Macy's, Inc.
Form 10-Q
December 07, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended October 31, 2009

OR

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

For the transition period from ________ to ________

Commission file number: 1-13536

Macy s, Inc.

Incorporated in Delaware	**I.R.S. Employer Identification No.**
	13-3324058

7 West Seventh Street

Cincinnati, Ohio 45202

(513) 579-7000

and

151 West 34th Street

New York, New York 10001

(212) 494-1602

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulations S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (do not check if a smaller reporting company)	Smaller reporting company ¨

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

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Class	**Outstanding at November 27, 2009**
Common Stock, $0.01 par value per share	421,012,196 shares

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

MACY S, INC.

Consolidated Statements of Operations

(Unaudited)

(millions, except per share figures)

	13 Weeks Ended		39 Weeks Ended	
	October 31, 2009	November 1, 2008	October 31, 2009	November 1, 2008
Net sales	$ 5,277	$ 5,493	$ 15,640	$ 16,958
Cost of sales	(3,156)	(3,324)	(9,396)	(10,197)
Gross margin	2,121	2,169	6,244	6,761
Selling, general and administrative expenses	(2,033)	(2,085)	(5,850)	(6,225)
Division consolidation costs	(33)	(16)	(205)	(129)
Asset impairment charges				(50)
Operating income	55	68	189	357
Interest expense	(139)	(151)	(423)	(440)
Interest income	2	8	6	23
Loss before income taxes	(82)	(75)	(228)	(60)
Federal, state and local income tax benefit	47	31	112	30
Net loss	$ (35)	$ (44)	$ (116)	$ (30)
Basic loss per share	$ (.08)	$ (.10)	$ (.27)	$ (.07)
Diluted loss per share	$ (.08)	$ (.10)	$ (.27)	$ (.07)

The accompanying notes are an integral part of these unaudited Consolidated Financial Statements.

MACY S, INC.

Consolidated Balance Sheets

(Unaudited)

(millions)

	October 31, 2009	January 31, 2009	November 1, 2008
ASSETS:			
Current Assets:			
Cash and cash equivalents	$ 489	$ 1,306	$ 300
Receivables	374	439	367
Merchandise inventories	6,406	4,769	6,915
Income tax receivable	28		43
Supplies and prepaid expenses	216	226	246
Total Current Assets	7,513	6,740	7,871
Property and Equipment net of accumulated depreciation and amortization of $6,232, $5,458 and $5,966	9,862	10,442	10,616
Goodwill	3,743	3,743	9,123
Other Intangible Assets net	688	719	747
Other Assets	507	501	547
Total Assets	$ 22,313	$ 22,145	$ 28,904
LIABILITIES AND SHAREHOLDERS EQUITY:			
Current Liabilities:			
Short-term debt	$ 92	$ 966	$ 1,086
Merchandise accounts payable	3,109	1,282	3,156
Accounts payable and accrued liabilities	2,359	2,628	2,531
Income taxes		28	
Deferred income taxes	250	222	246
Total Current Liabilities	5,810	5,126	7,019
Long-Term Debt	8,618	8,733	8,748
Deferred Income Taxes	1,007	1,119	1,466
Other Liabilities	2,384	2,521	1,981
Shareholders Equity	4,494	4,646	9,690
Total Liabilities and Shareholders Equity	$ 22,313	$ 22,145	$ 28,904

The accompanying notes are an integral part of these unaudited Consolidated Financial Statements.

MACY S, INC.

Consolidated Statements of Cash Flows

(Unaudited)

(millions)

	39 Weeks Ended October 31, 2009	39 Weeks Ended November 1, 2008
Cash flows from operating activities:		
Net loss	$ (116)	$ (30)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Division consolidation costs	205	129
Asset impairment charges		50
Depreciation and amortization	905	950
Stock-based compensation expense	65	32
Amortization of financing costs and premium on acquired debt	(17)	(20)
Changes in assets and liabilities:		
Decrease in receivables	68	84
Increase in merchandise inventories	(1,637)	(1,855)
(Increase) decrease in supplies and prepaid expenses	10	(28)
Increase in other assets not separately identified	(14)	
Increase in merchandise accounts payable	1,691	1,633
Decrease in accounts payable and accrued liabilities not separately identified	(461)	(313)
Decrease in current income taxes	(56)	(343)
Increase (decrease) in deferred income taxes	(90)	8
Increase (decrease) in other liabilities not separately identified	(169)	20
Net cash provided by operating activities	384	317
Cash flows from investing activities:		
Purchase of property and equipment	(238)	(546)
Capitalized software	(64)	(104)
Proceeds from hurricane insurance claims	17	19
Disposition of property and equipment	10	25
Net cash used by investing activities	(275)	(606)

(continued)

MACY S, INC.

Consolidated Statements of Cash Flows (continued)

(Unaudited)

(millions)

	39 Weeks Ended October 31, 2009	39 Weeks Ended November 1, 2008
Cash flows from financing activities:		
Debt issued		770
Financing costs		(5)
Debt repaid	(964)	(663)
Dividends paid	(63)	(166)
Increase in outstanding checks	94	64
Acquisition of treasury stock	(1)	(1)
Issuance of common stock	8	7
Net cash provided (used) by financing activities	(926)	6
Net decrease in cash and cash equivalents	(817)	(283)
Cash and cash equivalents at beginning of period	1,306	583
Cash and cash equivalents at end of period	$ 489	$ 300
Supplemental cash flow information:		
Interest paid	$ 432	$ 461
Interest received	8	23
Income taxes paid (net of refunds received)	39	322

The accompanying notes are an integral part of these unaudited Consolidated Financial Statements.

MACY S, INC.

Notes to Consolidated Financial Statements

(Unaudited)

1. Summary of Significant Accounting Policies

Macy s, Inc. and subsidiaries (the Company) is a retail organization operating retail stores and Internet websites under two brands (Macy s and Bloomingdale s) that sell a wide range of merchandise, including men s, women s and children s apparel and accessories, cosmetics, home furnishings and other consumer goods. The Company s operations include more than 850 stores in 45 states, the District of Columbia, Guam and Puerto Rico, as well as macys.com and bloomingdales.com.

A description of the Company s significant accounting policies is included in the Company s Annual Report on Form 10-K for the fiscal year ended January 31, 2009 (the 2008 10-K). The accompanying Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and notes thereto in the 2008 10-K.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates and assumptions are subject to inherent uncertainties, which may result in actual amounts differing from reported amounts.

The Consolidated Financial Statements for the 13 and 39 weeks ended October 31, 2009 and November 1, 2008, in the opinion of management, include all adjustments (consisting only of normal recurring adjustments) considered necessary to present fairly, in all material respects, the consolidated financial position and results of operations of the Company. The Company has evaluated subsequent events through December 7, 2009, which was the date the financial statements were issued and filed with the Securities and Exchange Commission (SEC).

Because of the seasonal nature of the retail business, the results of operations for the 13 and 39 weeks ended October 31, 2009 and November 1, 2008 (which do not include the Christmas season) are not necessarily indicative of such results for the full fiscal year.

Certain Balance Sheet reclassifications were made to the prior fiscal year s amounts to conform with the classifications of such amounts for the current fiscal year.

In September 2006, the Financial Accounting Standards Board (FASB) issued new authoritative guidance related to fair value measurements and related disclosures. This guidance defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The Company adopted this guidance as it relates to financial assets and financial liabilities on February 3, 2008. However, the FASB deferred for one year the effective date of this guidance as it relates to fair value measurement requirements for nonfinancial assets and nonfinancial liabilities that are not recognized or disclosed at fair value on a recurring basis. The Company adopted these remaining provisions on February 1, 2009. The adoption of this guidance did not have a material impact on the Company s consolidated financial position, results of operations or cash flows.

(continued)

MACY S, INC.

Notes to Consolidated Financial Statements

(Unaudited)

In December 2008, the FASB issued new authoritative guidance related to Company sponsored defined benefit pension plans and postretirement plans, which expands the annual disclosure requirements about plan assets. This guidance is effective for fiscal years ending after December 15, 2009. The adoption of this guidance is limited to the form and content of disclosures, and the Company does not anticipate that the adoption will have a material impact on the Company s consolidated financial position, results of operations or cash flows.

In April 2009, the FASB issued new authoritative guidance related to interim disclosures about the fair values of financial instruments. This guidance requires disclosures about the fair value of financial instruments whenever a public company issues financial information for interim reporting periods. The Company adopted this guidance in the second quarter of fiscal 2009 and the adoption did not have a material impact on the Company s consolidated financial position, results of operations or cash flows.

In June 2009, the FASB issued new authoritative guidance related to the accounting for and disclosures of subsequent events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The Company adopted this guidance in the second quarter of fiscal 2009 and the adoption did not have a material impact on the Company s consolidated financial position, results of operations or cash flows.

In June 2009, the FASB issued the FASB Accounting Standards Codification (Codification), identified as the sole source of authoritative nongovernmental accounting principles generally accepted in the United States of America. The guidance in the Codification is effective for interim and annual periods ending after September 15, 2009, when all then existing non-SEC accounting standards were superseded. The adoption of the Codification did not have a material impact on the Company s consolidated financial position, results of operations or cash flows.

In June 2009, the FASB issued new authoritative guidance related to the accounting and disclosures for transfers of financial assets. This guidance will require entities to provide more information about sales of securitized financial assets and similar transactions, particularly if the seller retains some risk with respect to the assets. This guidance is effective for fiscal years beginning after November 15, 2009. The Company does not anticipate that the adoption of this guidance will have a material impact on the Company s consolidated financial position, results of operations or cash flows.

In June 2009, the FASB issued new authoritative guidance to improve financial reporting by companies involved with variable interest entities and to provide more relevant and reliable information to users of financial statements. This guidance is effective for fiscal years beginning after November 15, 2009. The Company does not anticipate that the adoption of this guidance will have a material impact on the Company s consolidated financial position, results of operations or cash flows.

In September 2009, the FASB issued new authoritative guidance providing investors a practical expedient for measuring the fair value of investments in certain entities that calculate net asset value per share. This guidance is effective for interim and annual periods ending after December 15, 2009. The adoption of this guidance is limited to the form and content of disclosures related to the Company sponsored defined benefit pension plan, and the Company does not anticipate that the adoption will have a material impact on the Company s consolidated financial position, results of operations or cash flows.

(continued)

MACY S, INC.

Notes to Consolidated Financial Statements

(Unaudited)

2. Division Consolidation Costs

In 2008, the Company began a localization initiative called My Macy s. This initiative is intended to strengthen local market focus and enhance selling service to enable the Company to both accelerate same-store sales growth and reduce expenses. To maximize the results from My Macy s, the Company has taken action, initially in selected markets, that: concentrates more management talent in local markets, effectively reducing the span of control over local stores; creates new positions in the field to work with central planning and buying executives in helping to understand and act on the merchandise needs of local customers; and empowers locally based executives to make more and better decisions. My Macy s is expected to drive sales growth by improving knowledge at the local level and then acting quickly on that knowledge.

In February 2009, the Company announced the expansion of the My Macy s localization initiative across the country. As My Macy s was rolled out nationally to new local markets in 2009, the Company s Macy s branded stores have been reorganized into a unified operating structure, through additional division consolidations, to support the Macy s business. Division central office organizations have been eliminated in New York-based Macy s East, San Francisco-based Macy s West, Atlanta-based Macy s Central and Miami-based Macy s Florida. The New York-based Macy s Home Store and Macy s Corporate Marketing divisions no longer exist as separate entities. Home Store functions have been integrated into the Macy s national merchandising, merchandise planning, stores and marketing organizations. Macy s Corporate Marketing has been integrated into the new unified marketing organization. The New York-based Macy s Merchandising Group has been refocused solely on the design, development and marketing of the Macy s family of private brands.

During the 13 and 39 weeks ended October 31, 2009, the Company recorded $33 million and $205 million, respectively, of costs and expenses associated with the division consolidation and localization initiative announced in February 2009, consisting primarily of severance costs and other human resource-related costs.

The following table shows for the 39 weeks ended October 31, 2009, the beginning and ending balance of, and the activity associated with, the severance accrual established in connection with the division consolidation and localization initiative announced in February 2009:

	January 31, 2009	Charged To Division Consolidation Costs	Payments	October 31, 2009
		(millions)		
Severance costs	$ 30	$ 124	$ (121)	$ 33

The Company expects to pay out the majority of these accrued severance costs, which are included in accounts payable and accrued liabilities on the Consolidated Balance Sheets, prior to January 30, 2010.

(continued)

MACY S, INC.

Notes to Consolidated Financial Statements

(Unaudited)

Additionally, the Company paid out the $4 million of accrued severance costs established in connection with the store closings announced in January 2009, which were included in accounts payable and accrued liabilities on the Consolidated Balance Sheets as of January 31, 2009, during the 13 weeks ended May 2, 2009.

In February 2008, the Company announced certain division consolidations in combination with My Macy s. The Company consolidated the Minneapolis-based Macy s North organization into New York-based Macy s East, the St. Louis-based Macy s Midwest organization into Atlanta-based Macy s South and the Seattle-based Macy s Northwest organization into San Francisco-based Macy s West. The Atlanta-based division was renamed Macy s Central.

During the 13 and 39 weeks ended November 1, 2008, the Company recorded $16 million and $129 million, respectively, of costs and expenses associated with the division consolidation and localization initiative announced in February 2008, consisting primarily of severance costs and other human resource-related costs.

The following table shows for the 39 weeks ended November 1, 2008, the beginning and ending balance of, and the activity associated with, the severance accrual established in connection with the division consolidation and localization initiative announced in February 2008:

	February 2, 2008	Charged To Division Consolidation Costs	Payments	November 1, 2008
		(millions)		
Severance costs	$	$ 68	$ (63)	$ 5

The Company paid out the accrued severance costs at November 1, 2008, which were included in accounts payable and accrued liabilities on the Consolidated Balance Sheets, prior to January 31, 2009.

3. Asset Impairment Charges

In connection with the annual impairment test of goodwill and indefinite lived intangible assets completed during the second quarter of 2008, management concluded that approximately $50 million of asset impairment charges for the 39 weeks ended November 1, 2008 was required in relation to indefinite lived acquired tradenames. As a result of the then-current operating performance and expectations regarding future operating performance of the Karen Scott and John Ashford private brand tradenames, it was determined that the carrying values exceeded the estimated fair values, which were based on discounted cash flows, by approximately $50 million.

(continued)

MACY S, INC.

Notes to Consolidated Financial Statements

(Unaudited)

4. Loss Per Share

The following tables set forth the computation of basic and diluted loss per share:

	13 Weeks Ended					
	October 31, 2009			November 1, 2008		
	Loss		Shares	Loss		Shares
	(millions, except per share figures)					
Net loss and average number of shares outstanding	$ (35)		420.5	$ (44)		420.1
Shares to be issued under deferred compensation plans			1.3			1.2
	$ (35)		421.8	$ (44)		421.3
Basic loss per share		$ (.08)			$ (.10)	
Effect of dilutive securities-stock options and restricted stock						
	$ (35)		421.8	$ (44)		421.3
Diluted loss per share		$ (.08)			$ (.10)	

	39 Weeks Ended					
	October 31, 2009			November 1, 2008		
	Loss		Shares	Loss		Shares
	(millions, except per share figures)					
Net loss and average number of shares outstanding	$ (116)		420.3	$ (30)		420.0
Shares to be issued under deferred compensation plans			1.3			1.1
	$ (116)		421.6	$ (30)		421.1
Basic loss per share		$ (.27)			$ (.07)	
Effect of dilutive securities-stock options and restricted stock						
	$ (116)		421.6	$ (30)		421.1
Diluted loss per share		$ (.27)			$ (.07)	

(continued)

MACY S, INC.

Notes to Consolidated Financial Statements

(Unaudited)

Stock options to purchase 39.0 million shares of common stock at prices ranging from $8.76 to $46.15 per share, 179,000 shares of restricted stock and 2,900,000 shares of performance based restricted stock units were outstanding at October 31, 2009, but were not included in the computation of diluted loss per share for the 13 or 39 weeks ended October 31, 2009 because, as a result of the Company s net loss during these periods, their inclusion would have been antidilutive.

Stock options to purchase 39.0 million shares of common stock at prices ranging from $12.79 to $46.15 per share and 483,000 shares of restricted stock were outstanding at November 1, 2008, but were not included in the computation of diluted loss per share for the 13 or 39 weeks ended November 1, 2008 because, as a result of the Company s net loss during these periods, their inclusion would have been antidilutive.

5. Benefit Plans

The Company has a funded defined benefit plan (Pension Plan) and a defined contribution plan, which cover substantially all employees who work 1,000 hours or more in a year. The Company also has an unfunded defined benefit supplementary retirement plan, which provides benefits, for certain employees, in excess of qualified plan limitations.

In addition, certain retired employees currently are provided with specified health care and life insurance benefits (Postretirement Obligations). Eligibility requirements for such benefits vary, but generally state that benefits are available to eligible employees who were hired prior to a certain date and retire after a certain age with specified years of service. Certain employees are subject to having such benefits modified or terminated.

(continued)

MACY S, INC.

Notes to Consolidated Financial Statements

(Unaudited)

The actuarially determined components of the net periodic benefit cost are as follows:

	13 Weeks Ended		39 Weeks Ended	
	October 31, 2009	November 1, 2008	October 31, 2009	November 1, 2008
	(millions)			
Pension Plan				
Service cost	$ 17	$ 20	$ 61	$ 73
Interest cost	43	39	130	119
Expected return on assets	(47)	(49)	(140)	(144)
Recognition of net actuarial loss		1		4
Amortization of prior service cost	(1)		(1)	
	$ 12	$ 11	$ 50	$ 52
Supplementary Retirement Plan				
Service cost	$	$ 3	$ 3	$ 6
Interest cost	9	9	31	29
Recognition of net actuarial loss				
Amortization of prior service cost			(1)	(1)
	$ 9	$ 12	$ 33	$ 34
Postretirement Obligations				
Service cost	$	$	$	$
Interest cost	4	3	14	14
Recognition of net actuarial gain	(2)	(3)	(5)	(2)
Amortization of prior service cost				
	$ 2	$	$ 9	$ 12

During the 39 weeks ended October 31, 2009, the Company contributed approximately $146 million to the Pension Plan and, as previously disclosed, is considering making an additional contribution to the Pension Plan of approximately $150 million to $225 million prior to December 31, 2009.

(continued)

MACY S, INC.

Notes to Consolidated Financial Statements

(Unaudited)

6. Accumulated Other Comprehensive Loss

The following table shows the beginning and ending balance of, and the activity associated with, accumulated other comprehensive loss, net of income tax effects, for the 39 weeks ended October 31, 2009 and November 1, 2008:

	October 31, 2009	November 1, 2008
	(millions)	
Accumulated other comprehensive loss, at beginning of period	$ (486)	$ (182)
Unrealized gain (loss) on marketable securities, net of income tax effect of $5 million and $11 million	8	(17)
Post employment and postretirement benefit plans:		
Recognition of net actuarial (gain) loss, net of income tax effect of $2 million and $1 million	(3)	1
Prior service cost, net of income tax effect of $1 million and less than $1 million	(1)	(1)
Accumulated other comprehensive loss, at end of period	$ (482)	$ (199)

7. Fair Value Measurements

The following table shows the Company s financial assets that are required to be measured at fair value on a recurring basis at October 31, 2009:

		Fair Value Measurements		
	Total	Level 1	Level 2	Level 3
		(millions)		
Marketable equity and debt securities	$ 111	$ 39	$ 72	$

Other financial instruments not measured at fair value on a recurring basis include cash and cash equivalents, receivables, short-term debt, merchandise accounts payable, accounts payable and accrued liabilities and long-term debt. With the exception of long-term debt, the carrying amount approximates fair value because of the short maturity of these instruments. The fair values of long-term debt, excluding capitalized leases, are estimated based on the quoted market prices for publicly traded debt or by using discounted cash flow analyses, based on the Company s current incremental borrowing rates for similar types of borrowing arrangements. The following table shows the estimated fair values of certain financial instruments of the Company at October 31, 2009:

	Notional Amount	Carrying Amount	Fair Value
		(millions)	
Long-term debt	$ 8,308	$ 8,591	$ 7,716

(continued)

MACY S, INC.

Notes to Consolidated Financial Statements

(Unaudited)

8. Legal Settlement

During 2008, the Company was subject to a wage and hour class action in California. The Company concluded that it was probable that a loss of approximately $25 million would be incurred to settle this legal matter and recorded an estimated amount of $25 million as part of selling, general and administrative expenses during the 39 weeks ended November 1, 2008, including $2 million during the 13 weeks ended November 1, 2008. The settlement of this legal matter has been finalized with court approval, and the Company paid the settlement amount of $25 million during the 13 weeks ended May 2, 2009.

9. Condensed Consolidating Financial Information

The senior notes and senior debentures of the Company, which constitute debt obligations of Macy s Retail Holdings, Inc. (Subsidiary Issuer), a wholly-owned subsidiary of Macy s, Inc. (Parent), are fully and unconditionally guaranteed by Parent. In the following condensed consolidating financial statements, Other Subsidiaries includes all other direct subsidiaries of Parent, including FDS Bank, Leadville Insurance Company and Snowdin Insurance Company and, after its transfer to Parent on November 2, 2008, Macy s Merchandising Group, Inc. and its subsidiary Macy s Merchandising Group International, LLC. Subsidiary Issuer includes operating divisions and non-guarantor subsidiaries of the Subsidiary Issuer on an equity basis. The assets and liabilities and results of operations of the non-guarantor subsidiaries of the Subsidiary Issuer (including, prior to its transfer to Parent on November 2, 2008, Macy s Merchandising Group, Inc. and its subsidiary Macy s Merchandising Group International, LLC) are also reflected in Other Subsidiaries.

Condensed Consolidating Balance Sheets as of October 31, 2009, November 1, 2008 and January 31, 2009, the related Condensed Consolidating Statements of Operations for the 13 and 39 weeks ended October 31, 2009 and November 1, 2008, and the related Condensed Consolidating Statements of Cash Flows for the 39 weeks ended October 31, 2009 and November 1, 2008 are presented on the following pages.

(continued)

MACY S, INC.

Notes to Consolidated Financial Statements

(Unaudited)

Condensed Consolidating Balance Sheet

As of October 31, 2009

(millions)

	Parent	Subsidiary Issuer	Other Subsidiaries	Consolidating Adjustments	Consolidated
ASSETS:					
Current Assets:					
Cash and cash equivalents	$ 286	$ 51	$ 152	$	$ 489
Receivables		26	348		374
Merchandise inventories		3,483	2,923		6,406
Supplies and prepaid expenses		99	117		216
Deferred income tax assets			3	(3)	
Income tax receivable	93			(65)	28
Total Current Assets	379	3,659	3,543	(68)	7,513
Property and Equipment net		5,552	4,310		9,862
Goodwill		3,315	428		3,743
Other Intangible Assets net		224	464		688
Other Assets	4	150	353		507
Deferred Income Tax Assets	22			(22)	
Intercompany Receivable	1,698		2,421	(4,119)	
Investment in Subsidiaries	2,564	2,730		(5,294)	
Total Assets	$ 4,667	$ 15,630	$ 11,519	$ (9,503)	$ 22,313
LIABILITIES AND SHAREHOLDERS EQUITY:					
Current Liabilities:					
Short-term debt	$	$ 90	$ 2	$	$ 92
Merchandise accounts payable		1,587	1,522		3,109
Accounts payable and accrued liabilities	127	970	1,262		2,359
Income taxes		14	51	(65)	
Deferred income taxes		253		(3)	250
Total Current Liabilities	127	2,914	2,837	(68)	5,810
Long-Term Debt		8,594	24		8,618
Intercompany Payable		4,119		(4,119)	
Deferred Income Taxes		227	802	(22)	1,007
Other Liabilities	46	1,104	1,234		2,384
Shareholders Equity (Deficit)	4,494	(1,328)	6,622	(5,294)	4,494
Total Liabilities and Shareholders Equity	$ 4,667	$ 15,630	$ 11,519	$ (9,503)	$ 22,313

(continued)

MACY S, INC.

Notes to Consolidated Financial Statements

(Unaudited)

Condensed Consolidating Statement of Operations

For the 13 Weeks Ended October 31, 2009

(millions)

	Parent	Subsidiary Issuer	Other Subsidiaries	Consolidating Adjustments	Consolidated
Net sales	$	$ 2,865	$ 4,887	$ (2,475)	$ 5,277
Cost of sales		(1,824)	(3,791)	2,459	(3,156)
Gross margin		1,041	1,096	(16)	2,121
Selling, general and administrative expenses	(3)	(1,150)	(896)	16	(2,033)
Division consolidation costs		(11)	(22)		(33)
Operating income (loss)	(3)	(120)	178		55
Interest (expense) income, net					
External		(137)			(137)
Intercompany		(37)	37		
Equity in losses of subsidiaries	(33)	(30)		63	
Income (loss) before income taxes	(36)	(324)	215	63	(82)
Federal, state and local income tax benefit (expense)	1	104	(58)		47
Net income (loss)	$ (35)	$ (220)	$ 157	$ 63	$ (35)

(continued)

MACY S, INC.

Notes to Consolidated Financial Statements

(Unaudited)

Condensed Consolidating Statement of Operations

For the 39 Weeks Ended October 31, 2009

(millions)

	Parent	Subsidiary Issuer	Other Subsidiaries	Consolidating Adjustments	Consolidated
Net sales	$	$ 8,485	$ 11,280	$ (4,125)	$ 15,640
Cost of sales		(5,278)	(8,193)	4,075	(9,396)
Gross margin		3,207	3,087	(50)	6,244
Selling, general and administrative expenses	(7)	(3,353)	(2,540)	50	(5,850)
Division consolidation costs		(70)	(135)		(205)
Operating income (loss)	(7)	(216)	412		189
Interest (expense) income, net					
External	2	(419)			(417)
Intercompany	(1)	(115)	116		
Equity in losses of subsidiaries	(112)	(66)		178	
Income (loss) before income taxes	(118)	(816)	528	178	(228)
Federal, state and local income tax benefit (expense)	2	285	(175)		112
Net income (loss)	$ (116)	$ (531)	$ 353	$ 178	$ (116)

(continued)

MACY S, INC.

Notes to Consolidated Financial Statements

(Unaudited)

Condensed Consolidating Statement of Cash Flows

For the 39 Weeks Ended October 31, 2009

(millions)

	Parent	Subsidiary Issuer	Other Subsidiaries	Consolidating Adjustments	Consolidated
Cash flows from operating activities:					
Net income (loss)	$ (116)	$ (531)	$ 353	$ 178	$ (116)
Division consolidation costs		70	135		205
Equity in losses of subsidiaries	112	66		(178)	
Dividends received from subsidiaries	303			(303)	
Depreciation and amortization		464	441		905
(Increase) decrease in working capital	30	(284)	(131)		(385)
Other, net	69	(228)	(66)		(225)
Net cash provided (used) by operating activities	398	(443)	732	(303)	384
Cash flows from investing activities:					
Purchase of property and equipment and capitalized software, net		(74)	(201)		(275)
Net cash used by investing activities		(74)	(201)		(275)
Cash flows from financing activities:					
Debt repaid		(962)	(2)		(964)
Dividends paid	(63)		(303)	303	(63)
Issuance of common stock, net of common stock acquired	7				7
Intercompany activity, net	(1,066)	1,466	(400)		
Other, net	(37)	(4)	135		94
Net cash provided (used) by financing activities	(1,159)	500	(570)	303	(926)
Net decrease in cash and cash equivalents	(761)	(17)	(39)		(817)
Cash and cash equivalents at beginning of period	1,047	68	191		1,306
Cash and cash equivalents at end of period	$ 286	$ 51	$ 152	$	$ 489

(continued)

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MACY S, INC.

Notes to Consolidated Financial Statements

(Unaudited)

Condensed Consolidating Balance Sheet

As of November 1, 2008

(millions)

	Parent	Subsidiary Issuer	Other Subsidiaries	Consolidating Adjustments	Consolidated
ASSETS:					
Current Assets:					
Cash and cash equivalents	$ 59	$ 63	$ 178	$	$ 300
Receivables		22	345		367
Merchandise inventories		3,688	3,227		6,915
Supplies and prepaid expenses		121	125		246
Income tax receivable	147			(104)	43
Total Current Assets	206	3,894	3,875	(104)	7,871
Property and Equipment net		6,041	4,575		10,616
Goodwill		6,556	2,567		9,123
Other Intangible Assets net		263	484		747
Other Assets	4	128	415		547
Deferred Income Tax Assets	105			(105)	
Intercompany Receivable	1,375		1,681	(3,056)	
Investment in Subsidiaries	8,277	4,950		(13,227)	
Total Assets	$ 9,967	$ 21,832	$ 13,597	$ (16,492)	$ 28,904
LIABILITIES AND SHAREHOLDERS EQUITY:					
Current Liabilities:					
Short-term debt	$	$ 1,084	$ 2	$	$ 1,086
Merchandise accounts payable		1,200	1,956		3,156
Accounts payable and accrued liabilities	214	1,274	1,043		2,531
Income taxes		23	81	(104)	
Deferred income taxes	9	219	18		246
Total Current Liabilities	223	3,800	3,100	(104)	7,019
Long-Term Debt		8,720	28		8,748
Intercompany Payable		3,056		(3,056)	
Deferred Income Taxes		841	730	(105)	1,466
Other Liabilities	54	863	1,064		1,981
Shareholders Equity	9,690	4,552	8,675	(13,227)	9,690
Total Liabilities and Shareholders Equity	$ 9,967	$ 21,832	$ 13,597	$ (16,492)	$ 28,904

(continued)

MACY S, INC.

Notes to Consolidated Financial Statements

(Unaudited)

Condensed Consolidating Statement of Operations

For the 13 Weeks Ended November 1, 2008

(millions)

	Parent	Subsidiary Issuer	Other Subsidiaries	Consolidating Adjustments	Consolidated
Net sales	$	$ 2,978	$ 3,130	$ (615)	$ 5,493
Cost of sales		(1,973)	(1,948)	597	(3,324)
Gross margin		1,005	1,182	(18)	2,169
Selling, general and administrative expenses	(1)	(1,190)	(912)	18	(2,085)
Division consolidation costs		(13)	(3)		(16)
Operating income (loss)	(1)	(198)	267		68
Interest (expense) income, net					
External	7	(150)			(143)
Intercompany	7	(41)	34		
Equity in earnings of subsidiaries	(45)	45			
Income (loss) before income taxes	(32)	(344)	301		(75)
Federal, state and local income tax benefit (expense)	(12)	129	(86)		31
Net income (loss)	$ (44)	$ (215)	$ 215	$	$ (44)

(continued)

MACY S, INC.

Notes to Consolidated Financial Statements

(Unaudited)

Condensed Consolidating Statement of Operations

For the 39 Weeks Ended November 1, 2008

(millions)

	Parent	Subsidiary Issuer	Other Subsidiaries	Consolidating Adjustments	Consolidated
Net sales	$	$ 9,110	$ 9,451	$ (1,603)	$ 16,958
Cost of sales		(5,834)	(5,913)	1,550	(10,197)
Gross margin		3,276	3,538	(53)	6,761
Selling, general and administrative expenses	(4)	(3,500)	(2,774)	53	(6,225)
Division consolidation costs		(93)	(36)		(129)
Asset impairment charges			(50)		(50)
Operating income (loss)	(4)	(317)	678		357
Interest (expense) income, net					
External	17	(437)	3		(417)
Intercompany	22	(124)	102		
Equity in earnings of subsidiaries	(54)	147		(93)	
Income (loss) before income taxes	(19)	(731)	783	(93)	(60)
Federal, state and local income tax benefit (expense)	(11)	288	(247)		30
Net income (loss)	$ (30)	$ (443)	$ 536	$ (93)	$ (30)

(continued)

MACY S, INC.

Notes to Consolidated Financial Statements

(Unaudited)

Condensed Consolidating Statement of Cash Flows

For the 39 Weeks Ended November 1, 2008

(millions)

	Parent	Subsidiary Issuer	Other Subsidiaries	Consolidating Adjustments	Consolidated
Cash flows from operating activities:					
Net income (loss)	$ (30)	$ (443)	$ 536	$ (93)	$ (30)
Division consolidation costs		93	36		129
Asset impairment charges			50		50
Equity in earnings of subsidiaries	54	(147)		93	
Dividends received from subsidiaries	353			(353)	
Depreciation and amortization		511	439		950
Decrease in working capital	(183)	(428)	(211)		(822)
Other, net	(92)	(47)	179		40
Net cash provided (used) by operating activities	102	(461)	1,029	(353)	317
Cash flows from investing activities:					
Purchase of property and equipment and capitalized software, net		(186)	(420)		(606)
Net cash used by investing activities		(186)	(420)		(606)
Cash flows from financing activities:					
Debt issued, net of debt repaid		109	(2)		107
Dividends paid	(166)		(353)	353	(166)
Issuance of common stock, net of common stock acquired	6				6
Intercompany activity, net	(276)	533	(257)		
Other, net	58	(7)	8		59
Net cash provided (used) by financing activities	(378)	635	(604)	353	6
Net increase (decrease) in cash and cash equivalents	(276)	(12)	5		(283)
Cash and cash equivalents at beginning of period	335	75	173		583
Cash and cash equivalents at end of period	$ 59	$ 63	$ 178	$	$ 300

(continued)

MACY S, INC.

Notes to Consolidated Financial Statements

(Unaudited)

Condensed Consolidating Balance Sheet

As of January 31, 2009

(millions)

	Parent	Subsidiary Issuer	Other Subsidiaries	Consolidating Adjustments	Consolidated
ASSETS:					
Current Assets:					
Cash and cash equivalents	$ 1,047	$ 68	$ 191	$	$ 1,306
Receivables	2	69	368		439
Merchandise inventories		2,593	2,176		4,769
Supplies and prepaid expenses		121	105		226
Income taxes	121			(121)	
Deferred income tax assets			22	(22)	
Total Current Assets	1,170	2,851	2,862	(143)	6,740
Property and Equipment net		5,898	4,544		10,442
Goodwill		3,315	428		3,743
Other Intangible Assets net		250	469		719
Other Assets	3	84	414		501
Deferred Income Tax Assets	119			(119)	
Intercompany Receivable	541		2,090	(2,631)	
Investment in Subsidiaries	3,030	2,791		(5,821)	
Total Assets	$ 4,863	$ 15,189	$ 10,807	$ (8,714)	$ 22,145
LIABILITIES AND SHAREHOLDERS EQUITY:					
Current Liabilities:					
Short-term debt	$	$ 963	$ 3	$	$ 966
Merchandise accounts payable		595	687		1,282
Accounts payable and accrued liabilities	143	1,336	1,149		2,628
Income taxes		23	126	(121)	28
Deferred income taxes	10	234		(22)	222
Total Current Liabilities	153	3,151	1,965	(143)	5,126
Long-Term Debt		8,706	27		8,733
Intercompany Payable		2,631		(2,631)	
Deferred Income Taxes		363	875	(119)	1,119
Other Liabilities	64	1,139	1,318		2,521
Shareholders Equity	4,646	(801)	6,622	(5,821)	4,646
Total Liabilities and Shareholders Equity	$ 4,863	$ 15,189	$ 10,807	$ (8,714)	$ 22,145

(continued)

MACY S, INC.

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

For purposes of the following discussion, all references to third quarter of 2009 and third quarter of 2008 are to the Company s 13-week fiscal periods ended October 31, 2009 and November 1, 2008, respectively, and all references to 2009 and 2008 are to the Company s 39-week fiscal periods ended October 31, 2009 and November 1, 2008, respectively.

The Company is a retail organization operating retail stores and Internet websites under two brands (Macy s and Bloomingdale s) that sell a wide range of merchandise, including men s, women s and children s apparel and accessories, cosmetics, home furnishings and other consumer goods. The Company s operations include more than 850 stores in 45 states, the District of Columbia, Guam and Puerto Rico, as well as macys.com and bloomingdales.com.

For the past several years, the Company has been focused on four key priorities for improving the business over the longer term:
(i) differentiating and editing merchandise assortments; (ii) simplifying pricing; (iii) improving the overall shopping experience; and
(iv) communicating better with customers through more brand focused and effective marketing.

In February 2008, the Company announced a new initiative intended to strengthen local market focus and enhance selling service expected to enable the Company to both accelerate same-store sales growth and reduce expense. The localization initiative, called My Macy s, was developed with the goal to accelerate sales growth in existing locations by ensuring that core customers surrounding each Macy s store find merchandise assortments, size ranges, marketing programs and shopping experiences that are custom-tailored to their needs. To maximize the results from My Macy s, the Company has taken action, initially in select markets, that: concentrates more management talent in local markets, effectively reducing the span of control over local stores; creates new positions in the field to work with division central planning and buying executives in helping to understand and act on the merchandise needs of local customers; and empowers locally based executives to make more and better decisions. In combination with the localization initiative, the Company consolidated the Minneapolis-based Macy s North organization into New York-based Macy s East, the St. Louis-based Macy s Midwest organization into Atlanta-based Macy s South and the Seattle-based Macy s Northwest organization into San Francisco-based Macy s West. The Atlanta-based division was renamed Macy s Central. The savings from the division consolidation process, net of the amount invested in the localization initiative and increased store staffing levels, are expected to reduce selling, general and administrative (SG&A) expenses, as compared to expected levels absent the consolidation, by approximately $100 million per year, beginning in fiscal 2009. The partial-year benefit in SG&A expenses for fiscal 2008 was more than $60 million. Sales performance in 2009 was strongest in some of the initial My Macy s markets.

MACY S, INC.

In February 2009, the Company announced the expansion of the My Macy s localization initiative across the country. As My Macy s was rolled out nationally to new local markets in 2009, the Company s Macy s branded stores have been reorganized into a unified operating structure, through additional division consolidations, to support the Macy s business. Division central office organizations have been eliminated in New York-based Macy s East, San Francisco-based Macy s West, Atlanta-based Macy s Central and Miami-based Macy s Florida. This is expected to reduce central office and administrative expense, eliminate duplication, sharpen execution, and help the Company to partner more effectively with its suppliers and business partners. The savings from the division consolidation process announced in February 2009, net of the amount to be invested in the localization initiative, are expected to reduce SG&A expenses, as compared to expected levels absent the consolidation, by approximately $400 million per year, beginning in fiscal 2010. The partial-year benefit in SG&A expenses for fiscal 2009 is estimated at approximately $250 million. The Company expects to record approximately $165 million of additional restructuring costs in the remainder of fiscal 2009.

The Company s operations are impacted by competitive pressures from department stores, specialty stores, mass merchandisers and all other retail channels. The Company s operations are also impacted by general consumer spending levels, including the impact of general economic conditions, consumer disposable income levels, consumer confidence levels, the availability, cost and level of consumer debt, the costs of basic necessities and other goods and the effects of weather or natural disasters and other factors over which the Company has little or no control.

In recent periods, consumer spending levels have been adversely affected by a number of factors, including substantial declines in the level of general economic activity and real estate and investment values, substantial increases in consumer pessimism, unemployment and the costs of basic necessities, and a significant tightening of consumer credit. These conditions have reduced the amount of funds that consumers are willing and able to spend for discretionary purchases, including purchases of some of the merchandise offered by the Company. These conditions have also decreased projected future cash flows attributable to the Company s operations, including projected future cash flows assumed in connection with the acquisition of The May Department Stores Company (May), resulting in the Company recording in the fourth quarter of 2008 a reduction in the carrying value of its goodwill, and a related non-cash impairment charge, in the estimated amount of $5,382 million. The Company finalized its goodwill impairment testing as of January 31, 2009 during the first quarter of 2009, and, in connection therewith, determined that no adjustment was necessary.

The effects of the factors and conditions described above may be experienced differently, or at different times, in the various geographic regions in which the Company operates, in relation to different types of merchandise that the Company offers for sale, or in relation to the Company s Macy s-branded and Bloomingdale s-branded operations. All of these effects, however, ultimately affect the Company s overall operations.

The Company cannot predict whether, when or the manner in which the economic conditions described above will change. Based on its assessment of current and anticipated market conditions and its recent performance, the Company is assuming that its comparable store sales in the fiscal quarter ended January 30, 2010 for most of the Company s operations and the Company as a whole will be down between 1.0% and 2.0% from 2008 levels and full-year 2009 comparable store sales will be down between 5.4% and 5.7% from 2008 levels.

MACY S, INC.

The following discussion should be read in conjunction with our Consolidated Financial Statements and the related notes included elsewhere in this report, as well as the financial and other information included in the 2008 10-K. The following discussion contains forward-looking statements that reflect the Company s plans, estimates and beliefs. The Company s actual results could materially differ from those discussed in these forward-looking statements. Factors that could cause or contribute to those differences include, but are not limited to, those discussed below and elsewhere in this report (particularly in Forward-Looking Statements) and in the 2008 10-K (particularly in Risk Factors).

Results of Operations

Comparison of the 13 Weeks Ended October 31, 2009 and November 1, 2008

The net loss for the third quarter of 2009 was $35 million, compared to the net loss of $44 million in the third quarter of 2008. The net loss for the third quarter of 2009 includes the impact of $33 million of division consolidation costs and the net loss for the third quarter of 2008 included the impact of $16 million of division consolidation costs.

Net sales for the third quarter of 2009 totaled $5,277 million, compared to net sales of $5,493 million for the third quarter of 2008, a decrease of $216 million or 3.9%. On a comparable store basis, net sales for the third quarter of 2009 were down 3.6% compared to the third quarter of 2008. Sales from the Company s Internet businesses in the third quarter of 2009 increased 21.1% compared to the third quarter of 2008 and positively affected the Company s third quarter of 2009 comparable store sales by 0.6%. Geographically, sales in the third quarter of 2009 were strongest in the Midwest, although improved performance was experienced throughout the Company. By family of business, sales in the third quarter of 2009 were strongest in moderate sportswear for both men and women, coats, shoes, home textiles, housewares and mattresses. Sales of the Company s private label and exclusive brands also continued to be strong in the third quarter of 2009. The weaker businesses during the quarter included dresses, fragrances, men s shoes, handbags and tabletop. The Company calculates comparable store sales as sales from stores in operation throughout 2008 and 2009 and all Internet sales. Stores undergoing remodeling, expansion or relocation remain in the comparable store sales calculation unless the store is closed for a significant period of time. Definitions and calculations of comparable store sales differ among companies in the retail industry.

Cost of sales was $3,156 million or 59.8% of net sales for the third quarter of 2009, compared to $3,324 million or 60.5% of net sales for the third quarter of 2008, a decrease of $168 million. The cost of sales rate for the third quarter of 2009 benefited from an improving sales trend and lower inventory levels. The valuation of merchandise inventories on the last-in, first-out basis did not impact cost of sales in either period.

SG&A expenses were $2,033 million or 38.5% of net sales for the third quarter of 2009, compared to $2,085 million or 38.0% of net sales for the third quarter of 2008, a decrease of $52 million. The SG&A rate as a percent to sales was higher in the third quarter of 2009, as compared to the third quarter of 2008, because of weaker sales. SG&A expenses in the third quarter of 2009 benefited from consolidation-related expense savings, partially offset by higher stock based compensation expense, higher performance based incentive compensation expense and lower credit income.

Division consolidation costs associated with the My Macy s initiative were $33 million for the third quarter of 2009, compared to $16 million for the third quarter of 2008, and consisted primarily of severance and other human resource-related costs.

Net interest expense was $137 million for the third quarter of 2009 compared to $143 million for the third quarter of 2008, a decrease of $6 million. This decrease resulted from a lower level of borrowings, partially offset by a decrease in interest income due to lower rates on invested cash.

The Company s effective income tax rate of 57.0% for the third quarter of 2009 and 42.0% for the third quarter of 2008 differ from the federal income tax statutory rate of 35.0%, and on a comparative basis, principally because of the effect of state and local income taxes, including the settlement of various tax issues and tax examinations. On a quarterly basis, federal, state and local income taxes can vary significantly due to adjustments to reflect the Company s current estimate of the effective tax rate for the fiscal year, which is currently estimated at approximately 42.0% for fiscal 2009, prior to giving effect to any tax settlements. Giving effect to tax settlements that have occurred or that are anticipated to occur during the remainder of fiscal 2009, the Company s current estimate of the effective tax rate for fiscal 2009 is approximately 34.0%.

Comparison of the 39 Weeks Ended October 31, 2009 and November 1, 2008

The net loss for 2009 was $116 million, compared to the net loss of $30 million for 2008. The net loss for 2009 reflects lower net sales as compared to 2008 and includes the impact of $205 million of division consolidation costs. The net loss for 2008 included the impact of $129 million of division consolidation costs and $50 million of asset impairment charges.

Net sales for 2009 totaled $15,640 million, compared to net sales of $16,958 million for 2008, a decrease of $1,318 million or 7.8%. On a comparable store basis, net sales for 2009 were down 7.5% compared to 2008. Sales from the Company s Internet businesses in 2009 increased 15.6% compared to 2008 and positively affected the Company s 2009 comparable store sales by 0.5%. Geographically, sales in 2009 were strongest in the Midwest. By family of business, sales in 2009 were strongest in moderate apparel, young men s, home textiles and housewares. Sales of the Company s private label and exclusive brands were also strong in 2009. The weaker businesses in 2009 included furniture, tabletop and handbags. The Company calculates comparable store sales as sales from stores in operation throughout 2008 and 2009 and all Internet sales. Stores undergoing remodeling, expansion or relocation remain in the comparable store sales calculation unless the store is closed for a significant period of time. Definitions and calculations of comparable store sales differ among companies in the retail industry.

Cost of sales was $9,396 million or 60.1% of net sales for 2009, compared to $10,197 million or 60.1% of net sales for 2008, a decrease of $801 million. The valuation of merchandise inventories on the last-in, first-out basis did not impact cost of sales in either period.

SG&A expenses were $5,850 million or 37.4% of net sales for 2009, compared to $6,225 million or 36.7% of net sales for 2008, a decrease of $375 million. The SG&A rate as a percent to sales was higher in 2009, compared to 2008, primarily because of weaker sales. SG&A expenses in 2009 benefited from consolidation-related expense savings, lower workers compensation and general liability insurance costs and lower selling costs as a result of lower sales, partially offset by higher stock based compensation expense, higher performance based incentive compensation expense and lower credit income.

Division consolidation costs associated with the My Macy s initiative were $205 million for 2009, compared to $129 million for 2008, and consisted primarily of severance and other human resource-related costs.

Asset impairment charges for 2008 amounted to $50 million and related to indefinite lived private brand tradenames acquired in the May acquisition.

Net interest expense was $417 million for 2009 and 2008. The decrease in interest expense for 2009, as compared to 2008, resulted from a lower level of borrowings and was offset by a decrease in interest income due to lower rates on invested cash.

The Company s effective income tax rate of 49.3% for 2009 and 51.3% for 2008 differ from the federal income tax statutory rate of 35.0%, and on a comparative basis, principally because of the effect of state and local income taxes, including the settlement of various tax issues and tax examinations.

Liquidity and Capital Resources

The Company s principal sources of liquidity are cash from operations, cash on hand and the available credit facility described below.

Net cash provided by operating activities in 2009 was $384 million, compared to net cash provided by operating activities of $317 million in 2008, reflecting a smaller increase in merchandise inventories in 2009 compared to 2008.

Net cash used by investing activities was $275 million for 2009, compared to net cash used by investing activities of $606 million for 2008. Investing activities for 2009 include purchases of property and equipment totaling $238 million and capitalized software of $64 million, compared to purchases of property and equipment totaling $546 million and capitalized software of $104 million for 2008. During 2009, the Company opened five new Macy s department stores, re-opened two Macy s department stores that had been damaged in 2008 by Hurricane Ike and also opened one Macy s department store which is a replacement store. During 2008, the Company opened four new Macy s department stores and one new Macy s furniture gallery, and re-opened one Macy s store that was previously closed from hurricane damage. Cash flows from investing activities also included $10 million and $25 million from the disposition of property and equipment for 2009 and 2008, respectively, and $17 million and $19 million of proceeds from hurricane insurance claims for 2009 and 2008, respectively.

Net cash used by financing activities was $926 million for 2009, including the repayment of $964 million of debt and the payment of $63 million of cash dividends, partially offset by an increase in outstanding checks of $94 million and the issuance of $8 million of common stock, primarily related to the exercise of stock options. During 2009, the Company repurchased no shares of its common stock under its share repurchase program and anticipates no share repurchases under its share repurchase program for the remainder of fiscal 2009. Net cash provided by the Company from financing activities was $6 million for 2008, including debt issued of $770 million, the issuance of $7 million of common stock, primarily related to the exercise of stock options, and an increase in outstanding checks of $64 million, partially offset by the repayment of $663 million of debt and cash dividends paid of $166 million. The debt issued during 2008 was $650 million of 7.875% senior notes due 2015 and $120 million of outstanding borrowings under the Company s credit agreement at November 1, 2008. The debt repaid during 2008 included $500 million of 6.625% senior notes due September 1, 2008 and $150 million of 5.95% notes due November 1, 2008.

On February 10, 2009, the Company, through its wholly owned subsidiary, Macy s Retail Holdings, Inc., completed a cash tender offer pursuant to which it purchased approximately $199 million of its outstanding 6.30% senior notes due April 1, 2009 (resulting in approximately $151 million of such notes remaining outstanding until they were paid at maturity on April 1, 2009) and approximately $481 million of its outstanding 4.80% senior notes due July 15, 2009 (resulting in approximately $119 million of such notes remaining outstanding until they were paid at maturity on July 15, 2009) for aggregate consideration, including accrued and unpaid interest, of approximately $686 million. By using cash on hand to repurchase and retire this debt early, the Company has reduced its interest expense in 2009 by approximately $7 million, net of expenses associated with the debt tender offer. As of the date of this report, the Company intends to fund current debt maturities with cash on hand and funds from operations, but would also have the ability to fund these debt maturities with borrowings under its credit agreement.

The Company is a party to a credit agreement with certain financial institutions providing for revolving credit borrowings and letters of credit in an aggregate amount not to exceed $2,000 million (which may be increased to $2,500 million at the option of the Company, subject to the willingness of existing or new lenders to provide commitments for such additional financing) outstanding at any particular time. This agreement is set to expire August 30, 2012. As of and during the 39 weeks ended October 31, 2009, the Company had no borrowings outstanding under this agreement and the Company does not expect to borrow under this agreement during the remainder of fiscal 2009.

The credit agreement requires the Company to maintain a specified interest coverage ratio for the latest four quarters of no less than 3.00 (3.25 after October 2010) and a specified leverage ratio as of and for the latest four quarters of no more than 4.90 (4.75 commencing January 30, 2010 through October 2010 and then 4.50 thereafter). The Company s leverage ratio at October 31, 2009 was 3.38 and its interest coverage ratio for the latest four quarters as of October 31, 2009 was 4.21.

The rate of interest payable in respect of $650 million in aggregate principal amount of the Company s senior notes outstanding at October 31, 2009 was increased by 1 percent per annum effective in April 2009 as a result of a downgrade of the notes by specified rating agencies. The rate of interest payable in respect of these senior notes outstanding at October 31, 2009 could increase or decrease by up to 1 percent per annum from its current level in the event of one or more downgrades or upgrades of the notes by specified rating agencies.

On October 23, 2009, the Company s board of directors declared a regular quarterly dividend of 5 cents per share on its common stock, payable January 4, 2010, to shareholders of record at the close of business on December 15, 2009.

Management believes that, with respect to the Company s current operations, cash on hand and funds from operations, together with its credit facility and other capital resources, will be sufficient to cover the Company s reasonably foreseeable working capital, capital expenditure and debt service requirements and other cash requirements in both the near term and over the longer term. The Company s ability to generate funds from operations may be affected by numerous factors, including general economic conditions and levels of consumer confidence and demand; however, the Company expects to be able to manage its working capital levels and capital expenditure amounts so as to maintain sufficient levels of liquidity. Depending upon conditions in the capital markets and other factors, the Company will from time to time consider the issuance of debt or other securities, or other possible capital markets transactions, the proceeds of which could be used to refinance current indebtedness or for other corporate purposes.

Management believes the department store business and other retail businesses will continue to consolidate. The Company intends from time to time to consider additional acquisitions of, and investments in, department stores and other complementary assets and companies. Acquisition transactions, if any, are expected to be financed from one or more of the following sources: cash on hand, cash from operations, borrowings under existing or new credit facilities and the issuance of long-term debt or other securities, including common stock.

Item 4. Controls and Procedures

The Company s Chief Executive Officer and Chief Financial Officer have carried out, as of October 31, 2009, with the participation of the Company s management, an evaluation of the effectiveness of the Company s disclosure controls and procedures, as defined in Rule 13a-15(e) under the Exchange Act. Based upon this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company s disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by the Company in reports the Company files under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC rules and forms, and that information required to be disclosed by the Company in the reports the Company files or submits under the Exchange Act is accumulated and communicated to the Company s management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

There were no changes in the Company s internal control over financial reporting that occurred during the Company s most recently completed fiscal quarter that materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

PART II OTHER INFORMATION

MACY S, INC.

Item 1. Legal Proceedings.

On October 3, 2007, Ebrahim Shanehchian, an alleged participant in the Macy s, Inc. Profit Sharing 401(k) Investment Plan (the 401(k) Plan), filed a purported class action lawsuit in the United States District Court for the Southern District of Ohio on behalf of persons who participated in the 401(k) Plan and The May Department Stores Company Profit Sharing Plan (the May Plan) between February 27, 2005 and the present. The complaint charges the Company, as well as members of the Company s board of directors and certain members of senior management, with breach of fiduciary duties owed under the Employee Retirement Income Security Act (ERISA) to participants in the 401(k) Plan and the May Plan, alleging that the defendants made false and misleading statements regarding the Company s business, operations and prospects in relation to the integration of the acquired May operations, resulting in supposed artificial inflation of the Company s stock price between August 30, 2005 and May 15, 2007. The plaintiff seeks an unspecified amount of compensatory damages and costs. The Company believes the lawsuit is without merit and intends to contest it vigorously.

Item 1A. Risk Factors.

There have been no material changes to the Risk Factors described in Part I, Item 1A. Risk Factors in the Company s Annual Report on Form 10-K for the fiscal year ended January 31, 2009 as filed with the SEC.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The following table provides information regarding the Company s purchases of common stock during the third quarter of 2009:

	Total Number of Shares Purchased (thousands)	Average Price per Share ($)	Total Number of Shares Purchased Under Program (1) (thousands)	Open Authorization Remaining (1) ($) (millions)
August 2, 2009 - August 29, 2009				852
August 30, 2009 - October 3, 2009				852
October 4, 2009 - October 31, 2009				852
Total				

(1) The Company s board of directors initially approved a $500 million authorization to purchase common stock on January 27, 2000 and approved additional $500 million authorizations on each of August 25, 2000, May 18, 2001 and April 16, 2003, additional $750 million authorizations on each of February 27, 2004 and July 20, 2004, an additional authorization of $2,000 million on August 25, 2006 and an additional authorization of $4,000 million on February 26, 2007. All authorizations are cumulative and do not have an expiration date.

MACY S, INC.

Item 5. Other Information
Forward-Looking Statements

This report and other reports, statements and information previously or subsequently filed by the Company with the SEC contain or may contain forward-looking statements. Such statements are based upon the beliefs and assumptions of, and on information available to, the management of the Company at the time such statements are made. The following are or may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995: (i) statements preceded by, followed by or that include the words may, will, could, should, believe, expect, future, potential, anticipate, intend, plan, think, estimate or continue or the negative or other variations thereo (ii) statements regarding matters that are not historical facts. Such forward-looking statements are subject to various risks and uncertainties, including:

risks and uncertainties relating to the possible invalidity of the underlying beliefs and assumptions;

competitive pressures from department and specialty stores, general merchandise stores, manufacturers outlets, off-price and discount stores, and all other retail channels, including the Internet, mail-order catalogs and television;

general consumer-spending levels, including the impact of general economic conditions, consumer disposable income levels, consumer confidence levels, the availability, cost and level of consumer debt, the costs of basic necessities and other goods and the effects of the weather or natural disasters;

conditions to, or changes in the timing of, proposed transactions and changes in expected synergies, cost savings and non-recurring charges;

possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions;

actions taken or omitted to be taken by third parties, including customers, suppliers, business partners, competitors and legislative, regulatory, judicial and other governmental authorities and officials;

adverse changes in relationships with vendors and other product and service providers;

risks related to currency and exchange rates and other capital market, economic and geopolitical conditions;

risks associated with severe weather and changes in weather patterns;

risks associated with an outbreak of an epidemic or pandemic disease;

the potential impact of national and international security concerns on the retail environment, including any possible military action, terrorist attacks or other hostilities;

(continued)

- risks associated with the possible inability of the Company s manufacturers to deliver products in a timely manner or meet quality standards;

- risks associated with the Company s reliance on foreign sources of production, including risks related to the disruption of imports by labor disputes;

- risks related to duties, taxes, and other charges and quotas on imports; and

- system failures and/or security breaches, including any security breach that results in the theft, transfer or unauthorized disclosure of customer, employee or company information, or the failure to comply with various laws applicable to the Company in the event of such a breach.

In addition to any risks and uncertainties specifically identified in the text surrounding such forward-looking statements, the statements in the immediately preceding sentence and the statements under captions such as Risk Factors and Special Considerations in reports, statements and information filed by the Company with the SEC from time to time constitute cautionary statements identifying important factors that could cause actual amounts, results, events and circumstances to differ materially from those reflected in such forward-looking statements.

MACY S, INC.

Item 6. Exhibits

10.1	Executive Severance Plan. *
10.2	Change in Control Plan. *
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a).
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a).
32.1	Certification of Chief Executive Officer under Section 906 of the Sarbanes-Oxley Act.
32.2	Certification of Chief Financial Officer under Section 906 of the Sarbanes-Oxley Act.
101**	The following financial statements from Macy s, Inc. s Quarterly Report on Form 10-Q for the quarter ended October 31, 2009, filed on December 7, 2009, formatted in XBRL: (i) Consolidated Statements of Operations, (ii) Consolidated Balance Sheets, (iii) Consolidated Statements of Cash Flows, and (iv) the Notes to Consolidated Financial Statements, tagged as blocks of text.

* Constitutes a compensatory plan or arrangement.

** As provided in Rule 406T of Regulation S-T, this information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.

MACY S, INC.

SIGNATURES

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

MACY S, INC.

Dated: December 7, 2009	By:	/s/ Dennis J. Broderick
	Name:	Dennis J. Broderick
	Title:	Executive Vice President, General Counsel and Secretary
	By:	/s/ Joel A. Belsky
	Name:	Joel A. Belsky
	Title:	Executive Vice President and Controller (Principal Accounting Officer)