiting our ability to borrow additional amounts for working capital, capital expenditures, acquisitions, debt service requirements, execution of our business strategy or other purposes; and

- limiting our ability to obtain credit from our vendors and other financing sources on acceptable terms or at all.

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Our interest expense could increase if interest rates increase because the entire amount of the indebtedness under our senior secured credit facilities bears interest at floating rates, primarily based on LIBOR. As of July 28, 2012, we had approximately $2,160.0 million principal amount of floating rate debt, consisting of outstanding borrowings under the senior secured term loan facility and senior secured asset-based revolving credit facility. However, pursuant to interest rate cap agreements, we have capped LIBOR at 2.50% from December 2010 through December 2012 for an aggregate notional amount of $500.0 million in order to hedge the variability of our cash flows related to a portion of our floating rate indebtedness. Effective August 2011, we entered into additional 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.

Despite current indebtedness levels, we and our subsidiaries may still be able to incur substantially more debt. This could further exacerbate the risks associated with our substantial leverage.

We and our subsidiaries may be able to incur substantial additional indebtedness in the future. Although the indenture governing the senior subordinated notes and the senior secured credit facilities contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and any indebtedness incurred in compliance with these restrictions could be substantial. For example, we have the right under our senior secured asset-based revolving credit facility to request up to $300 million of additional commitments or new term loans under this facility (provided that the aggregate amount of loans and commitments does not exceed $1,000.0 million), although the lenders under this facility are not under any obligation to provide any such additional commitments. Any increase in commitments or new term loans under this facility are subject to customary conditions precedent, and our ability to borrow revolving loans under this facility as so increased would remain limited by the amount of the borrowing base. Our senior secured term loan facilities and the indenture for the senior subordinated notes allow us to incur this additional indebtedness under our senior secured asset-based revolving credit facility without any restriction. In addition, our senior secured credit facilities and the senior subordinated notes allow us to incur a significant amount of indebtedness in connection with acquisitions (including, in the case of our senior secured term loan facility and the senior subordinated notes, an unlimited amount of debt bearing certain characteristics described in the descriptions of the senior subordinated notes included herein) and a significant amount of purchase money debt. If new debt is added to our and our subsidiaries current debt levels, the related risks that we and they face would be increased.

Significant amounts of cash are required to service our indebtedness, and any failure to meet our debt service obligations could harm our business, financial condition and results of operations.

Our ability to pay interest on and principal of the senior subordinated notes and to satisfy our other debt obligations will primarily depend upon our future operating performance. As a result, prevailing economic conditions and financial, business and other factors, many of which are beyond our control, will affect our ability to make these payments.

If we do not generate sufficient cash flow from operations to satisfy our debt service obligations, including payments on the senior subordinated notes, we may have to undertake alternative financing plans, such as refinancing or restructuring our indebtedness, selling of assets, reducing or delaying capital investments or seeking to raise additional capital. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. The terms of existing or future debt instruments and the indenture governing the senior subordinated notes may restrict us from adopting some of these alternatives. In addition, our borrowing costs and ability to refinance may be affected by short-term and long-term debt ratings assigned by independent rating agencies, which are based, in significant part, on our performance as measured by indicators such as interest coverage and leverage ratios. Furthermore, any failure to make payments of interest and principal on our outstanding indebtedness on a timely basis would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness on acceptable terms.

Contractual limitations on our ability to execute any necessary alternative financing plans could exacerbate the effects of any failure to generate sufficient cash flow to satisfy our debt service obligations. The asset-based revolving credit facility permits us to borrow up to $700.0 million; however, our ability to borrow and obtain letters

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of credit (including amendments, renewals and extensions of letters of credit) thereunder is limited by a borrowing base, which at any time will equal the sum of (a) 90% of the net orderly liquidation value of eligible inventory plus (b) 85% of the amounts owed by credit card processors in respect of eligible credit card accounts constituting proceeds arising from the sale or disposition of inventory, less certain reserves. In addition, at any time when incremental term loans are outstanding, if the aggregate amount outstanding under the asset-based revolving credit facility exceeds the reported value of inventory as calculated under that facility, we will be required to eliminate such excess within a limited period of time. If the amount available under the asset-based revolving credit facility is less than the greater of (a) 12.5% of the lesser of (i) the aggregate revolving commitments and (ii) the borrowing base and (b) $60.0 million, we will be required to repay outstanding loans and, if an event of default has occurred, cash collateralize letters of credit. In addition, we are required to maintain excess availability of at least the greater of (a) 10% of the lesser of (i) the aggregate revolving commitments and (ii) the borrowing base and (b) $50.0 million. Our ability to meet the conditions described in this paragraph may be affected by events beyond our control.

Our inability to generate sufficient cash flow to satisfy our debt service obligations, or to refinance our obligations at all or on commercially reasonable terms, could have a material adverse effect on our future business, financial condition and results of operations, as well as on our ability to satisfy our obligations in respect of the senior subordinated notes.

Repayment of our debt, including the senior subordinated notes, is dependent on cash flow generated by our subsidiaries.

Our subsidiaries own a significant portion of our assets and conduct a significant portion of our operations. Accordingly, repayment of our indebtedness, including the senior subordinated notes, is dependent, to a significant extent, on the generation of cash flow by our subsidiaries and their ability to make such cash available to us, by dividend, debt repayment or otherwise. Unless they are guarantors of the senior subordinated notes, our subsidiaries do not have any obligation to pay amounts due on the senior subordinated notes or to make funds available for that purpose. As of July 28, 2012, there were no assets or liabilities held by our non-guarantor subsidiaries. Our subsidiaries may not be able to, or may not be permitted to, make distributions to enable us to make payments in respect of our indebtedness, including the senior subordinated notes. Each subsidiary is a distinct legal entity and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries. While the indentures governing the senior subordinated notes limit the ability of our subsidiaries to incur consensual restrictions on their ability to pay dividends or make other intercompany payments to us, these limitations are subject to certain qualifications and exceptions. In the event that we do not receive distributions from our subsidiaries, we may be unable to make required principal and interest payments on our indebtedness, including the senior subordinated notes.

The senior subordinated notes are effectively subordinated to all liabilities of our non-guarantor subsidiaries and structurally subordinated to claims of creditors of our current and future non-guarantor subsidiaries.

The senior subordinated notes are structurally subordinated to indebtedness and other liabilities of our subsidiaries that are not guarantors of the senior subordinated notes. As of July 28, 2012, there were no assets or liabilities held by our non-guarantor subsidiaries. In the event of a bankruptcy, liquidation or reorganization of any of our non-guarantor subsidiaries, these non-guarantor subsidiaries will pay the holders of their debts, holders of preferred equity interests and their trade creditors before they will be able to distribute any of their assets to us.

Agreements governing the senior subordinated notes and our 2028 debentures restrict our current and future operations and restrict our ability to take certain actions.

The credit agreements governing our senior secured asset-based revolving credit facility and senior secured term loan facility and the indentures governing the senior subordinated notes and our 2028 debentures contain, and any future indebtedness of ours would likely contain, a number of restrictive covenants that impose significant operating and financial restrictions, including restrictions on our ability to engage in acts that may be in our best long-term interests. The indenture governing the senior subordinated notes and the credit agreements governing our senior secured credit facilities include covenants that, among other things, restrict our ability to:

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- incur additional indebtedness;
- pay dividends on our capital stock or redeem, repurchase or retire our capital stock or indebtedness;
- make investments;
- create restrictions on the payment of dividends or other amounts to us from our restricted subsidiaries;
- engage in transactions with our affiliates;
- sell assets, including capital stock of our subsidiaries;
- consolidate or merge;
- create liens; and
- enter into sale and lease back transactions.

The covenants limit our subsidiaries ability to distribute earnings to us, in the form of dividends or otherwise. In addition, our ability to borrow under our senior secured asset-based revolving credit facility is limited by the conditions described above.

Moreover, our senior secured asset-based revolving credit facility provides discretion to the agent bank to impose additional availability restrictions and other reserves, which could materially impair the amount of borrowings that would otherwise be available to us. There can be no assurance that the agent bank will not impose such reserves or, were it to do so, that the resulting impact of this action would not materially and adversely impair our liquidity.

A breach of any of the restrictive covenants in the facilities described above may constitute an event of default, permitting the lenders to declare all outstanding borrowings due under the relevant facility to be immediately due and payable, or to enforce their security interest. Agreements governing our indebtedness also contain cross-default provisions, under which a declaration of default under a credit facility would result in an event of default under the senior subordinated notes and our 2028 debentures, which in turn may lead to mandatory redemption of such instruments in full. Moreover, in an event of default or cross-default, certain lenders would also have the right to terminate any commitments they have to provide further borrowings.

A breach of any of the restrictive covenants in the indenture governing our senior subordinated notes would also result in a default under the indenture for our senior subordinated notes after notice and failure to cure. If any such default occurs, the trustee or specified percentage of note holders may elect to declare all outstanding senior subordinated notes under the indenture, together with accrued interest, to be due and payable, which would result in an event of default under our senior secured credit facilities and the 2028 debentures.

Based on the foregoing factors, the operating and financial restrictions and covenants in our debt agreements and any future financing agreements could adversely affect our ability to finance future operations or capital needs or to engage in other business activities.

The senior subordinated notes are not secured by our assets and the lenders under our senior secured credit facilities and our 2028 debentures are entitled to remedies available to a secured lender, which gives them priority over holders of senior subordinated notes.

The senior subordinated notes (in addition to being contractually subordinated to all existing and future senior indebtedness) are effectively subordinated in right of payment to all of our secured indebtedness to the extent of the value of the assets securing such indebtedness. Loans under our senior secured credit facilities are secured by security interests in substantially all of our and the guarantors assets, our capital stock and in certain of the capital stock held by us (subject to certain significant exceptions). Our 2028 debentures are secured by a portion of our and

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the guarantors assets and in certain of the capital stock held by us, subject to certain significant exceptions. As of July 28, 2012, the principal amount of our total indebtedness was approximately $2,785.0 million, the unused borrowing availability under our senior secured asset-based revolving credit facility was $529.7 million and the outstanding letters of credit were $0.3 million. If we become insolvent or are liquidated, or if payment under the senior secured credit facilities or of any other secured indebtedness is accelerated, the lenders under our senior secured credit facilities and holders of other secured indebtedness (or an agent on their behalf) are entitled to exercise the remedies available to a secured lender under applicable law (in addition to any remedies that may be available under documents pertaining to our senior secured credit facilities or other senior debt). For example, the secured lenders or debt holders could foreclose and sell those of our assets in which they have been granted a security interest to the exclusion of the holders of the senior subordinated notes, even if an event of default exists under the indentures governing the senior subordinated notes at that time. As a result, upon the occurrence of any of these events, there may not be sufficient funds to pay amounts due on the senior subordinated notes.

The right of holders of the senior subordinated notes to receive payments on the senior subordinated notes and the guarantees thereof are junior to the rights of the lenders under our senior secured credit facilities, our 2028 debentures, and to all of our and the guarantors other senior indebtedness, including any of our or the guarantors future senior debt.

The senior subordinated notes and the guarantees thereof rank junior in right of payment to all of our and the guarantors existing senior indebtedness, including borrowings under our senior secured credit facilities and our 2028 debentures and rank junior in right of payment to all of our and the guarantors future borrowings and except for any future indebtedness that expressly provides that it ranks equal or junior in right of payment to the senior subordinated notes and the guarantees thereof. See Description of the Senior Subordinated Notes Ranking.

As of July 28, 2012, the principal amount of our total indebtedness was approximately $2,785.0 million, consisting of:

- $2,285.0 million of secured senior indebtedness, consisting of: our 2028 debentures in an aggregate principal amount of $125.0 million, indebtedness under our senior secured term loan facility in an aggregate principal amount of $2,060.0 million and indebtedness under our senior secured asset-based revolving credit facility in an aggregate amount of $100.0 million; and

- $500.0 million of unsecured senior subordinated indebtedness, consisting of the original principal amount of the senior subordinated notes.

As of July 28, 2012, we had $529.7 million of unused borrowing availability under our senior secured asset-based revolving credit facility and $0.3 million of outstanding letters of credit. Furthermore, as of July 28, 2012, there were no assets or liabilities held by our non-guarantor subsidiaries. We will also be permitted to incur substantial additional indebtedness, including senior indebtedness, in the future. See Despite current indebtedness levels, we and our subsidiaries may still be able to incur substantially more debt. This could further exacerbate the risks associated with our substantial leverage.

We and the guarantors may not be permitted to pay principal, premium, if any, interest or other amounts on account of the senior subordinated notes or the guarantees thereof in the event of a payment default or certain other defaults in respect of certain of our senior indebtedness, including debt under our senior secured credit facilities, unless such senior indebtedness has been paid in full or the default has been cured or waived. In addition, in the event of certain other defaults with respect to such senior indebtedness, we or the guarantors may not be permitted to pay any amount on account of the senior subordinated notes or the guarantees thereof for a designated period of time. See Description of Senior Subordinated Notes Ranking Payment of Senior Subordinated Notes.

Because of the subordination provisions in the senior subordinated notes and the guarantees thereof, in the event of a bankruptcy, liquidation, reorganization or similar proceeding relating to us or a guarantor, our or the guarantor s assets are not available to pay obligations under the senior subordinated notes or the applicable guarantee until we or the guarantor has made all payments in cash on our or its senior indebtedness. Sufficient assets may not remain after all these payments of principal or interest when due. In addition, in the event of a

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bankruptcy, liquidation or reorganization or similar proceeding relating to us or the guarantors, holders of the senior subordinated notes will participate with trade creditors and all other holders of our and the guarantors senior subordinated indebtedness, as the case may be, in the assets (if any) remaining after we and the guarantors have paid all of the senior indebtedness. However, because the indenture governing the senior subordinated notes requires that amounts otherwise payable to holders of the senior subordinated notes in a bankruptcy or similar proceeding be paid to holders of senior indebtedness instead, holders of senior subordinated notes may receive less, ratably, than holders of trade payables or other unsecured, unsubordinated creditors in any such proceeding. In any of these cases, we and the guarantors may not have sufficient funds to pay all creditors, and holders of the senior subordinated notes may receive less, ratably, than the holders of senior indebtedness. See Description of Senior Subordinated Notes Ranking.

Federal and state statutes may allow courts, under specific circumstances, to void the senior subordinated notes and the guarantees thereof, subordinate claims in respect of the senior subordinated notes and the guarantees thereof and require note holders to return payments received.

The proceeds of the sales of the senior subordinated notes upon the closing of the Transactions were applied to pay the merger consideration payable to the former stockholders of Neiman Marcus and to repay the 2008 notes. Certain of our existing domestic subsidiaries have guaranteed, and certain of our future domestic subsidiaries may guarantee, the senior subordinated notes. Our issuance of the senior subordinated notes, the issuance of the guarantees thereof by the guarantors, as well as other components of the Transactions, including, without limitation, the granting of liens by us and the guarantors, in favor of the lenders under our senior secured credit facilities and our 2028 debentures, may be subject to review under state and federal laws if a bankruptcy, liquidation or reorganization case or a lawsuit, including in circumstances in which bankruptcy is not involved, were commenced at some future date by us, by the guarantors or on behalf of our unpaid creditors or the unpaid creditors of a guarantor. Under the federal bankruptcy laws and comparable provisions of state fraudulent transfer and fraudulent conveyance laws, a court may void or otherwise decline to enforce the senior subordinated notes and a guarantor s guarantee thereof, or a court may subordinate the senior subordinated notes and such guarantee to our or the applicable guarantor s existing and future indebtedness.

While the relevant laws may vary from state to state, a court might void or otherwise decline to enforce the senior subordinated notes if it found that when we issued the senior subordinated notes, when the applicable guarantor entered into its guarantee thereof or, in some states, when payments became due under the senior subordinated notes or such guarantee, we or the applicable guarantor received less than reasonably equivalent value or fair consideration and either:

- we were, or the applicable guarantor was, insolvent, or rendered insolvent by reason of such incurrence; or

- we were, or the applicable guarantor was, engaged in a business or transaction for which our or the applicable guarantor s remaining assets constituted unreasonably small capital; or

- we or the applicable guarantor intended to incur, or believed or reasonably should have believed that we or the applicable guarantor would incur, debts beyond our or such guarantor s ability to pay such debts as they mature; or

- we were, or the applicable guarantor was, a defendant in an action for money damages, or had a judgment for money damages docketed against us or such guarantor if, in either case, after final judgment, the judgment is unsatisfied.

The court might also void the senior subordinated notes or a guarantee thereof without regard to the above factors, if the court found that we issued the senior subordinated notes or the applicable guarantor entered into its guarantee thereof with actual intent to hinder, delay or defraud our or its creditors.

A court would likely find that we or a guarantor of the senior subordinated notes did not receive reasonably equivalent value or fair consideration for the senior subordinated notes or such guarantee if we or such guarantor did

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not substantially benefit directly or indirectly from the issuance of the senior subordinated notes or the applicable guarantee. As a general matter, value is given for a note or guarantee if, in exchange for the note or guarantee, property is transferred or an antecedent debt is satisfied. A debtor will generally not be considered to have received value in connection with a debt offering if the debtor uses the proceeds of that offering to make a dividend payment or otherwise retire or redeem equity securities issued by the debtor. For example, in a leveraged transaction, such as the Transactions, there is increased risk of a determination that the issuer incurred debt obligations for less than reasonably equivalent value or fair consideration as a court may find that the benefit of the transaction went to the former stockholders of Neiman Marcus, while neither we nor the guarantors benefited substantially or directly from the senior subordinated notes or the guarantees.

The measures of insolvency applied by courts will vary depending upon the particular fraudulent transfer law applied in any proceeding to determine whether a fraudulent transfer has occurred. Generally, however, an entity would be considered insolvent if:

- the sum of its debts, including subordinated and contingent liabilities, was greater than the fair saleable value of its assets; or

- the present fair saleable value of its assets was less than the amount that would be required to pay the probable liability on its existing debts, including subordinated and contingent liabilities, as they become absolute and mature; or

- it cannot pay its debts as they become due.

In the event of a finding that a fraudulent conveyance or transfer has occurred, the court may void, or hold unenforceable, the senior subordinated notes or any of the guarantees thereof, which could mean that you may not receive any payments on the senior subordinated notes and the court may direct you to repay any amounts that you have already received from us or any guarantor to us, such guarantor or a fund for the benefit of our or such guarantor s creditors. Furthermore, the holders of voided senior subordinated notes would cease to have any direct claim against us or the applicable guarantor. Consequently, our or the applicable guarantor s assets would be applied first to satisfy our or the applicable guarantor s other liabilities, before any portion of its assets could be applied to the payment of the senior subordinated notes. Sufficient funds to repay the senior subordinated notes may not be available from other sources, including the remaining guarantors, if any. Moreover, the voidance of the senior subordinated notes or a guarantee thereof could result in an event of default with respect to our and our guarantors other debt that could result in acceleration of such debt (if not otherwise accelerated due to our or our guarantors insolvency or other proceeding).

Although each guarantee of the senior subordinated notes contains a provision intended to limit that guarantor s liability to the maximum amount that it could incur without causing the incurrence of obligations under its guarantee to be a fraudulent transfer, this provision may not be effective to protect those guarantees from being voided under fraudulent transfer law, or may reduce that guarantor s obligation to an amount that effectively makes its guarantee worthless.

Because each guarantor s liability under its guarantees may be reduced to zero, avoided or released under certain circumstances, you may not receive any payments from some or all of the guarantors.

As a holder of the senior subordinated notes, you have the benefit of the guarantees of the guarantors. However, the guarantees by the guarantors are limited to the maximum amount that the guarantors are permitted to guarantee under applicable law. As a result, a guarantor s liability under its guarantee could be reduced to zero, depending upon the amount of other obligations of such guarantor. Further, under the circumstances discussed more fully above, a court under Federal or state fraudulent conveyance and transfer statutes could void the obligations under a guarantee or further subordinate it to all other obligations of the guarantor. In addition, you will lose the benefit of a particular guarantee if it is released under certain circumstances described under Description of the Senior Subordinated Notes Guarantees.

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We may not be able to repurchase the senior subordinated notes upon a change of control.

Upon the occurrence of certain change of control events, we will be required to offer to repurchase all senior subordinated notes and amounts under our senior secured term loan facility that are outstanding at 101% of the principal amount thereof, plus any accrued and unpaid interest, and additional interest, if any. Our senior secured asset-based revolving credit facility provides that certain change of control events (including a change of control as defined in the indenture governing the senior subordinated notes and in our senior secured term loan facility) constitute a default. Any future credit agreement or other agreements relating to our indebtedness to which we become a party would likely contain similar provisions. If we experience a change of control that triggers a default under our senior secured asset-based revolving credit facility, we could seek a waiver of such default or seek to refinance our senior secured asset-based revolving credit facility. In the event we do not obtain such a waiver or refinance our senior secured asset-based revolving credit facility, such default could result in amounts outstanding under our senior secured asset-based revolving credit facility being declared due and payable. In the event we experience a change of control that results in our having to repurchase your senior subordinated notes, we may not have sufficient financial resources to satisfy all of our obligations under our senior secured credit facilities and the senior subordinated notes. A failure to make the applicable change of control offer or to pay the applicable change of control purchase price when due would result in a default under the indenture.

In addition, the change of control covenant in the indenture governing the senior subordinated notes does not cover all corporate reorganizations, mergers or similar transactions and may not provide you with protection in a highly leveraged transaction.

We cannot assure you that an active trading market for the senior subordinated notes will develop.

We have not had, and do not intend to have, the senior subordinated notes listed on a national securities exchange or included in any automated quotation system. We cannot assure you as to the liquidity of markets that exists or may develop for the senior subordinated notes, your ability to sell the senior subordinated notes or the price at which you would be able to sell the senior subordinated notes. The liquidity of any market for the senior subordinated notes will depend upon the number of holders of the senior subordinated notes, our performance, the market for similar securities, the interest of securities dealers in making a market in the senior subordinated notes and other factors. If an active market is not maintained, the price and liquidity of the senior subordinated notes may be adversely affected. Even if an active market were available, the senior subordinated notes could trade at prices lower than their principal amount or purchase price depending on many factors, including prevailing interest rates and the markets for similar securities. Credit Suisse Securities (USA), LLC has informed us that it intends to make a market in the senior subordinated notes, but it is not obligated to do so. Credit Suisse Securities (USA), LLC may discontinue any market making in the senior subordinated notes at any time, in its sole discretion. As a result, any trading market for the senior subordinated notes may not be liquid. You may not be able to sell your senior subordinated notes at a particular time or at favorable prices or at all.

Historically, the market for non-investment grade debt has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the senior subordinated notes. We cannot assure holders of the senior subordinated notes that the market, if any, for the senior subordinated notes will be free from similar disruptions or that any such disruptions may not adversely affect the prices at which the holders of the senior subordinated notes may sell their senior subordinated notes.

USE OF PROCEEDS

This prospectus is being delivered in connection with the sale of senior subordinated notes by Credit Suisse Securities (USA) LLC in market-making transactions. We will not receive any proceeds from such transactions.

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DESCRIPTION OF SENIOR SUBORDINATED NOTES

General

The outstanding senior subordinated notes were issued under a Senior Subordinated Indenture among Newton Acquisition Merger Sub, Inc., the trustee thereunder (now U.S. Bank National Association), as trustee, Holdings and the Subsidiary Guarantors (the Senior Subordinated Indenture). Immediately following the closing of the offering and as part of the Transactions, Newton Acquisition Merger Sub, Inc. merged with and into The Neiman Marcus Group, Inc., with The Neiman Marcus Group, Inc. continuing as the surviving corporation and assuming all the obligations of Newton Acquisition Merger Sub, Inc. under the Senior Subordinated Indenture. The Senior Subordinated Indenture has been qualified under and is subject to and governed by the Trust Indenture Act of 1939 (the Trust Indenture Act). The terms of the senior subordinated notes include those stated in the Senior Subordinated Indenture and those made part of the Senior Subordinated Indenture by reference to the Trust Indenture Act.

You can find the definitions of certain capitalized terms used in this description under the subheading Certain Definitions . In this description, the Company refers to The Neiman Marcus Group, Inc., and not to any of its subsidiaries.

The following description is only a summary of the material provisions of the senior subordinated notes and the Senior Subordinated Indenture. We urge you to read the Senior Subordinated Indenture because it, and not this description, defines your rights as a Holder of senior subordinated notes. Copies of the Senior Subordinated Indenture have been filed with the SEC and are incorporated by reference into the registration statement of which this prospectus forms a part.

Brief Description of the Senior Subordinated Notes and the Guarantees

The senior subordinated notes:

- are unsecured, senior subordinated obligations of the Company;
- are subordinated in right of payment to all Senior Indebtedness of the Company, including Indebtedness under our Senior Credit Facilities and our Existing 2028 Debentures;
- are structurally subordinated to all existing and future Indebtedness and claims of holders of Preferred Stock of Subsidiaries of the Company that do not guarantee the senior subordinated notes;

- rank pari passu in right of payment with all existing and future Senior Subordinated Indebtedness of the Company, if any;

- rank senior in right of payment to all existing and future Subordinated Indebtedness of the Company, if any; and

- are guaranteed on a senior subordinated basis by Holdings and the Subsidiary Guarantors that guarantee our Senior Credit Facilities.

The Guarantee of each Guarantor:

- is a general unsecured senior subordinated obligation of such Guarantor;

- is subordinated in right of payment to all existing and future Senior Indebtedness of such Guarantor, including its guarantees under our Senior Credit Facilities;

- is structurally subordinated to all existing and future Indebtedness and claims of holders of Preferred Stock of Subsidiaries of such Guarantor that do not guarantee the senior subordinated notes;

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- ranks pari passu in right of payment with all existing and future Senior Subordinated Indebtedness of such Guarantor, if any; and
- ranks senior in right of payment to all existing and future Subordinated Indebtedness of such Guarantor, if any.

Principal, Maturity and Interest

The Company issued the 10 3/8% Senior Subordinated Notes due 2015 (the senior subordinated notes) initially with a maximum aggregate principal amount of $500.0 million. The Company may issue additional senior subordinated notes under the Senior Subordinated Indenture from time to time after this offering (the Additional Senior Subordinated Notes). Any offering of Additional Senior Subordinated Notes is subject to the covenant described below under Certain Covenants Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock . The senior subordinated notes and any Additional Senior Subordinated Notes subsequently issued under the Senior Subordinated Indenture will be treated as a single class for all purposes under the Senior Subordinated Indenture, including waivers, amendments, redemptions and offers to purchase. Unless the context requires otherwise, references to senior subordinated notes for all purposes of the Senior Subordinated Indenture and this Description of Senior Subordinated Notes include any Additional Senior Subordinated Notes that are actually issued.

Interest on the senior subordinated notes accrues at the rate of 10 3/8% per annum, and is payable in cash semi-annually in arrears on each April 15 and October 15 commencing April 15, 2006. The Company will make each interest payment to the Holders of record of the senior subordinated notes on the immediately preceding April 1 and October 1. Interest on the senior subordinated notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of issuance of the senior subordinated notes. Interest is computed on the basis of a 360-day year comprised of twelve 30-day months. The senior subordinated notes will mature on October 15, 2015.

Principal of, premium, if any, and interest on the senior subordinated notes will be payable at the office or agency of the Company maintained for such purpose within the City of Dallas, State of Texas or, at the option of the Company, payment of interest may be made by check mailed to the Holders at their respective addresses set forth in the register of Holders; provided that all payments of principal, premium, if any, and interest with respect to senior subordinated notes represented by one or more global notes registered in the name of or held by the Depository Trust Company or its nominee will be made by wire transfer of immediately available funds to the accounts specified by the Holder or Holders thereof. The senior subordinated notes will be issued in denominations of $2,000 and any integral multiples of $1,000 in excess of $2,000.

Guarantees

Holdings and each direct and indirect Restricted Subsidiary of the Company that is a Domestic Subsidiary and that guarantees the obligations of the Company under the Company s Senior Credit Facilities, as primary obligors and not merely as sureties, will jointly and severally irrevocably and unconditionally guarantee, on an unsecured senior subordinated basis, the performance and full and punctual payment when due, whether at maturity, by acceleration or otherwise, of all obligations of the Company under the Senior Subordinated Indenture and the senior subordinated notes, whether for payment of principal of, or interest on or Additional Interest in respect of the senior subordinated notes, expenses, indemnification or otherwise, on the terms set forth in the Senior Subordinated Indenture by executing the Senior Subordinated Indenture. Each Guarantee will be subordinated to any Senior Indebtedness of such Guarantor on the same basis as the senior subordinated notes are subordinated to Senior Indebtedness of the Company. See also Brief Description of the Senior Subordinated Notes and the Guarantees .

Each Subsidiary Guarantee contains a provision intended to limit the Subsidiary Guarantor s liability thereunder to the maximum amount that it could incur without causing the incurrence of obligations under its Subsidiary Guarantee to be a fraudulent transfer. This provision may not, however, be effective to protect a Subsidiary Guarantee from being voided under fraudulent transfer law, or may reduce the Subsidiary Guarantor s

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obligation to an amount that effectively makes its Subsidiary Guarantee worthless. See Risk Factors Federal and state statutes may allow courts, under specific circumstances, to void the senior subordinated notes and the guarantees thereof, subordinate claims in respect of the senior subordinated notes and the guarantees and require note holders to return payments received .

Each Subsidiary Guarantor may consolidate with or merge into or sell all or substantially all its assets to (A) the Company or another Subsidiary Guarantor without limitation or (B) any other Person upon the terms and conditions set forth in the Senior Subordinated Indenture. The Senior Subordinated Indenture also imposes limitations on the ability of Holdings to consolidate with or merge into or sell all or substantially all its assets to another Person. See Certain Covenants Merger, Consolidation or Sale of All or Substantially All Assets .

The Subsidiary Guarantee of a Subsidiary Guarantor will automatically and unconditionally be released and discharged upon:

(1) (a) the sale, disposition or other transfer (including through merger or consolidation) of all of the Capital Stock (or any sale, disposition or other transfer of Capital Stock following which such Subsidiary Guarantor is no longer a Restricted Subsidiary), or all or substantially all the assets, of such Subsidiary Guarantor (other than a sale, disposition or other transfer to a Restricted Subsidiary) if such sale, disposition or other transfer is made in compliance with the applicable provisions of the Senior Subordinated Indenture;

(b) the designation by the Company of such Subsidiary Guarantor as an Unrestricted Subsidiary in accordance with the provisions of the Senior Subordinated Indenture set forth under Certain Covenants Limitation on Restricted Payments and the definition of Unrestricted Subsidiary ;

(c) the release or discharge of such Subsidiary Guarantor from its guarantee of Indebtedness under the Senior Credit Facilities or the guarantee that resulted in the obligation of such Subsidiary Guarantor to guarantee the senior subordinated notes, in each case, if such Subsidiary Guarantor would not then otherwise be required to guarantee the senior subordinated notes pursuant to the covenant described under Certain Covenants Limitation on Guarantees of Indebtedness by Restricted Subsidiaries (treating any guarantees of such Subsidiary Guarantor that remain outstanding as incurred at least 30 days prior to such release), except, in each case, a release or discharge by, or as a result of, payment under such guarantee or payment in full of the Indebtedness under the Senior Credit Facilities; or

(d) the exercise by the Company of its legal defeasance option or its covenant defeasance option, as described under Legal Defeasance and Covenant Defeasance or if the Company s obligations under the Senior Subordinated Indenture are discharged in accordance with the terms of the Senior Subordinated Indenture; and

(2) in the case of clause (1) (a) above, the release of such Subsidiary Guarantor from its guarantee, if any, of and all pledges and security, if any, granted in connection with, the Senior Credit Facilities and any other Indebtedness of the Company or any Restricted Subsidiary.

Ranking

Senior Indebtedness versus Senior Subordinated Notes

Payments of principal of, and premium, if any, and interest on the senior subordinated notes and the payment of any Guarantee will be subordinate in right of payment to the prior payment in full of all Senior Indebtedness of the Company and the Guarantors, including the obligations of the Company and, to the extent applicable, the Guarantors, under the Senior Credit Facilities and the Existing 2028 Debentures.

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As of July 28, 2012:

(1) the Company s Senior Indebtedness, including Indebtedness under the Senior Credit Facilities and the Existing 2028 Debentures, was approximately $2,285.0 million (excluding unused commitments), all of which was Secured Indebtedness; and

(2) the Guarantors Senior Indebtedness, consisting principally of their respective guarantees of Senior Indebtedness of the Company under the Senior Credit Facilities, was approximately $2,160.0 million in the aggregate (excluding unused commitments), all of which was Secured Indebtedness.

We also had at that date $529.7 million of unused borrowing availability under our senior secured asset-based revolving credit facility and $0.3 million of outstanding letters of credit.

Although the Indenture contains limitations on the amount of additional Indebtedness that the Company and its Restricted Subsidiaries may incur, under certain circumstances the amount of such Indebtedness could be substantial and, in any case, such Indebtedness may be Senior Indebtedness. The Indenture does not limit the amount of additional Indebtedness that Holdings may incur. See Certain Covenants Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock .

Liabilities of Subsidiaries versus Senior Subordinated Notes

The Company conducts a significant portion of its operations through its Subsidiaries. Some of the Company s Subsidiaries are not guaranteeing the senior subordinated notes, and Subsidiary Guarantees may be released under certain circumstances, as described under Guarantees . In addition, the Company s future Subsidiaries may not be required to guarantee the senior subordinated notes. Claims of creditors of such non-guarantor Subsidiaries, including trade creditors and creditors holding indebtedness or guarantees issued by such non-guarantor Subsidiaries, and claims of holders of Preferred Stock of such non-guarantor Subsidiaries generally will have priority with respect to the assets and earnings of such non-guarantor Subsidiaries over the claims of the Company s creditors, including Holders, even if the claims do not constitute Senior Indebtedness. Accordingly, the senior subordinated notes will be structurally subordinated to claims of creditors (including trade creditors) and holders of Preferred Stock, if any, of such non-guarantor Subsidiaries.

As of July 28, 2012, the Company s Subsidiaries (other than the Subsidiary Guarantors) had no consolidated total assets. In addition, for the fiscal year ended July 28, 2012, the Company s Subsidiaries (other than the Subsidiary Guarantors) had no revenues. Although the Senior Subordinated Indenture limits the incurrence of Indebtedness and Preferred Stock by Restricted Subsidiaries, such limitation is subject to a number of significant qualifications. Moreover, the Senior Subordinated Indenture does not impose any limitation on the incurrence by Restricted Subsidiaries of liabilities that are not considered Indebtedness or Preferred Stock under the Senior Subordinated Indenture, such as trade payables. See Certain Covenants Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock .

Other Senior Subordinated Indebtedness versus Senior Subordinated Notes

Only Indebtedness of the Company or a Guarantor that is Senior Indebtedness will rank senior to the senior subordinated notes and the Guarantees in accordance with the provisions of the Senior Subordinated Indenture. The senior subordinated notes and the Guarantees will in all respects rank pari passu with all other Senior Subordinated Indebtedness of the Company and the Guarantors.

The Company and the Subsidiary Guarantors have agreed in the Senior Subordinated Indenture that they will not incur any Indebtedness that is subordinate or junior in right of payment to their Senior Indebtedness, unless such Indebtedness is Senior Subordinated Indebtedness of the applicable person or is expressly subordinated in right of payment to Senior Subordinated Indebtedness of such person. The Senior Subordinated Indenture does not treat (i) unsecured Indebtedness as subordinated or junior to Secured Indebtedness merely because it is unsecured or (ii) Senior Indebtedness as subordinated or junior to any other Senior Indebtedness merely because it has a junior priority with respect to the same collateral.

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Payment of Senior Subordinated Notes

The Company is not permitted to make payments of principal of or premium, if any, or interest on the senior subordinated notes or make any deposit pursuant to the provisions described under Legal Defeasance and Covenant Defeasance or Satisfaction and Discharge below and may not purchase, redeem or otherwise retire any senior subordinated notes (collectively, pay the senior subordinated notes) (except in the form of Permitted Junior Securities) if either of the following occurs (a Payment Default):

(1) any Obligation on any Designated Senior Indebtedness of the Company is not paid in full in cash when due (after giving effect to any applicable grace period); or

(2) any other default on Designated Senior Indebtedness of the Company occurs and the maturity of such Designated Senior Indebtedness is accelerated in accordance with its terms;

unless, in either case, the Payment Default has been cured or waived and any such acceleration has been rescinded or such Designated Senior Indebtedness has been paid in full in cash. Notwithstanding the foregoing, the Company is permitted to pay the senior subordinated notes if it and the Trustee receive written notice approving such payment from the Representatives of all Designated Senior Indebtedness with respect to which the Payment Default has occurred and is continuing.

During the continuance of any default (other than a Payment Default) with respect to any Designated Senior Indebtedness pursuant to which the maturity thereof may be accelerated without further notice (except such notice as may be required to effect such acceleration) or the expiration of any applicable grace periods, the Company is not permitted to pay the senior subordinated notes (except in the form of Permitted Junior Securities) for a period (a Payment Blockage Period) commencing upon the receipt by the Trustee (with a copy to the Company) of written notice (a Blockage Notice) of such default from the Representative of such Designated Senior Indebtedness specifying an election to effect a Payment Blockage Period and ending 179 days thereafter. The Payment Blockage Period will end earlier if such Payment Blockage Period is terminated:

(1) by written notice to the Trustee and the Company from the Person or Persons who gave such Blockage Notice;

(2) because the default giving rise to such Blockage Notice is cured, waived or otherwise no longer continuing; or

(3) because such Designated Senior Indebtedness has been discharged or repaid in full in cash.

Notwithstanding the provisions described above, unless the holders of such Designated Senior Indebtedness or the Representative of such Designated Senior Indebtedness have accelerated the maturity of such Designated Senior Indebtedness, the Company is permitted to resume paying the senior subordinated notes after the end of such Payment Blockage Period. The senior subordinated notes shall not be subject to more than one Payment Blockage Period in any consecutive 360-day period irrespective of the number of defaults with respect to Designated Senior Indebtedness during such period; provided that if any Payment Blockage Notice is delivered to the Trustee by or on behalf of the holders of Designated Senior Indebtedness of the Company (other than the holders of Indebtedness under the Senior Credit Facilities), a Representative of holders of Indebtedness under the Senior Credit Facilities may give another Payment Blockage Notice within such period. However, in no event may the total number of days during which any Payment Blockage Period or Periods on the senior subordinated notes is in effect exceed 179 days in the aggregate during any consecutive 365-day period, and there must be at least 186 days during any consecutive 365-day period during which no Payment Blockage Period is in effect. Notwithstanding the foregoing, however, no Default that existed or was continuing on the date of delivery of any Blockage Notice to the Trustee will be, or be made, the basis for a subsequent Blockage Notice.

Upon any payment or distribution of the assets of the Company upon a total or partial liquidation or dissolution or reorganization of or similar proceeding relating to the Company or its property:

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(1) the holders of Senior Indebtedness of the Company will be entitled to receive payment in full in cash of such Senior Indebtedness before the Holders are entitled to receive any payment;

(2) until the Senior Indebtedness of the Company is paid in full in cash, any payment or distribution to which Holders would be entitled but for the subordination provisions of the Senior Subordinated Indenture will be made to holders of such Senior Indebtedness as their interests may appear, except that Holders may receive Permitted Junior Securities; and

(3) if a distribution is made to Holders that, due to the subordination provisions, should not have been made to them, such Holders are required to hold it in trust for the holders of Senior Indebtedness of the Company and pay it over to them as their interests may appear.

The subordination and payment blockage provisions described above will not prevent a Default from occurring under the Senior Subordinated Indenture upon the failure of the Company to pay interest or principal with respect to the senior subordinated notes when due by their terms. If payment of the senior subordinated notes is accelerated because of an Event of Default, the Company or the Trustee must promptly notify the holders of Designated Senior Indebtedness or the Representative of such Designated Senior Indebtedness of the acceleration. So long as there shall remain outstanding Senior Indebtedness under the Senior Credit Facilities, a Blockage Notice with respect to the Senior Credit Facilities may only be given by the respective administrative agents thereunder unless otherwise agreed to in writing by the respective requisite lenders named in therein. If any Designated Senior Indebtedness is outstanding, neither the Company nor any Guarantor may pay the senior subordinated notes until five Business Days after the Representatives of all the issues of Designated Senior Indebtedness receive notice of such acceleration and, thereafter, may pay the senior subordinated notes only if the Senior Subordinated Indenture otherwise permits payment at that time.

A Guarantor s obligations under its Guarantee are senior subordinated obligations. As such, the rights of Holders to receive payment by a Guarantor pursuant to its Guarantee will be subordinated in right of payment to the rights of holders of Senior Indebtedness of such Guarantor. The terms of the subordination and payment blockage provisions described above with respect to the Company s obligations under the senior subordinated notes apply equally to a Guarantor and the obligations of such Guarantor under its Guarantee.

A Holder by its acceptance of senior subordinated notes agrees to be bound by these subordination provisions and authorizes and expressly directs the Trustee under the Senior Subordinated Indenture, on its behalf, to take such action as may be necessary or appropriate to effectuate the subordination provided for in the Senior Subordinated Indenture and appoints the Trustee under the Senior Subordinated Indenture its attorney-in-fact for such purpose.

By reason of the subordination provisions contained in the Senior Subordinated Indenture, in the event of a liquidation or insolvency proceeding, creditors of the Company or a Guarantor who are holders of Senior Indebtedness of the Company or such Guarantor, as the case may be, may recover more, ratably, than the Holders, and creditors of the Company or a Guarantor who are not holders of Senior Indebtedness may recover less, ratably, than holders of Senior Indebtedness of the Company or such Guarantor and may recover more, ratably, than the Holders. See Risk Factors The right of holders of the senior subordinated notes to receive payments on the senior subordinated notes and the guarantees thereof are junior to the rights of the lenders under our senior secured credit facilities, our 2028 debentures and to all of our and the guarantors other senior indebtedness, including any of our or the guarantors future senior debt .

The terms of the subordination provisions described above will not apply to payments from money or the proceeds of U.S. Government Obligations deposited in trust or with the Trustee, as applicable, for the payment of principal of and interest on the senior subordinated notes pursuant to the provisions described under Legal Defeasance and Covenant Defeasance or Satisfaction and Discharge, if the subordination provisions described in this section were not violated at the time the applicable amounts were deposited in trust or with the Trustee, as applicable, pursuant to such sections.

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Mandatory Redemption; Offer to Purchase; Open Market Purchases

The Company is not required to make any mandatory redemption or sinking fund payments with respect to the senior subordinated notes. However, under certain circumstances, the Company may be required to offer to purchase senior subordinated notes as described under Repurchase at the Option of Holders. The Company may from time to time acquire senior subordinated notes by means other than a redemption, whether by tender offer, in open market purchases, through negotiated transactions or otherwise, in accordance with applicable securities laws.

Optional Redemption

The Company may redeem the senior subordinated notes, in whole or in part, upon not less than 30 nor more than 60 days prior notice at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest, and Additional Interest, if any, thereon to the applicable redemption date, subject to the right of Holders on the relevant record date to receive interest due on the relevant interest payment date, if redeemed during the twelve-month period beginning on October 15 of each of the years indicated below:

Year	**Percentage**
2011	103.458%
2012	101.729%
2013 and thereafter	100.000%

Selection and Notice

If the Company is redeeming less than all of the senior subordinated notes at any time, the Trustee will select the senior subordinated notes to be redeemed (a) if the senior subordinated notes are listed on any national securities exchange, in compliance with the requirements of the principal national securities exchange on which such senior subordinated notes are listed or (b) if such senior subordinated notes are not so listed, on a pro rata basis to the extent practicable; provided that no senior subordinated notes of $2,000 or less shall be redeemed in part.

Notices of redemption shall be mailed by first-class mail, postage prepaid, at least 30 days but not more than 60 days before the redemption date to each Holder at such Holder s registered address, except that notices of redemption may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the senior subordinated notes or a satisfaction and discharge of the Senior Subordinated Indenture. If any senior subordinated note is to be redeemed in part only, any notice of redemption that relates to such senior subordinated note shall state the portion of the principal amount thereof to be redeemed.

A senior subordinated note in principal amount equal to the unredeemed portion of any senior subordinated note redeemed in part will be issued in the name of the Holder thereof upon cancellation of the original senior subordinated note. Senior subordinated notes called for redemption become due and payable on the date fixed for redemption. On and after the redemption date, unless the Company defaults in the redemption payment, interest shall cease to accrue on the senior subordinated note or portions thereof called for redemption.

Repurchase at the Option of Holders

Change of Control

If a Change of Control occurs, the Company will make an offer to purchase all of the senior subordinated notes pursuant to the offer described below (the Change of Control Offer) at a price in cash (the Change of Control Payment) equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest, and Additional Interest, if any, to the date of purchase, subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date. Within 30 days following any Change of Control, the Company will send notice of such Change of Control Offer by first class mail, with a copy to the Trustee, to each Holder to the address of such Holder appearing in the security register with a copy to the Trustee, with the following information:

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(1) a Change of Control Offer is being made pursuant to the covenant entitled Change of Control , and all senior subordinated notes properly tendered pursuant to such Change of Control Offer will be accepted for payment;

(2) the purchase price and the purchase date, which will be no earlier than 30 days nor later than 60 days from the date such notice is mailed (the Change of Control Payment Date);

(3) any senior subordinated note not properly tendered will remain outstanding and continue to accrue interest;

(4) unless the Company defaults in the payment of the Change of Control Payment, all senior subordinated notes accepted for payment pursuant to the Change of Control Offer will cease to accrue interest on the Change of Control Payment Date;

(5) Holders electing to have any senior subordinated notes purchased pursuant to a Change of Control Offer will be required to surrender the senior subordinated notes, with the form entitled Option of Holder to Elect Purchase on the reverse of the senior subordinated notes completed, to the paying agent specified in the notice at the address specified in the notice prior to the close of business on the third Business Day preceding the Change of Control Payment Date;

(6) Holders will be entitled to withdraw their tendered senior subordinated notes and their election to require the Company to purchase such senior subordinated notes; provided that the paying agent receives, not later than the close of business on the last day of the offer period, a telegram, telex, facsimile transmission or letter setting forth the name of the Holder, the principal amount of senior subordinated notes tendered for purchase, and a statement that such Holder is withdrawing its tendered senior subordinated notes and its election to have such senior subordinated notes purchased; and

(7) Holders whose senior subordinated notes are being purchased only in part will be issued senior subordinated notes equal in principal amount to the unpurchased portion of the senior subordinated notes surrendered, which unpurchased portion must be equal to $2,000 or an integral multiple of $1,000 in excess of $2,000.

While the senior subordinated notes are in global form and the Company makes an offer to purchase all of the senior subordinated notes pursuant to the Change of Control Offer, a Holder may exercise its option to elect for the purchase of the senior subordinated notes through the facilities of the Depository Trust Company (DTC), subj