Macy's, Inc.
Form DEF 14A
April 01, 2008

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SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant þ
Filed by a Party other than the Registrant o
Check the appropriate box:
o Preliminary Proxy Statement
o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
þ Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to §240.14a-12

Macy s Inc.
(Name of Registrant as Specified In Its Charter)
(Name of Person(s) Filing Proxy Statement if Other than the Registrant)

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1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined:

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4) Date Filed:

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MACY S, INC.
7 West Seventh Street Cincinnati, Ohio 45202
and
151 West 34th Street New York, New York 10001

April 1, 2008

To the Stockholders:

It is my privilege to invite you to attend Macy s 2007 annual meeting of stockholders. We are holding the annual meeting on Friday, May 16, 2008, at 11:00 a.m., Eastern Daylight Savings Time, at Macy s offices located at 7 West Seventh Street, Cincinnati, Ohio 45202. We are enclosing the official notice of meeting, proxy statement and form of proxy with this letter. The matters listed in the notice of meeting are described in the attached proxy statement.

Your vote is important. Accordingly, we encourage you to read the proxy statement and cast your vote promptly by following the instructions on the enclosed proxy card.

Thank you for your cooperation and support of Macy s.

Sincerely,

Terry J. Lundgren
Chairman of the Board, President
and Chief Executive Officer

WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING,
PLEASE CAST YOUR VOTE PROMPTLY
BY FOLLOWING THE INSTRUCTIONS ON THE ENCLOSED PROXY CARD.

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MACY S, INC.
7 West Seventh Street, Cincinnati, Ohio 45202
and
151 West 34th Street, New York, New York 10001

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
and
Important Notice Regarding the Availability of Proxy Materials
For the Shareholder Meeting to be Held on May 16, 2008

To the Stockholders:

Macy s hereby gives notice that the annual meeting of its stockholders will be held at 11:00 a.m., Eastern Daylight Savings Time, on Friday, May 16, 2008, at Macy s offices located at 7 West Seventh Street, Cincinnati, Ohio 45202. The items on the agenda for the annual meeting are:

1. To elect eleven members of Macy s board of directors;

2. To ratify the appointment of KPMG LLP as Macy s independent registered public accounting firm for the fiscal year ending January 31, 2009; and

3. To act upon such other business as may properly come before the annual meeting or any postponements or adjournments thereof.

We recommend that you vote For the election of each director nominee and For item 2. Each of these matters is more fully described in the attached proxy statement. The proxy statement and our annual report on Form 10-K are also available for your review at: www.proxyvote.com and www.macysinc.com/shareholders.

The Board of Directors has fixed March 21, 2008 as the record date for the determination of stockholders entitled to vote at the annual meeting or any postponements or adjournments of the annual meeting.

Dennis J. Broderick
Secretary

April 1, 2008

YOU MAY VOTE IN PERSON AT THE ANNUAL MEETING OR BY PROXY. MACY S RECOMMENDS THAT YOU VOTE BY PROXY EVEN IF YOU PLAN TO ATTEND THE ANNUAL MEETING. PLEASE VOTE BY FOLLOWING THE INSTRUCTIONS ON THE ENCLOSED PROXY CARD. YOU MAY VOTE BY MAIL, BY TELEPHONE OR OVER THE INTERNET. IF YOU CHOOSE TO VOTE BY MAIL, PLEASE COMPLETE THE PROXY CARD AND RETURN IT PROMPTLY IN THE ENCLOSED POSTAGE-PAID ENVELOPE. IF YOUR SHARES ARE HELD IN STREET NAME BY A BROKER, BANK OR OTHER NOMINEE, AND YOU DECIDE TO ATTEND AND VOTE YOUR SHARES AT THE ANNUAL MEETING, YOU MUST FIRST OBTAIN A SIGNED AND PROPERLY EXECUTED PROXY FROM YOUR BANK, BROKER OR OTHER NOMINEE TO VOTE YOUR SHARES HELD IN STREET NAME AT THE

ANNUAL MEETING.

MACY S, INC.
7 West Seventh Street, Cincinnati, Ohio 45202
and
151 West 34th Street, New York, New York 10001

PROXY STATEMENT

Macy s board of directors (the Board) is furnishing this proxy statement in connection with its solicitation of proxies for use at the annual meeting of Macy s stockholders. The annual meeting will be held at 11:00 a.m., Eastern Daylight Savings Time, on Friday, May 16, 2008, at Macy s offices located at 7 West Seventh Street, Cincinnati, Ohio 45202. The proxies received will be used at the annual meeting and at any postponement or adjournment of the annual meeting for the purposes set forth in the accompanying notice of meeting. We will begin mailing the proxy statement, the notice of meeting and accompanying proxy on April 17, 2008.

Except where the context requires otherwise, the term Macy s includes Macy s, Inc. and its subsidiaries. Share and per share amounts in this proxy statement are adjusted to reflect a two-for-one stock split effected as a stock dividend on June 9, 2006.

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GENERAL

The record date for the annual meeting is March 21, 2008. If you are a holder of record of shares of Macy s common stock at the close of business on the record date you are entitled to vote those shares at the annual meeting. You are entitled to one vote for each share of common stock you own on each of the matters listed in the notice of meeting. As of the record date, 421,356,181 shares of common stock were outstanding. This number excludes shares held in the treasury of Macy s.

The Board has adopted a policy under which all voting materials that identify the votes of specific stockholders will be kept confidential and will not be disclosed to Macy s officers, directors or employees or to third parties except as described below. Voting materials may be disclosed in any of the following circumstances:

- if required by applicable law;
- to persons engaged in the receipt, counting, tabulation or solicitation of proxies who have agreed to maintain stockholder confidentiality as provided in the policy;
- in those instances in which stockholders write comments on their proxy cards or otherwise consent to the disclosure of their vote to Macy s management;
- in the event of a proxy contest or a solicitation of proxies in opposition to the voting recommendations of the Board;
- in respect of a stockholder proposal that Macy s Nominating and Corporate Governance Committee of the Board, referred to as the NCG Committee, after having allowed the proponent of the proposal an opportunity to present its views, determines is not in the best interests of Macy s and its stockholders; and
- in the event that representatives of Macy s determine in good faith that a bona fide dispute exists as to the authenticity or tabulation of voting materials.

The policy described above will apply to the annual meeting.

A quorum of stockholders is necessary to hold a valid annual meeting. The holders of a majority of the stock issued and outstanding and entitled to vote at the annual meeting, present in person or represented by proxy, will constitute a quorum at the annual meeting for the transaction of business at the meeting. Macy s will treat all shares of Macy s common stock represented at the meeting, including abstentions and broker non-votes, as shares that are present and entitled to vote for purposes of determining the presence of a quorum. Macy s will treat abstentions and broker non-votes as shares not voted for purposes of determining whether the requisite vote on a matter has been obtained. In order to obtain approval of any matter, the affirmative vote of the holders of a majority (or, in the case of the election of any nominee as a director, a plurality) of the shares of common stock represented at the annual meeting and actually voted is required. Consequently, abstentions and broker non-votes will have no effect on the outcome of the vote on any such matter. If the persons present or represented by proxy at the annual meeting constitute the holders of less than a majority of the outstanding shares of common stock as of the record date, the annual meeting may be adjourned to a subsequent date for the purpose of obtaining a quorum. Broker non-votes are shares held by a broker, bank or other nominee that are represented at the meeting, but with respect to which the beneficial owner of such shares has not instructed the broker, bank or nominee on how to vote on a particular proposal, and with respect to which the broker, bank or nominee does not have discretionary voting power on such proposal.

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All shares of common stock represented at the annual meeting by proxies properly submitted prior to or at the annual meeting will be voted at the annual meeting in accordance with the instructions on the proxies, unless such proxies previously have been revoked. If no instructions are indicated, such shares will be voted:

FOR the director nominees identified below; and

FOR the ratification of the appointment of Macy s independent registered public accounting firm.

You may vote in person at the annual meeting or by proxy. Macy s recommends that you vote by proxy even if you plan to attend the annual meeting. You have three options for voting by proxy:

Internet: You can vote over the Internet at the Web address shown on your proxy card. Internet voting is available 24 hours a day, seven days a week. When you vote over the Internet, you should not return your proxy card.

Telephone: You can vote by telephone by calling the toll-free number on your proxy card. Telephone voting is available 24 hours a day, seven days a week. Easy-to-follow voice prompts allow you to vote your shares and confirm that your instructions have been properly recorded. When you vote by telephone, you should not return your proxy card.

Mail: You can vote by mail by simply signing, dating and mailing your proxy card in the postage-paid envelope included with this proxy statement.

A number of banks and brokerage firms participate in a program that also permits stockholders whose shares are held in street name to direct their vote over the Internet or by telephone. If your bank or brokerage firm gives you this opportunity, the voting instructions from the bank or brokerage firm that accompany this proxy statement will tell you how to use the Internet or telephone to direct the vote of shares held in your account. The Internet and telephone proxy procedures are designed to authenticate your identity, to allow you to give your proxy voting instructions and to confirm that those instructions have been properly recorded. Votes directed over the Internet or by telephone through such a program must be received by 5:00 p.m., Eastern Daylight Savings Time, on Thursday, May 15, 2008. Requesting a proxy prior to the deadline described above will automatically cancel any voting directions you have previously given over the Internet or by telephone with respect to your shares. Directing the voting of your shares will not affect your right to vote in person if you decide to attend the annual meeting; however, you must first obtain a signed and properly executed proxy from your bank, broker or other nominee to vote your shares held in street name at the annual meeting.

If you participate in Macy s Profit Sharing 401(k) Investment Plan or The May Department Stores Company s (May) Profit Sharing Plan, you will receive a voting instruction card for the Macy s common stock allocated to your account in the applicable plan. You may instruct the plan trustee on how to vote your proportional interest in any Macy s shares held by the plan by signing, dating and mailing the enclosed voting instruction card, or by submitting your voting instructions by telephone or over the Internet. The applicable plan trustee will vote your proportional interest in accordance with your instructions and the terms of the plan. If you fail to vote, the trustee for the applicable plan, subject to its fiduciary obligations under ERISA, will vote your proportional interest in the same proportion as it votes the proportional interests for which it receives instructions from other plan participants. Under the terms of the two plans, the trustees must receive voting instructions from plan participants by 5:00 p.m., Eastern Daylight Savings Time, on Wednesday, May 14, 2008.

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You may revoke your proxy at any time by:

submitting evidence of your revocation to the Corporate Secretary of Macy s;

voting again over the Internet or by telephone;

signing another proxy card bearing a later date and mailing it so that it is received prior to the annual meeting; or

voting in person at the annual meeting, although attendance at the annual meeting will not, in itself, revoke a proxy.

STOCK OWNERSHIP

Certain Beneficial Owners. The following table sets forth information as to the beneficial ownership of each person known to Macy s to own more than 5% of Macy s outstanding common stock as of December 31, 2007.

Name and Address	Most Recent Schedule 13G	Number of Shares	Percent of Class
AXA Financial, Inc. (AXA Financial) 1290 Avenue of the Americas New York, NY 10104(1)	February 14, 2008	63,506,255	14.7%
Massachusetts Financial Services Company (MFS) 500 Boylston Street Boston, MA 02116(2)	February 12, 2008	23,074,534	5.3%

(1) Based on a Schedule 13G filed with the SEC on February 14, 2008 by AXA Financial; AXA, which owns AXA Financial; and AXA Assurances I.A.R.D. Mutuelle (IARD), AXA Assurances Vie Mutuelle (Vie) and AXA Courtage Assurance Mutuelle (collectively with IARD and Vie, the Mutuelles AXA), as members of a group which controls AXA. The address of the Mutuelles AXA is 26, rue Drouot, 75009

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Paris, France. The address of AXA is 25, avenue Matignon, 75008 Paris, France. The Schedule 13G reports the ownership as follows:

	Deemed to have Sole Power to Vote or to Direct the Vote	**Deemed to have Shared Power to Vote or to Direct the Vote**	**Deemed to have Sole Power to Dispose or to Direct the Disposition**	**Deemed to have Shared Power to Dispose or to Direct the Disposition**
The Mutelles AXA, as a group	0	0	0	0
AXA	0	0	0	0
AXA Entity or Entities:				
AXA Investment Managers Paris	7,607	0	7,607	0
AXA Konzern AG (Germany)	900	0	900	0
AXA Rosenberg Investment Management LLC	9,100	0	16,100	0
AXA Financial	0	0	0	0
Subsidiaries of AXA Financial:				
Alliance Bernstein L.P.	46,971,554	7,690,109	63,471,425	107
AXA Equitable Life Insurance Company	9,900	0	10,116	0
	46,999,061	7,690,109	63,506,148	107

(2) According to the MFS Schedule 13G, MFS has the sole power to vote 20,355,944 shares and the sole power to dispose of 23,074,534 shares beneficially owned by MFS and/or certain other non-reporting entities.

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Stock Ownership of Directors and Executive Officers. The following table sets forth the shares of common stock beneficially owned (or deemed to be beneficially owned pursuant to the rules of the Securities and Exchange Commission, referred to as the SEC), as of March 21, 2008 by each Macy s director who is not an employee of Macy s, referred to as a Non-Employee Director, by each executive named on the 2007 Summary Compensation Table, referred to as a Named Executive, and by Macy s directors and executive officers as a group. The business address of each of the individuals named in the table is 7 West Seventh Street, Cincinnati, Ohio 45202.

Name	**Number of Shares (1)**	**(2)**	**Percent of Class**
Stephen F. Bollenbach	5,000	0	less than 1%
Deirdre P. Connelly	0	0	less than 1%
Meyer Feldberg	86,166	71,000	less than 1%
Sara Levinson	74,122	71,000	less than 1%
Joseph Neubauer	136,040	71,000	less than 1%
Joseph A. Pichler	78,800	71,000	less than 1%
Joyce M. Roché	9,492	7,500	less than 1%
Karl M. von der Heyden	90,844	71,000	less than 1%
Craig E. Weatherup	77,000	71,000	less than 1%
Marna C. Whittington	96,126	71,000	less than 1%
Terry J. Lundgren	2,922,411	2,716,652	less than 1%
Karen M. Hoguet	632,116	538,585	less than 1%
Thomas L. Cole	492,701	413,527	less than 1%
Janet E. Grove	537,712	479,945	less than 1%
Susan D. Kronick	674,114	589,329	less than 1%
All directors and executive officers as a group (18 persons)	5,967,336	5,383,394	1.6%

(1) Aggregate number of shares of common stock currently held or which may be acquired within 60 days after March 21, 2008 through the exercise of options granted under Macy s 1995 Executive Equity Incentive Plan, referred to as the 1995 Equity Plan. Includes shares pledged as security in brokerage firm customary margin accounts, as follows: Whittington, 17,314 shares.

(2) Number of shares of common stock which may be acquired within 60 days after March 21, 2008 through the exercise of options granted under the 1995 Equity Plan.

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Securities Authorized for Issuance Under Equity Compensation Plans. The following table presents certain aggregate information, as of February 2, 2008, with respect to the 1995 Equity Plan and Macy s 1994 Stock Incentive Plan, referred to as the 1994 Stock Plan (included on the line captioned Equity compensation plans approved by security holders).

Plan Category	**Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)**	**Weighted-average exercise price of outstanding options, warrants and rights ($) (b)**	**Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)**
Equity compensation plans approved by security holders	37,081,750	29.73	19,272,727
Equity compensation plans not approved by security holders	0	0	0
Total	37,081,750	29.73	19,272,727

The foregoing table does not reflect shares of restricted stock previously issued under the 1995 Equity Plan or the 1994 Stock Plan. As of February 2, 2008:

338,500 shares of restricted stock were outstanding and subject to possible forfeiture, and

3,756,000 shares of common stock were available for future issuance as restricted stock or restricted stock units under the 1995 Equity Plan and the 1994 Stock Plan.

The shares remaining available for future issuance as restricted stock or restricted stock units are included in the totals reflected in column (c). Under the 1995 Equity Plan and the 1994 Stock Plan, if these shares are not issued as restricted stock they may be made subject to grants of stock options.

The foregoing table does not reflect stock credits issued under Macy s Executive Deferred Compensation Plan, the Director Deferred Compensation Plan, and the Associated Dry Goods Corporation Executives Deferred Compensation Plan (assumed by Macy s in connection with its acquisition of May), which plans have not been approved by Macy s stockholders. Pursuant to the Executive Deferred Compensation Plan, eligible executives may elect to receive a portion of their cash compensation in the form of stock credits. For a discussion of stock credits issued to Non-Employee Directors under the Director Deferred Compensation Plan, see Further Information Concerning the Board of Directors Director Compensation. Pursuant to the Associated Dry Goods Corporation Executives Deferred Compensation Plan, participants elected to receive a portion of their cash compensation in the form of stock credits.

Under the plans described in the immediately preceding paragraph, entitlements due to participants are expressed as dollar amounts and then converted to stock credits in amounts equal to the number of shares of common stock that could be purchased by the applicable plan at current market prices with the cash that otherwise would have been payable to the participant. Under the Executive Deferred Compensation Plan and the Associated Dry Goods Corporation Executives Deferred Compensation Plan, each stock credit, other than a stock credit payable in cash, entitles the holder to receive one share of common stock upon the termination of the holder s employment or service with Macy s. Payments include dividend equivalents on the stock credits equal to any dividends paid to stockholders on shares of common stock. No specific numbers of shares are authorized for issuance under these plans.

ITEM 1. ELECTION OF DIRECTORS

Macy s current Certificate of Incorporation and By-Laws provide that, beginning with the annual meeting in 2008, all directors will be elected annually and will serve one-year terms.

In accordance with the recommendation of the NCG Committee, the Board has nominated Stephen F. Bollenbach, Deirdre P. Connelly, Meyer Feldberg, Sara Levinson, Terry J. Lundgren, Joseph Neubauer, Joseph A. Pichler, Joyce M. Roché, Karl M. von der Heyden, Craig E. Weatherup and Marna C. Whittington, each of whom is currently a member of the Board, for election as directors. If elected, such nominees will serve for a one-year term to expire at Macy s annual meeting of stockholders in 2009 or until their successors are duly elected and qualified. Information regarding these nominees is set forth below. Ages are as of March 21, 2008.

Each nominee has consented to being nominated and agreed to serve if elected. If any nominee becomes unavailable to serve as a director before the annual meeting, the Board may designate a substitute nominee and the persons named as proxies may, in their discretion, vote your shares for the substitute nominee designated by the Board. Alternatively, the Board may reduce the number of directors to be elected at the annual meeting.

The Board recommends that you vote FOR the election of the nominees named above, and your proxy will be so voted unless you specify otherwise.

Nominees for Election as Directors

Stephen F. Bollenbach

Mr. Bollenbach, age 65, has been the Non-Executive Chairman of the Board of Directors of KB Home, a homebuilding company, since April 2007. He served as co-Chairman and Chief Executive Officer of Hilton Hotels Corporation from May 2004 until his retirement in October 2007. From February 1996 to May 2004 he served as Chief Executive Officer and President of Hilton Hotels Corporation. He is also a member of the boards of directors of American International Group, Inc., KB Home and Time Warner Inc. Mr. Bollenbach has been a director since June 2007.

Deirdre P. Connelly

Ms. Connelly, age 47, has been President U.S. Operations of Eli Lilly and Company since June 2005. From October 2004 to June 2005, Ms. Connelly served as Senior Vice President Human Resources of Eli Lilly and Company. From May 2004 to October 2004, she served as Vice President Human Resources of Eli Lilly and Company. From 2003 to May 2004, Ms. Connelly served as Executive Director, Human Resources U.S. Operations of Eli Lilly and Company. From 2001 to 2003, she served as Leader, Women s Health Business U.S. Operations of Eli Lilly and Company. Ms. Connelly has been a director since January 2008.

Meyer Feldberg

Professor Feldberg, age 66, has been Dean Emeritus and Professor of Leadership and Ethics at Columbia Business School at Columbia University since June 2004. Prior to that time, he served as the Dean of the Columbia Business School at Columbia University from 1989 to June 2004. He is currently on leave of absence from Columbia University and is serving as a Senior Advisor at Morgan Stanley. In 2007 Mayor Michael Bloomberg appointed Professor Feldberg as the President of NYC Global Partners, an office in the Mayor s office that manages the relationships between New York City and other global cities around the

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world. Professor Feldberg is also a member of the boards of directors of Revlon, Inc., Primedia, Inc., UBS Global Asset Management and SAPPI Limited. Professor Feldberg has been a director since May 1992.

Sara Levinson

Ms. Levinson, age 57, was the Non-Executive Chairman of ClubMom, Inc. from October 2002 until February 2008 and was Chairman and Chief Executive Officer of ClubMom from May 2000 through September 2002. She was President of the Women s Group of Rodale, Inc. from October 2002 until June 2005. From September 1994 through April 2000, she was President of NFL Properties, Inc. Ms. Levinson is also a member of the boards of directors of CafeMom (CMI Marketing, Inc.), Harley Davidson, Inc. and KickApps Corporation. Ms. Levinson has been a director since May 1997.

Terry J. Lundgren

Mr. Lundgren, age 55, has been Chairman of Macy s since January 15, 2004 and President and Chief Executive Officer of Macy s since February 26, 2003. Prior to that time, he served as the President/Chief Operating Officer and Chief Merchandising Officer of Macy s since April 15, 2002. From May 1997 until April 15, 2002, he was President and Chief Merchandising Officer of Macy s. Mr. Lundgren has been a director since May 1997.

Joseph Neubauer

Mr. Neubauer, age 66, has been Chairman and Chief Executive Officer of ARAMARK Holdings Corporation since January 2007. From September 2004 to January 2007, Mr. Neubauer served as Chairman and Chief Executive Officer of ARAMARK Corporation. From January 2004 to September 2004 he served as Executive Chairman of ARAMARK Corporation. Prior to that, he was Chief Executive Officer of ARAMARK Corporation from 1983 until December 2003 and Chairman from 1984 until December 2003. He is also a member of the boards of directors of ARAMARK Corporation, Verizon Communications, Inc. and Wachovia Corporation. Mr. Neubauer has been a director since September 1992.

Joseph A. Pichler

Mr. Pichler, age 68, was Chairman of The Kroger Co. from June 2003 until June 2004 and was Chairman and Chief Executive Officer of The Kroger Co. from September 1990 until June 2003. Mr. Pichler has been a director since December 1997.

Joyce M. Roché

Ms. Roché, age 61, is the President and Chief Executive Officer of Girls Incorporated, a national non-profit research, education and advocacy organization. Prior to assuming her position at Girls Incorporated in September 2000, Ms. Roché was an independent marketing consultant from 1998 to August 2000. She served as President and Chief Operating Officer of Carson, Inc. from 1996 to 1998 and also held senior marketing positions with Carson, Inc., Revlon, Inc. and Avon, Inc. Ms. Roché is also a member of the boards of directors of Anheuser-Busch Companies, Inc., AT&T, Inc. and Tupperware Corporation. Ms. Roché has been a director since February 2006.

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Karl M. von der Heyden

Mr. von der Heyden, age 71, was Vice Chairman of the Board of Directors of PepsiCo, Inc. from September 1996 to January 2001. He is also a member of the boards of directors of Dreamworks Animation SKG, Inc. and NYSE Euronext. Mr. von der Heyden has been a director since February 1992.

Craig E. Weatherup

Mr. Weatherup, age 62, worked with PepsiCo, Inc. for 24 years and served as Chief Executive Officer of its world-wide Pepsi-Cola business and President of PepsiCo, Inc. Mr. Weatherup also led the initial public offering of The Pepsi Bottling Group, Inc., where he served as Chairman and Chief Executive Officer from March 1999 to January 2003. Mr. Weatherup is also a member of the board of directors of Starbucks Corporation. Mr. Weatherup has been a director since August 1996.

Marna C. Whittington

Dr. Whittington, age 60, has been President of Nicholas Applegate Capital Management since 2001 and Chief Operating Officer of Allianz Global Investors, the parent of Nicholas Applegate Capital Management, since 2002. Dr. Whittington is also a member of the board of directors of Rohm & Haas Company. Dr. Whittington has been a director since June 1993.

FURTHER INFORMATION CONCERNING THE BOARD OF DIRECTORS

Attendance at Meetings

The Board held 12 meetings during the fiscal year ended February 2, 2008, referred to as fiscal 2007. During fiscal 2007, no director attended fewer than 75%, in the aggregate, of the total number of meetings of the Board and Board Committees on which such director served.

Director Attendance at Annual Meetings

As a matter of policy, Macy s expects its directors to make reasonable efforts to attend Macy s annual meetings of stockholders. All directors who were directors as of the date of the annual meeting attended Macy s most recent annual meeting of stockholders.

Communications with the Board

You may communicate with the full Board, the Audit Committee, the Non-Employee Directors, or any individual director by communicating through Macy s Internet website at www.macysinc.com/ir/corpgov or by mailing such communications to 7 West Seventh Street, Cincinnati, Ohio 45202, Attn: General Counsel. Such communications should indicate to whom they are addressed. We will refer any communications we receive that relate to accounting, internal accounting controls or auditing matters to members of the Audit Committee unless the communication is otherwise addressed. You may communicate anonymously and/or confidentially if you desire. Macy s Office of the General Counsel will collect all communications and forward them to the appropriate director(s).

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Director Independence

Macy s Corporate Governance Principles require that a majority of the Board consist of directors who the Board has determined do not have any material relationship with Macy s and are independent. The Board has adopted standards for director independence to assist the Board in determining if a director is independent. These standards, disclosed on Macy s website at www.macysinc.com/ir/corpgov, are as follows:

The director may not be (and may not have been within the preceding 60 months) an employee and no member of the director s immediate family may be (and may not have been within the preceding 36 months) an executive officer of Macy s or any of its subsidiaries. For purposes of these Standards for Director Independence, immediate family includes a person s spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares such person s home.

The director is not a party to any contract pursuant to which such director provides personal services (other than as a director) to Macy s or any of its subsidiaries.

Neither the director nor any member of his or her immediate family receives, or has received within the preceding 36 months, direct compensation of more than $100,000 per year from Macy s or any of its subsidiaries (other than director and committee fees and pension or other forms of deferred compensation for prior service that is not contingent on continued service or, in the case of an immediate family member, compensation for service as a non-executive employee).

Neither the director nor any member of his or her immediate family is (and has not been within the preceding 60 months) affiliated with or employed in a professional capacity, including as an executive officer, partner or principal, by any corporation or other entity that is or was a paid adviser, consultant or provider of professional services to, or a substantial supplier of, Macy s or any of its subsidiaries.

The director is not an employee or executive officer and no member of his or her immediate family is an executive officer of (and have not been within the preceding 36 months) a company that makes payments to, or receives payments from, Macy s for property or services in an amount which, in any single fiscal year, exceeds the greater of $1 million or 2% of such other company s consolidated gross revenues.

The director is not employed by an organization that received, within the preceding 60 months, eleemosynary grants or endowments from Macy s or any of its subsidiaries in excess of $250,000 in any fiscal year of Macy s.

The director is not a parent, child, sibling, aunt, uncle, niece, nephew or first cousin of any other director of Macy s.

The director is not a party to any agreement binding him or her to vote, as a stockholder of Macy s, in accordance with the recommendations of the Board.

The director is not a director of any corporation or other entity (other than Macy s) of which Macy s Chairman or Chief Executive Officer is also a director.

Neither the director nor a member of the director s immediate family is employed (and has not been employed for the preceding 12 months) by another company whose compensation committee includes as a member any of Macy s present executive officers.

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The Board has determined that each of the following Non-Employee Directors qualifies as independent under New York Stock Exchange (NYSE) rules and satisfies Macy s standards for director independence: Stephen Bollenbach, Deirdre Connelly, Meyer Feldberg, Sara Levinson, Joseph Neubauer, Joseph Pichler, Joyce Roché, Karl von der Heyden, Craig Weatherup and Marna Whittington. To assist the Board in making that determination, the NCG Committee reviewed, among other things, each director s employment status and other board commitments and, where applicable, each director s (and his or her immediate family members) affiliation with consultants, service providers or suppliers of the company.

Non-Employee Directors Meetings

The Non-Employee Directors meet in executive session without management either before or after all regularly scheduled Board meetings. The chairpersons of the Board Committees preside at such sessions by rotation. Non-Employee Directors who are not independent under the NYSE listing standards may participate in these executive sessions, but the Board would then hold at least one executive session each year exclusively for Non-Employee Directors who are independent under the NYSE listing standards.

Committees of the Board

The following standing committees of the Board were in existence throughout fiscal 2007: the Audit Committee, the Compensation and Management Development Committee, referred to as the CMD Committee, the Finance Committee and the NCG Committee. The table below provides the current members of each Board committee and meeting information for fiscal 2007:

Name	**Audit**	**CMD**	**Finance**	**NCG**
Stephen F. Bollenbach	**X**		**X**	
Deirdre P. Connelly				**X**
Meyer Feldberg		**X****		**X**
Sara Levinson		**X**		**X**
Terry J. Lundgren				
Joseph Neubauer	**X****	**X**	**X**	
Joseph A. Pichler		**X**		**X***
Joyce M. Roché	**X**			**X**
Karl M. von der Heyden		**X**	**X***	
Craig E. Weatherup		**X***		**X**
Marna C. Whittington	**X***		**X****	
2007 Meetings	**5**	**4**	**6**	**5**

* Chair

** Vice Chair

Audit Committee. The Audit Committee was established in accordance with the applicable requirements of the Securities Exchange Act of 1934 and the NYSE. Its charter is disclosed on Macy s website at www.macysinc.com/ir/corpgov. As required by the Audit Committee charter, all current members of the Audit Committee are independent under Macy s standards for director independence. The Board has determined that all members are financially literate for purposes of NYSE listing standards, and that Dr. Whittington qualifies

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as an audit committee financial expert because of her business experience, understanding of generally accepted accounting principles and financial statements, and educational background.

The responsibilities of the Audit Committee include:

- reviewing the professional services provided by Macy s independent registered public accounting firm and the independence of such firm;
- reviewing the scope of the audit by Macy s independent registered public accounting firm;
- reviewing any proposed non-audit services by Macy s independent registered public accounting firm to determine if the provision of such services is compatible with the maintenance of their independence, and approval of same;
- reviewing Macy s annual financial statements, systems of internal accounting controls, material legal developments relating thereto, and legal compliance policies and procedures;
- reviewing matters with respect to the legal, accounting, auditing and financial reporting practices and procedures of Macy s as it may find appropriate or as may be brought to its attention, including Macy s compliance with applicable laws and regulations;
- reviewing with members of Macy s internal audit staff the internal audit department s staffing, responsibilities and performance, including its audit plans, audit results and actions taken with respect to those results; and
- establishing procedures for the Audit Committee to receive, review and respond to complaints regarding accounting, internal accounting controls, and auditing matters, as well as confidential, anonymous submissions by employees of concerns related to questionable accounting or auditing matters.

See Report of the Audit Committee for further information regarding certain reviews and discussions undertaken by the Audit Committee.

Compensation and Management Development Committee. The charter for the CMD Committee is disclosed on Macy s website at www.macysinc.com/ir/corpgov. As required by the CMD Committee charter, all current members of the CMD Committee are independent under Macy s standards for director independence.

The responsibilities of the CMD Committee include:

- reviewing the salaries of the chief executive officer and other executive officers of Macy s and, either as a Committee or together with the independent directors (as directed by the Board), set compensation levels for these executives;
- administering the bonus, incentive and stock option plans of Macy s, including (i) establishing any annual or long-term performance goals and objectives and maximum annual or long-term incentive awards for the chief executive officer and the other executives, (ii) determining whether and the extent to which annual and/or long-term performance goals and objectives have been achieved, and (iii) determining related annual and/or long-term incentive awards for the chief executive officer and the other executives;
- reviewing and approving the benefits of the chief executive officer and the other executive officers of Macy s;

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reviewing and approving any proposed employment agreement with, and any proposed severance, termination or retention plans, agreements or payments applicable to, any executive officer of Macy s;

advising and consulting with Macy s management regarding pension, benefit and compensation plans, policies and practices of Macy s;

establishing chief executive officer and key executive succession plans, including plans in the event of an emergency, resignation or retirement; and

reviewing and monitoring executive development strategies and practices for senior level positions and executives to assure development of a pool of management and executive personnel for adequate and orderly management succession.

Finance Committee. The charter for the Finance Committee is disclosed on Macy s website at www.macysinc.com/ir/corpgov. As required by the Finance Committee charter, a majority of the members of the Finance Committee are independent under Macy s standards for director independence.

The responsibilities of the Finance Committee include:

reviewing capital projects and other financial commitments and approving such projects and commitments above $15 million and below $25 million, reviewing and making recommendations to the Board with respect to approval of all such projects and commitments of $25 million and above, and reviewing and tracking the actual progress of approved capital projects against planned projections;

reporting to the Board on potential transactions affecting Macy s capital structure, such as financings, refinancings and the issuance, redemption or repurchase of Macy s debt or equity securities;

reporting to the Board on potential changes in Macy s financial policy or structure which could have a material financial impact on Macy s;

reviewing the financial considerations relating to acquisitions and dispositions of businesses and operations involving projected costs or income above $15 million and below $25 million and approving all such transactions, and reporting to the Board on all such transactions involving projected costs or income of $25 million and above; and

reviewing the management and performance of the assets of Macy s retirement plans.

Nominating and Corporate Governance Committee. The charter for the NCG Committee is disclosed on Macy s website at www.macysinc.com/ir/corpgov. As required by the NCG Committee charter, all current members of the NCG Committee are independent under Macy s standards for director independence.

The responsibilities of the NCG Committee include:

identifying and screening candidates for future Board membership;

proposing candidates to the Board to fill vacancies as they occur, and proposing nominees to the Board for election by the stockholders at annual meetings;

reviewing Macy s Corporate Governance Principles and recommending to the Board any modifications that the NCG Committee deems appropriate;

overseeing the evaluation of and reporting to the Board on the performance and effectiveness of the Board and its committees and other issues of corporate governance, and recommending to the Board any changes concerning the composition, size, structure and activities of the Board and the committees of the Board as the NCG Committee deems appropriate based on its evaluations;

reviewing and reporting to the Board with respect to director compensation and benefits and make recommendations to the Board as the NCG Committee deems appropriate; and

considering possible conflicts of interest of Board members and management and making recommendations to prevent, minimize, or eliminate such conflicts of interest.

The NCG Committee reviews the director compensation program periodically. To help it perform its responsibilities, the NCG Committee makes use of company resources, including members of senior management in Macy s human resources and legal departments. In addition, the NCG Committee engages the services of Mercer as an independent outside compensation consultant to assist the NCG Committee in assessing the competitiveness and overall appropriateness of Macy s director compensation program.

Identification and Selection of Nominees for the Board

Macy s By-laws provide that director nominations may be made by or at the direction of the Board. The NCG Committee is charged with identifying individuals qualified to become Board members and recommending such individuals to the Board for its consideration. The NCG Committee is authorized, among other means of identifying potential candidates, to employ third-party search firms. In evaluating potential candidates, the NCG Committee considers, among other things, the following:

personal qualities and characteristics, accomplishments and reputation in the business community;

knowledge of the communities in which Macy s does business and Macy s industry or other industries relevant to Macy s business;

relevant experience and background that would benefit Macy s;

ability and willingness to commit adequate time to Board and committee matters;

the fit of the individual s skills and personality with those of other directors and potential directors in building a Board that is effective, collegial and responsive to the needs of Macy s; and

diversity of viewpoints, background, experience and demographics.

The NCG Committee also takes into consideration whether particular individuals satisfy the independence criteria set forth in the NYSE listing standards and Macy s standards for director independence, together with any special criteria applicable to service on various standing committees of the Board. The full Board (a) considers candidates that the NCG Committee recommends, (b) considers the optimum size of the Board, (c) determines how to address any vacancies on the Board, and (d) determines the composition of all Board committees.

In fiscal 2006 and fiscal 2007, the NCG Committee retained an independent director search firm, Heidrick & Struggles, to identify and evaluate potential director candidates based on the qualifications and characteristics described above. The firm provides background information on potential candidates and, if so directed by the NCG Committee, makes initial contact with potential candidates to assess their interest in becoming a director of Macy s. NCG Committee members then meet with and interview the potential candidates. Stockholders have previously elected each of the director nominees for the 2008 annual meeting, except for Mr. Bollenbach and Ms. Connelly.

Heidrick & Struggles identified Mr. Bollenbach and Ms. Connelly as potential candidates for director positions. Following an extensive interview process, the NCG Committee

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recommended to the Board that Mr. Bollenbach and Ms. Connelly be appointed as Non-Employees Directors. The Board approved Mr. Bollenbach s appointment in June 2007 and Ms. Connelly s appointment in December 2007.

The NCG Committee will consider candidates for nomination recommended by stockholders of Macy s and will evaluate such candidates using the same criteria discussed above that it uses to evaluate director candidates identified by the NCG Committee. Stockholders who wish to recommend a candidate for a director nomination should write to the Nominating and Corporate Governance Committee, c/o Dennis J. Broderick, Secretary, Macy s, Inc., 7 West Seventh Street, Cincinnati, Ohio 45202. The recommendation should include the full name and address of the proposed candidate, a description of the proposed candidate s qualifications and other relevant biographical information.

Director Nominations by Stockholders

Macy s By-Laws also provide that director nominations may be made by the company s stockholders. The By-Laws require that stockholders intending to nominate candidates for election as directors deliver written notice thereof to the Secretary of Macy s not less than 60 days prior to the meeting of stockholders. However, in the event that the date of the meeting is not publicly announced by Macy s by inclusion in a report filed with the SEC or furnished to stockholders, or by mail, press release or otherwise more than 75 days prior to the meeting, notice by the stockholder to be timely must be delivered to the Secretary of Macy s not later than the close of business on the tenth day following the day on which such announcement of the date of the meeting was so communicated. The By-Laws further require, among other things:

- that the notice by the stockholder set forth certain information concerning such stockholder and the stockholder s nominees, including their names and addresses;
- a representation that the stockholder is entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice;
- the class and number of shares of Macy s stock owned or beneficially owned by such stockholder;
- a description of all arrangements or understandings between the stockholder and each nominee;
- such other information as would be required to be included in a proxy statement soliciting proxies for the election of the nominees of such stockholder; and
- the consent of each nominee to serve as a director of Macy s if so elected.

The chairman of the Board may refuse to acknowledge the nomination of any person not made in compliance with these requirements. Similar procedures prescribed by the By-Laws are applicable to stockholders desiring to bring any other business before an annual meeting of the stockholders. See Submission of Future Stockholder Proposals.

Corporate Governance Principles and Code of Business Conduct and Ethics

The Corporate Governance Principles and the Code of Business Conduct and Ethics approved by the Board for adoption by Macy s are disclosed on Macy s website at www.macysinc.com/ir/corpgov. Stockholders may obtain copies of these documents and the charters for the Board committees, without charge, by sending a written request to the following address: Secretary, Macy s, Inc. 7 West Seventh, Cincinnati, Ohio 45202.

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Director Compensation

Non-Employee Directors receive the following compensation:

Type of Compensation	Amount of Compensation
Board Retainer	$60,000 annually
Board or Board Committee Meeting Fee	$2,000 for each meeting attended and for each review session with one or more members of management
Committee Chairperson Retainer	$10,000 annually
Equity Grant	up to 10,000 stock options annually
Matching Gift	up to $22,500 annually

Under Macy s Director Deferred Compensation Plan, 50% of the annual Board retainer (including the retainer payable to a committee chair) and 50% of the meeting fees payable to Non-Employee Directors (the Mandatory Stock Compensation) are paid in credits representing the right to receive shares of Macy s common stock (Mandatory Stock Credits), with the balance (Elective Compensation) paid in cash or deferred under the Director Deferred Compensation Plan. Mandatory Stock Compensation is reflected in the Stock Awards column of the 2007 Non-Employee Director Summary Compensation Table below. Elective Compensation is reflected in the Fees Earned or Paid in Cash column of the 2007 Non-Employee Director Summary Compensation Table below. If a Non-Employee elects to defer all or a portion of the Elective Compensation into either stock credits or cash credits under the Director Deferred Compensation Plan, those amounts are not paid to him or her until service on the Board ends. Mandatory Stock Credits and stock credits relating to Elective Compensation that is deferred as stock credits are calculated monthly. Shares of Macy s common stock associated with such stock credits are transferred quarterly to a rabbi trust for the benefit of the participating Non-Employee Director. Dividend equivalents on the amounts deferred as stock credits are reinvested in additional stock credits. Elective Compensation deferred as cash credits earn interest each year at a rate equal to the yield (percent per annum) on 30-Year Treasury Bonds as of December 31 of the prior plan year.

Non-Employee Directors typically receive a non-qualified stock option grant under the 1995 Equity Plan or the 1994 Stock Plan on the date of the annual meeting. If an individual is elected by the Board as a Non-Employee Director after the date of the annual meeting and prior to the end of the calendar year, the Non-Employee Director receives a pro-rated stock option grant shortly after his or her election to the Board based on the number of months remaining in the calendar year following the date of his or her election. All options have a 10-year term, vest 25% on each of the first four anniversaries following the grant date, and are priced at the closing price of Macy s common stock on the NYSE on the day prior to the grant date.

Non-Employee Directors may participate in the matching gift program of the Macy s Foundation on the same terms as all company employees. Under this program, the Macy s Foundation will match up to a total of $22,500 of gifts made by the director to approved charities in any calendar year.

Each Non-Employee Director and his or her spouse and eligible dependents also receive executive discounts on merchandise purchased at Macy s stores. This benefit remains available to them following retirement from the Board. As described below, the retirement plan for Non-Employee Directors was terminated in 1997.

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The following table reflects the compensation information for each Non-Employee Director for fiscal 2007. Mr. Stiritz retired as a Non-Employee Director on May 18, 2007. Consequently, the table reflects the compensation paid or payable to him through his retirement date. Mr. Lundgren does not receive separate compensation for his service as a Director; his compensation is reflected in the 2007 Summary Compensation Table in the section titled Compensation of the Named Executives for 2007.

2007 NON-EMPLOYEE DIRECTOR SUMMARY COMPENSATION TABLE

Name	Fees Earned or Paid in Cash (1)($)	Stock Awards (1)(3)($)	Option Awards (2)(3)($)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings (4)($)	All Other Compensation (5) ($)	Total($)
Stephen F. Bollenbach	31,500	29,000	73,000	0	0	133,500
Deirdre P. Connelly	3,500	3,500	0	0	0	7,000
Meyer Feldberg	50,000	81,950	371,742	4,911	43,655	552,258
Sara Levinson	50,000	84,224	118,868	0	20,598	273,690
Joseph Neubauer	56,000	96,869	143,400	5,298	30,400	331,967
Joseph A. Pichler	56,000	87,602	143,400	0	27,964	314,966
Joyce M. Roché	51,000	8,675	57,826	0	16,185	133,686
William P. Stiritz	18,661	(10,443)	0	0	35,866	44,083
Karl M. von der Heyden	58,000	115,809	143,400	11,763	35,614	364,586
Craig E. Weatherup	63,000	91,344	118,868	759	52,609	326,580
Marna C. Whittington	59,000	112,245	118,868	1,214	60,529	351,856

(1) All Elective Compensation is reflected in the Fees Earned or Paid in Cash column, whether it is paid currently in cash or deferred under the Director Deferred Compensation Plan. Eight of the Non-Employee Directors elected to defer all or a portion of the Elective Compensation payable to them during fiscal 2007, as follows:

Name	Elective Compensation Deferred($)	Deferred as Cash Credits($)	Deferred as Stock Credits(#)
Bollenbach	29,000	0	879
Levinson	50,000	50,000	0
Neubauer	56,000	0	1,593
Pichler	56,000	56,000	0
Roché	38,250	0	1,088

Stiritz	18,661	0	428
Weatherup	63,000	0	1,778
Whittington	59,000	0	1,693

The amounts in the Stock Awards column reflect the Mandatory Stock Compensation payable in fiscal 2007 plus the variable accounting treatment and dollar amounts recognized for financial statement reporting purposes in accordance with Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment (FAS 123R) for fiscal 2007 for Mandatory Stock Credits issued in fiscal 2007 and prior years. Non-Employee Directors received the following Mandatory Stock Credits with respect to the Mandatory Stock Compensation payable to them in fiscal 2007:

Name	Mandatory Stock Credits(#)	Mandatory Stock Compensation($)	2007 Additional Expense/(Credit) Relating to Variable Accounting($)	Total($)
Bollenbach	942	29,000	0	29,000
Connelly	147	3,500	0	3,500
Feldberg	1,410	50,000	31,950	81,950
Levinson	1,411	50,000	34,224	84,224
Neubauer	1,592	56,000	40,869	96,869
Pichler	1,586	56,000	31,602	87,602
Roché	1,449	51,000	(42,325)	8,675
Stiritz	427	18,661	(29,104)	(10,443)
von der Heyden	1,660	58,000	57,809	115,809
Weatherup	1,777	63,000	28,344	91,344
Whittington	1,692	59,000	53,245	112,245

(2) The grant date fair value of the stock options granted to the Non-Employee Directors other than Mr. Bollenbach in fiscal 2007 was $143,400. The grant date fair value of the stock options granted to Mr. Bollenbach in fiscal 2007 was $73,000. The amounts in the Option Awards column do not reflect compensation actually received by the Non-Employee Directors. The amounts reflect the dollar amount recognized for financial statement reporting purposes in accordance with FAS 123R for fiscal 2007 for stock options issued pursuant to the 1995 Equity Plan. The tables below show that the amount recognized includes the awards granted in fiscal 2007 and in as many as four prior years. Ms. Connelly and Mr. Stiritz did not receive an option grant in fiscal 2007.

Since Mr. Neubauer, Mr. Pichler and Mr. von der Heyden are over age 65, the full grant date fair market value of their 2007 stock option awards was expensed in fiscal 2007. The fair value of their stock option awards prior to fiscal 2007 has previously been fully expensed.

Mr. Bollenbach and Mr. Feldberg turned age 65 during fiscal 2007, so the full grant date fair market value of their 2007 stock option awards was expensed in fiscal 2007. In addition, the fair value of the portions of Mr. Feldberg s stock option awards prior to fiscal 2007 that had not previously been fully expensed was expensed in 2007.

Assumptions and terms used in the calculation of the amounts expensed for fiscal 2007 are included in footnote 14 to Macy s audited financial statements included in Macy s Annual Report on Form 10-K for fiscal 2007 (the 2007 10-K), in footnote 15 to Macy s audited financial statements included in Macy s Annual Report on Form 10-K for fiscal 2006 (the 2006 10-K), and in footnote 15 to Macy s audited financial statements included in Macy s Annual Report on Form 10-K for fiscal 2005 (the 2005 10-K).

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Bollenbach				Feldberg				Levinson			
ant te	Options (#)	FMV ($)	2007 Expense ($)	Grant Date	Options (#)	FMV ($)	2007 Expense ($)	Grant Date	Options (#)	FMV ($)	2007 Expense ($)
/07	5,000	14.60	73,000	5/18/07	10,000	14.34	143,400	5/18/07	10,000	14.34	23,90
				5/19/06	10,000	13.57	113,083	5/19/06	10,000	13.57	33,92
				7/13/05	10,000	13.12	79,267	7/13/05	10,000	13.12	32,80
				5/21/04	10,000	9.30	31,000	5/21/04	10,000	9.30	23,25
				5/16/03	10,000	5.99	4,992	5/16/03	10,000	5.99	4,99
							371,742				118,86

Neubauer				Pichler				Roché			
ant e	Options (#)	FMV ($)	2007 Expense ($)	Grant Date	Options (#)	FMV ($)	2007 Expense ($)	Grant Date	Options (#)	FMV ($)	2007 Expen ($)
3/07	10,000	14.34	143,400	5/18/07	10,000	14.34	143,400	5/18/07	10,000	14.34	23,9
)/06	10,000	13.57	0	5/19/06	10,000	13.57	0	5/19/06	10,000	13.57	33,9
3/05	10,000	13.12	0	7/13/05	10,000	13.12	0				57,8
./04	10,000	9.30	0	5/21/04	10,000	9.30	0				
5/03	10,000	5.99	0	5/16/03	10,000	5.99	0				
			143,400				143,400				

von der Heyden				Weatherup				Whittington			
nt e	Options (#)	FMV ($)	2007 Expense ($)	Grant Date	Options (#)	FMV ($)	2007 Expense ($)	Grant Date	Options (#)	FMV ($)	2007 Expen ($)
/07	10,000	14.34	143,400	5/18/07	10,000	14.34	23,901	5/18/07	10,000	14.34	23,9
)/06	10,000	13.57	0	5/19/06	10,000	13.57	33,925	5/19/06	10,000	13.57	33,9
/05	10,000	13.12	0	7/13/05	10,000	13.12	32,800	7/13/05	10,000	13.12	32,8
/04	10,000	9.30	0	5/21/04	10,000	9.30	23,250	5/21/04	10,000	9.30	23,2
/03	10,000	5.99	0	5/16/03	10,000	5.99	4,992	5/16/03	10,000	5.99	4,9
			143,400				118,868				118,8

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(3) The Non-Employee Directors held the following stock options and stock credits as of the end of fiscal 2007 (values are based on a closing price at fiscal year-end of $28.00):

Name	Stock Options Number of Securities Underlying Unexercised Options (#) Exercisable	Unexercisable	Stock Credits Number of Stock Credits (#)	Market Value of Stock Credits ($)
Bollenbach	0	5,000	1,821	50,988
Connelly	0	0	147	4,116
Feldberg	66,000	25,000	4,537	127,036
Levinson	66,000	25,000	16,729	468,412
Neubauer	66,000	25,000	59,898	1,677,144
Pichler	66,000	25,000	15,046	421,288
Roché	2,500	17,500	4,575	128,100
Stiritz	3,336	8,330	3,279	91,812
von der Heyden	66,000	25,000	43,359	1,214,052
Weatherup	66,000	25,000	34,676	970,928
Whittington	66,000	25,000	23,033	644,924

(4) The present value of benefits under the Non-Employee Director retirement plan for each individual was determined as a deferred temporary life annuity based on years of Board service prior to May 16, 1997. The present value basis includes a discount rate of 5.95% and mortality rates under the RP2000CH table projected to January 1, 2006 using scale AA. Scale AA defines how future mortality improvements are incorporated into the projected mortality table and is based on a blend of Federal Civil Service and Social Security experience from 1977 through 1993. The calculations assume that the annual retainer remains at $60,000 and a retirement at age 72, the mandatory retirement age for Directors.

(5) All Other Compensation includes the items shown below. Merchandise discounts are credited to the Directors charge accounts. Gross-up on taxes on the merchandise discount are paid in cash after the end of the year, so the amounts shown reflect the gross-up on the prior fiscal year amounts.

Name	Merchandise Discount ($)	Gross-Up ($)	Matching Gift ($)	Total ($)
Bollenbach	0	0	0	0
Connelly	0	0	0	0
Feldberg	15,132	6,333	22,190	43,655
Levinson	4,793	8,054	7,750	20,598
Neubauer	13,235	4,665	12,500	30,400
Pichler	1,882	3,582	22,500	27,964
Roché	4,488	0	11,697	16,185
Stiritz	35,866	0	0	35,866

von der Heyden	7,816	5,299	22,500	35,614
Weatherup	23,330	6,779	22,500	52,609
Whittington	29,272	8,757	22,500	60,529

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Director Retirement Plan

Macy s retirement plan for Non-Employee Directors was terminated on a prospective basis effective May 16, 1997 (the Plan Termination Date). As a result of such termination, persons who first become Non-Employee Directors after the Plan Termination Date will not be entitled to receive any benefit from the plan. Persons who were Non-Employee Directors as of the Plan Termination Date will be entitled to receive retirement benefits accrued as of the Plan Termination Date. Subject to an overall limit in an amount equal to the aggregate retirement benefit accrued as of the Plan Termination Date (i.e., the product of the amount of the annual Board retainer earned immediately prior to retirement and the years of Board service prior to the Plan Termination Date), eligible retirees who retire from service as Non-Employee Directors will be entitled to receive an annual payment equal to the amount of the annual Board retainer earned immediately prior to retirement, payable in monthly installments, commencing at retirement and continuing for the lesser of such person s remaining life or a number of years equal to such person s years of Board service prior to the Plan Termination Date. There are no survivor benefits under the terms of the retirement plan. Five of the current Non-Employee Directors participate in the plan. If they had retired on December 31, 2007, each would have been entitled to a $60,000 annual payment for the following maximum number of years:

Name	**Years**
Feldberg	5
Neubauer	5
von der Heyden	5
Weatherup	1
Whittington	4

Director Stock Ownership Guidelines

In fiscal year 2005, the NCG Committee recommended, and the Board adopted, stock ownership guidelines for Non-Employee Directors. Under these guidelines, Non-Employee Directors are required to accumulate over time shares of Macy s common stock equal in value to at least five times the annual Board retainer. Currently, the annual Board retainer is $60,000, so the guideline currently is $300,000 worth of Macy s common stock. Shares counted toward this requirement include:

- any shares beneficially owned by the director;
- restricted stock before the restrictions have lapsed; and
- stock credits or other stock units credited to a director s account.

Macy s common stock subject to unvested or unexercised stock options granted to Non-Employee Directors does not count toward the ownership requirement. Non-Employee Directors must comply with these guidelines by December 9, 2010 or within five years from the date the director s Board service commenced, whichever is later. As of the end of the last fiscal year, all Non-Employee Directors that have served as Directors for five or more years owned sufficient shares to satisfy the ownership guidelines.

ITEM 2. APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has appointed KPMG LLP, an independent registered public accounting firm, to audit the books, records and accounts of Macy s for the fiscal year ending January 31, 2009. KPMG LLP and its predecessors have served as the independent registered public accounting firm for Macy s since 1988, and the Audit Committee considers them well qualified. Representatives of KPMG LLP are expected to be present at the annual meeting and will have the opportunity to make a statement if they desire to do so. It is also expected that they will be available to respond to appropriate questions. The Audit Committee has asked the Board to submit to stockholders a proposal asking stockholders to ratify the appointment of KPMG LLP. If the appointment of KPMG LLP is not ratified by stockholders, the Audit Committee will take such action, if any, with respect to the appointment of the independent registered public accounting firm as the Audit Committee deems appropriate.

Fees Paid to Independent Registered Public Accounting Firm

The table below summarizes the fees paid to KPMG LLP during fiscal 2007 and fiscal 2006:

Year	**Audit Fees($)**	**Audit-Related Fees($)**	**Tax Fees($)**	**All Other Fees($)**	**Total($)**
2007	5,297,200	1,526,300	180,500	0	7,004,000
2006	5,727,500	3,336,372	162,974	0	9,226,846

Audit fees represent fees for professional services rendered for the audit of Macy s annual financial statements, the audit of Macy s internal controls over financial reporting and the reviews of the interim financial statements included in Macy s Forms 10-Q.

Audit-related fees represent professional services principally related to the audits of financial statements of employee benefit plans, audits of financial statements of certain subsidiaries and certain agreed upon procedures reports.

Tax fees represent professional services related to tax compliance and consulting services, provided, however, that such tax consulting services did not involve the provision of advice regarding tax strategy or planning.

All other fees represent professional services other than those covered above.

The Audit Committee has adopted policies and procedures for the pre-approval of all permitted non-audit services provided by Macy s independent registered public accounting firm. A description of such policies and procedures is attached as Appendix A to this proxy statement and incorporated herein by reference.

The Board recommends that you vote FOR ratification of the appointment of KPMG LLP, and your proxy will be so voted unless you specify otherwise.

COMPENSATION DISCUSSION & ANALYSIS

Overview

Macy s is one of the nation s premier retailers, with fiscal 2007 sales of $26.3 billion. At the end of fiscal 2007, Macy s operated more than 850 department stores in 45 states, the District of Columbia, Guam and Puerto Rico under the names of Macy s and Bloomingdale s. Macy s also operates macys.com, bloomingdales.com and Bloomingdale s By Mail. The company employs about 182,000 regular full-time and part-time employees.

Managing a nation-wide retail business requires a team of committed, talented and experienced executives. Macy 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. In addition to competing with these other retailers for customers, Macy s also must compete very aggressively for executive talent.

Macy s executive compensation philosophy is straightforward and consistent Macy s pays for performance. Macy s executives are accountable for the performance of the business units they manage and are compensated based on that performance. Executives are rewarded when defined milestones are achieved and value is created for Macy s stockholders.

This Compensation Discussion & Analysis provides information regarding the compensation paid to the following individuals, referred to as the Named Executives, in fiscal 2007:

Terry J. Lundgren, Chairman, President and Chief Executive Officer;

Karen M. Hoguet, Executive Vice President and Chief Financial Officer;

Thomas L. Cole, Vice Chair;

Janet E. Grove, Vice Chair; and

Susan D. Kronick, Vice Chair.

Macy s executive compensation program for the Named Executives consists of cash compensation in the form of performance-based cash incentives and base salaries and long-term equity-based awards in the form of stock options, stock credits and, to a lesser degree, restricted stock. Each year, the CMD Committee of the Board, which is made up entirely of independent directors, recommends to the Board the compensation for Mr. Lundgren and determines the compensation for the other Named Executives.

Macy s compensation mix relies heavily on long-term equity awards to attract and retain an outstanding executive team and to ensure a strong connection between executive compensation and financial performance, operational and strategic objectives and stockholder interests. The CMD Committee awards approximately 60% of the long-term equity awards in the form of stock credits and approximately 40% in the form of stock options. The CMD Committee awards restricted stock on a selective basis. Stock options and restricted stock foster employee stock ownership and, together with stock credits, focus the management team on increasing value for stockholders. Because the value of these equity-based awards depends on Macy s future stock price, the awards link compensation to future financial performance. Stock credits provide executives the right to receive the value of the underlying common stock following two- and three-year holding periods after vesting. Because the vesting of a portion of the core stock credits depends on achievement of the company s Four Priorities and other measures, these awards also link compensation to operational and strategic performance.

The performance-based cash incentive plan compensates the Named Executives for achieving specific financial goals established annually by the CMD Committee. The CMD Committee sets aggressive goals at the beginning of each year based on financial objectives in Macy s internal business plan for the fiscal year. Payments are not automatic, however, because the CMD Committee may exercise its discretion to reduce (but not increase) the amount of any incentive payment.

For fiscal 2007, the CMD Committee awarded stock option grants to each Named Executive under terms consistent with Macy s annual stock option grant program. The Named Executives did not receive a cash incentive for fiscal 2007 performance because Macy s did not achieve the threshold level of performance established under the company s bonus plan. The CMD Committee increased base salaries for the Named Executives in March 2007 by an average of 7.0% to maintain salary at levels deemed appropriate by the CMD

Committee in light of competitive pay analyses, the contributions of each Named Executive to the advancement of the integration process related to the May merger, the increased size of the company following the May merger, internal comparability and other factors. The CMD Committee awarded the Named Executives 95% of the core stock credits granted to the Named Executives in fiscal 2006 under the 2006-2007 stock credit plan that had performance objectives relating to the company s progress on the Four Priorities and 100% of the merger stock credits granted to them in fiscal 2006 that had performance objectives relating to achieving synergies resulting from the May merger. In addition, in connection with the renewal of his employment agreement, the CMD Committee awarded retention stock option and restricted stock grants to Mr. Lundgren.

EXECUTIVE COMPENSATION PROGRAM OBJECTIVES

Compensation Philosophy

Macy s overall compensation program is performance-driven and designed to support the needs of the business by:

Providing Competitive and Reasonable Compensation Opportunities.

Macy s compensation levels and individual compensation programs are assessed against market norms periodically by the CMD Committee, with input from independent outside compensation consultants as needed. Under ordinary circumstances, the CMD Committee undertakes a comprehensive review of the program approximately every three years. Pay data is validated against several benchmarks, including specific pay levels of other large retail and vendor organizations and information from published surveys of the retail industry and general industry. In addition, compensation of individual executives or specific plans or practices are reviewed more frequently, depending on business needs.

Focusing on Results and Strategic Initiatives.

Macy s compensation programs are based on measures of business success. They reflect a combination of specific internal measurements of success (such as EBIT, sales and cash flow) and external measurements of success (such as customer satisfaction and stock price performance). A portion of the compensation program focuses on the strategic initiatives that will help continue to differentiate Macy s from other retailers and that are important in making Macy s and Bloomingdale s stores the customer s first choice in shopping.

Fostering a Pay for Performance Culture.

A significant portion of an executive s compensation program is linked to variable compensation components, such as short- term cash incentives, stock options, stock credits and restricted stock. As a result, an individual s compensation level is dependent on individual and company performance, including stock price appreciation. The mix of components and the proportion of each as a percentage of total compensation may vary from year to year, but the total mix is designed to encourage maximum performance.

Attracting and Retaining Key Executives.

Macy s executives are recognized as some of the most talented and sought after people in the retail industry, and Macy s training and development programs have earned national recognition. The compensation programs are designed to attract and retain high caliber executives who are key to the continued success of the business, who can provide consistent leadership and whose talents support strong succession planning.

Providing a Strong Link to our Stockholders Interests.

The combination of the core principles above appropriately ties Macy s compensation to performance and thereby aligns the interests of key executives with the interests of the stockholders.

EXECUTIVE COMPENSATION PROGRAM DESIGN

Role of the CMD Committee

The CMD Committee administers the compensation program for the senior management group. This group includes the Named Executives and other corporate officers and division principals. The CMD Committee also oversees the company s benefit plans and policies, including its incentive and equity plans, and also ensures that appropriate succession plans are in place for the chief executive officer and other key executive positions. For a more complete description of the responsibilities of the CMD Committee, see Further Information Concerning the Board of Directors Committees of the Board and the charter for the CMD Committee posted on Macy s website at www.macysinc.com/ir/corpgov.

Role of the Compensation Consultant

The CMD Committee engages the services of Mercer as an outside compensation consultant to help the CMD Committee assess the competitiveness and overall appropriateness of Macy s executive compensation program. In 2007, Mercer supported the CMD Committee s annual evaluation of Mr. Lundgren s compensation and its discussions regarding the terms of Mr. Lundgren s new employment agreement. Mercer reviewed Mr. Lundgren s compensation against the peer groups of companies described below. This analysis also considered Macy s performance relative to the performance of retail peer companies during his tenure as chief executive officer, as well as historical compensation and market trends. Mercer also reviews the compensation of the other Named Executives and advises the CMD Committee on market trends.

The compensation consultant works at the direction of the CMD Committee and maintains regular contact with the CMD Committee. Periodically the CMD Committee meets with the compensation consultant without the presence of management, as well as in executive session. Mercer also advises the NCG Committee on the company s Non-Employee Director compensation program from time to time. The CMD Committee does not believe that this service to the NCG Committee compromises Mercer s ability to provide the CMD Committee with an independent perspective on Macy s executive compensation program.

Role of Management

To help it perform its responsibilities, the CMD Committee makes use of company resources, including the Vice Chair who oversees the human resources function and senior executives in Macy s human resources, legal and finance departments. These individuals provide input and make proposals regarding the design, operation, objectives and values of the various components of compensation in order to provide appropriate performance and retention incentives for the senior management group, including the Named Executives. These proposals may be made at the initiative of the executives or upon the request of the CMD Committee. These executives may attend and contribute to CMD Committee meetings from time to time as requested by the CMD Committee or its chairman.

Mr. Lundgren participates actively in the executive compensation program process. At the beginning of a fiscal year, Mr. Lundgren meets with each of his direct reports, including the other Named Executives, to set their individual performance objectives for the year. These objectives consist of matters such as meeting key financial and other business goals and effectively managing their business practice or corporate function. At the end of the fiscal year, Mr. Lundgren reviews the performance of each of his direct reports against company and individual performance objectives and the individual s contribution to Macy s financial performance. Mr. Lundgren takes an active part in CMD Committee discussions of compensation involving his direct reports, including the other Named Executives. He provides recommendations and input on such matters as individual performance, tenure and the size, scope and complexity of their positions and recommendations on changes to the compensation for the other Named Executives. Human resources executives, with Mercer s assistance, provide the CMD Committee with data and analyses and annually prepare information to help the CMD Committee in its consideration of such recommendations.
Mr. Lundgren does not participate in the portions of CMD Committee meetings during which the CMD Committee discusses changes to his compensation.

Compensation Review

With respect to the Named Executives, the CMD Committee annually reviews base pay, annual bonus payments and equity awards at its March committee meeting, at which time all financial results for the prior fiscal year for the company are available and individual and company performance against financial targets can be measured. As explained below, total compensation for this group generally is targeted to fall between the 50th and 75th percentiles of market practice.

The CMD Committee periodically reviews the ongoing competitiveness of Macy s compensation program to test how well actual compensation levels reflect the targeted market position and promote Macy s compensation philosophy. As a general rule, the CMD Committee reviews a comprehensive comparative analysis prepared by Mercer with respect to Mr. Lundgren every year and with respect to the other Named Executives approximately every three years. In addition, in evaluating the compensation of the Named Executives, the CMD Committee also takes into account the executive s time in position, pay history and the value contributed by that position and the executive and reviews the compensation of other senior Macy s executives to ensure that the compensation is internally consistent and equitable at all management levels.

For Mr. Lundgren and the company s Vice Chairs, the CMD Committee compares executive compensation levels with proxy data reported by a group of major retailers and vendors with revenues and market values comparable to Macy s and which compete with Macy s for executive talent. This group includes multi-line retailers, specialty apparel retailers, and apparel, accessories and luxury goods wholesalers. As a secondary test against the market, the CMD Committee compares Mr. Lundgren s compensation to the proxy data for chief executive officers reported by a peer group of consumer products companies that manage national brands and have revenues ranging from $10 to $60 billion. The data includes base salary, short-term and long-term incentives and actual and target total compensation levels for the relevant positions. These resources provide a realistic picture of the current compensation trends and levels of positions to which a Macy s executive could be attracted and from which outside talent, if needed, would be recruited. The component companies of both peer groups are listed below.

Retailer and Vendor Peer Group

Abercrombie & Fitch	Kohl s	SuperValu
Ann Taylor Stores	Kroger	Talbot s
Best Buy	Limited Brands	Target
Dillards	Liz Claiborne	TJX Companies
Gap	Nordstrom	VF Corp
J.C. Penney	Polo Ralph Lauren	Wal-Mart
Jones Apparel Group	Sears Holdings	

Consumer Products Peer Group

3M	General Mills	PepsiCo
Anheuser Busch	Johnson & Johnson	Procter & Gamble
Colgate Palmolive	Kimberly Clark	Sara Lee
Coca-Cola	Kraft	

Four companies that appeared in the retailer and vendor peer group in fiscal 2006 (Neiman Marcus, Gucci, LVMH and Burberry) were not included in fiscal 2007 analyses because proxy compensation data was no longer available for them.

For Mrs. Hoguet, the CMD Committee reviews analyses and summaries of chief financial officer compensation data prepared by Mercer based on compensation information reported in retail and general industry surveys published by various survey providers, including Hay, Hewitt, Mercer and Towers Perrin. These surveys contain compensation data for chief financial officers for dozens, and in some cases hundreds, of companies.

The results of the compensation reviews conducted in fiscal 2007 for Mr. Lundgren and in fiscal 2006 for the other Named Executives indicated that the compensation levels of the Named Executives were within the targeted pay positions. Mr. Lundgren s compensation was between the 50th and 75th percentiles of the peer group of retailers and vendors, but below the median of the consumer products peer group. The compensation of the other Named Executives was between the 50th and 75th percentile of the retail and vendor proxy data for the Vice Chairs and the retail and general industry survey data for Mrs. Hoguet.

EXECUTIVE COMPENSATION PROGRAM ELEMENTS

Macy s executive compensation program offers a balanced approach to compensation and includes the primary components outlined in the table below. This program is based on the fundamental premise of pay-for-performance, but each element has its own purpose. Many of the plans or programs in which the Named Executives participate are open to a broader leadership group or to the full employee population. Individual compensation packages and the mix of base salary, annual cash bonus opportunity and long-term stock incentives for each Named Executive vary depending upon the executive s level of responsibilities, potential, performance and tenure with the company. The portion of total compensation that is at risk (i.e., that varies based on performance) generally increases as an executive s level of responsibility increases.

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Overview of Key Compensation Elements for the Named Executives

Element	Purpose	Description	Eligibility
Base Salary	Market-driven base-line compensation; not contingent upon achievement (other components compensate for achievement); amount recognizes differences in positions and/or responsibilities as well as experience and individual performance over the long term.	Fixed portion of pay	All employees.
Performance-Based Bonus	Aligns compensation with business strategy and operating performance by awarding achievement of annual financial targets and, in some cases, individual performance.	Annual cash award	Broad leadership level group, including the Named Executives.
Long-Term Incentives	Opportunities for ownership and financial reward in support of the company s longer-term financial goal of stock price growth; also supports retention and, consequently, succession planning.	Stock options Restricted stock Stock credits	Broad leadership level group, including the Named Executives. Senior management group, including the Named Executives. Senior management group, including the Named Executives.
Broad-Based Benefits	Comprehensive health and financial protection programs to support the well being of employees and their families. Merchandise discount that creates brand loyalty.	Medical and dental plans and various insurance plans, including disability and life insurance; paid holidays and time off; merchandise discount.	All full-time employees.

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Element	Purpose	Description	Eligibility
Management-Level Benefits	Limited financial and perquisite benefits to recognize leadership level.	Deferred compensation plan; additional executive merchandise discount.	Select leadership level group, including the Named Executives.
		Financial planning; automobile program; and business luncheon club membership.	Senior management group, including the Named Executives.
		Use of corporate airplane.	CEO; one other executive on a limited basis.
Retirement Benefits	Contribution to retirement savings; reward for sustained and significant service to the company	Cash account pension plan and 401(k) profit sharing plan.	All full-time employees.
		Supplementary retirement plan.	Select leadership level group, including the Named Executives.

Compensation Mix

Because of the ability of executive officers to directly influence Macy s overall performance, and consistent with its philosophy of linking pay to performance, the CMD Committee allocates a significant portion of the Named Executive s compensation to performance-based, short- and long-term incentive programs to assure that the company meets its objective of providing executive pay packages with the appropriate short- and long-term incentives. Total compensation and the amount of each element are driven by the design of the company s compensation plans, the executive s years of experience, the scope of his or her duties and internal comparability. The CMD Committee applies the same policies and methodologies in setting the principal components of compensation for Mr. Lundgren as it applies for the other Named Executives. However, Mr. Lundgren s compensation targets are higher than those for the other Named Executives, which is in line with market data for the chief executive officer position and his responsibilities as chief executive officer.

The CMD Committee has established guidelines for annual performance-based bonuses and for long-term incentive awards. The chart below shows the mix of compensation that would be payable to the Named Executives on average over time at these award guideline levels, factoring in current salary rates as well as the Change in Pension Value and Non-qualified Deferred Compensation Earnings and All Other Compensation amounts from the 2007 Summary Compensation Table. The values broadly reflect how the CMD Committee structures Macy s compensation program over time to support the company s pay-for-performance compensation philosophy.

Based on the combination of the annual performance-based bonus and long-term award guidelines, almost 75% of Mr. Lundgren s total compensation is tied to financial performance and/or stock price performance. For the other Named Executives, on average, more than 50% of total compensation is tied to financial performance and/or stock price performance. These ratios are consistent with Macy s compensation philosophy of focusing on results and strategic initiatives and fostering a pay-for-performance culture.

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As the chart below shows, the value of the long-term award guideline for Mr. Lundgren is almost three times the value of the annual performance-based bonus at target. For the other Named Executives, the value of the long-term award guidelines is almost two times the value of the annual performance-based bonus at target. The CMD Committee believes that these ratios encourage the Named Executives to focus on Macy s long-term performance.

	Not Tied to Financial Performance and/or Stock Price Performance				Tied to Financial Performance and/or Stock Price Performance			
	Salary	**Changes in Pension and Deferred**	**All Other Compensation**	**Subtotal**	**Annual Bonus at Target**	**Long-Term and Equity Compensation**	**Subtotal**	**Total**
T. Lundgren	13%	11%	2%	26%	20%	54%	74%	100%
Average of the other Named Executives	26%	14%	2%	42%	20%	38%	58%	100%

For fiscal 2007, the compensation guidelines shown above were supplemented by the special retention stock option and restricted stock grants made on March 1, 2007 to Mr. Lundgren in connection with his new employment agreement that are described in greater detail in the section entitled Special 2007 Retention Grants.

Base Salary

Base salaries are designed to provide a level of cash compensation that is externally competitive in order to attract and retain executive talent and to compensate an individual for his or her level of responsibility and performance. The CMD Committee decisions regarding an individual s base salary take into account external factors, such as inflation, and internal factors, including:

- division and/or company performance;
- the individual s current salary and, if applicable, the pay range for the position;
- the individual s current and historical performance and contribution to Macy s performance;
- the individual s future potential with Macy s;
- the individual s role and unique skills; and
- consideration of external market data for similar positions, adjusted for Macy s size, the scope of responsibilities and the uniqueness of the role.

Macy s utilizes base pay ranges for the chief financial officer and executive levels below that position, based upon position and responsibilities and market and competitive data, as described above. The CMD Committee periodically reviews base pay ranges, most recently in fiscal 2006. The CMD Committee adopted new base pay ranges for fiscal 2007 to reflect the integration of 400 stores acquired in the May acquisition. Base salaries of the other Named Executives are managed individually without using a base pay range.

Following the close of the fiscal year, the CMD Committee, with input from the full Board, conducts an annual performance review for Mr. Lundgren. Mr. Lundgren conducts an annual performance review for the other Named Executives. The CMD Committee bases its decisions about whether to increase base salaries and, if so, by how much, on a number of factors, including those listed above and, for Mrs. Hoguet, the position of her salary within the base salary range established for the chief financial officer position. The CMD Committee reviews preliminary recommendations for annual increases at its February meeting and final recommendations at its March meeting. Annual increases in base salary normally take effect on April 1st of each year. In connection with the March 1 renewal of his employment agreement, Mr. Lundgren s annual base salary increase became effective on March 1, 2007.

Fiscal 2007 Action: Following the conclusion of fiscal 2006, management, with input from Mercer and Mr. Lundgren, prepared for the CMD Committee a summary of the current total compensation package for each Named Executive and a proposed total compensation package for fiscal 2007 for each that reflected recommended increases in base salaries. In conjunction with its consideration of these recommendations, the CMD Committee considered the contributions of each Named Executive to the advancement of the integration process related to the May merger, the increased size of the company following the May merger, the salaries of the Vice Chairs relative to that of Mr. Lundgren and to each other, and considered the other factors listed above with respect to each Named Executive. The CMD Committee also considered the results of its annual performance review of Mr. Lundgren and of Mr. Lundgren s annual review of the individual performance of the other Named Executives.

Following its review, the CMD Committee approved the following base salary rate increases, effective March 1, 2007 for Mr. Lundgren and April 1, 2007 for the other Named Executives:

	2007 Annual Increase in Base Salary Rate	
	$	**% of Base Salary**
T. Lundgren	100,000	7.1%
K. Hoguet	50,000	6.7%
T. Cole	75,000	8.3%
J. Grove	75,000	8.3%
S. Kronick	50,000	4.8%

Annual Performance-Based Bonus

The Named Executives participate in the 1992 Bonus Plan. The 1992 Bonus Plan is a non-equity incentive plan under current SEC rules. It is designed to align a significant portion of the pay of Macy s senior executives with Macy s annual performance. The 1992 Bonus Plan provides an opportunity for senior executives, including the Named Executives, to earn a targeted percentage of base salary based on Macy s performance results against performance measures set by the CMD Committee at the beginning of the fiscal year. No bonus will be paid if Macy s does not achieve a net profit for the year, excluding restructuring charges and extraordinary items. The CMD Committee may exercise discretion to reduce, but not to increase, the amount of a bonus awarded under the 1992 Bonus Plan. In fiscal 2007, the CMD Committee did not exercise this discretion.

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Each year the Board and management create a challenging financial and operating business plan for the company. The CMD Committee sets the performance measures each year for the 1992 Bonus Plan based on the company s business plan. The CMD Committee may select one or more of the following performance measures under the 1992 Bonus Plan:

Total sales	EBIT	Cash flow	Net cash provided by operations
Comparable store sales	EBITDA	Return on investment	Total shareowner return
Gross margin	Net income	Stock price appreciation	Customer satisfaction
Operating or other expenses	Earnings per share	Operating income	

For fiscal 2007, the CMD Committee selected EBIT (earnings before interest and taxes), sales and cash flow as the performance measures to determine bonuses under the 1992 Bonus Plan. The CMD Committee believes that rewarding the executives for strong performance measured by the combination of these three measures will support the business plan and give executives a strong incentive to focus on the business in a balanced way. The CMD Committee gave the greatest weight and bonus potential to the EBIT measure, which focuses the executives on maximizing operating income. The CMD Committee believes that increasing operating income is a significant way for executives to create value for the company s stockholders. The CMD Committee gave lesser, yet significant weight and bonus potential to the sales and cash flow measures. The CMD Committee believes that emphasizing sales and cash flow provide balance. Top-line sales are a measure of growth and provide opportunities for the achievement of various other financial measures, including EBIT and cash flow. Cash flow is indicative of the manner in which the company s operating activities, together with its investing activities, actually generate cash. How a company increases its cash flow and then chooses to invest the cash are among the most important decisions management makes.

The CMD Committee sets the specific performance targets under the 1992 Bonus Plan so that the executives will receive the target level of bonus if the company achieves plan under each of the EBIT, sales and cash flow measures. The sales target under the 1992 Bonus Plan excludes external sales adjustments, including delivery revenue and leased department income. Macy s does not disclose its business plan or the components thereof because they constitute confidential business information that could impair Macy s ability to compete effectively in the retail market place. However, by setting the target level of bonus based on achieving the plan level of performance, the CMD Committee believes the performance targets are challenging based on historical company performance and industry and market conditions. The maximum award target levels for the performance measures reflect very ambitious goals that are attainable only when business results are exceptional and well above Macy s business plan. Over the last six years, the company has achieved performance below the threshold level of performance twice, between threshold and target once, and in excess of target three times. The company did not achieve performance that met or exceeded the maximum level of performance during that period. The Named Executives would be entitled to the following percentages of base pay for achieving the following threshold, target and maximum levels of performance.

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Position	Component	Annual Bonus as a % of Base Pay Threshold	Target	Maximum
Chief Executive Officer	EBIT $	18%	90%	No maximum
	Sales $	10%	30%	60%
	Cash Flow $	12%	30%	60%
	Total	40%	150%	No maximum
Other Named Executives	EBIT $	9%	45%	No maximum
	Sales $	5%	15%	30%
	Cash Flow $	6%	15%	30%
	Total	20%	75%	No maximum

The CMD Committee sets the levels of annual bonus payable at the threshold , target and maximum levels of performance for Mr. Lundgren and the other Named Executives based on the factors described above. See Executive Compensation Program Design Compensation Review and Executive Compensation Program Elements Compensation Mix.

Annual incentive bonuses are submitted to the CMD Committee for approval at its March meeting. Annual incentive bonuses are determined as a percentage of the executive s base salary as of the last day of the fiscal year. Bonus percentages are interpolated for performance results falling between threshold and target and between target and maximum for the applicable performance component, as measured against the company s business plan for those components. If a performance component has no maximum level of performance and performance exceeds the target level of performance, the annual bonus will be calculated at a rate established by the CMD Committee for above-target performance. For purposes of determining performance results, the calculations of EBIT, sales and cash flow performance are adjusted to exclude the following:

- extraordinary items (as determined under generally accepted accounting principles, referred to as GAAP);
- changes in accounting principles (as determined under GAAP); and
- income, gains, expenses, losses, cash inflows and cash outflows:
  - resulting from unusual or nonrecurring items (as reported in the Company s quarterly earnings releases and filings with the SEC and reviewed by KPMG LLP);
  - from discontinued operations (as determined under GAAP);
  - attributable to any division, business segment, material business operation, subsidiary, affiliate or material group of stores that are acquired during the year;
  - from the sale or disposition of any division, business segment, material business operation, subsidiary, affiliate or material group of stores; and
  - resulting from material restructuring charges (as reported in the Company s quarterly earnings releases and filings with the SEC and reviewed by KPMG LLP).

Fiscal 2007 Action: Prior to fiscal 2007, participants in the 1992 Bonus Plan received no bonus for the sales performance measure when actual sales fell below the target level of performance. At the end of fiscal 2006, the CMD Committee asked management to explore two changes to the 1992 Bonus Plan: (i) adding a threshold bonus opportunity to the sales component and (ii) placing a maximum on the amount of the bonus that can be earned for the EBIT component. After reviewing with Mercer the advantages and disadvantages of making these changes, management proposed that executives receive a threshold bonus for the sales component equal to one-third of the target opportunity for that component. Management believed that this would allow for more aggressive sales planning on the part of the executives without putting the entire sales component at risk. Management determined that placing a maximum on the EBIT component might discourage stretch performance for such a key performance measure and decided not to recommend that change. Consequently, for the 2007 fiscal year, in order to encourage more aggressive sales plan strategies, the CMD Committee approved a change in the threshold level of performance for the sales performance measure, at 10% for Mr. Lundgren and 5% for the other Named Executives.

The CMD Committee reviewed performance data at the end of fiscal 2007 with management at its March 2008 meeting and determined that Macy s performance fell below the threshold level for each performance measure. Consequently, none of the Named Executives received an annual bonus for fiscal 2007:

		Bonus Payout for fiscal 2007 as a% of Base Salary	
Bonus Component	**2007 Performance**	**T. Lundgren**	**Other Named Executives**
EBIT $	Below Threshold	0%	0%
Sales $	Below Threshold	0%	0%
Cash Flow $	Below Threshold	0%	0%
Total		0%	0%

The maximum permitted annual bonus payment for any year under the 1992 Bonus Plan is $7.0 million. The Non-Equity Incentive Plan Compensation column of the 2007 Summary Compensation Table reflects that the Named Executives received no annual bonuses for fiscal 2007.

Long-Term Performance-Based and Other Equity Incentives

Each year the CMD Committee reviews the use of long-term incentives under three long-term plans:

- the 1995 Equity Incentive Plan, referred to as the 1995 Equity Plan;
- the 1994 Stock Incentive Plan, referred to as the 1994 Stock Plan; and
- stock credit plans adopted from time to time, referred to as the stock credit plans.

Macy s stockholders have approved the 1995 Equity Plan and the 1994 Stock Plan. Approximately 1,860 executives are eligible for equity grants, including stock options and restricted stock, under these plans. Participation in the equity plans is based on an executive s position and that position s ability to make a significant contribution to the company s financial results, an executive s level of responsibility and leadership potential, individual performance and competitive practices. The CMD Committee consults with management in considering and determining eligibility for equity awards, the number of shares of common stock underlying each award and the terms and conditions of each award.

Stock Options. The 1995 Equity Plan and the 1994 Stock Plan reflect Macy s commitment to effective management of equity-based compensation. Stock option grants are discretionary. The CMD Committee determines grant types and grant levels based on market data (as described above), emerging trends and other financial considerations, including the impact on stockholder dilution. Macy s does not grant discounted stock

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options. The plans do not provide for the granting of reload options and prohibit the repricing of previously granted options.

Macy s uses stock options as a long-term incentive vehicle because:

Stock options align the interests of executives with those of the stockholders, support a pay-for-performance culture, foster employee stock ownership, and focus the management team on increasing value for the stockholders.

Stock options are performance based. All the value received by the recipient from a stock option is based on the growth of the stock price above the option price.

Stock options offer a balance to the overall compensation program, each element of which serves a specific purpose.

Stock options have retentive value and provide a long-term focus.

The CMD Committee s use of stock options has evolved in recent years:

For years prior to fiscal 2004, the CMD Committee relied almost exclusively on stock options, and determined grants based on guidelines that specified numbers of option shares for each position.

In fiscal 2004, the CMD Committee determined to shift from such a heavy reliance on stock options, and took other actions to reduce the impact of stock options on stockholder dilution.

For fiscal years 2004 and 2005, the CMD Committee reduced option grant levels for the Named Executives by 50%. The CMD Committee replaced one-half of the stock option grant levels with stock credits under the 2004-2005 stock credit plan described below in the Stock Credits section, replacing three stock options with one stock credit.

For fiscal years 2006 and 2007, the CMD Committee re-evaluated how it should determine the numbers of options and stock credits to grant to the Named Executives, concluding that Macy s should:

determine levels of options and stock credits based on grant date dollar values rather than on numbers of shares; and

emphasize stock credits more by shifting the ratio of stock credits to stock options from 50% / 50% to 60% / 40%.

Timing. The CMD Committee approves annual stock option grants at its March meeting. The March meeting occurs after financial results for the company are available at least three weeks after Macy s releases its year-end earnings. In fiscal 2007, the date of the CMD Committee meeting was March 23. Under the terms of the equity plans, the exercise price for these stock options was set at the closing price of Macy s common stock on the NYSE on the trading day prior to the grant date. The options vest 25% per year over four years beginning with the first anniversary of the grant date. In addition to the annual option grants, the CMD Committee may approve options grants on a limited basis on other dates in special circumstances, such as to newly hired executives, or to executives promoted into option eligible positions or to retain executives important to the success of the company.

Fiscal 2007 Action: The CMD Committee based the number of stock options granted in fiscal 2007 to each Named Executive on a specific dollar value that was determined by the CMD Committee in fiscal 2006.

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In fiscal 2006, the CMD Committee approved a two-year, long-term incentive program for the senior officers, including the Named Executives, consisting of stock options and stock credits. To arrive at the number of stock options and stock credits to award in fiscal 2006 and fiscal 2007 under this program, the CMD Committee determined the grant date dollar value of the options granted to each Named Executive in fiscal 2004 using the Black-Scholes option valuation method and the grant date value of stock credits granted to each Named Executive in fiscal 2004. The CMD Committee then calculated the number of option shares and stock credits needed to provide the Named Executive with the same dollar value for the two year fiscal 2006-2007 period, with 60% of the dollar value to be awarded as core stock credits and 40% of the dollar value to be awarded as stock options. In fiscal 2006, the CMD Committee awarded all of the stock credits under the 2006-2007 stock credit plan (described below) and the first installment of stock options under the 1995 Equity Plan. In fiscal 2007, the CMD Committee awarded the second installment of stock options under the 1995 Equity Plan.

The options comprising this second installment expire on March 23, 2017, vest 25% on each of the first four anniversaries of March 23, 2007, and are priced at $46.15, which was the closing price of Macy s common stock on the NYSE on March 22, 2007.

Although the CMD Committee intended to recommend that the Board approve the second installment of stock options for Mr. Lundgren at the March 23rd meeting, the formal resolutions prepared by management to approve the second installment of options for the senior officers inadvertently omitted the intended approval of Mr. Lundgren s grant and, accordingly, his second installment was not implemented at that time. On October 26, 2007, the Board determined that the omission of the intended approval of Mr. Lundgren s grant should be corrected. Accordingly, on October 26, 2007, the Board, on the recommendation of the CMD Committee, approved a grant to Mr. Lundgren of the second installment of stock options with substantially the same economic terms as the options granted to the other Named Executives on March 23, 2007. The exercise price for options is generally set at the closing price per share of Macy s common stock for the trading day immediately preceding the date on which the stock option grant is effective. The closing price of Macy s common stock on October 25, 2007 was $32.46 per share. However, the 1995 Equity Plan authorizes the Board to set an exercise price that is higher than that closing price. For Mr. Lundgren s grant, the Board set the exercise price at $46.15 per share, which was the closing price per share of Macy s common stock on March 22, 2007 and is the exercise price that applies to the options granted on March 23, 2007 to the other Named Executives. This exercise price is $13.69 higher than the closing price of Macy s common stock on October 25, 2007. Mr. Lundgren s stock options will vest in 25% increments on each of the first four anniversaries of March 23, 2007, which is the vesting schedule that applies to the options granted on March 23, 2007 to the other Named Executives. His stock options expire on March 23, 2017, which is the expiration date that applies to the options granted on March 23, 2007 to the other Named Executives.

The 2007 stock option grants to the Named Executives are reflected in the 2007 Grants of Plan-Based Awards table under Compensation of the Named Executives for 2007.

For information concerning a special retention stock option grant made to Mr. Lundgren in fiscal 2007, see Special 2007 Retention Grants below.

Stock Credits. In March 2004, Macy s implemented a two-year stock credit plan covering, among other senior executives, the Named Executives. The plan was designed to accomplish several important objectives established by the CMD Committee with management s and Mercer s assistance, including:

- provide an incentive to drive improvement of the Four Priorities (as discussed below);

shift a portion of long-term compensation out of stock options and into stock credits to reduce dilution and share usage;

offer a form of compensation that remains connected to stock price performance; and

retain key executives.

After Mr. Lundgren s appointment as chief executive officer in 2003, he outlined four key strategic initiatives to reinvent the company and drive profitable top-line growth for 2004 and 2005, referred to as the Four Priorities:

Merchandise Assortments differentiated and better edited assortments;

Price Simplification simplify pricing and highlight value;

Improving the Shopping Experience make it easy, efficient and comfortable; and

Marketing create a brand strategy and drive sales through effective marketing.

To achieve those objectives, management executives would have to change the way they managed their businesses, often with steps that could have had a short-term negative impact on division and corporate performance and, consequently, on annual incentive compensation. The CMD Committee determined that the 2004-2005 stock credit plan would be an effective tool to retain executives and keep them focused on the significant long-term changes needed to achieve the Four Priorities.

At the end of fiscal 2005, the CMD Committee concluded that 95% of performance-based stock credits granted under the 2004-2005 stock credit plan were earned. The remaining 5% of those stock credits were forfeited. The value of one-half of the performance-based stock credit balance was paid in cash on February 4, 2008, at the rate of $24.01 per share, which was the average closing price of Macy s common stock for the twenty-day period preceding the February 4, 2008 payment date. The value of the other half will be paid in Spring 2009. Two-thirds of the stock credits granted in 2004 were time-based. The value of one-half of the time-based stock credit balance was paid in cash on February 4, 2008, at the rate of $24.01 per share, and the value of the other half will be paid in Spring 2009.

During 2005, the CMD Committee reviewed the elements of the total compensation program for the Named Executives and determined that stock credits continue to provide the link it seeks to align management s compensation to Macy s performance and stockholder interests and to drive implementation of updated Four Priorities, including the introduction and implementation of Four Priorities at the 400 plus stores acquired in the May transaction.

On March 24, 2006, the CMD Committee authorized a new stock credit plan for the 2006-2007 performance period and granted core stock credits and merger stock credits to the Named Executives on that date. The grant value of the core stock credits was based on 60% of the grant date dollar value of the combined 2004 stock option and stock credit grants to these executives, as described above. Fifty percent of the core stock credits granted to the Named Executives are time-based and 50% are performance-based, with performance measures tied to Four Priorities updated for the fiscal 2006-2007 performance period. The value of the merger stock credits was approximately 33.3% of the value of the core stock credit grants. The merger stock credits are 100% performance-based, with performance measures tied to company-wide objectives related to achieving certain financial merger synergies during fiscal 2006 and 2007. The Named Executives each received the following number of stock credits:

	Core Stock Credits		Merger Stock Credits
	Performance-Based	Time-Based	Performance-Based
T. Lundgren	99,780	99,778	66,520
Other Named Executives	21,926	21,924	14,616

Fiscal 2007 Action: After the conclusion of fiscal 2007, Mr. Lundgren updated the CMD Committee on the progress the company had made during fiscal 2006 and fiscal 2007 with respect to the updated Four Priorities and with respect to the merger synergies objectives for the performance-based stock credits granted in fiscal 2006. He reported that, with respect to the core stock credits, significant progress had been made on strategic objectives in each of the Merchandise Assortment, Price Simplification, Shopping Experience and Marketing categories that comprise the Four Priorities. He also reported that, with respect to the merger stock credits, the company had exceeded the expected $450 million in synergies resulting from the May merger.

Based on this information, the CMD Committee evaluated the company s performance against the performance criteria applicable to the stock credits and determined that, for all participants in the 2006-2007 stock credit plan, including the Named Executives:

95% of the performance-based core stock credits were earned;

5% of the performance-based core stock credits were forfeited; and

100% of the merger stock credits were earned.

For the Named Executives, the CMD Committee determination resulted in the following stock credits being earned:

	Performance-Based Core Stock Credits		Performance-Based Merger Stock Credits	
	Granted	Earned	Granted	Earned
T. Lundgren	99,780	94,791	66,520	66,520
Other Named Executives	21,926	20,829	14,616	14,616

The performance-based stock credits earned by the Named Executives as of the end of the 2006-2007 performance period and the time-based stock credits held by them are subject to two-year and three-year holding periods. The value of one-half of the stock credits will be paid in cash in Spring 2010 and the value of the other half will be paid in Spring 2011.

Fiscal 2008 Action: Following the conclusion of fiscal 2007, the CMD Committee, with the assistance of Mercer and management, reviewed the elements of the total compensation program for the Named Executives. It reviewed recent Macy s compensation practices, incentive plan practices among the retailer and vendor peer group listed in the compensation review discussion and general industry trends. The CMD Committee approved a new two-year, long-term incentive program for the senior officers, including the Named Executives, consisting of stock options and stock credits. Similar to the fiscal 2006-2007 long-term incentive program, the ratio of stock credits to stock options under the new fiscal 2008-2009 program will be approximately 60% stock credits to 40% stock options. The stock credits awarded to the Named Executives under the 2008-2009 stock credit plan will be awarded in fiscal 2008. They will be 100% performance based and will include core stock credits and My Macy s/Consolidation stock credits.

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At the conclusion of fiscal 2009, the Committee will:

with respect to the core stock credits, evaluate Macy s performance in fiscal years 2008 and 2009 against established objectives based on updated Four Priorities (Merchandise Assortments, Price Simplification, The Shopping Experience and Marketing); and

with respect to the My Macy s/Consolidation stock credits, evaluate Macy s performance in fiscal 2008 and fiscal 2009 against objectives established by the CMD Committee at the beginning of each fiscal year based on sales objectives associated with the company s My Macy s initiative and financial objectives associated with savings anticipated from the consolidations of three operating divisions.

Based upon that evaluation of Macy s performance, the Committee will determine the percentage (from 0% up to 100%) of each type of stock credits that are earned by the participants. Stock credits that are not earned will be forfeited. The value of one-half of the earned stock credits held by participants will be paid in cash in Spring 2012 and the value of the other half of such stock credits will be paid in cash in Spring 2013, the value being determined in each case on the basis of the then-current 20-day average closing price of Macy s common stock. In general, each stock credit is intended to represent the right to receive the value associated with one share of Macy s common stock, including dividends paid on shares of Macy s common stock during the period from the end of fiscal 2009 until such stock credit is settled in cash.

Stock Credit	**Earning Criteria**	**Performance Period**	**Payout of Earned Benefit**	
Performanced-Based Core	100% based on performance against the Four Priorities	2008-2009	50% in 2012	50% in 2013
My Macy s/ Consolidation	50% based on sales performance objectives relating to My Macy s initiative 50% based on financial measures related to consolidation objectives	2008; 2009	50% in 2012	50% in 2013

/s/ William J. Janetschek

Chief Financial Officer

William J. Janetschek

(principal financial and accounting officer) of KKR Management LLC