Macy's, Inc.
Form 10-K
March 31, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d)

of the Securities Exchange Act of 1934

For the Fiscal Year Ended January 30, 2010	Commission File Number: 1-13536

Macy s, Inc.

7 West Seventh Street

Cincinnati, Ohio 45202

(513) 579-7000

and

151 West 34th Street

New York, New York 10001

(212) 494-1602

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

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $.01 per share	New York Stock Exchange
7.45% Senior Debentures due 2017	New York Stock Exchange
6.79% Senior Debentures due 2027	New York Stock Exchange
7% Senior Debentures due 2028	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ¨ No x

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 Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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

Large accelerated filer 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

The aggregate market value of the registrant s common stock held by non-affiliates of the registrant as of the last business day of the registrant s most recently completed second fiscal quarter (August 1, 2009) was approximately $5,849,150,000.

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 February 26, 2010
Common Stock, $0.01 par value per share	421,530,806 shares

DOCUMENTS INCORPORATED BY REFERENCE

Document	Parts Into Which Incorporated
Proxy Statement for the Annual Meeting of Stockholders to be held May 14, 2010 (Proxy Statement)	Part III

Explanatory Note

On August 30, 2005, the Company completed the acquisition of The May Department Stores Company (May) by means of a merger of May with and into a wholly-owned subsidiary of the Company (the Merger). As a result of the Merger, May s separate corporate existence terminated. Upon the completion of the Merger, the subsidiary was merged with and into the Company and its separate corporate existence terminated. On June 1, 2007, the Company changed its name from Federated Department Stores, Inc. to Macy s, Inc. (Macy s).

Unless the context requires otherwise (i) references herein to the Company are, for all periods prior to August 30, 2005 (the Merger Date), references to Macy s and its subsidiaries and their respective predecessors, and for all periods following the Merger Date, references to Macy s and its subsidiaries, including the acquired May entities, and (ii) references to 2009, 2008, 2007, 2006 and 2005 are references to the Company s fiscal years ended January 30, 2010, January 31, 2009, February 2, 2008, February 3, 2007 and January 28, 2006, respectively.

Forward-Looking Statements

This report and other reports, statements and information previously or subsequently filed by the Company with the Securities and Exchange Commission (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 thereof, and (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, interest and exchange rates and other capital market, economic and geo-political conditions;

risks associated with severe weather, natural disasters 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;

risks associated with the possible inability of the Company s manufacturers to deliver products in a timely manner or meet the Company s 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, regional health pandemics, and regional political and economic conditions;

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

risks associated with possible systems 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 expressed in or implied by such forward-looking statements.

Item 1. Business.

General. The Company is a corporation organized under the laws of the State of Delaware in 1985. The Company and its predecessors have been operating department stores since 1830. On June 1, 2007, the Company changed its corporate name from Federated Department Stores, Inc. to Macy s, Inc. and the Company s shares began trading under the ticker symbol M on the New York Stock Exchange (NYSE).

On June 1, 2005, the Company and certain of its subsidiaries entered into a Purchase, Sale and Servicing Transfer Agreement (the Purchase Agreement) with Citibank, N.A. (together with its subsidiaries, as applicable, Citibank). The Purchase Agreement provided for, among other things, the purchase by Citibank of substantially all of (i) the credit card accounts and related receivables owned by FDS Bank, (ii) the Macy s credit card accounts and related receivables owned by GE Money Bank, immediately upon the purchase by the Company of such accounts from GE Money Bank, and (iii) the proprietary credit card accounts and related receivables owned by May (collectively, the Credit Assets). In connection with the sale of these assets, the Company and Citibank entered into a long-term marketing and servicing alliance pursuant to the terms of a Credit Card Program Agreement (the Program Agreement) with an initial term of ten years expiring on July 17, 2016 and, unless terminated by either party as of the expiration of the initial term, an additional renewal term of three years. The Program Agreement provides for, among other things, (i) the ownership by Citibank of the accounts purchased by Citibank pursuant to the Purchase Agreement, (ii) the ownership by Citibank of new accounts opened by the Company s customers, (iii) the provision of credit by Citibank to the holders of the credit cards associated with the foregoing accounts, (iv) the servicing of the foregoing accounts, and (v) the allocation between Citibank and the Company of the economic benefits and burdens associated with the foregoing and other aspects of the alliance.

On August 30, 2005, upon the completion of the Merger, the Company acquired May s approximately 500 department stores and approximately 800 bridal and formalwear stores. Most of the acquired May department stores were converted to the Macy s nameplate in September 2006, resulting in a national retailer with stores in almost all major markets. The operations of the acquired Lord & Taylor division and the bridal group (consisting of David s Bridal, After Hours Formalwear and Priscilla of Boston) have been divested and are presented as discontinued operations. As of January 30, 2010, the operations of the Company included 850 stores in 45 states, the District of Columbia, Guam and Puerto Rico under the names Macy s and Bloomingdale s as well as macys.com and bloomingdales.com.

During 2007, the Company conducted its operations through seven Macy s divisions, together with its Bloomingdale s division, macys.com division and bloomingdales.com division (which also operated Bloomingdale s By Mail during 2007). In 2008, the Company announced a new localization initiative, called My Macy s, which is intended to strengthen local market focus and enhance selling service. In combination with the My Macy s initiative, the Company consolidated its Minneapolis-based Macy s North organization into New York-based Macy s East, its St. Louis-based Macy s Midwest organization into Atlanta-based Macy s South and its Seattle-based Macy s Northwest organization into San Francisco-based Macy s West. The Atlanta-based division was renamed Macy s Central. During 2009, the Company reorganized its Macy s branded stores into a unified operating structure, through additional division consolidations eliminating central office organizations in New York-based Macy s East, San Francisco-based Macy s West, Atlanta-based Macy s Central and Miami-based Macy s Florida. In conjunction with these division consolidations, the Company restructured the field organizations in these geographical areas to better localize product offerings and improve service levels.

Under the new structure, central buying, merchandising planning, stores senior management and marketing functions for both Macy s and Bloomingdale s branded operations are located primarily in New York. Corporate-related business functions, such as finance, human resources, law, property development and supply purchasing are located primarily in Cincinnati. Macy s stores nationwide are grouped into 69 geographic districts that average ten to twelve stores each. The 69 Macy s districts are grouped into eight regions.

The Company s retail stores and Internet websites 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 specific assortments vary by size of store, merchandising character and character of customers in the trade areas. Most stores are located at urban or suburban sites, principally in densely populated areas across the United States.

For 2009, 2008 and 2007, the following merchandise constituted the following percentages of sales:

	2009	2008	2007
Feminine Accessories, Intimate Apparel, Shoes and Cosmetics	36%	36%	36%
Feminine Apparel	26	27	27
Men s and Children s	22	22	22
Home/Miscellaneous	16	15	15
	100%	100%	100%

In 2009, the Company s subsidiaries provided various support functions to the Company s retail operations on an integrated, company-wide basis.

The Company s bank subsidiary, FDS Bank, and its financial, administrative and credit services subsidiary, Macy s Credit and Customer Service, Inc. (MCCS), provide credit processing, certain collections, customer service and credit marketing services in respect of all proprietary and non-proprietary credit card accounts that are owned either by Department Stores National Bank (DSNB), a subsidiary of Citibank, N.A., or FDS Bank and that constitute a part of the credit programs of the Company s retail operations. In addition, MCCS provides payroll and benefits services to all of the Company s operations.

Macy s Systems and Technology, Inc. (MST), a wholly-owned indirect subsidiary of the Company, provides operational electronic data processing and management information services to all of the Company s operations.

Macy s Merchandising Group, Inc. (MMG), a wholly-owned direct subsidiary of the Company, is responsible for the design, development and marketing of Macy s private label brands. Bloomingdale s uses MMG for only a small portion of its private label merchandise. The Company believes that its private label merchandise further differentiates its merchandise assortments from those of its competitors and delivers exceptional value to its customers. The principal private label brands currently offered by Macy s include Alfani, American Rag, Charter Club, Club Room, Epic Threads, first impressions, Giani Bernini, greendog, Holiday Lane, Hotel Collection, I-N-C, jenni by jennifer moore, John Ashford, JM Collection, Karen Scott, Martha Stewart Collection, Morgan Taylor, Style & Co., Tasso Elba, the cellar, Tools of the Trade, and Via Europa. The trademarks associated with all of the foregoing brands, other than the American Rag and Martha Stewart Collection brands, are owned by Macy s. The American Rag and Martha Stewart Collection brands are owned by third parties, which license the trademarks associated with such brands to Macy s pursuant to agreements which are presently scheduled to expire in 2050 and 2027, respectively.

Macy s Logistics and Operations (Macy s Logistics), a division of a wholly-owned indirect subsidiary of the Company, provides warehousing and merchandise distribution services for the Company s operations.

MMG also offers their services, either directly or indirectly, to unrelated third parties.

The Company s executive offices are located at 7 West Seventh Street, Cincinnati, Ohio 45202, telephone number: (513) 579-7000 and 151 West 34th Street, New York, New York 10001, telephone number: (212) 494-1602.

Employees. As of January 30, 2010, the Company had approximately 161,000 regular full-time and part-time employees. Because of the seasonal nature of the retail business, the number of employees peaks in the holiday season. Approximately 10% of the Company s employees as of January 30, 2010 were represented by unions. Management considers its relations with its employees to be satisfactory.

Seasonality. The retail business is seasonal in nature with a high proportion of sales and operating income generated in the months of November and December. Working capital requirements fluctuate during the year, increasing in mid-summer in anticipation of the fall merchandising season and increasing substantially prior to the holiday season when the Company must carry significantly higher inventory levels.

Purchasing. The Company purchases merchandise from many suppliers, no one of which accounted for more than 5% of the Company s net purchases during 2009. The Company has no material long-term purchase commitments with any of its suppliers, and believes that it is not dependent on any one supplier. The Company considers its relations with its suppliers to be satisfactory.

Competition. The retailing industry is intensely competitive. The Company s stores and direct-to-customer business operations compete with many retailing formats in the geographic areas in which they operate, including department stores, specialty stores, general merchandise stores, off-price and discount stores, new and established forms of home shopping (including the Internet, mail order catalogs and television) and manufacturers outlets, among others. The retailers with which the Company competes include Bed Bath & Beyond, Belk, Bon Ton, Burlington Coat Factory, Dillard s, Gap, J.C. Penney, Kohl s, Limited, Lord & Taylor, Neiman Marcus, Nordstrom, Saks, Sears, Target, TJ Maxx and Wal-Mart. The Company seeks to attract customers by offering superior selections, obvious value, and distinctive marketing in stores that are located in premier locations, and by providing an exciting shopping environment and superior service through a multi-channel experience. Other retailers may compete for customers on some or all of these bases, or on other bases, and may be perceived by some potential customers as being better aligned with their particular preferences.

Available Information. The Company makes its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act available free of charge through its internet website at *http://www.macysinc.com* as soon as reasonably practicable after it electronically files such material with, or furnishes it to, the SEC. The public also may read and copy any of these filings at the SEC s Public Reference Room, 100 F Street, NE, Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-732-0330. The SEC also maintains an Internet site that contains the

Company s filings; the address of that site is *http://www.sec.gov*. In addition, the Company has made the following available free of charge through its website at *http://www.macysinc.com*:

Audit Committee Charter,

Compensation and Management Development Committee Charter,

Finance Committee Charter,

Nominating and Corporate Governance Committee Charter,

Corporate Governance Principles,

Non-Employee Director Code of Business Conduct and Ethics, and

Code of Conduct.

Any of these items are also available in print to any shareholder who requests them. Requests should be sent to the Corporate Secretary of Macy s, Inc. at 7 West 7th Street, Cincinnati, OH 45202.

Executive Officers of the Registrant.

The following table sets forth certain information as of March 19, 2010 regarding the executive officers of the Company:

Name	**Age**	**Position with the Company**
Terry J. Lundgren	57	Chairman of the Board; President and Chief Executive Officer; Director
Thomas G. Cody	68	Vice Chair
Janet E. Grove	59	Vice Chair
Susan D. Kronick	58	Vice Chair
Timothy M. Adams	55	Chief Private Brand Officer
Thomas L. Cole	61	Chief Administrative Officer
Jeffrey Gennette	48	Chief Merchandising Officer
Julie Greiner	56	Chief Merchandise Planning Officer
Karen M. Hoguet	53	Chief Financial Officer
Ronald Klein	60	Chief Stores Officer
Peter Sachse	52	Chief Marketing Officer
Mark S. Cosby	51	President Stores
Dennis J. Broderick	61	Executive Vice President, General Counsel and Secretary
Joel A. Belsky	56	Executive Vice President and Controller

Terry J. Lundgren has been Chairman of the Board since January 2004 and President and Chief Executive Officer of the Company since February 2003; prior thereto he served as the President/Chief Operating Officer and Chief Merchandising Officer of the Company from April 2002 to February 2003. Mr. Lundgren served as the President and Chief Merchandising Officer of the Company from May 1997 to April 2002.

Thomas G. Cody has been Vice Chair of the Company since February 2009 responsible for corporate governance and board of directors issues and non-marketing-based philanthropy; prior thereto he served as Vice Chair, Legal, Human Resources, Internal Audit and External Affairs of the Company from February 2003 to February 2009. Mr. Cody served as the Executive Vice President, Legal and Human Resources, of the

Company from May 1988 to February 2003. Mr. Cody retired from the Company on March 31, 2010.

Janet E. Grove has been Vice Chair of the Company since February 2009 responsible for facilitating the transition of merchandising, planning and private brand development functions under the new Macy s organization structure and International Retail Store Development initiatives; prior thereto she served as Vice Chair, Merchandising, Private Brand and Product Development of the Company from February 2003 to February 2009. Ms. Grove also has served as Chairman of MMG since 1998 and Chief Executive Officer of MMG since 1999.

Susan D. Kronick has been Vice Chair of the Company since February 2009 overseeing Bloomingdale s, co-leading the My Macy s integration and expansion, and facilitating the transition of stores, merchandising and planning functions under the new Macy s organization structure; prior thereto she served as Vice Chair, Department Store Divisions of the Company since February 2003. Ms. Kronick served as Group President, Regional Department Stores of the Company from April 2001 to February 2003; and prior thereto as Chairman and Chief Executive Officer of Macy s Florida from June 1997 to February 2003. Ms. Kronick retired from the Company on March 31, 2010.

Timothy M. Adams has been the Chief Private Brand Officer of the Company since February 2009; prior thereto he served as Chairman and CEO of Macy s Home Store from July 2005 to February 2009 and as Chairman of Macy s Florida from April 2001 to July 2005.

Thomas L. Cole has been Chief Administrative Officer of the Company since February 2009; prior thereto he served as Vice Chair, Support Operations of the Company from February 2003 to February 2009. Until February 2009, he also was responsible for the operations of Macy s Logistics since 1995, of MST since 2001, and of MCCS since 2002.

Jeffrey Gennette has been Chief Merchandising Officer of the Company since February 2009; prior thereto he served as Chairman and CEO of Macy s West from February 2008 to February 2009, as Chairman of Macy s Northwest from December 2005 to February 2008 and as Executive Vice President and Director of Stores of Macy s Central from March 2004 to December 2005. Mr. Gennette served as Senior Vice President/General Merchandise Manager of Macy s West from May 2001 to March 2004.

Julie Greiner has been Chief Merchandise Planning Officer of the Company since February 2009; prior thereto she served as Chairman and CEO of Macy s Florida from July 2005 to February 2009 and as Senior Executive Vice President and Director of Stores of Bloomingdale s from April 1998 to July 2005.

Karen M. Hoguet has been Chief Financial Officer of the Company since February 2009; prior thereto she served as Executive Vice President and Chief Financial Officer of the Company from June 2005 to February 2009. Mrs. Hoguet served as Senior Vice President and Chief Financial Officer of the Company from October 1997 to June 2005.

Ronald Klein has been Chief Stores Officer of the Company since February 2009; prior thereto he served as Chairman and CEO of Macy s East from February 2004 to February 2009.

Peter Sachse has been Chief Marketing Officer of the Company since February 2009 and Chairman of macys.com since April 2006; prior thereto he served as President of Macy s Corporate Marketing from May 2007 to February 2009 and as Chief Marketing Officer of the Company from June 2003 to May 2007.

Mark S. Cosby has been President Stores of the Company since February 2009; prior thereto he served as President and Chief Operating Officer of Macy s East from May 2007 to February 2009 and as Senior Vice President Property Development of the Company from July 2006 to May 2007.

Dennis J. Broderick has been Secretary of the Company since July 1993 and Executive Vice President and General Counsel of the Company since May 2009; prior thereto he served as Senior Vice President and General Counsel of the Company from January 1990 to April 2009.

Joel A. Belsky has been Executive Vice President and Controller of the Company since May 2009; prior thereto he served as Vice President and Controller of the Company from October 1996 through April 2009.

Item 1A. Risk Factors.

In evaluating the Company, the risks described below and the matters described in Forward-Looking Statements should be considered carefully. Such risks and matters could significantly and adversely affect the Company s business, prospects, financial condition, results of operations and cash flows.

The Company faces significant competition in the retail industry.

The Company conducts its retail merchandising business under highly competitive conditions. Although the Company is one of the nation s largest retailers, it has numerous and varied competitors at the national and local levels, including conventional and specialty department stores, other specialty stores, category killers, mass merchants, value retailers, discounters, and Internet and mail-order retailers. Competition may intensify as the Company s competitors enter into business combinations or alliances. Competition is characterized by many factors, including assortment, advertising, price, quality, service, location, reputation and credit availability. If the Company does not compete effectively with regard to these factors, its results of operations could be materially and adversely affected.

The Company s sales and operating results depend on consumer preferences and consumer spending.

The fashion and retail industries are subject to sudden shifts in consumer trends and consumer spending. The Company s sales and operating results depend in part on its ability to predict or respond to changes in fashion trends and consumer preferences in a timely manner. The Company develops new retail concepts and continuously adjusts its industry position in certain major and private-label brands and product categories in an effort to satisfy customers. Any sustained failure to anticipate, identify and respond to emerging trends in lifestyle and consumer preferences could have a material adverse affect on the Company s business. The Company s sales are impacted by discretionary spending by consumers. Consumer spending may be affected by many factors outside of the Company s control, including 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.

The Company s business is subject to unfavorable economic and political conditions and other developments and risks.

Unfavorable global, domestic or regional economic or political conditions and other developments and risks could negatively affect the Company s business. For example, unfavorable changes related to interest rates, rates of economic growth, fiscal and monetary policies of governments, inflation, deflation, consumer credit availability, consumer debt levels, tax rates and policy, unemployment trends, oil prices, and other matters that influence the availability and cost of merchandise, consumer confidence, spending and tourism could adversely impact the Company s business and results of operations. In addition, unstable political conditions or civil unrest, including terrorist activities and worldwide military and domestic disturbances and conflicts, may disrupt commerce and could have a material adverse effect on the Company s business and results of operations.

The Company s revenues and cash requirements are affected by the seasonal nature of its business.

The Company s business is seasonal, with a high proportion of revenues and operating cash flows generated during the second half of the fiscal year, which includes the fall and holiday selling seasons. A disproportionate amount of revenues fall in the fourth fiscal quarter, which coincides with the holiday season. In addition, the Company incurs significant additional expenses in the period leading up to the months of November and December in anticipation of higher sales volume in those periods, including for additional inventory, advertising and employees.

The Company s business could be affected by extreme weather conditions or natural disasters.

Extreme weather conditions in the areas in which the Company s stores are located could adversely affect the Company s business. For example, frequent or unusually heavy snowfall, ice storms, rainstorms or other extreme weather conditions over a prolonged period could make it difficult for the Company s customers to travel to its stores and thereby reduce the Company s sales and profitability. The Company s business is also susceptible to unseasonable weather conditions. For example, extended periods of unseasonably warm temperatures during the winter season or cool weather during the summer season could render a portion of the Company s inventory incompatible with those unseasonable conditions. Reduced sales from extreme or prolonged unseasonable weather conditions could adversely affect the Company s business.

In addition, natural disasters such as hurricanes, tornadoes and earthquakes, or a combination of these or other factors, could severely damage or destroy one or more of the Company s stores or warehouses located in the affected areas, thereby disrupting the Company s business operations.

The Company s pension costs could increase at a higher than anticipated rate.

Significant changes in interest rates, decreases in the fair value of plan assets and investment losses on plan assets could affect the funded status of the Company s plans and could increase future funding requirements of the pension plans. A significant increase in future funding requirements could have a negative impact on the Company s cash flows, financial condition or results of operations.

Increases in the cost of employee benefits could impact the Company s financial results and cash flow.

The Company s expenses relating to employee health benefits are significant. Unfavorable changes in the cost of such benefits could impact the Company s financial results and cash flow. Healthcare costs have risen significantly in recent years, and recent legislative and private sector initiatives regarding healthcare reform could result in significant changes to the U.S. healthcare system. The Company is not able at this time to determine the impact that healthcare reform could have on the Company-sponsored medical plans.

Inability to access capital markets could adversely affect the Company s business or financial condition.

Changes in the credit and capital markets, including market disruptions, limited liquidity and interest rate fluctuations, may increase the cost of financing or restrict the Company s access to this potential source of future liquidity. A decrease in the ratings that rating agencies assign to the Company s short and long-term debt may negatively impact the Company s access to the debt capital markets and increase the Company s cost of borrowing. In addition, the Company s bank credit agreements require the Company to maintain specified interest coverage and leverage ratios. The Company s ability to comply with the ratios may be affected by events beyond its control, including prevailing economic, financial and industry conditions. If the Company s results of operations or operating ratios deteriorate to a point where the Company is not in compliance with its debt covenants, and the Company is unable to obtain a waiver, much of the Company s debt would be in default and could become due and payable immediately. The Company s assets may not be sufficient to repay in full this indebtedness, resulting in a need for an alternate source of funding. The Company cannot assure you that it would be able to obtain such an alternate source of funding on satisfactory terms, if at all, and its inability to do so could cause the holders of its securities to experience a partial or total loss of their investments in the Company.

The Company periodically reviews the carrying value of its goodwill for possible impairment; if future circumstances indicate that goodwill is impaired, the Company could be required to write down amounts of goodwill and record impairment charges.

In the fourth quarter of fiscal 2008, the Company reduced the carrying value of its goodwill from $9,125 million to $3,743 million and recorded a related non-cash impairment charge of $5,382 million. The Company continues to monitor relevant circumstances, including consumer spending levels, general economic conditions and the market prices for the Company s common stock, and the potential impact that such circumstances might have on the valuation of the Company s goodwill. It is possible that changes in such circumstances, or in the numerous variables associated with the judgments, assumptions and estimates made by the Company in assessing the appropriate valuation of its goodwill, could in the future require the Company to further reduce its goodwill and record related non-cash impairment charges. If the Company were required to further reduce its goodwill and record related non-cash impairment charges, the Company s financial position and results of operations would be adversely affected.

The Company depends on its ability to attract and retain quality employees.

The Company s business is dependent upon attracting and retaining a large number of quality employees. Many of these employees are in entry level or part-time positions with historically high rates of turnover. The Company s ability to meet its labor needs while controlling the costs associated with hiring and training new employees is subject to external factors such as unemployment levels, prevailing wage rates, minimum wage legislation and changing demographics. Changes that adversely impact the Company s ability to attract and retain quality employees could adversely affect the Company s business.

The Company depends upon its relationships with designers, vendors and other sources of merchandise.

The Company s relationships with established and emerging designers have been a significant contributor to the Company s past success. The Company s ability to find qualified vendors and access products in a timely and efficient manner is often challenging, particularly with respect to goods sourced outside the United States. Political or financial instability, trade restrictions, tariffs, currency exchange rates, transport capacity and costs and other factors relating to foreign trade, each of which affects the Company s ability to access suitable merchandise on acceptable terms, are beyond the Company s control and could adversely impact the Company s performance.

The Company depends upon the success of its advertising and marketing programs.

The Company s advertising and promotional costs, net of cooperative advertising allowances, amounted to $1,087 million for 2009. The Company s business depends on high customer traffic in its stores and effective marketing. The Company has many initiatives in this area, and often changes its advertising and marketing programs. There can be no assurance as to the Company s continued ability to effectively execute its advertising and marketing programs, and any failure to do so could have a material adverse effect on the Company s business and results of operations.

The benefits expected to be realized from the expansion of the Company s market localization initiatives and the changes to its operating structure are subject to various risks.

The Company s success in fully realizing the anticipated benefits from the expansion of its market localization initiatives and the changes to its operating structure will depend in large part on achieving anticipated cost savings, business opportunities and growth prospects. The Company s ability to benefit from expanded market localization initiatives and the changes to its operating structure is subject to both the risks affecting the Company s business generally and the inherent difficulties associated with implementing these initiatives. The failure of the Company to fully realize the benefits expected to result from these initiatives could have a material adverse effect on the Company s business and results of operations.

Parties with whom the Company does business may be subject to insolvency risks or may otherwise become unable or unwilling to perform their obligations to the Company.

The Company is a party to contracts, transactions and business relationships with various third parties, including vendors, suppliers, service providers, lenders and participants in joint ventures, strategic alliances and other joint commercial relationships, pursuant to which such third parties have performance, payment and other obligations to the Company. In some cases, the Company depends upon such third parties to provide essential leaseholds, products, services or other benefits, including with respect to store and distribution center locations, merchandise, advertising, software development and support, logistics, other agreements for goods and services in order to operate the Company s business in the ordinary course, extensions of credit, credit card accounts and related receivables, and other vital matters. Current economic, industry and market conditions could result in increased risks to the Company associated with the potential financial distress or insolvency of such third parties. If any of these third parties were to become subject to bankruptcy, receivership or similar proceedings, the rights and benefits of the Company in relation to its contracts, transactions and business relationships with such third parties could be terminated, modified in a manner adverse to the Company, or otherwise impaired. The Company cannot assure you that it would be able to arrange for alternate or replacement contracts, transactions or business relationships on terms as favorable as the Company s existing contracts, transactions or business relationships, if at all. Any inability on the part of the Company to do so could negatively affect the Company s cash flows, financial condition and results of operations.

A material disruption in the Company s computer systems could adversely affect the Company s business or results of operations.

The Company relies extensively on its computer systems to process transactions, summarize results and manage its business. The Company s computer systems are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, security breaches, catastrophic events such as fires, floods, earthquakes, tornadoes, hurricanes, acts of war or terrorism, and usage errors by the Company s employees. If the Company s computer systems are damaged or cease to function properly, the Company may have to make a significant investment to fix or replace them, and the Company may suffer loss of critical data and interruptions or delays in its operations in the interim. Any material interruption in the Company s computer systems could adversely affect its business or results of operations.

A privacy breach could result in negative publicity and adversely affect the Company s business.

The protection of customer, employee, and company data is critical to the Company. The regulatory environment surrounding information security and privacy is increasingly demanding, with the frequent imposition of new and constantly changing requirements across business units. In addition, customers have a high expectation that the Company will adequately protect their personal information. A significant breach of customer, employee, or company data could attract a substantial amount of media attention, damage the Company s customer relationships and reputation and result in lost sales, fines, or lawsuits.

A regional or global health pandemic could severely affect the Company s business.

A health pandemic is a disease that spreads rapidly and widely by infection and affects many individuals in an area or population at the same time. If a regional or global health pandemic were to occur, depending upon its location, duration and severity, the Company s business could be severely affected. Customers might avoid public places in the event of a health pandemic, and local, regional or national governments might limit or ban public gatherings to halt or delay the spread of disease. A regional or global health pandemic might also adversely impact the Company s business by disrupting or delaying production and delivery of materials and products in its supply chain and by causing staffing shortages in its stores.

The Company is subject to numerous regulations that could adversely affect its business.

The Company is subject to customs, child labor, truth-in-advertising and other laws, including consumer protection regulations and zoning and occupancy ordinances that regulate retailers generally and/or govern the importation, promotion and sale of merchandise and the operation of retail stores and warehouse facilities. Although the Company undertakes to monitor changes in these laws, if these laws change without the Company s knowledge, or are violated by importers, designers, manufacturers or distributors, the Company could experience delays in shipments and receipt of goods or be subject to fines or other penalties under the controlling regulations, any of which could adversely affect the Company s business.

Litigation or regulatory developments could adversely affect the Company s business or financial condition.

The Company is subject to various federal, state and local laws, rules, regulations and initiatives, including laws and regulations with respect to the credit card industry (including the Credit Card Act of 2009), which may change from time to time. In addition, the Company is regularly involved in various litigation matters that arise in the ordinary course of its business. Litigation or regulatory developments could adversely affect the Company s business and financial condition.

Factors beyond the Company s control could affect the Company s stock price.

The Company s stock price, like that of other retail companies, is subject to significant volatility because of many factors, including factors beyond the control of the Company. These factors may include:

- general economic and stock and credit market conditions;
- risks relating to the Company s business and its industry, including those discussed above;
- strategic actions by the Company or its competitors;
- variations in the Company s quarterly results of operations;
- future sales or purchases of the Company s common stock; and
- investor perceptions of the investment opportunity associated with the Company s common stock relative to other investment alternatives.

In addition, the Company may fail to meet the expectations of its stockholders or of analysts at some time in the future. If the analysts that regularly follow the Company s stock lower their rating or lower their projections for future growth and financial performance, the Company s stock price could decline. Also, sales of a substantial number of shares of the Company s common stock in the public market or the appearance that these shares are available for sale could adversely affect the market price of the Company s common stock.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

The properties of the Company consist primarily of stores and related facilities, including warehouses and distribution and fulfillment centers. The Company also owns or leases other properties, including corporate office space in Cincinnati and New York and other facilities at which centralized operational support functions are conducted. As of January 30, 2010, the operations of the Company included 850 retail stores in 45 states, the District of Columbia, Puerto Rico and Guam, comprising a total of approximately 154,500,000 square feet. Of such stores, 469 were owned, 264 were leased and 117 stores were operated under arrangements where the Company owned the building and leased the land. Substantially all owned properties are held free and clear of mortgages. Pursuant to various shopping center agreements, the Company is obligated to operate certain stores for periods of up to 20 years. Some of these agreements require that the stores be operated under a particular name. Most leases require the Company to pay real estate taxes, maintenance and other costs; some also require additional payments based on percentages of sales and some contain purchase options. Certain of the Company s real estate leases have terms that extend for a significant number of years and provide for rental rates that increase or decrease over time.

Additional information about the Company s stores and warehouses, distribution and fulfillment centers (DC s) as of January 30, 2010 is as follows:

Geographic Region	Total Stores	Owned Stores	Leased Stores	Stores Subject to a Ground Lease	Total DC s	Owned DC s
Mid-Atlantic	106	55	32	19	3	2
North	67	51	13	3	1	1
Northeast	118	62	47	9	2	2
Northwest	139	52	69	18	4	1
Southeast	119	80	17	22	4	3
Southwest	131	56	49	26	4	4
Midwest	105	61	28	16	2	2
South Central	65	52	9	4	1	1
	850	469	264	117	21	16

The eight geographic regions detailed in the foregoing table are based on the Company s Macy s branded operational structure.

The Company s retail stores are located at urban or suburban sites, principally in densely populated areas across the United States. Store count activity was as follows:

	2009	2008	2007
Store count at beginning of fiscal year	847	853	858
New stores opened and other expansions	9	11	13
Stores closed	(6)	(17)	(18)
Store count at end of fiscal year	850	847	853

Item 3. 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.

The Company and its subsidiaries are also involved in various proceedings that are incidental to the normal course of their businesses. As of the date of this report, the Company does not expect that any of such proceedings will have a material adverse effect on the Company s financial position or results of operations.

Item 4. Reserved.