

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION**

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In re:	)	
	)	Chapter 11
	)	
NEIMAN MARCUS GROUP LTD LLC, <i>et al.</i> , <sup>1</sup>	)	Case No. 20-32519 (DRJ)
	)	
Debtors.	)	Jointly Administered
	)	

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**DEBTORS' RESPONSE TO DEUTSCHE BANK AG NEW YORK  
BRANCH'S STATEMENT AND RESERVATION OF RIGHTS REGARDING  
FINAL APPROVAL OF DIP FINANCING AND USE OF CASH COLLATERAL**

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The above-captioned debtors and debtors in possession (collectively, the "Debtors") file this response (the "Response") to the *Statement and Reservations of Rights by Deutsche Bank AG New York Branch Regarding Final Approval of DIP Financing and Use of Cash Collateral* [Docket No. 661] (the "ABL Statement").<sup>2</sup> In support of the Response, the Debtors respectfully state as follows:

1. Though the ABL Lenders "do[] not object to final approval of the DIP Motion," the ABL Lenders made certain incorrect statements that require clarification.

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<sup>1</sup> The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: Neiman Marcus Group LTD LLC (9435); Bergdorf Goodman Inc. (5530); Bergdorf Graphics, Inc. (9271); BG Productions, Inc. (3650); Mariposa Borrower, Inc. (9015); Mariposa Intermediate Holdings LLC (5829); NEMA Beverage Corporation (3412); NEMA Beverage Holding Corporation (9264); NEMA Beverage Parent Corporation (9262); NM Bermuda, LLC (2943); NM Financial Services, Inc. (2446); NM Nevada Trust (3700); NMG California Salon LLC (9242); NMG Florida Salon LLC (9269); NMG Global Mobility, Inc. (0664); NMG Notes PropCo LLC (1102); NMG Salon Holdings LLC (5236); NMG Salons LLC (1570); NMG Term Loan PropCo LLC (0786); NMG Texas Salon LLC (0318); NMGP, LLC (1558); The Neiman Marcus Group LLC (9509); The NMG Subsidiary LLC (6074); and Worth Avenue Leasing Company (5996). The Debtors' service address is: One Marcus Square, 1618 Main Street, Dallas, Texas 75201.

<sup>2</sup> Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the *Debtors' Emergency Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to (A) Obtain Postpetition Financing and (B) Utilize Cash Collateral, (II) Granting Adequate Protection to Prepetition Secured Parties, (III) Modifying the Automatic Stay, (IV) Scheduling a Final Hearing, and (V) Granting Related Relief* [Docket No. 104] (the "DIP Motion").

2. As reported at the hearing on Friday, May 29, 2020, the Debtors' business has performed *better* than projected in the Initial DIP Budget;<sup>3</sup> as of the filing of this Response, the Debtors cash-on-hand exceeds the Initial DIP Budget's projections by over \$100 million, *compare* Ex. A, 5/28/20 DIP Budget (showing \$544,393 million of cash-on-hand as of 6/5/20) *with* [Docket No. 254] Initial DIP Budget (showing \$434,788 million projection of cash-on-hand, and receipts exceeded projections by 119%).

3. One direct effect of these higher-than-projected sales is a decrease of the Debtors' current inventory. But this does not render the ABL Lenders less protected or demonstrate that the Initial DIP Budget provided to the ABL Lenders during negotiation of the Interim DIP Order was inaccurate. The Debtors will use the proceeds of these sales—on which the ABL Lenders have first lien priority—to replace inventory levels to those required under the applicable borrowing base formula, as vendors previously unwilling to ship goods to the Debtors have now resumed sales and started replenishing the Debtors' inventory.

4. In the meantime, and as the ABL Lenders concede was appropriate and permissible under the Interim DIP Order, ABL Statement ¶ 7 (“[S]uch a designation of segregated cash to cure a deficit under the negotiated Borrowing Base formula is a right the Debtors have under the terms of the Interim DIP Order...”), the Debtors have already designated a portion of cash in the Segregated Cash Account to rebuild the ABL Borrowing Base. *See* Interim DIP Order, para. 9(g)(v). As a result, the Debtors have been complying and still are complying with the Interim DIP Order and the ABL Lenders remain adequately protected. To be clear, ***no breach has occurred.***

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<sup>3</sup> Exhibit 3 to the *Interim Order (I) Authorizing the Debtors to (A) Obtain Postpetition Financing and (B) Utilize Cash Collateral, (II) Granting Adequate Protection to Prepetition Secured Parties, (III) Modifying the Automatic Stay, (IV) Scheduling a Final Hearing, and (V) Granting Related Relief* [Docket No. 254].

Houston, Texas  
June 1, 2020

*/s/ Matthew D. Cavanaugh*

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**Certificate of Service**

I certify that on June 1, 2020, I caused a copy of the foregoing document to be served by the Electronic Case Filing System for the United States Bankruptcy Court for the Southern District of Texas.

/s/ Matthew D. Cavanaugh

Matthew D. Cavanaugh