

Macy's, Inc.  
Form DEF 14A  
April 03, 2013  
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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

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

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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No fee required

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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):

4) Proposed maximum aggregate value of transaction:

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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

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**MACY S, INC.**

7 West Seventh Street, Cincinnati, Ohio 45202

and

151 West 34<sup>th</sup> Street, New York, New York 10001

April 3, 2013

To the Shareholders:

It is my privilege to invite you to attend Macy's 2013 annual meeting of shareholders. We are holding the annual meeting on Friday, May 17, 2013, at 11:00 a.m., Eastern 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 and we want your shares to be represented at the meeting. Regardless of whether you plan to attend the annual meeting, we hope you will vote as soon as possible. Accordingly, we encourage you to read the proxy statement and cast your vote promptly by following the instructions on the enclosed proxy card.

We appreciate your continued confidence in and support of Macy's, Inc.

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 34<sup>th</sup> Street, New York, New York 10001

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

and

**Important Notice Regarding the Availability of Proxy Materials**

**For the Shareholder Meeting to be Held on May 17, 2013**

To the Shareholders:

Macy's hereby gives notice that the annual meeting of its shareholders will be held at 11:00 a.m., Eastern Time, on Friday, May 17, 2013, at Macy's offices located at 7 West Seventh Street, Cincinnati, Ohio 45202. At the annual meeting, shareholders will be asked to:

1. Elect ten members of Macy's board of directors;
2. Ratify the appointment of KPMG LLP as Macy's independent registered public accounting firm for the fiscal year ending February 1, 2014;
3. Cast an advisory vote to approve the compensation of our named executive officers; and
4. Conduct 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 items 2 and 3. 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](http://www.proxyvote.com) and [www.macysinc.com](http://www.macysinc.com).

The Board of Directors has fixed March 22, 2013 as the record date for the determination of shareholders entitled to vote at the annual meeting or any postponements or adjournments of the annual meeting.

DENNIS J. BRODERICK

*Secretary*

April 3, 2013

**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.**

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**MACY S, INC.**

7 West Seventh Street, Cincinnati, Ohio 45202

and

151 West 34<sup>th</sup> 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 shareholders. The annual meeting will be held at 11:00 a.m., Eastern Time, on Friday, May 17, 2013, at our offices located at 7 West Seventh Street, Cincinnati, Ohio 45202. The proxies received will be used at the annual meeting and at any postponements or adjournments 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 15, 2013.

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*This summary highlights information contained elsewhere in our proxy statement. This summary does not contain all of the information you should consider. You should read the entire proxy statement carefully before voting.*

**Annual Meeting of Shareholders**

Time and date: 11:00 a.m., Eastern Time, on May 17, 2013  
 Place: Macy's, Inc., 7 West Seventh Street, Cincinnati, OH 45202  
 Record date: March 22, 2013  
 How to vote: In general, you may vote either in person at the annual meeting or by telephone, the Internet, or mail.  
 Common shares outstanding as of record date: 391,470,465 shares

**Items to be Voted On**

<b>Proposal</b>	<b>Board Voting Recommendation</b>
Item 1. Election of 10 directors	FOR EACH NOMINEE
Item 2. Ratification of KPMG LLP as our independent registered public accounting firm for fiscal 2013	FOR
Item 3. Advisory vote to approve named executive officer compensation	FOR

**Board Nominees**

<b>Name</b>	<b>Director Since</b>	<b>Independent</b>	<b>Occupation</b>	<b>Audit</b>	<b>Committee Memberships</b>		
					<b>Compensation and Management Development</b>	<b>Finance</b>	<b>Nominating and Corporate Governance</b>
Stephen F. Bollenbach	2007	x	Non-Executive Chairman of the Board of Directors of KB Home	x		x	
Deirdre P. Connelly	2008	x	President, North American Pharmaceuticals of GlaxoSmithKline		x		x
Meyer Feldberg	1992	x	Dean Emeritus and Professor of Leadership and Ethics at Columbia Business School		Chair		x
Sara Levinson	1997	x	Former Chairman and Chief Executive Officer of ClubMom, Inc.		x		x
Terry J. Lundgren	1997		Chairman, President and CEO of Macy's, Inc.				
Joseph Neubauer	1992	x	Chairman of ARAMARK Holdings Corporation	Chair	x	x	
Joyce M. Roché	2006	x	Retired President and CEO of Girls Incorporated	x			Chair
Paul C. Varga	2012	x	Chairman and CEO of Brown-Forman Corporation				x
Craig E. Weatherup	1996	x	Retired CEO of The Pepsi-Cola Company		x		x
Marna C. Whittington	1993	x	Retired CEO of Allianz Global Investors Capital	x		Chair	





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No director nominee attended fewer than 75% of meetings of the Board and committees of which he or she was a member during fiscal 2012.

**Auditors**

We are asking shareholders to ratify the selection of KPMG LLP as our independent registered public accounting firm for the 2013 fiscal year. Set forth below is a summary of the fees paid to KPMG in fiscal 2012 and 2011.

Year	Audit Fees (\$)	Audit- Related Fees (\$)	Tax Fees (\$)	All Other Fees (\$)	Total (\$)
2012	4,730,000	1,125,400	49,819	0	5,905,219
2011	4,700,000	1,009,400	338,582	450,000	6,497,982

**Executive Compensation Advisory Vote**

We are asking shareholders to approve on an advisory basis our named executive officer compensation. The Board of Directors recommends a FOR vote because it believes that our executive compensation program is competitive, strongly focused on pay-for-performance principles and appropriately balanced between risk and rewards.

**Fiscal 2012 Business Highlights**

Highlights of our fiscal 2012 performance include:

Total sales for fiscal 2012 were \$27.7 billion, up 4.9% from fiscal 2011 total sales of \$26.4 billion.

On a comparable basis, sales in fiscal 2012 were up 3.7%, the third consecutive year of growth in excess of 3.5%. We calculate comparable sales as sales from stores in operation throughout fiscal 2011 and fiscal 2012, all internet sales and adjust for the 53<sup>rd</sup> week in fiscal 2012.

Online sales (macys.com and bloomingdales.com combined) grew by 41% on a comparable year-over-year basis in fiscal 2012, on top of growth of 40% in fiscal 2011, 29% in fiscal 2010 and 20% in fiscal 2009.

Fiscal 2012 earnings per diluted share were \$3.46 per share, excluding impairments, store closing costs, gain on sale of leases and the premium on early debt retirement, up 20% from 2011 on a comparable basis. Fiscal 2011 earnings per diluted share were \$2.88 per share, excluding impairments, store closing costs and gain on sale of leases. See pages 16 to 18 of the Company's Form 10-K for fiscal 2012 for a reconciliation of these non-GAAP financial measures to the most comparable GAAP financial measures and other important information.

EBIT (or operating income) for fiscal 2012 totaled \$2.666 billion or 9.6% of sales, excluding impairments, store closing costs and gain on sale of leases, an increase of 12% and 60 basis points as a percent of sales over fiscal 2011 on a comparable basis. For fiscal 2011, EBIT totaled \$2.386 billion or

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9.0% of sales, excluding impairments, store closing costs and gain on sale of leases. See pages 16 to 18 of the Company's Form 10-K for fiscal 2012 for a reconciliation of these non-GAAP financial measures to the most comparable GAAP financial measures and other important information.

Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization, excluding impairments, store closing costs and gain on sales of leases and premium on early retirement of debt) rate reached 13.4% in fiscal 2012, reflecting a steady improvement toward our goal of 14%, compared to an Adjusted EBITDA rate of 13.1% in fiscal 2011. See pages 16 to 18 of the Company's Form 10-K for fiscal 2012 for a reconciliation of these non-GAAP financial measures to the most comparable GAAP financial measures and other important information.

ROIC a key measure of operating productivity rose significantly in fiscal 2012, the fourth consecutive year of improvement. ROIC reached 21.2% in fiscal 2012, compared to 19.7% in fiscal 2011. See pages 16 to 18 of the Company's Form 10-K for fiscal 2012 for a reconciliation of these non-GAAP financial measures to the most comparable GAAP financial measures and other important information.

Our common stock price at the end of fiscal 2012 was \$39.51 per share, a 16.8% increase from the closing price of \$33.82 per share at the end of fiscal 2011.

Our one-year, three-year and five-year total shareholder return, or TSR, was 19.3%, 158.7% and 54.0%, respectively, which ranked above the 56<sup>th</sup> percentile, above the 79<sup>th</sup> percentile and above the 48<sup>th</sup> percentile, respectively, compared to the TSR of our 10-company executive compensation peer group for the same periods.

We returned approximately \$1.7 billion to shareholders through dividends and share repurchases and doubled our cash dividend in fiscal 2012 to an annualized \$0.80 per share.

**Fiscal 2012 Executive Pay Highlights**

The fiscal 2012 pay packages for our named executive officers consisted of salary, short- and long-term incentive opportunities and other benefits discussed in the Compensation Discussion & Analysis (CD&A) section of this proxy statement (pages 36 to 60). You can read about our Compensation and Management Development (CMD) Committee's methodology for setting pay opportunities and approving actual payouts, and learn more about our compensation plans and programs, in the CD&A. In summary, please note that in determining the amount of compensation paid to our named executive officers, the CMD Committee focuses on aligning pay and performance. As such, you will read in the CD&A that:

as in past years, a substantial majority of the named executive officers' compensation was in the form of long-term incentive awards, including stock options and performance-based restricted stock units;

the performance-based restricted stock units are subject to performance metrics to ensure a strong connection between compensation and the Company's performance over a three-year performance period:

the number of shares that vest at the end of the three-year performance period depends upon how well we have performed in relation to the performance metrics;

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with respect to performance-based restricted stock units granted in 2010, our strong financial performance over the three-year (2010-2012) performance period with respect to cumulative EBITDA (earnings before interest, taxes, depreciation and amortization), average EBITDA margin and average ROIC (return on invested capital) performance metrics resulted in 150% of the targeted number of performance units being earned; and

with respect to performance-based restricted stock units granted in fiscal 2012, the CMD Committee again used cumulative EBITDA, average EBITDA margin and average ROIC performance metrics for the three-year (2012-2014) performance period; in addition, however, the CMD Committee added an additional performance metric – a relative TSR (total shareholder return) metric that will measure our stock price performance against that of our executive compensation peer group over the three-year (2012-2014) performance period; and

annual bonus payouts were subject to achievement of targeted levels of financial results with respect to three key performance metrics included in our annual business plan (sales, earnings before interest and taxes (EBIT) and cash flow);

the CMD Committee awarded annual bonus payments with respect to fiscal 2012 performance to the named executive officers of 79.5% of their targeted bonus opportunity.

Overall, the fiscal 2012 compensation of our named executive officers (as set forth below and in the Summary Compensation Table on page 62) reflects both our strong performance for the fiscal year and our compensation philosophy of aligning pay and performance.

Named Executive Officer	Salary (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Changes in Pension Value and Nonqualified Deferred Compensation Earnings		All Other Compensation (\$)	Total (\$)
Terry J. Lundgren	1,591,667	4,630,824	3,099,994	1,907,200	2,534,767	76,079	13,840,531	
Karen M. Hoguet	844,167	791,695	529,994	506,600	837,196	1,225	3,510,877	
Timothy M. Adams	827,500	791,695	529,994	494,700	828,698	1,225	3,473,812	
Jeffrey Gennette	838,333	1,791,679	529,994	506,600	965,583	1,225	4,633,414	
Peter R. Sachse	841,667	1,791,679	529,994	506,600	773,769	57,054	4,500,763	
Thomas L. Cole	1,000,000	791,695	529,994	596,000	889,922	1,225	3,808,836	

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### **GENERAL**

The record date for the annual meeting is March 22, 2013. If you were 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 Macy's common stock you owned on the record date on each of the matters listed in the notice of meeting. As of the record date, 391,470,465 shares of Macy's common stock were outstanding. This number excludes shares held in the treasury of Macy's.

#### **Confidential Voting Policy**

The Board has adopted a policy under which all voting materials that identify the votes of specific shareholders will be kept confidential and will not be disclosed to our 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 shareholder confidentiality as provided in the policy;

in those instances in which shareholders 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 shareholder proposal that the 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 shareholders; 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.

#### **Quorum**

A quorum of shareholders is necessary to hold a valid annual meeting. The holders of a majority of our common 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. We 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. 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 Macy's common stock as of the record date, the annual meeting may be adjourned to a subsequent date for the purpose of obtaining a quorum.

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### **Vote Required for Each Proposal**

The vote required for each matter is:

**Item 1.** Director nominees must be elected by the affirmative vote of a majority of the shares represented at the meeting and actually voted on the matter. Abstentions and broker non-votes will have no effect in determining whether the proposal has been approved. Any incumbent nominee for director who receives a greater number of votes cast against than votes cast for shall continue to serve on the Board pursuant to Delaware law, but, pursuant to our director resignation policy, shall tender his or her resignation for consideration by the NCG Committee. The NCG Committee will promptly consider such resignation and recommend to the Board the action to be taken with respect to the tendered resignation. The Board will publicly disclose its decision within 90 days after the certification of the election results. Any director who tenders his or her resignation pursuant to this policy would not participate in the NCG Committee's recommendation or the Board's consideration regarding whether or not to accept the tendered resignation.

**Item 2.** Ratification of the appointment of KPMG LLP as our independent registered public accounting firm requires the affirmative vote of a majority of the shares represented at the meeting and actually voted on the matter. Abstentions and broker non-votes will have no effect in determining whether the proposal has been approved.

**Item 3.** The advisory (non-binding) proposal to approve the compensation of our named executive officers, as disclosed in this proxy statement, requires the affirmative vote of a majority of the shares represented at the meeting and actually voted on the matter. Abstentions and broker non-votes will have no effect in determining whether the proposal has been approved.

### **Broker Non-Votes**

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.

### **Voting Instructions**

All shares of our 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 in accordance with the recommendation of the Board, as follows:

FOR each of the director nominees (Item 1);

FOR the ratification of the appointment of our independent registered public accounting firm (Item 2); and

FOR the advisory vote to approve the compensation of our named executive officers (Item 3).

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### **Methods of Voting Your Proxy**

You may vote in person at the annual meeting or by proxy. We recommend 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 up until 11:59 p.m., Eastern Time, on May 16, 2013. 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 up until 11:59 p.m., Eastern Time, on May 16, 2013. 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. Your proxy card must be received prior to 11:59 p.m., Eastern Time, on May 16, 2013.

***Voting Shares Held in Street Name.*** A number of banks and brokerage firms participate in a program that also permits shareholders 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 11:59 p.m., Eastern Time, on Thursday, May 16, 2013. 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. Without your instructions, your broker or brokerage firm is permitted to use its own discretion and vote your shares on certain routine matters (such as Item 2), but is not permitted to use discretion and vote your uninstructed shares on non-routine matters (such as Items 1 and 3). Therefore, the Company encourages you to give voting instructions to your broker or brokerage firm on all matters being considered at the meeting.

***Voting Shares Held in 401(k) Plan.*** If you participate in our 401(k) Retirement Investment Plan, you will receive a voting instruction card for the Macy's common stock allocated to your account in the 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 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 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 plan, the trustee must receive voting instructions from plan participants by 11:59 p.m., Eastern Time, on Wednesday, May 15, 2013.

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**Revoking Your Proxy**

You may revoke your proxy at any time by:

submitting evidence of your revocation to the Company's Corporate Secretary;

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.



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*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 March 22, 2013 based on ownership reports filed by such persons with the SEC prior to that date.

<b>Name and Address</b>	<b>Date of Most Recent Schedule 13G Filing</b>	<b>Number of Shares</b>	<b>Percent of Class</b>
BlackRock, Inc. (BlackRock)(1) 40 East 52 <sup>nd</sup> Street New York, NY 10022	February 4, 2013	20,539,776	5.20%

(1) Based on a Schedule 13G filed with the SEC by BlackRock. The Schedule 13G reports that, as of December 31, 2012, BlackRock had sole voting power and sole dispositive power over 20,539,776 shares of Macy's common stock.

*Stock Ownership of Directors and Executive Officers.* The following table sets forth the shares of Macy's common stock beneficially owned (or deemed to be beneficially owned pursuant to the rules of the SEC), as of March 22, 2013 by each director who is not an employee of Macy's, referred to as a Non-Employee Director, by each executive named in the 2012 Summary Compensation Table, referred to as a Named Executive, and by our 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.

<b>Name</b>	<b>Number of Shares</b>		<b>Percent of Class</b>
	<b>(1)</b>	<b>(2)</b>	
Stephen F. Bollenbach	55,674	50,604	less than 1%
Deirdre P. Connelly	26,533	20,349	less than 1%
Meyer Feldberg	74,227	70,364	less than 1%
Sara Levinson	72,030	72,030	less than 1%
Joseph Neubauer	254,147	129,607	less than 1%
Joyce M. Roché	55,664	53,672	less than 1%
Paul C. Varga	850	0	less than 1%
Craig E. Weatherup	124,096	118,096	less than 1%
Marna C. Whittington	124,427	89,593	less than 1%
Terry J. Lundgren	3,695,726	2,934,108	less than 1%
Karen M. Hoguet	647,106	455,865	less than 1%
Timothy M. Adams	338,620	282,198	less than 1%
Thomas L. Cole	632,468	518,865	less than 1%
Jeffrey Gennette	190,830	165,168	less than 1%
Peter R. Sachse	414,947	296,996	less than 1%
All directors and executive officers as a group (23 persons) (3)	7,336,991	5,845,538	1.9%

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- (1) Aggregate number of shares of Macy's common stock currently held or which may be acquired within 60 days after March 22, 2013
  - (i) through the exercise of options granted under our 2009 Omnibus Incentive

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Compensation Plan, referred to as the 2009 Omnibus Plan, our 1995 Executive Equity Incentive Plan, referred to as the 1995 Equity Plan, or our 1994 Stock Incentive Plan, referred to as the 1994 Stock Plan and (ii) with respect to the Non-Employee Directors, through distributions in settlement of deferred stock credits that would be triggered if the director's service on the Board were to end during the 60-day period.

(2) Number of shares of Macy's common stock which may be acquired within 60 days after March 22, 2013 (i) through the exercise of options granted under the 2009 Omnibus Plan, the 1995 Equity Plan and the 1994 Stock Plan and (ii) with respect to Non-Employee Directors, through distributions in settlement of deferred stock credits that would be triggered if the director's service on the Board were to end during the 60-day period.

(3) This group does not include Thomas L. Cole, who ceased being an executive officer on January 28, 2013. *Securities Authorized for Issuance Under Equity Compensation Plans.* The following table presents certain aggregate information, as of February 2, 2013, with respect to the 2009 Omnibus Plan, the 1995 Equity Plan and 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) (thousands)	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) (thousands)
Equity compensation plans approved by security holders	29,793	29.07	32,110
Equity compensation plans not approved by security holders	0	0	0
<b>Total</b>	<b>29,793</b>	<b>29.07</b>	<b>32,110</b>

The foregoing table does not reflect stock credits issued under our Executive Deferred Compensation Plan, the Director Deferred Compensation Plan, or the Associated Dry Goods (ADG) Corporation Executives Deferred Compensation Plan (assumed by Macy's in connection with its acquisition of The May Department Stores Company in 2005). The Executive Deferred Compensation Plan and the ADG Corporation Executives Deferred Compensation Plan have not been approved by our shareholders. 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. Pursuant to the Director Deferred Compensation Plan, Non-Employee Directors may elect to receive a portion of their cash compensation in the form of stock credits. 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 Macy's 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. Each stock credit, other than a stock credit payable in cash, entitles the holder to receive one share of Macy's 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 shareholders on shares of Macy's common stock.

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**ITEM 1. ELECTION OF DIRECTORS**

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, Joyce M. Roché, Paul C. Varga, Craig E. Weatherup and Marna C. Whittington, each of whom is currently a member of the Board, for election as directors. If elected, each of these nominees will serve for a one-year term that will expire at our annual meeting of shareholders in 2014 or until his or her successor is duly elected and qualified.

Information regarding the nominees is set forth below. Ages are as of March 25, 2013. All directors bring to the Board a wealth of executive leadership experience derived from their service in executive or professional positions with large, complex organizations. The criteria considered and process undertaken by the NCG Committee in recommending qualified director candidates is described below under Further Information Concerning the Board of Directors Director Nomination and Qualifications.

Each nominee has consented to being nominated and has 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 70, has been a director since June 2007. Mr. Bollenbach 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. Prior to his affiliation with Hilton Hotels, Mr. Bollenbach held Chief Financial Officer positions at The Walt Disney Corporation, Marriott Corporation and The Trump Organization. Mr. Bollenbach is a former director of American International Group, Inc. (until 2009). He is currently also a member of the boards of directors of KB Home, Mondelez International, Inc. and Time Warner Inc.

**DEIRDRE P. CONNELLY**

Ms. Connelly, age 52, has been a director since January 2008. Ms. Connelly has been President, North American Pharmaceuticals of GlaxoSmithKline, a global pharmaceutical company, since February 2009. From June 2005 through January 2009, Ms. Connelly served as President U.S. Operations of Eli Lilly and Company. 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.

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MEYER FELDBERG

Professor Feldberg, age 71, has been a director since May 1992. Professor Feldberg 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, New York 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 world. His career has also included teaching and leadership positions in the business schools of the University of Cape Town, Northwestern and Tulane. In addition, he served as President of the Illinois Institute of Technology from 1986 to 1989. Professor Feldberg is a former director of Primedia, Inc. (until 2011) and was the Lead Director of Sappi Limited (until 2012). He is currently also a member of the boards of directors of Revlon, Inc. and UBS Global Asset Management.

SARA LEVINSON

Ms. Levinson, age 62, has been a director since May 1997. Ms. Levinson was the Non-Executive Chairman of ClubMom, Inc., an online social networking community for mothers, 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 publisher Rodale, Inc. from October 2002 until June 2005. From September 1994 through April 2000, she was President of NFL Properties, Inc., where she oversaw a \$2 billion consumer products and e-commerce division, corporate sponsorship, marketing, special events, club services and publishing. Prior to NFL Properties, Ms. Levinson served at MTV Networks as President, MTV, where she oversaw marketing, research, new business development, strategic operations and international operations. Ms. Levinson is currently also a member of the board of directors of Harley Davidson, Inc.

TERRY J. LUNDGREN

Mr. Lundgren, age 61, has been a director since May 1997. Mr. Lundgren has been Chairman of Macy's, Inc. since January 15, 2004 and President and Chief Executive Officer of Macy's, Inc. since February 26, 2003. Prior to that time, he served as the President/Chief Operating Officer and Chief Merchandising Officer of Macy's, Inc. since April 15, 2002. From May 1997 until April 15, 2002, he was President and Chief Merchandising Officer of Macy's, Inc. Mr. Lundgren is currently also a member of the boards of directors of Kraft Foods, Inc., The Procter & Gamble Company and the Federal Reserve Bank of New York.

JOSEPH NEUBAUER

Mr. Neubauer, age 71, has been a director since September 1992. Mr. Neubauer has been Chairman of ARAMARK Holdings Corporation since May 2012. He served as Chairman and Chief Executive Officer of ARAMARK Holdings from January 2007 to May 2012. ARAMARK Holdings is a leading provider of a broad range of professional services, including food, hospitality, facility and uniform services, in North America, South America, Europe and the Far East. 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

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Executive Officer of ARAMARK Corporation from 1983 until December 2003, and Chairman from 1984 until December 2003. Prior to serving as Chief Executive Officer of ARAMARK Corporation, Mr. Neubauer served as its Chief Financial Officer. Mr. Neubauer is a former director of Wachovia Corporation (until 2008). He is currently also a member of the boards of directors of ARAMARK Holdings Corporation and Verizon Communications, Inc.

**JOYCE M. ROCHÉ**

Ms. Roché, age 66, has been a director since February 2006. Ms. Roché was the President and Chief Executive Officer of Girls Incorporated, a national non-profit research, education and advocacy organization from September 2000 through May 2010. Prior to assuming her position at Girls Incorporated, 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 a former director of Anheuser-Busch Companies, Inc. (until 2008). She is currently also a member of the boards of directors of AT&T, Inc., Dr. Pepper Snapple Group and Tupperware Corporation.

**PAUL C. VARGA**

Mr. Varga, age 49, has been a director since March 2012. Mr. Varga has been Chairman of Brown-Forman Corporation, a spirits and wine company, since August 2007 and Chief Executive Officer since 2005. He served as President and Chief Executive Officer of Brown-Forman Beverages (a division of Brown-Forman Corporation) from 2003 to 2005 and as Global Chief Marketing Officer for Brown-Forman Spirits from 2000 to 2003. He is currently also a member of the board of directors of Brown-Forman Corporation.

**CRAIG E. WEATHERUP**

Mr. Weatherup, age 67, has been a director since August 1996. Mr. Weatherup 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 currently also a member of the board of directors of Starbucks Corporation.

**MARNA C. WHITTINGTON**

Dr. Whittington, age 65, has been a director since June 1993. Dr. Whittington was Chief Executive Officer of Allianz Global Investors Capital, a successor firm of Nicholas Applegate Global Capital Management, from 2002 until her retirement in January 2012. Allianz Global Investors Capital is a diversified global investment firm. She was Chief Operating Officer of Allianz Global Investors, the parent company of Allianz Global Investors Capital, from 2001 to 2011. Prior to joining Nicholas-Applegate in 2001, she was Managing Director and Chief Operating Officer of Morgan Stanley Asset Management. Dr. Whittington started in the investment management industry in 1992, joining Philadelphia-based Miller Anderson & Sherrerd. Previously, she was Executive Vice President and CFO of the University of Pennsylvania, from 1984 to 1992. Earlier, she had been first, Budget Director, and later, Secretary of Finance, for the State of Delaware. Dr. Whittington is a former director of Rohm & Haas Company (until 2009). She is currently also a member of the boards of directors of Oaktree Capital Group, LLC and Phillips 66.

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**FURTHER INFORMATION CONCERNING THE BOARD OF DIRECTORS**

**Attendance at Meetings**

The Board held seven meetings during the fiscal year ended February 2, 2013, referred to as fiscal 2012. During fiscal 2012, 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, we expect our directors to make reasonable efforts to attend the annual meetings of shareholders. All of the Company's directors attended our most recent annual meeting of shareholders, except for two directors who had other commitments on that date.

**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 our Internet website at [www.macysinc.com/for-investors/corporate-governance](http://www.macysinc.com/for-investors/corporate-governance) or by mailing such communications to Macy's, Inc., 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. Our Office of the General Counsel will collect all communications and forward them to the appropriate director(s).

**Director Independence**

Our 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 our website at [www.macysinc.com/for-investors/corporate-governance](http://www.macysinc.com/for-investors/corporate-governance), 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 during any 12-month period within the preceding 36 months, direct compensation of more than \$120,000 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).

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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 a current employee and no member of his or her immediate family is a current executive officer of a company that makes payments to, or receives payments from, Macy's for property or services in an amount which, in any of the last three fiscal years, 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 shareholder 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 as an executive officer (and has not been so employed for the preceding 36 months) by another company where any of Macy's present executive officers at the same time serves or served on that company's compensation committee.

The Board has determined that each of the following Non-Employee Directors qualifies as independent under New York Stock Exchange ( NYSE ) rules and satisfies our Standards for Director Independence: Stephen Bollenbach, Deirdre Connelly, Meyer Feldberg, Sara Levinson, Joseph Neubauer, Joyce Roché, Paul Varga, 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, including the following transactions, relationships or arrangements:

Ms. Whittington's affiliation, until her retirement in 2012, with Pacific Investment Management Company, LLC, which manages certain assets of our 401(k) and pension plans at the recommendation of a third party advisor to the plans;

Mr. Neubauer's affiliation with ARAMARK Holdings Corporation, from which we purchase goods and services through negotiated transactions in the ordinary course of business; and

Ms. Roché's affiliation, until her retirement in 2010, with Girls Incorporated, a charitable organization that receives contributions from us through our foundation and other promotional activities.



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In each case, the NCG Committee determined that either the director was not providing goods or services to the Company or that the amounts involved fell below the monetary thresholds set forth in the Standards for Director Independence.

### **Board Leadership Structure**

Our Corporate Governance Principles provide that the Board is free to elect its Chairman and the Chief Executive Officer (CEO) in the manner the Board considers in the best interests of the Company at any given point in time and that these positions may be filled by one individual or by two different individuals. Our Chairman and CEO functions have historically been performed by a single individual. The Board believes that this leadership model has worked well in the past and, when combined with the current composition of the CEO and the Board and the other elements of our corporate governance structure, strikes an appropriate balance between strong and consistent leadership and independent and effective oversight of our business and affairs.

Mr. Lundgren is an experienced and well respected retail executive who also has many years of board experience. As CEO he bears the primary responsibility of developing corporate strategy and managing our day-to-day business operations. As a board member he understands the responsibilities and duties of a director and is well positioned to chair regular Board meetings, provide direction to management regarding the needs, interests and opinions of the Board and help ensure that key business issues and shareholder matters are brought to the attention of the Board. Having Mr. Lundgren serve as both CEO and Chairman promotes unified leadership and direction for both the Board and management.

We have strong corporate governance structures and processes that are intended to ensure that our independent directors will continue to effectively oversee management and key issues such as strategy, risk and integrity. Each of the committees of the Board is comprised solely of independent directors. Consequently, independent directors oversee such critical matters as the integrity of our financial statements, the compensation of management executives, including the CEO, financial commitments for capital projects, the selection and evaluation of directors, and the development and implementation of corporate governance programs. Each Board committee routinely has independent sessions among its members without management to discuss issues and matters of concern to the committee.

The Non-Employee Directors, all of whom are independent, meet in executive session without management either before or after all regularly scheduled Board meetings to discuss various issues and matters of concern to the Board, including the effectiveness of management, our performance and our strategic plans. We do not have a lead director. Prior to fiscal year 2013, the chairpersons of the Board committees presided at the executive sessions of the Board by annual rotation. Joseph Neubauer, chair of the Audit Committee, presided at the executive sessions during fiscal 2012. At every Board meeting the presiding director or any other director may request that the Board go into executive session with only independent directors present. The presiding director or any other director is free to suggest the inclusion of items on the agenda for Board meetings or raise subjects that are not on the agenda for that meeting. In addition, the Board and each Board committee has complete and open access to any member of management and the authority to retain independent legal, financial and other advisors as they deem appropriate.

*New Presiding Director Selection Process.* During 2012, upon the recommendation of the NCG Committee, the Board implemented a more formal process for selecting the presiding director, established a

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definite term for the position and assigned additional responsibilities to the position. Beginning with fiscal year 2013, the presiding director will be selected from among the Non-Employee Directors. The chair of the NCG Committee and management will discuss candidates for the presiding director position, taking into account the same types of criteria that is considered when discussing candidates for the chair of Board committees (including, among other things, tenure, previous service as a Board chair, diverse experience, participation in and contributions to activities of the Board and time commitment). The chair of the NCG Committee will then recommend a nominee for consideration by the NCG Committee and the Board. For fiscal year 2013, the chair of the NCG Committee recommended, and the NCG Committee and Board approved, the appointment of Marna Whittington as presiding director for a term extending to May 2015. Thereafter, the chair of the NCG Committee shall recommend for consideration by the NCG Committee a nominee for presiding director every two years at the regularly scheduled meeting of the NCG Committee in May (or as otherwise required to address any vacancy in such position), commencing with the meeting in May 2015. If the NCG Committee approves the nominee, it will recommend that the Board elect the nominee as presiding director at its next regularly scheduled meeting.

The presiding director will have the following responsibilities:

preside over executive sessions of the Non-Employee Directors;

work with management to set the agenda for each executive session, considering any matters proposed by other Non-Employee Directors to be discussed at an executive session; and

meet separately with the Chairman and CEO within a reasonable period of time after an executive session to review the matters discussed during the executive session that require the Chairman and CEO's action or attention.

**Risk Oversight**

We have an enterprise risk management program pursuant to which enterprise risks are identified and prioritized. At committee and Board meetings throughout the year, management discusses the risk exposures identified as being most significant to the Company and the related actions that management may take to monitor such exposures. The Audit Committee, in particular, discusses with management the risk assessments and risk management policies relating to a variety of risks, including certain financial, operational, IT and compliance risks. The chairman of the Audit Committee updates the full Board on these discussions.

*Compensation Risk Assessment.* The CMD Committee considers risks associated with our compensation programs. In addition, as part of its ongoing advisory role to the CMD Committee, the CMD Committee's independent executive compensation consultant, Frederic W. Cook & Co., referred to as Cook & Co., continually evaluates the potential for unintended risk associated with the design of the executive compensation programs.

At the direction of the CMD Committee, Cook & Co. completed a comprehensive review of our compensation programs in fiscal 2010, as well as an updated assessment in fiscal 2011 to determine whether potential risk existed and whether there were design factors that mitigated potential risk areas. Following these reviews, Cook & Co. concluded that our compensation programs are well-designed and do not encourage

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behaviors that would create material risk for the Company. Cook & Co. also noted that there are a number of features in the programs that mitigate risk and protect against perverse behavior and the potential for unintended consequences.

During 2012, the CMD Committee asked Cook & Co. to update its review of our compensation programs to identify any material changes to enterprise risk and/or the design of the compensation programs. Based on its review of the compensation programs and interviews with senior executives, Cook & Co. determined that since its fiscal 2011 review there have been no material changes to the Company's enterprise risk and only one notable change to our compensation program design (we added a relative total shareholder return (TSR) performance goal to the performance-based restricted stock units awarded to senior executives). Cook & Co. concluded that our compensation programs continue to be well-designed and do not encourage behaviors that would create material risk for the Company. In reaching this conclusion, Cook & Co. noted the following features of our compensation programs:

Pay philosophy, peer group and market positioning are appropriate in light of our business model and size relative to our peer group of companies.

The programs have an appropriate degree of balance with respect to the mix of cash and equity compensation and measure performance against both annual and multi-year standards.

Performance goals are set at levels that are sufficiently high to encourage strong performances and support the resulting compensation expense, but within reasonably attainable parameters to discourage pursuit of excessively risky business strategies.

The performance metrics focus participants on profitable growth, asset efficiency and sustainable long-term shareholder value creation, thereby holding management accountable to achievement of key operational and strategic priorities that support our short- and long-term strategic objectives.

The CMD Committee has the ability to reduce amounts earned under the annual bonus program to reflect a subjective evaluation of the quality of earnings, individual performance and other factors that should influence earned compensation.

Meaningful risk mitigators are in place, including substantial stock ownership guidelines, the three-year relative TSR performance goal in the performance share program, compensation clawback provisions, anti-hedging/pledging policies, independent CMD Committee oversight, and engagement of an independent consultant that does no other work for the Company or management.

**Table of Contents****Committees of the Board**

The following standing committees of the Board were in existence throughout fiscal 2012: the Audit Committee, 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 2012:

Name	Audit	CMD	Finance	NCG
Stephen F. Bollenbach	x		x	
Deirdre P. Connelly		x		x
Meyer Feldberg		Chair		x
Sara Levinson		x		x
Terry J. Lundgren				
Joseph Neubauer	Chair	x	x	
Joyce M. Roché	x			Chair
Paul C. Varga				x
Craig E. Weatherup		x		x
Marna C. Whittington	x		Chair	
2012 Meetings	5	6	5	5

*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 our website at [www.macysinc.com/for-investors/corporate-governance](http://www.macysinc.com/for-investors/corporate-governance). As required by the Audit Committee charter, all current members of the Audit Committee are independent under our Standards for Director Independence and NYSE independence standards, as well as applicable SEC rules. The Board has determined that all members are financially literate for purposes of NYSE listing standards, and that Mr. Neubauer qualifies as an audit committee financial expert because of his 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 our independent registered public accounting firm and the independence of such firm prior to initial engagement of the firm and annually thereafter;

reviewing the scope of the audit by our independent registered public accounting firm;

reviewing any proposed non-audit services by our 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 our annual financial statements, systems of internal accounting controls, material legal developments relating thereto, and legal compliance policies and procedures;

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discussing policies with respect to our risk assessment and risk management;

reviewing matters with respect to our legal, accounting, auditing and financial reporting practices and procedures as it may find appropriate or as may be brought to its attention, including our compliance with applicable laws and regulations;

monitoring the functions of our Compliance and Ethics organization, including review and discussing with management and the Board the organization's reports describing its on-going projects, the status of its communications and training programs, the status of pending compliance issues and other matters;

reviewing with members of our 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 our website at [www.macysinc.com/for-investors/corporate-governance](http://www.macysinc.com/for-investors/corporate-governance). As required by the CMD Committee charter, all current members of the CMD Committee are independent under our Standards for Director Independence and NYSE independence standards, as well as applicable SEC rules, are non-employee directors under Rule 16b-3 of the Securities Exchange Act of 1934, and are outside directors under Section 162(m) of the Internal Revenue Code.

The responsibilities of the CMD Committee include:

reviewing the salaries of our chief executive officer and other executive officers and, either as a committee or together with the other independent directors (as directed by the Board), setting compensation levels for these executives;

administering our bonus, incentive and stock option plans, 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 our other executive officers;

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

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advising and consulting with management regarding our pension, benefit and compensation plans, policies and practices;

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 in order to assure the 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 our website at [www.macysinc.com/for-investors/corporate-governance](http://www.macysinc.com/for-investors/corporate-governance). The Finance Committee charter requires that a majority of the members of the Finance Committee be independent under our Standards for Director Independence, and all current members of the Finance Committee are independent under those standards.

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 our capital structure, such as financings, refinancings and the issuance, redemption or repurchase of our debt or equity securities;

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

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 recommending 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 our retirement plans.

*Nominating and Corporate Governance Committee.* The charter for the NCG Committee is disclosed on our website at [www.macysinc.com/for-investors/corporate-governance](http://www.macysinc.com/for-investors/corporate-governance). As required by the NCG Committee charter, all current members of the NCG Committee are independent under our Standards for Director Independence and NYSE independence standards, as well as applicable SEC rules.

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 shareholders at annual meetings;

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

### **Director Nomination and Qualifications**

Our 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 retail industry or other industries relevant to our business;

relevant experience and background that would benefit the Company;

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 our needs; 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 our Standards for Director Independence, together with any special criteria applicable to service on various standing committees of the Board. The NCG Committee does not have a formal policy with respect to diversity; however, the Board and the NCG Committee believe that it is desirable that Board members represent a diversity of gender, race and national origin as well as diversity of viewpoints, background, experience and demographics.





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The NCG Committee generally identifies nominees by first determining whether the current members of the Board continue to provide the appropriate mix of knowledge, skills, judgment, experience, differing viewpoints and other qualities necessary to the Board's ability to oversee and direct the business and affairs of the Company. The Board generally nominates for re-election current members of the Board who are willing to continue in service, collectively satisfy the criteria listed above and are available to devote sufficient time and attention to the affairs of the Company. When the NCG Committee seeks new candidates for director, it seeks individuals with qualifications that will complement the experience, skills and perspectives of the other members 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.

Below we identify and describe the key experience, qualifications and skills the NCG Committee and Board consider in concluding a director is qualified to serve as a director of the Company. The experience, qualifications, attributes and skills that the Board considered in the re-nomination of our directors are reflected in their individual biographies beginning on page 12 and the skills matrix below. The matrix is a summary; it does not include all of the skills, experiences and qualifications that each director nominee offers, and the fact that a particular experience, skill or qualification is not listed does not mean that a director does not possess it.

*Leadership Experience:* Directors with experience in significant senior leadership positions with large organizations over an extended period provide the Company with special insights. Strong leaders bring vision, strategic agility, diverse and global perspectives and broad business insight to the Company. These individuals demonstrate a practical understanding of how large organizations operate, including the importance of succession planning, talent management and how employee and executive compensation is set. They possess skills for managing change and growth and demonstrate a practical understanding of organizations, operations, processes, strategy, risk management and methods to drive growth.

The relevant leadership experience we seek includes a past or current leadership role in a major public company or recognized privately held entity, especially CEO, president or other senior-level positions; a past or current leadership role at a prominent educational institution or senior faculty position in an area of study important or relevant to the Company; a past elected or appointed senior government position; or a past or current senior managerial or advisory position with a highly visible nonprofit organization.

*Finance Experience:* An understanding of finance and related reporting processes is important for directors. We measure our operating and strategic performance by reference to financial goals, including for purposes of executive compensation. In addition, accurate financial reporting is critical to our success. Directors who are financially literate are better able to analyze our financial statements, capital structure and complex financial transactions and ensure the effective oversight of the Company's financial measures and internal control processes.

*Industry Knowledge and Global Business Experience:* We seek to have directors with experience as executives, directors or in other leadership positions in areas relevant to the retail industry on a global scale. We value directors with a global business perspective and those with experience in our high priority areas, including consumer products, customer service, licensing, human resource management and merchandising (including e-commerce and other channels of commerce).

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*Sales and Marketing Experience:* Directors with experience in dealing with consumers, particularly in the areas of marketing, marketing-related technology, advertising or otherwise selling products or services to consumers, provide valuable insights to the Company. They understand consumer needs and are experienced in identifying and developing marketing campaigns that might resonate with consumers, the use of technology and emerging and non-traditional marketing media (such as social networking, viral marketing and e-commerce), and identifying potential changes in consumer trends and buying habits.

*Technology Experience:* Directors with an understanding of technology as it relates to the retail industry and/or marketing help the Company focus its efforts in developing and investing in new technologies.

*Public Company Board Experience:* Directors who have experience on other public company boards develop an understanding of corporate governance trends affecting public companies and the extensive and complex oversight responsibilities associated with the role of a public company director. They also bring to the Company an understanding of different business processes, challenges and strategies.

**Table of Contents****Skills Matrix**

<b>Area of Experience</b>	<b>Bollenbach</b>	<b>Connelly</b>	<b>Feldberg</b>	<b>Levinson</b>	<b>Lundgren</b>	<b>Neubauer</b>	<b>Roché</b>	<b>Varga</b>	<b>Weatherup</b>	<b>Whittington</b>
<b>Leadership Experience</b>										
CEO/President/senior executive of public company	x	x		x	x	x	x	x	x	x
Dean of prestigious business school or other senior faculty position			x							
Senior advisor to leading financial services firm			x							x
Senior government position or appointment			x							
Senior-level executive position with nonprofit organization			x				x			
Senior-level executive positions with companies that have grown their businesses through mergers and acquisitions	x	x		x	x	x		x	x	
<b>Finance Experience</b>										
Financially literate	x	x	x	x	x	x	x	x	x	x
Specific experience in investment or banking matters or as a current or former CFO	x		x			x		x		x
Has served as an audit committee financial expert	x					x			x	x
<b>Industry Knowledge and Global Business Experience</b>										
Senior executive or director of substantial business enterprise engaged in merchandising, licensing, consumer products and/or consumer and customer service	x	x	x	x	x	x	x	x	x	x
Experience in human resource management		x			x					
<b>Sales and Marketing Experience</b>										
Experience in sales and/or marketing, including use of social networking, e-commerce and other alternative channels		x		x	x	x	x	x	x	
<b>Technology Experience</b>										
Understanding of technology as it relates to retail and/or marketing					x					
<b>Public Company Board Experience</b>										
Experience on boards other than Macy's	x		x	x	x	x	x	x	x	x

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Collectively, the composition of our Board reflects a wide range of viewpoints, background, experience and demographics, and includes individuals from a variety of professional disciplines in the business and academic sectors, with leadership experience at a variety of well-regarded commercial enterprises, universities and non-profit organizations. With the exception of Mr. Lundgren, each of the current directors satisfies the independence criteria in the NYSE listing standards and our Standards for Director Independence, and each member of the Audit Committee satisfies the financial literacy criteria applicable to service on the Audit Committee.

### **Director Nominations by Shareholders**

The NCG Committee will consider candidates for nomination recommended by shareholders 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. Shareholders 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.

Our By-Laws provide that director nominations may be made by the Company's shareholders. The By-Laws require that shareholders 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 shareholders. However, in the event that the date of the meeting is not publicly announced by us by inclusion in a report filed with the SEC or furnished to shareholders, or by mail, press release or otherwise more than 75 days prior to the meeting, notice by the shareholder 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 shareholder set forth certain information concerning such shareholder and the shareholder's nominees, including their names and addresses;

a representation that the shareholder 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 shareholder;

a description of all arrangements or understandings between the shareholder 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 shareholder; 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 shareholders desiring to bring any other business before an annual meeting of the shareholders. See Submission of Future Shareholder Proposals.

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**Retirement Policy**

Our Corporate Governance Principles provide for a mandatory retirement age for directors of 74. Accordingly, our directors are required to resign from the Board as of the annual meeting following their 74th birthday.

**Resignation Policy**

The Board does not believe that a Non-Employee Director who retires or experiences an employment position change since becoming a member of the Board should necessarily leave the Board. The Board requires, however, that promptly following such an event the director notify the NCG Committee in writing and tender his or her resignation to the NCG Committee for consideration. Upon receipt of the notification of a change in status, the NCG Committee reviews the continued appropriateness of the affected director remaining on the Board under the circumstances and recommends to the full Board whether or not to accept the resignation based on its assessment of what is best for the Company and its shareholders.

**Corporate Governance Principles and Code of Business Conduct and Ethics**

Our Corporate Governance Principles, Non-Employee Director Code of Business Conduct and Ethics, and Code of Conduct are disclosed on our website at [www.macysinc.com/for-investors/corporate-governance](http://www.macysinc.com/for-investors/corporate-governance). Shareholders 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 Street, Cincinnati, Ohio 45202.

**Fiscal 2012 Director Compensation Program**

Non-Employee Directors were entitled to receive the following compensation in fiscal 2012:

Type of Compensation	Amount of Compensation
Board Retainer	\$60,000 annually
Committee (non-chair) Member Retainer	\$10,000 annually
Committee Chair Retainer	\$20,000 annually
Equity Grant	annual award of restricted stock units with a value of \$130,000
Matching Philanthropic Gift	up to \$22,500 annually

A Non-Employee Director may elect to defer all or a portion of his or her cash 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. Stock credits are calculated monthly and 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. 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.

On the date of the 2012 annual meeting, Non-Employee Directors received a grant of restricted stock units with a market value of \$130,000. The restricted stock units vest at the earlier of (i) the 1<sup>st</sup> anniversary of the grant or (ii) the next annual shareholders meeting. Upon vesting, receipt of the restricted stock units is

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automatically deferred under the Director Deferred Compensation Plan. Dividend equivalents on these restricted stock units will be reinvested in additional stock units. The restricted stock units will be paid out in shares of Macy's common stock six months after the director's service on the Board ends.

Non-Employee Directors and retired Non-Employee Directors may participate in the philanthropic 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 qualifying charities in any calendar year.

Each Non-Employee Director and his or her spouse and eligible dependents receive the same merchandise discount on merchandise purchased at our stores that is available to all regular employees. This benefit remains available to them following retirement from the Board.

**Director Retirement Plan**

Our 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.

Four of the current Non-Employee Directors participate in the plan. If they had retired on December 31, 2012, each would have been entitled to a \$60,000 annual payment for the following maximum number of years:

Name	Years
Feldberg	5
Neubauer	5
Weatherup	1
Whittington	4

**Fiscal 2013 Director Compensation Program Changes**

During fiscal 2012, the NCG Committee engaged Cook & Co. to review the design and competitiveness of our compensation program for Non-Employee Directors. Cook & Co. looked at current overall trends in director compensation and analyzed the competitiveness of the current compensation program for Non-Employee Directors using the following 10-company peer group, which is identical to that used by the CMD Committee in connection with its review of the compensation of the Named Executives: Dillard's, Gap, J.C. Penney, Kohl's, L Brands (formerly Limited Brands), Nordstrom, Sears Holdings, Target, TJX Companies and Walmart.

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Cook & Co. determined that the structure of the Non-Employee Director compensation program continues to be aligned with contemporary investor preferences and peer group policy and, therefore, did not recommend changes to the design of the program. It also determined that the value of our Non-Employee Director total compensation (both cash and equity compensation) approximates the peer group median on a per director basis and in the aggregate. To keep pace with expected market movement in compensation levels for 2013, Cook & Co. recommended that the aggregate total direct compensation be increased by \$10,000, evenly split between cash and equity.

Upon the recommendation of the NCG Committee, the Board approved an increase of the annual Board retainer from \$60,000 to \$65,000 and of the annual restricted stock unit award from \$130,000 to \$135,000, effective as of the beginning of the 2013 fiscal year.

**Fiscal 2012 Non-Employee Director Summary Compensation Table**

The following table reflects the compensation earned by each Non-Employee Director for fiscal 2012 under the fiscal 2012 director compensation program described above. Mr. Lundgren does not receive separate compensation for his service as a Director; his compensation is reflected in the 2012 Summary Compensation Table in the section titled Compensation of the Named Executives for 2012.

**2012 NON-EMPLOYEE DIRECTOR SUMMARY COMPENSATION TABLE**

Name	Fees Earned or Paid in Cash(1) (\$)	Stock Awards(2) (\$)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings(3) (\$)	All Other Compensation(4) (\$)	Total (\$)
Stephen F. Bollenbach	80,417	130,000	0	547	210,964
Deirdre P. Connelly	80,417	130,000	0	2,821	213,238
Meyer Feldberg	90,417	130,000	14,908	32,101	267,426
Sara Levinson	80,417	130,000	0	5,646	216,063
Joseph Neubauer	100,417	130,000	14,697	130	245,244
Joyce M. Roché	87,917	130,000	0	14,777	232,694
Paul C. Varga	62,917	130,000	0	23,413	216,330
Craig E. Weatherup	80,417	130,000	3,257	28,038	241,712
Marna C. Whittington	90,417	130,000	13,400	33,818	267,635

- (1) All cash 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.

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- (2) The Non-Employee Directors received 3,689 restricted stock units on May 18, 2012, valued at \$35.24 per share, which was the closing price of our common stock on the grant date. The following table shows the number of stock options, stock credits and restricted stock units held by each of the Non-Employee Directors as of the end of fiscal 2012:

Name	Stock Options			Restricted Stock Units (#)
	Exercisable (#)	Unexercisable (#)	Stock Credits (#)	
Bollenbach	22,500	2,500	34,231	3,689
Connelly	17,500	2,500	8,976	3,689
Feldberg	67,500	2,500	8,991	3,689
Levinson	43,000	2,500	35,157	3,689
Neubauer	35,000	2,500	100,734	3,689
Roché	37,500	2,500	32,299	3,689
Varga	0	0	0	3,689
Weatherup	67,500	2,500	66,723	3,689
Whittington	57,500	2,500	38,220	3,689

- (3) The present value of benefits under the retirement plan for Non-Employee Director 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 4.15% and generational mortality rates under the RP2000CH table projected 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 (the retainer at the end of fiscal 2012) and a retirement at age 72, the mandatory retirement age for Directors as of the end of fiscal 2012.
- (4) All Other Compensation consists of the items shown below. Merchandise discounts are credited to the Directors' Macy's charge accounts.

Name	Merchandise Discount (\$)	Matching Philanthropic Gift (\$)	Total (\$)
Bollenbach	547	0	547
Connelly	1,821	1,000	2,821
Feldberg	10,101	22,000	32,101
Levinson	1,796	3,850	5,646
Neubauer	130	0	130
Roché	2,996	11,781	14,777
Varga	913	22,500	23,413
Weatherup	5,538	22,500	28,038
Whittington	11,318	22,500	33,818

**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



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accumulate shares of Macy's common stock equal in value to at least five times the annual Board retainer and maintain or exceed that ownership level for their remaining tenure on the Board. As of fiscal 2013, the annual Board retainer is \$65,000, so the guideline currently is \$325,000 worth of our common stock. Shares counted toward this requirement include:

any shares beneficially owned by the director or members of the director's immediate family;

restricted stock or restricted stock units 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 within five years from the date the director's Board service commenced. Each Non-Employee Director other than Mr. Varga, who became a director in March 2012, has satisfied the ownership requirement. In addition to these stock ownership guidelines, the restricted stock units granted to the Non-Employee Director each year must be held by them until six months after termination of Board service. This mandatory holding requirement for restricted stock units is required regardless of the amount of stock owned by each Non-Employee Director.

**Table of Contents****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 February 1, 2014. KPMG LLP and its predecessors have served as our independent registered public accounting firm 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 at the annual meeting to respond to appropriate questions. The Audit Committee has asked the Board to submit to shareholders a proposal asking shareholders to ratify the appointment of KPMG LLP. If the appointment of KPMG LLP is not ratified by shareholders, 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 2012 and fiscal 2011:

<b>Year</b>	<b>Audit Fees (\$)</b>	<b>Audit- Related Fees (\$)</b>	<b>Tax Fees (\$)</b>	<b>All Other Fees (\$)</b>	<b>Total (\$)</b>
2012	4,730,000	1,125,400	49,819	0	5,905,219
2011	4,700,000	1,009,400	338,582	450,000	6,497,982

Audit fees represent fees for professional services rendered for the audit of our annual financial statements, the audit of our internal controls over financial reporting and the reviews of the interim financial statements included in our 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.

All Other Fees represent fees for professional services assisting the Company in its assessment of certain new financial information systems.

The Audit Committee has adopted policies and procedures for the pre-approval of all permitted non-audit services provided by our 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.**

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**ITEM 3. ADVISORY VOTE TO APPROVE NAMED EXECUTIVE OFFICER COMPENSATION**

We are asking shareholders to approve, on an advisory basis, the compensation of our named executive officers, as disclosed pursuant to Securities and Exchange Commission rules, including in the Compensation Discussion & Analysis, the executive compensation tables and related material included in this proxy statement. This proposal, commonly known as a say-on-pay proposal, gives shareholders the opportunity to express their views on our executive compensation programs and policies. The vote is not intended to address any specific item of compensation, but rather to address our overall approach to the compensation of our named executive officers described in this proxy statement. In 2012, our say-on-pay proposal received a FOR vote of 98.1%.

The text of the resolution setting forth the proposal is as follows:

RESOLVED, that the shareholders of Macy's, Inc. approve, on an advisory basis, the compensation of the Company's named executive officers as disclosed in the proxy statement for the Company's 2013 annual meeting of shareholders pursuant to Item 402 of Regulation S-K, including the Compensation Discussion & Analysis section and the 2012 Summary Compensation Table and related compensation tables and narrative discussion within the Compensation of the Named Executives for 2012 section of this proxy statement.

We urge you to read the Compensation Discussion & Analysis, which begins on page 36 and discusses how our compensation policies and procedures implement our pay-for-performance compensation philosophy.

We have designed our executive compensation structure to attract, motivate, and retain executives with the skills required to formulate and implement our strategic business objectives and deliver on our commitment to build long-term shareholder value. We believe that our executive compensation program is competitive, strongly focused on pay-for-performance principles and appropriately balanced between risk and rewards. In particular, our executive compensation program:

- aligns executive compensation with shareholder value on an annual and long-term basis through a combination of base pay, annual bonus and long-term incentives;

- includes a mix of direct compensation elements that emphasizes performance results, with 86% of the targeted compensation for the Chief Executive Officer and 70% on average of the targeted compensation for the other Named Executives being at risk and tied to changes in shareholder value and how well the Company performs against its business plans and objectives;

- delivers annual bonus payouts to executives only when they achieve targeted levels of financial results with respect to three key performance metrics included in our annual business plan—sales, earnings before interest and taxes (EBIT) and cash flow;

- encourages long-term decision-making by aligning the interests of executives with those of shareholders through long-term equity incentives that are subject to multi-year vesting and/or performance requirements that include financial, operational and strategic objectives as well as changes in absolute and relative shareholder value over time; and

- includes features that mitigate risks to the Company, including limits on incentive awards, use of multiple performance measures in our incentive plans, substantial stock ownership guidelines, compensation clawback provisions, anti-hedging/pledging policies, independent CMD Committee oversight and engagement of an independent consultant that does no other work for the Company or management.

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The vote regarding the compensation of the named executive officers described in this Item 3 is advisory and is therefore not binding on the Company, the CMD Committee or the Board of Directors. Although the vote is non-binding, the Board of Directors and the CMD Committee value the opinions that shareholders express in their votes and will review the voting results and take them into consideration when making future decisions regarding our executive compensation programs as they deem appropriate.

If no voting specification is made on a properly returned or voted proxy card, the proxies named on the proxy card will vote **FOR** the approval of the compensation of the named executive officers as disclosed in this proxy statement and described in this Item 3.

**The Board of Directors unanimously recommends that you vote **FOR** the approval of the compensation of the named executive officers as disclosed in this proxy statement.**

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**COMPENSATION DISCUSSION & ANALYSIS**

This Compensation Discussion & Analysis, referred to as the CD&A, describes our overall executive compensation policies and practices and specifically analyzes the total compensation for the following executives, referred to as the Named Executives (titles shown are positions held through the end of fiscal 2012):

Terry J. Lundgren, Chairman, President and Chief Executive Officer. Mr. Lundgren has been with Macy's for over 31 years, and has served as our Chief Executive Officer for the last 10 years, making him one of the longest-tenured CEOs in the department stores industry. He is a Named Executive by reason of his position as our principal executive officer.

Karen M. Hoguet, Chief Financial Officer. Mrs. Hoguet has been with Macy's for over 31 years, and has been our Chief Financial Officer for 15 years. She is a Named Executive by reason of her position as our principal financial officer.

Our three additional most highly compensated executive officers at the end of fiscal 2012, who are Named Executives by reason of their level of compensation:

Timothy M. Adams, Chief Private Brand Officer. Mr. Adams has been with Macy's for over 30 years. He has been in his current position since February 2009. Some of his prior positions include Chairman and CEO of Macy's Home Store and Chairman of Macy's Florida.

Jeffrey Gennette, Chief Merchandising Officer. Mr. Gennette has been with Macy's for over 30 years. He has been in his current position since February 2009 and assumed additional responsibility for overseeing marketing and macys.com in February 2012.

Peter R. Sachse, Chief Stores Officer. Mr. Sachse has been with Macy's for over 29 years. He has been in his current position since February 2012. Prior to that time, he was Chief Marketing Officer and Chairman of macys.com.

One former executive officer who is included as a supplemental Named Executive. He would have been one of the three most highly compensated executive officers if he had been an executive officer at the end of fiscal 2012:

Thomas L. Cole, our former Chief Administrative Officer. Mr. Cole has been with Macy's for over 40 years. He served as Chief Administrative Officer from February 2009 to January 28, 2013. He is continuing as an employee of the Company to assist on other matters until his June 2013 retirement.

These individuals, along with three other executives, made up our executive committee during fiscal 2012. The executive committee is responsible for developing and implementing our strategic plans and initiatives and overseeing the day-to-day operations of the Company. Each year, the Compensation and Management Development Committee of the Board, referred to as the CMD Committee, which is made up entirely of independent directors, recommends to the non-employee members of the full Board the compensation for Mr. Lundgren and determines the compensation for the other Named Executives.

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**Executive Summary**

**Overview of the performance-based elements of our executive compensation program**

The CMD Committee believes in a pay-for-performance approach to executive compensation that aligns executive compensation with shareholder interests. This means that a significant portion of an executive's compensation should be at risk and may vary from targeted compensation based upon the level of achievement of specified performance objectives and stock price performance.

Our executives are accountable for the performance of the Company and the functions they manage and are compensated based on that performance. Executives are rewarded when defined performance objectives are achieved and value is created for our shareholders. For example,

The senior-most executives, including the Named Executives, are held most accountable to shareholders by varying the portion of variable, performance-based pay directly with each executive's level of responsibility:

86% of Mr. Lundgren's targeted total direct compensation for fiscal 2012 was at risk and tied to performance objectives.

On average, 70% of the targeted total direct compensation for fiscal 2012 of the other Named Executives was at risk and tied to performance objectives.

In addition, we emphasize equity-based long-term incentives to ensure that these executives are focused on longer-term operating and stock price performance in addition to shorter-term goals. The targeted value for long-term incentive awards for the Named Executives other than Mr. Lundgren is approximately twice the targeted value of their annual bonus awards and for Mr. Lundgren is approximately three times.

The value received from our variable, performance-based pay, if any, is directly related to our performance and reflects a combination of internal financial measures of success, such as operating income (which represents earnings before interest and taxes, or EBIT), sales, cash flow, return on invested capital (ROIC) and external measurements of success, such as stock price performance on an absolute and relative-to-peers basis.

To ensure that costs are affordable and reasonable in relation to our operating results, no payments are made under the annual bonus plan unless we have positive EBIT and achieve a net profit for the fiscal year.

Equity-based long-term incentive awards are subject to multi-year vesting and/or performance requirements to link compensation to performance measured by achievement of financial, operational and strategic objectives as well as changes in absolute and relative shareholder value over time.

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### **Overview of 2012 operating performance**

Fiscal 2012 was another strong year for us, despite the continued challenging macroeconomic environment and high level of unemployment. Due to the strength of our leadership team and their ability to successfully implement our reinvented business model and continue our focus on improving the customer experience, we have furthered our efforts to refine and improve our approach to the My Macy's localization initiative, omnichannel integration and customer engagement through MAGIC selling (training and developing our sales associates to better understand the needs of our customers, as well as provide options and advice). We have more than doubled our earnings over the last three years, driven by our innovative strategic initiatives.

Highlights of our fiscal 2012 performance include:

Total sales for fiscal 2012 were \$27.7 billion, up 4.9% from fiscal 2011 total sales of \$26.4 billion.

On a comparable basis, sales in fiscal 2012 were up 3.7%, the third consecutive year of growth in excess of 3.5%. We calculate comparable sales as sales from stores in operation throughout fiscal 2011 and fiscal 2012, all internet sales and adjust for the 53<sup>rd</sup> week in fiscal 2012.

Online sales (macys.com and bloomingdales.com combined) grew by 41% on a comparable year over year basis in fiscal 2012, on top of growth of 40% in fiscal 2011, 29% in fiscal 2010 and 20% in fiscal 2009.

Fiscal 2012 earnings per diluted share were \$3.46 per share, excluding impairments, store closing costs, gain on sale of leases and the premium on early debt retirement, up 20% from 2011 on a comparable basis. Fiscal 2011 earnings per diluted share were \$2.88 per share, excluding impairments, store closing costs and gain on sale of leases. See pages 16 to 18 of the Company's Form 10-K for fiscal 2012 for a reconciliation of these non-GAAP financial measures to the most comparable GAAP financial measures and other important information.

EBIT (or operating income) for fiscal 2012 totaled \$2.666 billion or 9.6% of sales, excluding impairments, store closing costs and gain on sale of leases, an increase of 12% and 60 basis points as a percent of sales over fiscal 2011 on a comparable basis. For fiscal 2011, EBIT totaled \$2.386 billion or 9.0% of sales, excluding impairments, store closing costs and gain on sale of leases. See pages 16 to 18 of the Company's Form 10-K for fiscal 2012 for a reconciliation of these non-GAAP financial measures to the most comparable GAAP financial measures and other important information.

Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization, excluding impairments, store closing costs and gain on sales of leases and premium on early retirement of debt) rate reached 13.4% in fiscal 2012, reflecting a steady improvement toward our goal of 14%, compared to an Adjusted EBITDA rate of 13.1% in fiscal 2011. See pages 16 to 18 of the Company's Form 10-K for fiscal 2012 for a reconciliation of these non-GAAP financial measures to the most comparable GAAP financial measures and other important information.

ROIC a key measure of operating productivity rose significantly in fiscal 2012, the fourth consecutive year of improvement. ROIC reached 21.2% in fiscal 2012, compared to 19.7% in fiscal

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2011. See pages 16 to 18 of the Company's Form 10-K for fiscal 2012 for a reconciliation of these non-GAAP financial measures to the most comparable GAAP financial measures and other important information.

Our common stock price at the end of fiscal 2012 was \$39.51 per share, a 16.8% increase from the closing price of \$33.82 per share at the end of fiscal 2011.

Our one-year, three-year and five-year total shareholder return, or TSR, was 19.3%, 158.7% and 54.0%, respectively, which ranked above the 56<sup>th</sup> percentile, above the 79<sup>th</sup> percentile and above the 48<sup>th</sup> percentile, respectively, compared to the TSR of our 10-company executive compensation peer group for the same periods.

We returned approximately \$1.7 billion to shareholders through dividends and share repurchases and doubled our cash dividend in fiscal 2012, to an annualized \$0.80 per share.

We believe that our pay-for-performance philosophy and the design of our executive compensation program strongly support an environment of continuous improvement in our financial and operational results.

### **Summary of 2012 compensation actions**

In making decisions regarding the compensation earned by the Named Executives in fiscal 2012, the CMD Committee took into account the economic climate, our performance against our fiscal 2012 internal goals, and our strong relative performance against industry competitors as described above. The CMD Committee took the following specific actions with respect to the compensation of the Named Executives for fiscal 2012:

increased base salaries of the Named Executives other than Mr. Cole;

made annual bonus award payments with respect to fiscal 2012 performance at 79.5% of Target to the Named Executives;

granted performance-based restricted stock units and stock options to the Named Executives, with a mix of 60% performance-based restricted stock units and 40% stock options:

performance-based restricted stock units will be earned based on performance relative to cumulative EBITDA, average EBITDA margin, average ROIC and relative TSR goals and measured over a three-year (fiscal 2012-2014) performance period;

stock options will vest over a four-year period and may be exercisable for up to 10 years following the grant date;

granted time-based restricted stock unit awards to Mr. Gennette and Mr. Sachse in recognition of the expanded responsibilities they assumed in fiscal 2012; and

determined that the Named Executives had earned 150% of the targeted number of performance-based restricted stock units granted in fiscal 2010, based on meeting the cumulative EBITDA threshold of \$7 billion and the level of achievement against average EBITDA margin and average ROIC goals over the three-year (fiscal 2010-2012) performance period.





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### **Shareholder approval of the executive compensation program**

We conducted our second say-on-pay shareholder advisory vote in fiscal 2012. More than 98% of the votes cast at the 2012 annual meeting supported our executive compensation program. Given the very strong level of shareholder support and the fact that numerous changes had been made to the overall executive compensation program over the past four years to better align with market best practice and to support our evolving business strategy, the CMD Committee determined that our executive compensation program continues to provide a competitive pay package, effectively motivates our Named Executives to maximize shareholder value and encourages long-term retention through its emphasis on performance-based short- and long-term incentive compensation. The CMD Committee continued to apply the same effective pay-for-performance principles and philosophies that it applied in fiscal 2011 when making compensation decisions for the remainder of fiscal 2012 and in its planning for fiscal 2013 compensation.

### **Recent changes made to the executive compensation program**

Over the last four years, the CMD Committee has made changes to the executive compensation program to further align incentive compensation with our financial objectives, intensify the focus of our senior-most executives on long-term value creation, enhance the efficiency of our executive compensation program and ensure consistency with executive compensation best practices. These changes include:

moved to double-trigger vesting of equity grants following a change in control;

discontinued use of executive employment agreements;

replaced individual change-in-control agreements with a more limited and standardized change-in-control plan that does not provide for golden parachute tax gross-ups on severance benefits;

consistent with the caps on the sales and cash flow components, placed a cap on the amount that can be earned under the EBIT component of the annual bonus plan so that all components of the plan are limited;

increased the weighting on the sales component under the annual bonus plan to support our sales growth initiative;

replaced performance-based stock credit awards with more financially efficient (i.e., fully tax-deductible and subject to fixed rather than variable equity accounting standards) performance-based restricted stock unit awards that are granted annually, earned based on performance relative to cumulative EBITDA, average EBITDA margin and average ROIC goals, and measured over a three-year performance period;

further aligned our executives' interests with those of our shareholders by adding a relative-to-peer TSR component to performance-based restricted stock units awarded in fiscal 2012;

closed the Supplementary Executive Retirement Plan (SERP) to executives who would have first become eligible to participate in that plan on or after January 2, 2012;

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determined to transition all employees, including the Named Executives, to a defined contribution-only retirement program by stopping future accruals under the Company's defined benefit pension plan and the SERP on December 31, 2013 (other than with respect to benefits relating to service prior to that date);

approved adoption of a new defined contribution plan to become effective as of January 1, 2014, that will operate similar to the Company's 401(k) plan and provide for income deferral and company matching contribution opportunities with respect to compensation in excess of amounts eligible for such opportunities under the Company's 401(k) plan;

added a compensation recovery, or clawback, provision to the annual bonus and long-term incentive plans in the event of financial restatement coupled with executive fraud or intentional misconduct;

implemented an anti-hedging/pledging policy;

amended our change-in-control plan to eliminate the feature providing additional severance benefits based on assumed additional years of service for all executives who first become eligible to participate in the plan after December 9, 2011; and

eliminated most executive perquisites, including the additional discount available to executives on the purchase of company merchandise and the provision of company cars, company-paid life insurance and financial counseling, and placed a cap on the cost to the company of the personal use of company aircraft by the chief executive officer.

**Objectives of Our Executive Compensation Program**

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

Providing competitive and reasonable compensation opportunities;

Focusing on results and strategic objectives;

Fostering a pay-for-performance culture;

Attracting and retaining key executives; and

Balancing risk and reward and ensuring accountability to shareholders.

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**The Key Elements of the Executive Compensation Program**

The Named Executives' fiscal 2012 compensation consisted principally of the following components:

<b>Element</b>	<b>Description</b>	<b>Purpose</b>
Base Salary	Fixed compensation component. Reviewed annually and adjusted if and when appropriate.	Market-driven base-line compensation is targeted at a level necessary to attract and retain high-quality talent and ensure a sustainable level of fixed costs; amount recognizes differences in positions and/or responsibilities as well as experience and individual performance over the long term. Generally, executives who are new in their roles are positioned lower in the competitive range, while those with more experience are positioned higher in the range to reflect their greater skill set relative to the external benchmark and sustained high performance over time.
Annual Bonus Awards	Variable compensation component. Performance-based cash award opportunity. Amounts actually earned will vary based on our performance.	Aligns compensation with business strategy and operating performance by rewarding achievement of short-term (annual) financial targets.
Long-Term Incentive Awards	Variable compensation component, generally granted annually as a combination of performance-based restricted stock units and stock options. Amounts actually earned will vary based on stock price appreciation and, in the case of performance-based restricted stock units, our performance.	Opportunities for ownership and financial reward in support of our longer-term financial goals and stock price growth; also supports retention and, consequently, succession planning. Provides a link between compensation and long-term shareholder interests as reflected in changes in stock price.

In addition to the Long-Term Incentive Awards described above, time-based restricted stock units may be granted in special circumstances to support succession planning, shareholder alignment and retention objectives.

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We also provide health and welfare plans and retirement plans that promote employee health and support employees in attaining financial security. The Named Executives may also participate in our philanthropic matching gift program, pursuant to which the Macy's Foundation will match up to a total of \$22,500 in gifts made by them to qualifying charities in any calendar year. In addition, we provide severance benefits that provide the Named Executives with a reasonable range of income protection in the event employment is terminated without cause or following a change in control, support our executive retention goals and encourage their independence and objectivity in considering potential change-in-control transactions. The Named Executives are also provided certain other benefits and limited perquisites. See the Other Benefits and Programs Under the Executive Compensation Program discussion later in this CD&A.

### **The Process for Setting Executive Compensation**

#### **The role of the CMD Committee, its consultant and management**

*CMD Committee.* The CMD Committee administers the executive compensation program for senior executives, which includes the Named Executives, the other members of our executive management team and other corporate officers and business unit principals. In addition to overseeing our annual bonus and long-term incentive plans, the CMD Committee also oversees our benefit plans and policies, and ensures that appropriate succession plans are in place for the chief executive officer and other key executive positions. When making decisions regarding our executive compensation program, the CMD Committee considers, among other things, our compensation philosophy, our financial and operating performance, compensation policies and practices for our employees generally, and practices and executive compensation levels within peer companies. The CMD Committee's primary goals are to support organizational objectives and shareholder interests, emphasize the pay-for-performance linkage of our executive compensation programs and ensure that our executive compensation programs are appropriately competitive. 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 our website [at www.macysinc.com/investors/governance](http://www.macysinc.com/investors/governance).

*Compensation Consultant.* Since fiscal 2008, the CMD Committee has directly engaged an outside independent executive compensation consultant, Frederic W. Cook & Co., Inc., or Cook & Co., to assist it with executive compensation matters. Cook & Co. provides no services to the Company other than those provided directly to or on behalf of the CMD Committee and, as described on page 29, to or on behalf of the Nominating and Corporate Governance Committee. The CMD Committee has assessed the independence of Cook & Co. pursuant to SEC rules and is not aware of any conflict of interest that would prevent Cook & Co. from providing independent advice to the CMD Committee concerning executive compensation matters.

Cook & Co. attends meetings of the CMD Committee at the request of the Committee, meets with the CMD Committee in executive session without the presence of management and frequently communicates with the chairman of the CMD Committee with regard to emerging issues.

Cook & Co. reviews CMD Committee meeting materials on behalf of the CMD Committee and provides guidance to the CMD Committee on compensation matters. The services provided by Cook & Co. include review and advice relating to:

the design of our annual bonus and long-term incentive plans, including the degree to which the incentive plans support our business strategy and balance risk-taking with potential reward;

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the setting of performance objectives;

peer group pay and performance comparisons;

the competitiveness of compensation provided to our key executives;

changes to the Named Executives' compensation levels;

the design of other forms of key executive compensation and benefits programs; and

the preparation of public filings related to executive compensation, including this CD&A and the accompanying tables and footnotes. As part of the CMD Committee's responsibility to review the extent to which the overall compensation program may encourage employees to take risks that could have a material adverse impact on shareholder value, Cook & Co. conducted a comprehensive review of our overall compensation programs in fiscal 2010 and updated the analysis in fiscal 2011 and fiscal 2012. As described in Compensation Risk Assessment on page 18, Cook & Co. concluded that our compensation programs are well-designed and do not encourage behavior that would create material risk for the Company.

*Management.* The CMD Committee also makes use of company resources, including senior executives in our human resources, legal and finance departments. These executives provide input and contribute to the development of 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 executives may also attend and contribute to CMD Committee meetings from time to time as requested by the CMD Committee or its chairman. Our human resources department engages a compensation consultant, Hay Group, to provide various calculations, comparator group data and general market data to be used by management in its compensation-related analyses.

Mr. Lundgren also participates 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 fiscal year. Those objectives consist of matters such as meeting key financial and other business goals and effectively managing their business unit or corporate function. Following 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 our performance. Mr. Lundgren takes an active part in CMD Committee discussions of compensation involving his direct reports, including the other Named Executives. He provides input on such matters as individual performance and the size, scope and complexity of their positions and recommendations with respect to the amount and composition of their compensation opportunities. Human resources executives, with the assistance of Cook & Co., 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 or Board meetings during which his compensation is discussed.

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### **The compensation review process**

With respect to the Named Executives, the CMD Committee annually reviews base salary, annual bonus payments and equity awards at its March meeting, at which time all financial and other performance results for the prior fiscal year are available and individual and Company performance against applicable targets can be measured.

The targeted total direct compensation of the Named Executives other than Mr. Lundgren is generally intended to approximate the median of the peer group of retailers listed below, which is the level that the CMD Committee has determined is aligned with the market, taking into account our size relative to the peer group companies. Actual positioning of targeted compensation may be above or below the median based on many factors, including the executive's skill set, experience and tenure. The Named Executives' targeted total direct compensation (base salary, target bonus and grant date value of long-term incentive awards) for fiscal 2012 approximates the median of the peer group practice. In evaluating the compensation of the Named Executives, the CMD Committee 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 executives to ensure that the compensation is internally consistent and equitable.

The targeted total direct compensation for Mr. Lundgren is generally intended to approximate the 75<sup>th</sup> percentile of the peer group companies, and his fiscal 2012 targeted total direct compensation fell between the median and the 75<sup>th</sup> percentile. Mr. Lundgren's compensation is strongly tied to our performance, with 100% of his long-term incentive compensation delivered in the form of variable awards that are sensitive to our financial performance and changes in our stock price. The CMD Committee and the Board believe that Mr. Lundgren's compensation opportunity is supported by our size relative to the peers as measured primarily on annual revenue and market capitalization, both of which fall between the median and 75<sup>th</sup> percentile. The CMD Committee and the Board also believe that Mr. Lundgren's compensation positioning is supported by his experience and long tenure as a CEO, as well as his performance, leadership and expected future contributions to the Company. During Mr. Lundgren's tenure as CEO, and as a direct result of his leadership and management skills:

We have grown from being a \$15 billion regional department store company to a national omnichannel retailer with over \$27 billion in sales.

We have successfully integrated the acquisition of the May Company, which doubled the number of stores operated by the Company. This included the conversion of all the regional store nameplates to Macy's, and the development of a highly successful strategy of omnichannel marketing through the integration of stores, online and mobile resources.

We have returned to profitability levels and credit metrics experienced prior to the recent recession and are well positioned to move forward to both grow and continue to improve profitability.

We have successfully implemented the My Macy's business strategy, which commenced in 2008 and continued through 2009 to position the Company to be more competitive. The legacy division operating structure was eliminated with key merchandising and marketing functions centralized in New York and corporate-related support functions located primarily in Cincinnati. This reduced central office and administrative expense, eliminated duplication, sharpened execution and helped us to engage more effectively with our suppliers and business partners. Under the My Macy's

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transformation, we have concentrated more management talent in local markets and significantly increased the resources in the field to work with district planning and buying executives to better localize our merchandise offerings.

We have become a customer-centric organization that embraces localization, a seamless omnichannel blend of stores, online and mobile, and more meaningful customer engagement on the selling floor.

These strategic initiatives have been highly successful, as indicated by the following financial results from fiscal 2009 through fiscal 2012:

Operating income has grown from \$1.1 billion or 4.5% of sales in fiscal 2009 to \$2.7 billion or 9.6% of sales in fiscal 2012, an increase of 150% and up 510 basis points as a percent of sales.

Diluted EPS has increased from \$0.78 in fiscal 2009 to \$3.24 in fiscal 2012, an increase of over 300%.

Comparable store sales growth was 4.6% in fiscal 2010 (the first full year after the strategy change), 5.3% in fiscal 2011 and 3.7% in fiscal 2012.

The stock price has reacted favorably during this time period on both an absolute and relative-to-peers basis, with total shareholder return over the 4-year period of 367.3%, which is at the 66<sup>th</sup> percentile versus our 10-company peer group over the same 4-year period. As mentioned above, Mr. Lundgren's targeted total direct compensation fell between the median and the 75<sup>th</sup> percentile of the peer group for fiscal 2012, and the details with regard to each element of compensation are discussed below. In March 2013, at the recommendation of the CMD Committee, the Board increased Mr. Lundgren's target award opportunity under our annual bonus plan from 150% to 170% of base salary. No other changes were made to Mr. Lundgren's base salary or long-term incentive award opportunity for fiscal 2013, and as a result, his targeted total direct compensation opportunity increased by approximately 3% for fiscal 2013.

**The use of market comparison data**

The CMD Committee uses comparative compensation data of a peer group of 10 publicly-traded retail companies to assess the competitiveness of our executive compensation levels, and in determining the individual components of compensation, compensation practices, and the relative proportions of each component of compensation. The peer group was approved by the CMD Committee in February 2009 (and has continued without any changes through fiscal 2012) taking into account the recommendations of Cook & Co. and with input from management.

In selecting this peer group, we looked at a variety of factors, including revenue, market capitalization, total assets, number of employees and whether the peer company competes with us with respect to product, customers and/or executive talent. We believe that looking at multiple factors is the best way to gauge the reasonableness of any one company being included in the peer group. The peer group companies are:

Dillard's	L Brands (formerly Limited Brands)	TJX Companies
Gap	Nordstrom	Walmart Stores
J.C. Penney	Sears Holdings	
Kohl's	Target	



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As of October 2012, our revenues, net income, market capitalization and number of employees were between the median and 75<sup>th</sup> percentile of the peer group companies. Our total assets approximated the 75<sup>th</sup> percentile of the peer group companies.

(\$ in millions)	Revenue (1)	Net Income (1)(2)	Market Cap (3)	Total Assets (4)	Number of Employees
75th Percentile:	\$ 36,531	\$ 1,557	\$ 27,278	\$ 19,345	261,750
Median:	17,213	804	13,157	9,724	150,500
25th Percentile:	12,269	539	7,864	7,807	105,750
<b>Macy's</b>	<b>\$ 26,838</b>	<b>\$ 1,344</b>	<b>\$ 15,392</b>	<b>\$ 20,565</b>	<b>171,000</b>
<b>Macy's Percentile Rank</b>	<b>68%</b>	<b>71%</b>	<b>61%</b>	<b>77%</b>	<b>67%</b>

Data Source: S&P's Research Insight

- (1) Most recent reported four quarters.
- (2) Before extraordinary items and discontinued operations.
- (3) As of October 31, 2012.
- (4) Most recently reported quarter.

We believe, and Cook & Co. confirms, that this peer group continues to be reasonable from both size and business model perspectives.

**Competitive Analyses.** As part of the fiscal 2012 compensation planning process, the CMD Committee asked Cook & Co. to review the design of our incentive plans and prepare a competitive analysis of the compensation of the Named Executives. The materials prepared by Cook & Co. included (i) an analysis of the design of our annual bonus and long-term incentive programs to determine whether changes were appropriate, (ii) a competitive analysis of the targeted total direct compensation for the Named Executives, including base salary, annual bonus and long-term incentives, and (iii) a competitive assessment of our long-term incentive grant practices, including a review of share usage (shares granted in equity plans as a percentage of weighted-average outstanding shares) and potential dilution relative to peer group practice and a fair value transfer analysis that measured the aggregate cost of long-term incentives as a percent of market capitalization and revenue.

Based on this review, the CMD Committee determined that no material changes to the design of the annual bonus and long-term incentive programs for fiscal 2012 were warranted, although it did determine to add a relative TSR metric to the performance-based restricted stock units awarded under the long-term incentive program. See the Long-term equity compensation discussion later in this CD&A. The CMD Committee also determined that although base salary levels for the Named Executives were within the targeted range of competitive practice, salary increases in the range of 1.8% to 9% were merited to maintain pace with market standards and to recognize increased responsibilities for some of the Named Executives. See the Base Salary discussion later in this CD&A.

**Pay-for-performance compensation mix**

In recognition of the ability of executive officers to directly influence our overall performance, and consistent with our philosophy of linking pay to performance, the largest portion of the Named Executives

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compensation is variable, at-risk pay. The actual amounts realized may vary from targeted compensation based upon the level of achievement of specific corporate objectives and stock price performance. Total compensation and the amount of each element are driven by the design of our executive compensation program, the executive's years of experience, the scope of his or her duties and internal comparability.

The CMD Committee has established guidelines for annual performance-based bonus awards and for long-term performance-based equity incentive awards. Based on the combination of the annual bonus and long-term award guidelines:

86% of Mr. Lundgren's targeted total direct compensation (salary, annual bonus and grant date value of long-term incentive awards) for fiscal 2012 was at risk and tied to financial performance, corporate objectives and/or stock price performance; and

for the other Named Executives, on average, approximately 70% of targeted total direct compensation for fiscal 2012 was at risk and tied to financial performance, corporate objectives and/or stock price performance.

Equity-based long-term incentive awards, which for fiscal 2012 consisted of performance-based restricted stock units (60% of the long-term opportunity) and stock options (40% of the long-term opportunity), represent the largest element of pay for the Named Executives. These percentages are consistent with our compensation philosophy of focusing on financial results and strategic initiatives and fostering a pay-for-performance culture. Mr. Gennette and Mr. Sachse each received a time-based restricted stock unit grant in fiscal 2012 in recognition of the expanded responsibilities they assumed in fiscal 2012. These grants are not included in the above percentages because they are one-time grants that fall outside of the ongoing long-term incentive program.

The targeted total direct compensation mix we used for fiscal 2012 for Mr. Lundgren and the other Named Executives is illustrated below. Targeted fixed compensation is comprised of base salary. Targeted variable (i.e., at-risk) performance-based compensation includes the annual bonus and the long-term incentive awards. This mix of short- and long-term incentives provides sufficient rewards to motivate near-term performance, while at the same time providing significant incentives to keep our executives focused on longer-term corporate goals that drive shareholder value.

**Table of Contents****Fiscal 2012 Compensation and Analysis****Base Salary**

Members of senior management earn a base salary that is competitive and consistent with their position, skill level, experience, knowledge and length of service with the Company. Base salary is intended to aid in the attraction and retention of talent in a competitive market and is generally aligned with market median, although actual salaries may be higher or lower as a result of various factors, including those referred to above as well as internal pay equity and attributes and circumstances that are specific to particular individuals. Base salaries of senior management are reviewed by the CMD Committee in March of each year, as well as at the time of promotion or significant changes in responsibility.

Following the conclusion of fiscal 2011, management, with input from Cook & Co. and Mr. Lundgren, prepared for the CMD Committee a summary of the total compensation package then in effect for each Named Executive and a proposed total compensation package for fiscal 2012 for each Named Executive that reflected the increases in base salaries shown in the table below. Based on the recommendation of Cook & Co., the CMD Committee (and the non-employee members of the Board with respect to Mr. Lundgren) approved the salary increases, effective as of April 1, 2012. The increases reflect the CMD Committee's (and the Board's with respect to Mr. Lundgren) assessment of the current economic environment, our performance relative to our peers, the general movement of salaries in the marketplace, our stock price performance in recent years, the increased responsibilities assumed by Mr. Gennette and Mr. Sachse in fiscal 2012 and the salaries of the Named Executives relative to that of Mr. Lundgren and to each other.

**2012 Base Salary Increases**

<b>Name</b>	<b>FY 2011 Salary (000s)</b>	<b>FY 2012 Salary (000s)</b>	<b>% Increase</b>
Lundgren	\$ 1,550	\$ 1,600	3.2%
Hoguet	\$ 815	\$ 850	4.3%
Adams	\$ 815	\$ 830	1.8%
Gennette	\$ 780	\$ 850	9.0%
Sachse	\$ 800	\$ 850	6.3%
Cole	\$ 1,000	\$ 1,000	0.0%

**Annual Bonus**

The Named Executives participated in the 1992 Incentive Bonus Plan, referred to as the Bonus Plan, in fiscal 2012. The Bonus Plan aligns executive compensation with our business strategy and operating performance objectives and is designed to motivate executives to meet or exceed annual corporate financial goals that are established by the CMD Committee and approved by the full Board of Directors.

The CMD Committee approved the annual performance goals for the fiscal 2012 bonus in March 2012 after the Board approved our fiscal 2012 business objectives and strategies. When setting fiscal 2012 goals, the CMD Committee considered the current economic conditions, potential events that could impact future sales and earnings levels and our performance relative to the performance of the peer companies. As discussed below, the CMD Committee set goals that were challenging yet reasonable, and would increase shareholder value if achieved.

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**Maximum Bonus Opportunity.** The Named Executives become eligible for a maximum bonus award based on a percentage of EBIT achieved for the fiscal year. The maximum potential award for Mr. Lundgren for fiscal 2012 is equal to 0.45% of EBIT and the maximum potential award for each of the other Named Executives is equal to 0.25% of EBIT. No bonus, however, can exceed the Bonus Plan's per-person maximum of \$7 million.

For purposes of determining performance results, EBIT is adjusted to eliminate the effects of asset impairments, restructurings, acquisitions, divestitures, other unusual or non-recurring items, store closing costs, unplanned material tax law changes and/or assessments and the cumulative effect of tax or accounting changes, as determined in accordance with generally accepted accounting principles, as applicable. If EBIT is positive, a portion of each dollar of EBIT is used to determine the participant's maximum award. If EBIT is negative, no bonuses are paid.

The CMD Committee selected EBIT as the performance metric to ensure that the maximum potential payout is determined as a percentage of controllable profit. Excluding interest and taxes ensures that profit is defined based on operating results that the Named Executives can directly influence. The CMD Committee set the percentages of EBIT for the Named Executives at a level sufficient to enable reasonable award levels under all possible scenarios.

**Reduction of Maximum Bonus Award.** In determining actual bonus awards made under the Bonus Plan, the CMD Committee has the discretion to, and has in the past, paid actual bonuses which are lower than the maximum awards described above. The CMD Committee may reduce the maximum bonus awards based on a targeted annual bonus opportunity established for each Named Executive under the Bonus Plan and our overall performance during the fiscal year measured against pre-established financial goals or on such alternative or additional factors, if any, as it may deem appropriate.

The targeted annual bonus opportunities for the Named Executives are expressed as a percent of year-end base salary and actual awards may range from 0% to 260% of the target award, not to exceed the maximum as determined under the above-referenced EBIT formula, depending upon actual performance relative to the pre-determined goals, as shown in the chart below (and on such alternative or additional factors, if any, as the CMD Committee deems appropriate). The calculation of performance results may be adjusted to eliminate the effects of asset impairments, restructurings, acquisitions, divestitures, other unusual or non-recurring items, store closing costs, unplanned material tax law changes and/or assessments and the cumulative effect of tax or accounting changes, as determined in accordance with generally accepted accounting principles, as applicable. The targeted annual bonus opportunities are interpolated for performance results falling between threshold and target and between target and outstanding.

Position	Component	Annual Bonus as a % of Base Salary		
		Threshold	Target	Outstanding
Chief Executive Officer	EBIT \$	16%	80%	240%
	Sales \$	16%	50%	110%
	Cash Flow \$	8%	20%	40%
	Total	40%	150%	390%
Other Named Executives	EBIT \$	8%	40%	120%
	Sales \$	8%	25%	55%
	Cash Flow \$	4%	10%	20%
	Total	20%	75%	195%

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The CMD Committee selected the following levels of EBIT, Sales and Cash Flow as the financial goals for fiscal 2012 under the Bonus Plan for purposes of the targeted annual bonus opportunity for the Named Executives:

(\$ in millions) Performance Metric	Weight	Threshold	Performance Range	
			Target	Outstanding
EBIT	53.3%	85% of Target	\$ 2,656.6	120% of Target
Sales	33.3%	98% of Target	\$ 27,072.4	101% of Target
Cash Flow	13.3%	\$50 below Target	\$ 1,615.1	\$150 above Target

*Reasons for Selecting These Metrics.* The Bonus Plan financial metrics focus executives on maximizing growth, operating profit dollars and cash flow.

The EBIT measure focuses the executives on maximizing operating income and is a good indicator of how effectively our annual business objectives and strategies, which focus on growth in profits, are being executed.

Sales, a priority for retailers, are a measure of growth and provide opportunities for the achievement of various other financial measures, including EBIT and cash flow. The Sales target under the Bonus Plan excludes certain items that are included in externally reported sales under GAAP, including licensed department income, shipping and handling fees and sales to third party retailers.

Cash Flow is indicative of the manner in which our operating activities, together with our investing activities, actually generate cash. The heavier weighting for the EBIT and sales objectives reflects our emphasis on profitable growth. The performance levels of EBIT, sales and cash flow are determined annually, consistent with the economic environment at the time our annual business objectives and strategies are finalized and are set to help the Company achieve its longer term average EBITDA and average ROIC objectives under the long-term incentive program discussed below. These performance levels are intended to be aggressive but realistic, such that achieving targeted levels would represent outstanding performance. The targeted sales objective is based to a significant degree on an assumption regarding sales growth relative to projected General Merchandise, Apparel and Home Furnishings (GAF) growth. The sales growth assumption is based on recent history and is adjusted for the risks and opportunities that are embedded in our merchandising strategies. Because gaining market share with respect to sales is an important objective of ours, we attempt to ensure that the sales target will maximize our opportunities to do so. We then plan EBIT/EBITDA and cash flow consistent with aiming for a 14% EBITDA rate target, our stated credit ratios and our desire to be an investment grade company.

*Fiscal 2012 Annual Bonus Awards.* At its March 19, 2013 meeting the CMD Committee determined the actual bonuses to be paid to the Named Executives for fiscal 2012 performance.

Based on our financial results for fiscal 2012, the CMD Committee determined that we achieved positive EBIT (adjusted as described below) of \$2.666 billion. This resulted in a maximum potential bonus of \$11.996 million for Mr. Lundgren (0.45% of EBIT) and \$6.664 million for each of the other Named Executives (0.25% of EBIT), in all instances subject to the Bonus Plan's per-person maximum of \$7 million.

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Consistent with the design of the annual bonus program described above, the CMD Committee exercised its discretion to reduce the maximum potential bonuses, based on the level of achievement of the EBIT, sales and cash flow metrics, as adjusted as described below in relation to amounts reported in our audited financial statements. The CMD Committee adjusted EBIT for costs associated with unplanned store closings and asset impairment charges. The CMD Committee adjusted Sales to account for unplanned store closings. The CMD Committee adjusted Cash Flow provided by operating activities, net of cash flow used by investing activities, to take into account an unplanned cash tender and refinancing of debt in the fourth quarter. After giving effect to the previously mentioned adjustments, Cash Flow was below the threshold performance level for the fiscal year. This variance was due primarily to the decision in the fourth quarter to bring in a significant amount of new merchandise receipts to fuel a strategy for transitioning from Winter to Spring merchandise. Through December 2012, cash flow was well above our plan, however this merchandise transition strategy negatively impacted cash flow in January, but resulted in very strong sales for January 2013. These actions resulted in the following annual bonus payout percentages for the Named Executives for fiscal 2012:

(\$ in millions) Bonus Component	2012 Performance		Bonus Payout as a % of Base Salary	
	Results	Achievement Level	Lundgren	Other Named Executives
EBIT \$	\$ 2,665.8	Between Target and Outstanding	82.8%	41.4%
Sales \$	\$ 26,856.6	Between Threshold and Target	36.4%	18.2%
Cash Flow \$	\$ 1,513.1	Below Threshold	0%	0%
Total			119.2%	59.6%

These payout percentages resulted in the following bonus payments to the Named Executives with respect to fiscal 2012 performance, which are reflected in the Non-Equity Incentive Plan Compensation column of the 2012 Summary Compensation Table:

Lundgren	\$ 1,907,200
Hoguet	\$ 506,600
Adams	\$ 494,700
Gennette	\$ 506,600
Sachse	\$ 506,600
Cole	\$ 596,000

**Long-term equity compensation**

The equity compensation awards made to the Named Executives in fiscal 2012 consisted of performance-based restricted stock units and stock options. A description of each type of award, with relevant definitions, begins on page 65. The long-term incentive program is designed to align the interests of the Company and its executives with those of its shareholders.

*How Awards are Determined.* The CMD Committee, taking into account the recommendations of Cook & Co., established a target dollar amount for total long-term compensation for the performance period beginning with fiscal 2012 for each Named Executive. The target amounts are consistent with median (75<sup>th</sup>)

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percentile for Mr. Lundgren) long-term incentive opportunities provided by our peer group companies, and also take into account prior-year opportunities.

The CMD Committee determined that the target 2012 long-term compensation for the Named Executives would be allocated as follows:

60% in performance-based restricted stock units that vest after a three-year performance period only if we meet predetermined financial performance and relative TSR goals; and

40% in stock options that vest in installments over a four-year period and have value only if our stock price increases over the grant price of the options.

The value given to the equity compensation awards by the CMD Committee are estimates, and are not intended to be predictive of the actual value that the Named Executives might realize from the awards. The amount they ultimately realize will be based on our financial performance, relative TSR and stock price growth.

*Reasons for This Mix of Long-term Awards.* The CMD Committee established this mix of equity awards to support several important objectives, including focusing key employees, including the Named Executives, on establishing a direct link between compensation and the achievement of our long-term financial objectives, the achievement of longer-term goals related to our three key strategies (the My Macy's localization initiative, driving the omnichannel business and embracing customer centricity, including engaging customers on the selling floor through the MAGIC selling program), and enhancing retention by mitigating the impact of fluctuations in the price of the common stock with the use of performance-based restricted stock units in combination with stock options. The CMD Committee believes this mix provides a reasonable balance between stock price performance and longer-term operating and strategic performance.

*Performance-Based Restricted Stock Units.* The CMD Committee determines the number of performance-based restricted stock units required to deliver the targeted award value (60% of the fiscal 2012 long-term incentive award opportunity) to the Named Executives by dividing the targeted award dollar value by the closing price of Macy's common stock on the date of the grant.

*Maximum Award Opportunity.* A maximum award of 150% of the target award of performance-based restricted stock units is funded following the end of the three-year (fiscal 2012-2014) performance period if cumulative EBITDA earned over the performance period is at least \$8.0 billion. In determining the actual number of units to be paid, the CMD Committee has the discretion to adjust the maximum award based on our performance against pre-established performance objectives, as explained below.

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*Determination of Actual Award.* Subject to the attainment of the \$8.0 billion cumulative EBITDA threshold over the three-year (fiscal 2012-2014) performance period, the awards granted in fiscal 2012 may pay out from 0% to 150% of the target award opportunity based on our performance against average EBITDA Margin, average ROIC, and relative TSR objectives over the three-year performance period (as such calculations are described beginning on page 67), as follows:

Performance Level*	EBITDA Margin (50% weight)		ROIC (30% weight)		Relative TSR (20% weight)	
	3-Year Average	Vesting %	3-Year Average	Vesting %	3-Year TSR vs. Peers	Vesting %
Outstanding	<sup>3</sup> 14.4%	150%	<sup>3</sup> 23.4%	150%	<sup>3</sup> 75%	150%
Target	14.0%	100%	22.6%	100%	50%	100%
Threshold	13.5%	50%	21.6%	50%	35%	50%
Below Threshold	< 13.5%	0%	< 21.6%	0%	< 35%	0%

\* Straight-line interpolation will apply to performance levels between the ones shown.

If the \$8.0 billion cumulative EBITDA threshold is not attained, no awards are payable regardless of our performance against the average EBITDA Margin, average ROIC and relative TSR metrics. Performance levels for each metric are based on our long-term business objectives and strategies and historic performance of key business competitors.

*Reasons for Selecting These Metrics.* The CMD Committee selected these performance metrics because they are closely monitored by investors and are the key drivers of long-term sustainable shareholder value creation. In addition, the average EBITDA Margin and average ROIC metrics complement the EBIT, Sales and Cash Flow measures used in the annual bonus plan by focusing executives on efficient use of assets and profitable growth.

With respect to EBITDA Margin, the Company has stated to investors that its objective is to achieve an EBITDA Margin rate in the 14% range, consistent with historic peak profit levels for the Company and above that of our key competitors. This is an objective that will not be achieved in a short time frame and requires the organization to focus on developing multi-year strategies that will get us to the desired target over time.

ROIC is a measure of investment productivity and the efficiency in which assets are employed in the operation of the business. It is a very important measure of our performance over time because capital decisions need to be evaluated over an extended period. That is why we include it in our long-term incentive plan and not in our annual bonus plan.

The CMD Committee determined to add relative TSR as a performance metric for the performance-based restricted stock units granted in fiscal 2012 upon the recommendation of management and Cook & Co. Relative TSR is a good measure of shareholder value creation, especially when measured on a consistent basis over extended periods of time. In addition, peer-to-peer measurement is viewed as an executive compensation best practice by many proxy advisory firms and corporate governance experts. The CMD Committee determined that TSR should be measured against that of the compensation peer group since that group includes our primary competitors for business, talent and investor capital and results in a consistent group being used internally for pay and performance comparisons. The 20% weighting given to the relative TSR metric ensures that a meaningful amount of the grant is subject to relative TSR results.



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**Stock Options.** The CMD Committee determines the number of stock options required to deliver the targeted value (40% of the fiscal 2012 long-term incentive award opportunity) by dividing the targeted award dollar value by the Black-Scholes value for the common stock on the grant date. Stock options are granted at the closing price of Macy's common stock on the date of the grant, vest 25% on each of the four anniversaries following the grant date and have a term of ten years.

**Time-Based Restricted Stock Units.** The CMD Committee grants time-based restricted stock or restricted stock units from time to time for retention and performance reasons. The CMD Committee granted a time-based restricted stock unit award to each of Mr. Gennette and Mr. Sachse in recognition of the new roles and responsibilities they assumed in fiscal 2012. These awards vest on March 23, 2015 to the extent the executives remain employed by the Company through that date. See the 2012 Grants of Plan-Based Awards table on page 64.

### ***Fiscal 2012 Equity Awards.***

**Awards Granted in 2012.** At its March 23, 2012 meeting the CMD Committee granted the number of stock options, target number of performance-based restricted stock units and number of time-based restricted stock units to the Named Executives that are reflected in the 2012 Grants of Plan-Based Awards table on page 64.

**Awards Earned in 2012.** The three-year (fiscal 2010-2012) performance period for the performance-based restricted stock units granted to the Named Executives in fiscal 2010 expired as of the end of fiscal 2012. In February 2013, the CMD Committee determined that cumulative EBITDA earned over the performance period exceeded the applicable \$7.0 billion threshold, resulting in the maximum award of 150% of the target award being funded. The CMD Committee exercised its discretion to then determine the number of performance-based restricted stock units that would be paid based on our average EBITDA Margin and average ROIC performance objectives over the three-year performance period, as follows:

Performance Level*	EBITDA Margin (70%)		ROIC (30%)	
	3-Year Average	Vesting %	3-Year Average	Vesting %
Outstanding	<sup>3</sup> 12.8%	150%	<sup>3</sup> 18.8%	150%
Target	12.3%	100%	17.8%	100%
Threshold	11.8%	50%	16.8%	50%
Below Threshold	< 11.8%	0%	< 16.8%	0%

\* Straight-line interpolation applies to performance levels between the ones shown.

Our average EBITDA Margin was 13.3% and our average ROIC was 19.4% over the three year (fiscal 2010-2012) performance period, which resulted in 150% of the targeted number of the units being paid. See the 2012 Option Exercises and Stock Vested table on page 71.

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**Other Benefits and Programs Under the Executive Compensation Program**

**Benefits**

We provide certain limited executive benefits to senior executives, including the Named Executives, to fulfill particular business purposes. In general, these benefits make up a very small percentage of total compensation for the Named Executives.

*Supplementary Executive Retirement Plan.* We provide a supplementary retirement benefit, described under Compensation of the Named Executives for 2012 Post Retirement Compensation. The supplementary executive retirement plan supplements the pension benefits provided to the Named Executives under our cash account pension plan, and takes into account compensation that the tax rules do not permit the cash account pension plan to take into account. In February 2012, the CMD Committee amended the supplementary executive retirement plan to close the plan to any executives who would have first become eligible to participate in the plan on or after January 2, 2012. In January 2013, the CMD Committee determined to replace the supplementary executive retirement plan, effective January 1, 2014, with a new defined contribution plan that will operate similar to our 401(k) plan and provide for income deferral and Company matching contribution opportunities with respect to compensation in excess of amounts eligible for such opportunities under our 401(k) plan.

*Deferred Compensation Plan.* We provide executives the opportunity to defer receiving income until after they terminate their employment. This benefit offers tax advantages to eligible executives, permitting them to defer payment of their compensation and defer taxation on that compensation until after termination. The deferred compensation plan is described under the heading Compensation of the Named Executives for 2012 Post Retirement Compensation Non-qualified Deferred Compensation Plans.

*Car and Driver Program.* Pursuant to a recommendation resulting from an independent third-party security study we obtained in 2007, we provide Mr. Lundgren with the services of a car and driver for commuting in New York City, for certain business travel and for personal use. This benefit is to ensure the personal safety of Mr. Lundgren, who maintains a significant public role as the leader of Macy's. The benefit also allows Mr. Lundgren to work productively during his commute.

*Business Club.* The Named Executives are offered Company-paid membership at business clubs for the purpose of conducting business on behalf of Macy's. This benefit provides the Named Executives with access to appropriate settings for business networking and other business functions and meetings. Any meal or other expenses incurred at the club that are not business-related are the responsibility of the Named Executives.

*Company Airplane.* Except as described below, Company-owned aircraft are generally used for Company business only. Mr. Lundgren travels extensively on Company business throughout the fiscal year to visit our approximately 840 stores in 45 states, the District of Columbia, Guam and Puerto Rico. In addition to the use of Company-owned aircraft for business, we encourage Mr. Lundgren to use Company-owned aircraft for personal flights as well. This ensures the safety and security of Mr. Lundgren and his family and enables him to conduct business more efficiently and securely before, during and after flights. As a result of the enhanced safety and efficiency associated with personal use of the aircraft, the CMD Committee believes that the value accrued to the Company more than offsets the incremental costs that Macy's incurs to make the aircraft available for Mr. Lundgren's personal use and therefore is an efficient form of compensation.

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for him. However, beginning with fiscal 2011, the Board limited the cost to the Company of Mr. Lundgren's personal use of Company-owned aircraft to \$75,000 per year. Accordingly, Mr. Lundgren reimburses the Company for the full incremental cost to the extent his personal usage of Company-owned aircraft in a fiscal year exceeds \$75,000.

### **Severance Benefits**

*Executive Severance Plan and Change-in-Control Plan.* To enable us to offer competitive total compensation packages to key executives, as well as to ensure the ongoing retention of these individuals when considering potential takeovers that may create uncertainty as to their future employment with the Company, the CMD Committee (and the Non-Employee Directors with respect to Mr. Lundgren) approved an executive severance plan and a change-in-control plan, referred to as the CIC Plan, in October 2009.

Based on information provided by Cook & Co., the CMD Committee believes that these plans provide payouts that are within a percentage of our market capitalization that is consistent with commonly accepted practice and provide a level of benefits that are estimated to be within a reasonable range of severance protection based on competitive practices with respect to comparable positions. The CMD Committee believes that the benefits provided under these plans are appropriate and are consistent with our objective of attracting and retaining highly-qualified executives.

In addition, the CMD Committee believes that the CIC Plan provides us with certain protections, specifically to retain key executives prior to or following a change in control and to ensure key executives keep in mind the best interests of the shareholders when making decisions during a potential or actual change-in-control transaction. In setting the severance benefit level under the CIC Plan, the CMD Committee does not consider the wealth accumulated by the Named Executives under prior compensation awards or benefit plans. The CMD Committee does not believe that it is appropriate to base routine salary and incentive compensation decisions on the potential effect they may have under change-in-control arrangements that may never be triggered.

For a detailed description of the benefits provided under these plans, see the discussion of the executive severance plan on page 76 and the discussion of the CIC Plan that begins on page 77.

*Other change-in-control provisions.* Our equity programs and deferred compensation programs provide for accelerated benefits in the event of a change in control, which affect all participants in those programs, as well as the Named Executives. If a change in control were to occur, stock options and restricted stock granted prior to 2010 would immediately vest for all holders and deferred compensation plan stock credit units and cash account balances would immediately become payable. This reassures executives that they will receive previously deferred compensation and that these prior equity grants will be honored because decisions as to whether to provide these amounts are not left to the management and directors in place following a change in control.

Beginning with fiscal 2010, all equity awards granted in 2010 and thereafter are subject to *double trigger* vesting in the event of a change in control, consistent with current corporate governance best practices. Under a *double trigger* approach, vesting accelerates only if a participant's employment terminates without cause or for good reason within a set period of months following a change in control. However, if such awards are not assumed or replaced on an equitable basis by the successor employer, they will immediately vest upon the effectiveness of the change in control.

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**Significant Policies and Additional Information Regarding the Executive Compensation Program**

**Recovery of prior compensation**

The CMD Committee has the discretion to require a participant

(i) in the Bonus Plan, including the Named Executives, to repay income, if any, derived from the annual bonus, and

(ii) in the long-term incentive compensation program, including the Named Executives, to repay income derived from performance restricted stock units or stock options, if any,

in the event of a restatement of our financial results within three years after any such payments to correct a material error that is determined by the CMD Committee to be the result of executive fraud or intentional misconduct. The CMD Committee will review these provisions to ensure compliance with any rules or regulations adopted by the SEC or NYSE during 2013 to implement Section 10D of the Securities Exchange Act, added by the Dodd-Frank Wall Street Reform and Consumer Protection Act.

**Stock ownership guidelines**

During fiscal 2006, the Board of Directors adopted stock ownership guidelines for certain executives of Macy's, including the Named Executives. During 2010, the Board adopted revised guidelines that reflect the new management structure put in place to implement the My Macy's localization initiatives. The revised guidelines also increased the required ownership level for the chief executive officer to 6x base salary from 5x base salary. Under the revised guidelines, specified executives are required to own Macy's stock, as follows:

<b>Position</b>	<b>Ownership Guideline</b>
Chief Executive Officer (CEO)	6 x base salary
Executive Committee (other than the CEO)	3 x base salary
Executive Vice President Corporate Officer (other than the Controller) and Business Unit Principal	1 x base salary

Shares counted toward the ownership requirement consist of:

Macy's stock beneficially owned (directly or indirectly) by the executive or owned jointly with any immediate family member of the executive;

Any stock credits or other stock units credited to an executive's account through deferrals under our deferred compensation program or otherwise;

Time-based restricted stock or restricted stock units granted to the executive, whether lapsed or unexpired;

Time-based stock credits during the performance and holding periods under our stock credit plans;

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Performance-based stock credits during the holding periods that follow the performance periods under the stock credit plans; and

The executive's proportionate share of the Macy's stock fund under our 401(k) plan. Macy's common stock subject to unvested or unexercised stock options does not count toward the ownership requirement. Performance-based restricted stock or performance-based restricted stock units do not count toward the ownership requirement during the performance period. Executives must comply with the guideline that applied to them prior to the 2010 revisions by the later of August 1, 2011 or within five years from the date first subject to the guideline. An executive must comply with the revised guidelines by the later of February 1, 2016 or within five years from the date the executive is employed in one of the positions listed above. Stock ownership is measured as of the beginning of the fiscal year. As of the 2012 measurement date, each Named Executive had complied with the guideline that applied to him or her prior to the 2010 revisions.

### **Timing of equity awards**

The CMD Committee generally approves annual equity-based grants at its March meeting, which is generally scheduled at least two years in advance of the meeting. The March meeting occurs after financial results for the Company are available at least three weeks after we release our year-end earnings. In addition to the annual grants, the CMD Committee may approve equity-based grants on a limited basis on other dates in special circumstances, such as to newly hired executives, or to executives promoted into positions eligible for such grants or to retain executives important to the success of the Company.

### **Hedging/pledging policy**

We have adopted a policy which prohibits directors and participants in our long-term incentive plan from engaging in transactions designed to hedge against the economic risks associated with an investment in our common stock or pledging our common stock in borrowing transactions. These individuals may not engage in the purchase or sale of put and call options, short sales and other hedging transactions designed to minimize the risk of owning Macy's common stock. In addition, these individuals may not pledge shares of our common stock as collateral for a loan, including, without limitation, in a margin account.

### **Tax considerations**

The CMD Committee considers the deductibility for federal income tax purposes under Section 162(m) of the Internal Revenue Code in the design of our compensation programs. Section 162(m) places a limit of \$1 million on the amount of compensation that we may deduct in any one year with respect to the Named Executives (other than the Chief Financial Officer). There is an exception to the \$1 million limitation for performance-based compensation meeting certain requirements defined by the IRS. Annual bonuses, stock option awards and performance-based restricted stock and performance-based restricted stock unit awards generally are performance-based compensation meeting those requirements and, as such, are fully deductible. The CMD Committee may elect to provide compensation that is not deductible in order to achieve its compensation objectives. Consequently, portions of the total compensation program may not be deductible under Section 162(m), including the portion of base salary of some of the Named Executives in excess of \$1 million, any time-based restricted stock and any stock credit awards.

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**Accounting**

In our financial statements, we record salaries and performance-based cash compensation incentives as expenses in the amount paid, or to be paid, to the Named Executives. Accounting rules also require us to record an expense in our financial statements for equity-based awards, even though equity awards are not paid as cash to employees. We expense all equity-based awards in accordance with ASC Topic 718. In evaluating the design of our variable incentive plans, the CMD Committee considers the accounting costs attributable to alternative approaches to ensure that financial efficiency is maximized. The change in fiscal 2010 and thereafter from cash-settled stock credits to share-settled performance-based restricted stock units was partially influenced by the CMD Committee's intention to secure favorable, fixed accounting treatment under ASC Topic 718.

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**COMPENSATION COMMITTEE REPORT**

The Compensation and Management Development (CMD) Committee has reviewed and discussed the Compensation Discussion & Analysis with Macy's management. Based on the review and discussions referred to above, the CMD Committee recommended to the Board that the Compensation Discussion & Analysis be included in Macy's Annual Report on Form 10-K and proxy statement.

The foregoing report was submitted by the CMD Committee and shall not be deemed to be soliciting material or to be filed with the SEC or subject to Regulation 14A promulgated by the SEC or Section 18 of the Exchange Act.

Respectfully submitted,

Meyer Feldberg, *Chairperson*

Deirdre P. Connelly

Sara Levinson

Joseph Neubauer

Craig E. Weatherup

**Table of Contents****COMPENSATION OF THE NAMED EXECUTIVES FOR 2012**

The following table summarizes the compensation of our principal executive officer, principal financial officer and our three other most highly compensated executive officers, collectively referred to as the Named Executives. In accordance with current SEC disclosure requirements, the amounts in the Stock Awards and Option Awards columns reflect the grant date values of equity awards.

**2012 SUMMARY COMPENSATION TABLE**

Name and Principal Position	Year	Salary (\$)	Stock Awards(1) (\$)	Option Awards(2) (\$)	Non-Equity Incentive Plan Compensation (\$)	Changes in Pension Value and	All Other Compensation(4) (\$)	Total (\$)
						Nonqualified Deferred Compensation Earnings(3) (\$)		
Terry J. Lundgren Chairman, President and Chief Executive Officer	2012	1,591,667	4,630,824	3,099,994	1,907,200	2,534,767	76,079	13,840,531
	2011	1,541,667	4,649,988	3,099,998	5,105,100	3,175,024	78,925	17,650,702
	2010	1,500,000	3,617,981	1,240,644	5,252,400	3,119,727	171,840	14,902,592
Karen M. Hoguet Chief Financial Officer	2012	844,167	791,695	529,994	506,600	837,196	1,225	3,510,877
	2011	812,500	794,980	529,999	1,342,100	860,135	3,276	4,342,990
	2010	800,000	794,990	272,608	1,400,600	704,703	20,493	3,993,394
Timothy M. Adams Chief Private Brand Officer	2012	827,500	791,695	529,994	494,700	828,698	1,225	3,473,812
	2011	812,500	794,980	529,999	1,342,100	862,793	1,225	4,343,597
Jeffrey Gennette Chief Merchandising Officer	2012	838,333	1,791,679	529,994	506,600	965,583	1,225	4,633,414
Peter R. Sachse Chief Stores Officer	2012	841,667	1,791,679	529,994	506,600	773,769	57,054	4,500,763
Thomas L. Cole Former Chief Administrative Officer	2012	1,000,000	791,695	529,994	596,000	889,922	1,225	3,808,836
	2011	995,833	794,980	529,999	1,646,800	984,401	10,340	4,962,353
	2010	975,000	794,990	272,608	1,707,000	947,273	16,509	4,713,380

- (1) The amounts in this column for fiscal 2012 include the fair value for performance-based restricted stock units awarded in fiscal 2012 determined by using a weighted average grant date price for the common stock of approximately \$39.68 per share, assuming the target number of units is earned. Assuming that the maximum number of units is earned, the grant date fair value amounts for the performance-based restricted stock units would be \$6,946,236 for Mr. Lundgren and \$1,187,542 for each of the other Named Executives. The amounts for Mr. Gennette and Mr. Sachse also include the fair value of time-based restricted stock units awarded in fiscal 2012 determined by using the grant date closing price for the common stock (\$39.84 per share). See footnote (4) to the 2012 Grants of Plan-Based Awards table.
- (2) The amounts in this column reflect the grant date value of stock options determined using the Black-Scholes option pricing model in accordance with ASC Topic 718. See footnote (4) to the 2012 Grants of Plan-Based Awards table for the assumptions used in making this determination.
- (3) We do not pay above-market interest under our deferred compensation plan, therefore, the amounts reflected in this column relate to pension benefits only. The amounts reflected for fiscal 2012 in this column represent the change in fiscal 2012 in the actuarial present value of accumulated pension benefits under our cash balance pension plan and supplementary executive retirement plan. The assumptions used in determining the present value of benefits are the same assumptions used for financial reporting purposes. The present value of benefits was determined using a unit credit cost method, a 4.15% discount rate and generational mortality rates under the RP2000CH table projected using scale AA. Scale AA defines how future mortality improvements are incorporated into the projected mortality tables and is based on a blend of Federal Civil Service and Social Security experiences from 1977 through 1993. The assumed retirement age used for these calculations was the normal retirement age of 65, as defined by the plans, and each Named Executive was assumed to live to and



retire at the normal retirement age.

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(4) Included in All Other Compensation for fiscal 2012 is the incremental cost to Macy's of the following perquisites made available to the Named Executives:

<b>Name</b>	<b>Aircraft Usage(a) (\$)</b>	<b>Car Programs(b) (\$)</b>	<b>Division Recognition Award(c) (\$)</b>	<b>Gross up(d) (\$)</b>	<b>401(k) Matching Contribution (\$)</b>	<b>Total</b>
Lundgren	54,906	5,944	0	14,004	1,225	76,079
Hoguet	0	0	0	0	1,225	1,225
Adams	0	0	0	0	1,225	1,225
Gennette	0	0	0	0	1,225	1,225
Sachse	0	0	29,078	26,751	1,225	57,054
Cole	0	0	0	0	1,225	1,225

- (a) Since fiscal 2010, Mr. Lundgren is the only Named Executive that is permitted to make personal use of company aircraft. The amount shown for aircraft usage is calculated by applying a ratio of flight hours for personal flights divided by total flight hours for each company plane flown by Mr. Lundgren on personal flights to total costs (excluding management fees, depreciation, real estate taxes, insurance, rent and other fixed operating costs) for those planes, and subtracting from that amount any reimbursements received from Mr. Lundgren. Mr. Lundgren's wife accompanies him on some flights. There are no additional incremental costs associated with her travel on those flights. Beginning with fiscal 2011, the Board limited the cost to the Company of Mr. Lundgren's personal use of company aircraft to \$75,000 per year. Mr. Lundgren reimburses the Company to the extent his personal usage of company aircraft exceeds \$75,000.

Total flight hours equal the total number of hours for every flight flown.

Flights were deemed business or personal based on whether there was a business purpose for the flight.

If a trip was deemed personal, ferry flight hours, if any, were included as personal.

If a business trip included an intermediary personal stop, only the difference between a direct flight and the indirect flight was considered personal.

If a trip was exclusively personal except for a one-day business stop, all hours were treated as personal less an adjustment for the flight hours to and from the originating airport to the business location.

- (b) The amount shown reflects the costs relating to personal use by Mr. Lundgren of a dedicated car and driver that the Company makes available to him for safety reasons pursuant to the recommendation of a third-party security study. Prior to fiscal 2011, we used the services of a third party service to provide this benefit. Beginning with fiscal 2011, we determined that it was more cost effective to hire drivers who could provide business and personal transportation to Mr. Lundgren (and business transportation to other executives when not needed by Mr. Lundgren) rather than obtain these services through the third party provider. The incremental cost calculation for personal use of the car and driver includes driver overtime, tolls, gratuities, lodging for the drivers, maintenance and fuel costs.
- (c) The amount shown reflects the value of a division recognition award redeemed by Mr. Sachse during fiscal 2012. The award was granted to him in a prior year when he was in a division principal position.
- (d) For Mr. Lundgren, the amount shown includes gross-up payments to Mr. Lundgren in calendar year 2012 for imputed income associated with travel by Mr. and Mrs. Lundgren on some of his flights on company aircraft that were deemed personal for tax reporting purposes, but which the Company determined had a business purpose. For Mr. Sachse, the amount shown reflects a gross up payment for the division recognition award described in note (c) above.



**Table of Contents****Plan-Based Awards**

The following table sets forth certain information regarding the annual bonus plan and stock options and other equity awards granted during fiscal 2012 to each of the Named Executives.

**2012 GRANTS OF PLAN-BASED AWARDS**

Name	Award Type	Grant Date for Equity-Based Awards	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Option Awards; Number of Securities Underlying Options (#)(3)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$)(4)
			Threshold (\$)	Target (\$)	Maximum (\$)(1)	Threshold (#)	Target (#)(2)	Maximum (#)			
Lundgren	Annual Bonus	n/a	640,000	2,400,000							
	Performance RSUs	3/23/12				116,716				4,630,824	
	Stock Options	3/23/12						253,682	39.84	3,099,994	
Hoguet	Annual Bonus	n/a	170,000	637,500							
	Performance RSUs	3/23/12				19,954				791,695	
	Stock Options	3/23/12						43,371	39.84	529,994	
Adams	Annual Bonus	n/a	166,000	622,500							
	Performance RSUs	3/23/12				19,954				791,695	
	Stock Options	3/23/12						43,371	39.84	529,994	
Gennette	Annual Bonus	n/a	170,000	637,500							
	Time-based RSUs	3/23/12				25,100				999,984	
	Performance RSUs	3/23/12				19,954				791,695	
Sachse	Stock Options	3/23/12						43,371	39.84	529,994	
	Annual Bonus	n/a	170,000	637,500							
	Time-based RSUs	3/23/12				25,100				999,984	
Cole	Performance RSUs	3/23/12				19,954				791,695	
	Stock Options	3/23/12						43,371	39.84	529,994	
	Annual Bonus	n/a	200,000	750,000							

(1) The Named Executives are eligible for an annual cash bonus incentive award under our Bonus Plan, which is deemed a non-equity incentive plan under SEC rules. The plan provides that the Named Executives are eligible for a bonus award only if EBIT is positive. EBIT is defined to exclude the effects of asset impairments, restructurings, acquisitions, divestitures, other unusual or non-recurring items, store closing costs, unplanned material tax law changes and/or assessments and the cumulative effect of tax or accounting changes, as determined in accordance with generally accepted accounting principles, as applicable. Under the plan, the maximum award a Named Executive may receive for fiscal 2012 is 0.45% of EBIT, or \$11.996 million, for Mr. Lundgren and 0.25% of EBIT, or \$6.664 million, for each of the other Named Executives, subject in all instances to the Bonus Plan's per-person maximum of \$7 million. The CMD Committee may exercise negative discretion to reduce the maximum awards based on the annual bonus award opportunity established for each Named Executive under the Bonus Plan. For a more detailed discussion of the Bonus Plan, see the Annual Bonus discussion in Compensation Discussion & Analysis Fiscal 2012 Compensation and Analysis.

(2) The Named Executives received a grant of performance-based restricted stock units ( Performance RSU ) on March 23, 2012. The Performance RSUs vest over a three-year performance period covering fiscal years 2012-2014. The number of Performance RSUs earned may range from 0% to 150% of the Target award opportunity based on performance against average EBITDA Margin, average ROIC and relative TSR objectives, and subject to attainment of a minimum cumulative EBITDA of \$8.0 billion over the three-year performance period. Performance RSUs that are earned will be paid out as shares of Macy's common stock. Dividends, if any, paid on the Company's common stock will be credited to the Named Executives' Performance RSU accounts as additional

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restricted stock units and will be paid out as shares of Macy's common stock at the end of the three-year performance period only to the extent that the underlying Performance RSUs to which the dividends relate are earned. See the Performance-Based Restricted Stock Units discussion in Compensation Discussion & Analysis Fiscal 2012 Compensation and Analysis Long-term equity compensation and the Restricted Stock and Restricted Stock Units discussion in the narrative below. In addition, Mr. Gennette and Mr. Sachse each received a grant of time-based restricted stock units (Time-based RSUs) on March 23, 2012. These Time-based RSUs vest on March 23, 2015 so long as the executives remain employed by Macy's through that date.

- (3) The numbers reflected in this column represent the number of stock options granted to the Named Executives in fiscal 2012.

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- (4) Stock options were valued as of the grant date using the Black-Scholes option pricing model in accordance with ASC Topic 718, using the following assumptions:

	<b>3/23/12 Grant</b>
Dividend yield:	2.2%
Expected volatility:	39.8%
Risk-free interest rate:	1.2%
Expected life:	5.7 years
Black-Scholes value:	\$ 12.22

Performance RSUs were valued by using a weighted average grant date price for the common stock of approximately \$39.68 per share, assuming the target number of units is earned. The weighted average grant date price was calculated as follows: (i) \$39.84 per share for the portion of the grant subject to average EBITDA Margin and average ROIC performance metrics, by using the grant date closing price for the common stock and (ii) \$39.02 per share for the portion of the grant subject to a relative TSR metric, by using a Monte Carlo simulation analysis to estimate TSR ranking of the Company among a 10-company executive compensation peer group over the remaining performance period. Time-based RSUs were valued by using the grant date closing price for the common stock (\$39.84 per share).

**Stock Options.** Prior to May 15, 2009, the CMD Committee granted stock options from the 1995 Equity Plan and the 1994 Stock Plan, each of which has been approved by Macy's shareholders. After shareholders approved the 2009 Omnibus Plan at the 2009 annual meeting, stock options may no longer be granted under the 1995 Equity Plan or the 1994 Stock Plan.

Under the 2009 Omnibus Plan, the exercise price of stock options may not be less than the market price of the underlying Macy's common stock on the grant date (which is defined in the 2009 Omnibus Plan as the closing price of Macy's common stock on the NYSE on the grant date). Stock options vest over time, typically in 25% installments on the first through fourth anniversaries of the grant date, and have ten year terms. Our plans do not provide for the granting of reload options and prohibit the repricing of previously granted options.

The stock option agreements for the 2009 Omnibus Plan provide for the accelerated or continued vesting and exercisability under certain circumstances, including as follows:

<b>Event</b>	<b>Accelerated or Continued Vesting</b>	<b>Exercisability</b>
Retirement at age 55-61, with at least 10 years of service.	n/a	Vested options may be exercised until the end of their term.
Retirement at age 62 or over, with at least 10 years of service.	Unvested options continue to vest following retirement.	Options may be exercised until the end of their term.
Death of active employee under age 55 or who has less than 10 years of service.	Unvested options immediately vest.	Options may be exercised until the earlier of the third anniversary of such death or the end of their term.
Death of active employee age 55-61, with at least 10 years of service.	Unvested options immediately vest.	Options that were vested prior to such death may be exercised until the end of their term. Options that vested upon such death may be exercised until the earlier of the third anniversary of such death or the end of their term.

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<b>Event</b>	<b>Accelerated or Continued Vesting</b>	<b>Exercisability</b>
Death of active employee age 62 or over, with at least 10 years of service.	Unvested options immediately vest.	May exercise options until the end of their term.
Permanent and total disability of active employee.	Unvested options immediately vest.	May exercise options until the end of their term.
Termination of employment within a specified period following a change in control.	Unvested options immediately vest.	Options may be exercised for up to 90 days following termination if not retirement eligible. If retirement eligible, retirement provisions apply.

The stock option agreements for options granted after May 19, 2006 and prior to fiscal 2010 under the 1995 Equity Plan and the 1994 Stock Plan provide that options become immediately exercisable in full, and remain exercisable until the end of their term, in the event of (i) a change in control of the Company, (ii) the executive's permanent and total disability, or (iii) the executive's death following retirement under a Company-sponsored IRS qualified retirement plan at or after attaining age 62 with a minimum of 10 years of service. Unvested options become immediately exercisable in full, and remain exercisable until the earlier of the third anniversary of death or the end of their term if an executive dies while actively employed. Option shares continue to become exercisable following retirement if the executive retires under a Company-sponsored IRS qualified retirement plan at or after attaining the age of 62 with a minimum of 10 years of service.

The stock option agreements under all of our plans provide that options automatically terminate if, among other events, the executive retires under a Company-sponsored IRS qualified retirement plan at or after attaining the age of 55 with a minimum of 10 years of service, is a party to an employment agreement with the Company immediately prior to retirement, and renders personal services to a competing business within one year of the date retirement commenced.

**Restricted Stock and Restricted Stock Units.** The CMD Committee grants shares of restricted stock or restricted stock units, referred to as RSUs, from time to time for retention and performance reasons. RSUs represent the right to receive a payment upon or after vesting equal to the market value per share of Macy's common stock as of the grant date, the vesting date or such other date as determined by the CMD Committee on the date the RSUs are granted. Since May 15, 2009, all restricted stock and RSUs are granted under the 2009 Omnibus Plan.

Restricted stock and RSU grants can be either time-based or performance-based. Time-based restricted stock or RSUs will generally be forfeited by the executive if the executive's employment with us ends prior to the vesting date. Shares and/or units may vest 100% on the third anniversary of the grant date or in installments over a number of years following the first anniversary of the grant date. Time-based restricted stock or RSUs may not fully vest in less than three years. Performance-based restricted stock or RSUs are subject to forfeiture if performance criteria applicable to the shares and/or units are not satisfied and/or if the executive's employment with us ends prior to the vesting date. Performance-based restricted stock or RSUs may not fully vest in less than one year. Depending upon satisfaction of the performance criteria, shares

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and/or units may vest up to 100% on the first anniversary of the grant date or in installments over a number of years following the first anniversary of the grant date. To the extent performance criteria are not satisfied, shares and/or units are forfeited.

The Performance-based RSUs granted to the Named Executives in fiscal 2011 that are earned at the end of the three-year (fiscal 2011-2013) performance period will be paid to the Named Executives as shares of Macy's common stock within  $\frac{2}{2}$  months following the end of the performance period. Subject to achievement of a minimum cumulative EBITDA of \$7.5 billion over the three-year (fiscal 2011-2013) performance period, the number of Performance-based RSUs that a Named Executive will earn at the end of the performance period may vary from zero to 150% of the target award based upon consideration of our three-year performance relative to average EBITDA Margin and average ROIC goals shown below.

Performance Level*	EBITDA Margin (70%)		ROIC (30%)	
	3-Year Average	Vesting %	3-Year Average	Vesting %
Outstanding	<sup>3</sup> 13.4%	150%	<sup>3</sup> 20.9%	150%
Target	12.9%	100%	19.9%	100%
Threshold	12.4%	50%	18.9%	50%
Below Threshold	< 12.4%	0%	< 18.9%	0%

\* Straight-line interpolation will apply to performance levels between the ones shown.

The Performance-based RSUs granted to the Named Executives in fiscal 2012 that are earned at the end of the three-year (fiscal 2012-2014) performance period will be paid to the Named Executives as shares of Macy's common stock within  $\frac{2}{2}$  months following the end of the performance period. Subject to achievement of a predetermined minimum required three-year cumulative EBITDA goal, the number of Performance-based RSUs that a Named Executive will earn at the end of this performance period may vary from zero to 150% of the target award, based upon consideration of our three-year performance relative to average EBITDA Margin, average ROIC and relative TSR goals. See the Performance-Based Restricted Stock Units discussion in Compensation Discussion & Analysis Fiscal 2012 Compensation and Analysis Long-term equity compensation.

EBITDA is defined as earnings before interest, taxes, depreciation and amortization, which is equal to the sum of operating income and depreciation and amortization as reported in our audited financial statements, adjusted to eliminate the effects of asset impairments, restructurings, acquisitions, divestitures, other unusual or non-recurring items, store closing costs, unplanned material tax law changes and/or assessments and the cumulative effect of tax or accounting changes, as determined in accordance with generally accepted accounting principles as applicable.

EBITDA Margin is defined as EBITDA divided by Net Sales (with net sales being adjusted to exclude certain items that are included in externally reported sales under GAAP, including licensed department income, shipping and handling fees and sales to third party retailers, and to account for unplanned store closings).

ROIC is defined as EBITDAR divided by Total Average Gross Investment. EBITDAR is equal to the sum of EBITDA plus net rent expense (rent expense as reported in our audited financial statements less the deferred rent amortization related to contributions received from landlords). Total Average Gross Investment is equal to the sum of gross property, plant and equipment, capitalized value of



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non-capitalized leases, working capital which includes receivables, merchandise inventories, prepaid expenses and other current assets offset by merchandise accounts payable and accounts payable and accrued liabilities, and other assets (each as reported in our audited or unaudited financial statements).

TSR is defined as the change in the value of our common stock over the three-year performance period, taking into account both stock price appreciation and the reinvestment of dividends. The beginning and ending stock prices will be calculated based on a 20-day average stock price. Relative TSR is the percentile rank of our TSR compared to the TSR of our 10-company executive compensation peer group over the performance period.

Dividends, if any, paid on our common stock will be credited to the Named Executives' Performance-based RSU accounts as additional restricted stock units and will be paid out as shares of common stock only to the extent that the underlying Performance-based RSUs are earned.

In the event of a change in control of the Company, the Performance-based RSUs will be converted to shares of time-based restricted stock vesting on the third anniversary of the grant date. If the change in control occurs prior to the 24-month anniversary of the start of the performance period, the conversion will be based on the target award opportunity. If the change in control occurs after such 24-month anniversary, the conversion will be based on performance through the date of the change in control. Unvested time-based restricted shares will vest if the Named Executive is terminated by us or the continuing entity without cause (as defined in our Change-in-Control Plan) or if the Named Executive voluntarily terminates employment for good reason (as defined in our Change-in-Control Plan) within the 24-month period following the change in control, or if the continuing entity does not assume or replace the awards.

**Stock Credits.** The CMD Committee authorized a stock credit plan in fiscal 2008 for the fiscal 2008-2009 performance period. The CMD Committee granted stock credits to the Named Executives in fiscal 2008. Stock credits issued under this plan were either time-based or performance-based, with performance objectives tied to the Company's Four Priorities and to the My Macy's localization initiative and certain division consolidation synergies.

At the end of the two-year performance period, the CMD Committee determined that 95% of the core Four Priorities performance-based stock credits and, where applicable, 97.5% of the My Macy's/Consolidation performance-based stock credits had been earned by participants, including the Named Executives. These stock credits and the time-based stock credits, if any, awarded under the 2008-2009 stock credit plan then were subject to two- and three-year holding periods that expired on January 29, 2012 and February 3, 2013, respectively. The value of the stock credits, including dividend equivalents paid during the holding period, was paid in cash at the end of the applicable holding period. The value was determined on the basis of the average closing price of Macy's common stock as reported on the NYSE for the 20 business days preceding the expiration date of the applicable holding period. See the 2012 Option Exercises and Stock Vested table on page 71.

**Outstanding Equity Interests**

The following table sets forth certain information regarding the total number and aggregate value of options and restricted stock units held by each of the Named Executives at February 2, 2013. The dollar amount shown for restricted stock units is calculated by multiplying the number of restricted stock units by the closing price of Macy's common stock (\$39.51) on the last trading day of fiscal 2012.

**Table of Contents****2012 OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END**

Name	Grant Date	Option Awards				Stock Awards			Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
		Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	
Lundgren	3/26/04	275,000	0	25.0050	3/26/14				
	3/25/05	550,000	0	30.5350	3/25/15				
	3/24/06	177,352	0	36.2600	3/24/16				
	3/01/07	500,000	0	44.6700	3/01/17				
	10/26/07	134,000	0	46.1500	3/23/17				
	3/21/08	307,261	0	24.8500	3/21/18				
	3/20/09	436,956	145,652	8.7600	3/20/19				
	3/19/10	84,513	84,512	20.8900	3/19/20				
	3/25/11	108,849	326,544	23.4300	3/25/21				
	3/23/12	0	253,682	39.8400	3/23/22				
							198,463(2)	7,841,273	
							116,716(3)	4,611,449	
Hoguet	3/26/04	55,000	0	25.0050	3/26/14				
	3/25/05	55,000	0	30.5350	3/25/15				
	3/24/06	38,970	0	36.2600	3/24/16				
	7/11/06	125,000	0	36.5100	7/11/16				
	3/23/07	29,444	0	46.1500	3/23/17				
	3/21/08	67,515	0	24.8500	3/21/18				
	3/20/09	32,015	32,004	8.7600	3/20/19				
	3/19/10	18,570	18,570	20.8900	3/19/20				
	3/25/11	18,610	55,828	23.4300	3/25/21				
	3/23/12	0	43,371	39.8400	3/23/22				
							33,930(2)	1,340,574	
							19,954(3)	788,383	
Adams	3/26/04	15,000	0	25.0050	3/26/14				
	3/25/05	30,000	0	30.5350	3/25/15				
	3/24/06	18,014	0	36.2600	3/24/16				
	3/23/07	26,389	0	46.1500	3/23/17				
	3/21/08	45,859	0	24.8500	3/21/18				
	3/20/09	39,015	32,004	8.7600	3/20/19				
	3/19/10	18,570	18,570	20.8900	3/19/20				
	3/25/11	18,610	55,828	23.4300	3/25/21				
	3/23/12	0	43,371	39.8400	3/23/22				
								33,930(2)	1,340,574
							19,954(3)	788,383	

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Name	Option Awards					Stock Awards		Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
	Grant Date	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	
Gennette	3/25/05	4,000	0	30.5350	3/25/15			
	3/24/06	18,014	0	36.2600	3/24/16			
	3/23/07	19,722	0	46.1500	3/23/17			
	3/21/08	57,515	0	24.8500	3/21/18			
	3/20/09	0	32,004	8.7600	3/20/19			
	3/19/10	8,570	18,570	20.8900	3/19/20			
	3/25/11	18,610	55,828	23.4300	3/25/21			
	3/23/12	0	43,371	39.8400	3/23/22			
							25,100(4)	991,701
							33,930(2)	1,340,574
							19,954(3)	788,383
Sachse	3/25/05	30,000	0	30.5350	3/25/15			
	3/24/06	18,014	0	36.2600	3/24/16			
	3/23/07	19,722	0	46.1500	3/23/17			
	3/21/08	57,324	0	24.8500	3/21/18			
	3/20/09	64,015	32,004	8.7600	3/20/19			
	3/19/10	18,570	18,570	20.8900	3/19/20			
	3/25/11	18,610	55,828	23.4300	3/25/21			
	3/23/12	0	43,371	39.8400	3/23/22			
							25,100(4)	991,701
							33,930(2)	1,340,574
							19,954(3)	788,383
Cole	3/26/04	65,000	0	25.0050	3/26/14			
	3/25/05	65,000	0	30.5350	3/25/15			
	3/24/06	38,970	0	36.2600	3/24/16			
	7/11/06	150,000	0	36.5100	7/11/16			
	3/23/07	29,444	0	46.1500	3/23/17			
	3/21/08	67,515	0	24.8500	3/21/18			
	3/20/09	60,015	32,004	8.7600	3/20/19			
	3/19/10	18,570	18,570	20.8900	3/19/20			
	3/25/11	18,610	55,828	23.4300	3/25/21			
3/23/12	0	43,371	39.8400	3/23/22				
							33,930(2)	1,340,574
							19,954(3)	788,383

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- (1) Options vest/vested as follows, with full vesting of options granted prior to 2010 upon a change in control of the Company:

<b>Grant Date</b>	<b>Vesting Schedule</b>
3/26/04	25% on each of 3/26/05, 3/26/06, 3/26/07 and 3/26/08.
3/25/05	25% on each of 3/25/06, 3/25/07, 3/25/08 and 3/25/09.
3/24/06	25% on each of 3/24/07, 3/24/08, 3/24/09 and 3/24/10.
7/11/06	100% on 7/11/09.
3/01/07	100% on 2/28/11.
3/23/07	25% on each of 3/23/08, 3/23/09, 3/23/10 and 3/23/11.
10/26/07	25% on each of 3/23/08, 3/23/09, 3/23/10 and 3/23/11.
3/21/08	25% on each of 3/21/09, 3/21/10, 3/21/11 and 3/21/12.
3/20/09	25% on each of 3/20/10, 3/20/11, 3/20/12 and 3/20/13.
3/19/10	25% on each of 3/19/11, 3/19/12, 3/19/13 and 3/19/14.
3/25/11	25% on each of 3/25/12, 3/25/13, 3/25/14 and 3/25/15.
3/23/12	25% on each of 3/23/13, 3/23/14, 3/23/15 and 3/23/16.

- (2) Performance RSUs that vest following the conclusion of the three-year fiscal 2011-2013 performance period, subject to the satisfaction of performance criteria. See the Restricted Stock and Restricted Stock Units discussion in the narrative following the 2012 Grants of Plan-Based Awards table.
- (3) Performance RSUs that vest following the conclusion of the three-year fiscal 2012-2014 performance period, subject to the satisfaction of performance criteria. See the Restricted Stock and Restricted Stock Units discussion in the narrative following the 2012 Grants of Plan-Based Awards table and the Performance-Based Restricted Stock Units discussion in Compensation Discussion & Analysis Fiscal 2012 Compensation and Analysis Long-term equity compensation.
- (4) Time-based restricted stock units that vest on March 23, 2015.

The following table sets forth certain information regarding the value realized by each of the Named Executives during fiscal 2012 upon the exercise of stock options, the vesting of performance restricted stock units and the payout in cash of the value of stock credits under the 2008-2009 stock credit plan.

**2012 OPTION EXERCISES AND STOCK VESTED**

<b>Name</b>	<b>Option Awards</b>		<b>Stock Awards</b>	
	<b>Number of Shares Acquired on Exercise (#)</b>	<b>Value Realized Upon Exercise(1) (\$)</b>	<b>Number of Shares Acquired on Vesting(2) (#)</b>	<b>Value Realized on Vesting(3) (\$)</b>
Lundgren	1,000,000	21,334,427	445,419,525	17,646,315
Hoguet	174,000	4,716,010	97,872,825	3,877,457
Adams	40,000	890,482	78,270,750	3,127,286
Gennette	56,380	1,445,552	88,275,700	3,510,175
Sachse	30,000	470,574	91,716,025	3,641,836
Cole	0	0	97,872,825	3,877,457

- (1) The amounts realized from option exercises reflect the appreciation on the date of exercise (based on the excess of the fair market value of the shares on the date of exercise over the exercise price). However,

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because the Named Executives may keep the shares they acquire upon the exercise of the option (or sell them at different prices), these amounts do not necessarily reflect cash actually realized upon the exercise of those options.

- (2) The number represents stock credits from the 2008-2009 stock credit plan for which the holding period expired as of February 2, 2013 and which were paid out in cash and performance-based restricted stock units that were earned as of the expiration of the fiscal 2010-2012 performance period and which were paid out in shares of common stock, as follows:

Name	Stock Credits (#)	Performance RSUs (#)
Lundgren	185,631.525	259,788
Hoguet	40,788.825	57,084
Adams	21,186.750	57,084
Gennette	31,191.700	57,084
Sachse	34,632.025	57,084
Cole	40,788.825	57,084

- (3) The value of the stock awards are presented as of the date the holding period expired or in conjunction with the certification of related performance results, as applicable, and not as of the date the awards were granted.

The stock credits were valued at \$38.27 per share, which was the average closing price of our common stock for the 20 business days prior to the expiration of the holding period for the stock credits.

The performance-based restricted stock units were valued at \$40.58 per share, which was the closing price of our common stock on February 27, 2013, the date that the CMD Committee certified the performance results for the stock units. This closing price reflects the 94% increase in our stock price experienced by our shareholders during the three-year performance period for the stock units over the grant date price of \$20.89 per share.

In addition to the amounts shown, the Named Executives also received the following amounts with respect to dividend equivalents accrued on the stock credits during the applicable holding period: Mr. Lundgren, \$310,596; Mrs. Hoguet, \$68,247; Mr. Adams, \$35,449; Mr. Gennette, \$52,189; Mr. Sachse, \$57,945 and Mr. Cole, \$68,247. The Named Executives also received the following shares of Macy's common stock with respect to dividend equivalents accrued on the earned performance-based restricted stock units during the three-year (fiscal 2010-2012) performance period: Mr. Lundgren, 10,673 shares, and the other Named Executives, 2,345 shares.

**Post Retirement Compensation****Retirement Plans**

Our retirement program, referred to as the Retirement Program, consists of defined benefit plans and a defined contribution plan. As of January 1, 2013, approximately 114,000 active employees, including the Named Executives, participated in the Retirement Program. See

Prospective Changes to Retirement Program below for a discussion of changes to the Retirement Program that go into effect at the end of 2013 and beginning of 2014.

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**Defined Benefit Plans.** We have two defined benefit plans covering the Named Executives – a cash account pension plan, referred to as the CAPP, and a supplementary executive retirement plan, referred to as the SERP. The following table shows the actuarial present value of each of the Named Executive's accumulated benefit under each plan, calculated as of the end of fiscal 2012. We determined the present value using the same assumptions used for financial reporting purposes – a unit credit cost method, a 4.15% discount interest rate, and a normal retirement age of 65 (as defined by the plans).

**2012 PENSION BENEFITS**

Name	Plan Name	Number of years of credited service (#)	Present Value of Accumulated Benefit (\$)
Lundgren	CAPP	31	311,777
	SERP	31	18,940,929
Hoguet	CAPP	30	390,387
	SERP	30	4,926,004
Adams	CAPP	30	372,653
	SERP	30	5,942,189
Gennette	CAPP	29	346,580
	SERP	29	3,333,732
Sachse	CAPP	29	337,667
	SERP	29	4,501,323
Cole	CAPP	40	650,344
	SERP	40	8,971,961

**Cash Account Pension Plan.** Employees who became eligible for participation or reinstatement prior to January 1, 2012 are eligible to participate in the CAPP. Under the CAPP, a participant retiring at a normal retirement age is eligible to receive the amount credited to his or her pension account or monthly benefit payments determined actuarially based on the amount credited to his or her pension account. Amounts credited to a participant's account consist of:

an opening cash balance for participants in the plan at December 31, 1996, equal to the lump sum present value, using stated actuarial assumptions, of the participant's accrued normal retirement benefit earned at December 31, 1996, under the applicable predecessor pension plan;

pay credits (credited annually, a percentage of eligible compensation generally based on length of service); and

interest credits (credited quarterly, based on the 30-Year Treasury Bond rate for the November prior to each calendar year, with a guaranteed minimum rate of 5.25%).

In addition, if a participant had attained at least age 55 and had completed 10 or more years of vesting service by December 31, 2001, the pension benefit payable in an annuity form, other than a single life annuity, will not be less than that which would have been payable from the predecessor pension plan under which such participant was covered on December 31, 1996. Approximately 23,000 active employees participate in the May Retirement Plan component of the CAPP. These participants have their accrued benefit determined under a career average pension formula.

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**Supplementary Executive Retirement Plan.** To allow the Retirement Program to provide benefits based on a participant's total compensation, we adopted the SERP, which is a nonqualified unfunded plan. All benefits under the SERP are payable out of our general corporate assets. It provides retirement benefits to eligible executives based on all eligible compensation, including compensation in excess of Internal Revenue Code maximums, as well as on amounts deferred under our Executive Deferred Compensation Plan, referred to as the EDCP, in each case employing a formula that is based on the participant's years of vesting service and final average compensation, taking into consideration the participant's balance in the CAPP, the participant's Prior Plan Credits (defined below) and Social Security benefits. As of January 1, 2013, approximately 482 employees were eligible to receive benefits under the terms of the SERP. We have reserved the right to suspend or terminate supplemental payments as to any category of employee or former employee, or to modify or terminate any other element of the Retirement Program, in accordance with applicable law. Approximately 74 executives who participate in the May Retirement Plan component of the CAPP have their supplementary retirement benefit determined under a different formula that uses different offsets. At a meeting in February 2012, the CMD Committee amended the SERP to close the SERP to any executives who would have first become eligible to participate in the SERP on or after January 2, 2012.

Eligible compensation for this purpose includes amounts reflected in the 2012 Summary Compensation Table under the headings "Salary" and "Non-Equity Incentive Plan Compensation" but excludes amounts reflected in other columns of the table and excludes bonus amounts that exceed 100% (228% for Mr. Lundgren) of salary.

**Defined Contribution Plan.** In addition to the CAPP and the SERP, our Retirement Program includes a defined contribution plan, the Macy's 401(k) Retirement Investment Plan (the "401(k) Plan"). The 401(k) Plan permits executives to contribute up to 8% of compensation (up to maximum amounts established from time to time by the Internal Revenue Code) each year. We match contributions of up to 5% of eligible compensation each year. In December 2009, we announced that we had amended the 401(k) Plan to provide that the matching rate for calendar 2010 would be 10% of matchable contributions. In December 2011, we further amended the 401(k) Plan to provide (i) that the matching rate for calendar 2012 and thereafter for participants currently participating or who become eligible to participate in the 401(k) Plan prior to January 1, 2012 will be 10% of matchable contributions and (ii) that the matching rate for calendar 2012 and thereafter for employees who first become eligible for participation or reinstatement in the 401(k) Plan on or after January 1, 2012 (all of whom are not eligible to participate in the CAPP) will be 50% of matchable contributions.

An executive may choose any of several investment funds for investment of the executive's balances, and may change those elections daily. Benefits may be paid out at termination of employment. Executives may borrow portions of their investment balances while employed. Company contributions to the Named Executives under the 401(k) Plan are reported in the "All Other Compensation" column of the 2012 Summary Compensation Table.

Prior to the adoption of the 401(k) Plan, our primary means of providing retirement benefits to employees was through defined contribution profit sharing plans. An employee's accumulated retirement profit sharing interests in the profit sharing plans (the "Prior Plan Credits") which accrued prior to the adoption of the 401(k) Plan continue to be maintained and invested as a part of the 401(k) Plan until retirement, at which time they are distributed.



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**Prospective Changes to Retirement Program.** In January 2013, we announced that we are transitioning to a new Retirement Program and discontinuing future pension service credits under the CAPP and SERP programs effective as of December 31, 2013 (as of January 31, 2014 with respect to the May Supplementary Retirement Plan component of the SERP). CAPP benefits earned through the applicable effective date will continue to be held in a trust on behalf of participants, but we will discontinue pay credits after the 2013 pay credits are allocated to participants (we will, however, continue to allocate interest credits to participants). With respect to the SERP, we will determine a gross monthly benefit (payable at age 65) for each participant as of the applicable effective date.

The transition to the new Retirement Program will be effective January 1, 2014. On that date, a redesigned and amended safe harbor 401(k) Plan will become effective that provides for an enhanced level of matching contributions. Participant deferrals up to 1% of eligible compensation will be matched at 100%; participant deferrals from 2% to 6% of eligible compensation will be matched at 50%. A participant who defers 6% of eligible compensation will, therefore, be entitled to a matching contribution equal to 3.5% of eligible compensation. In conjunction with enhancing the Company matching contribution and other features of the 401(k) Plan, we will amend certain 401(k) Plan provisions to meet IRS safe harbor requirements, thus reducing some of the regulatory compliance requirements of the 401(k) Plan. Related prospective changes to the deferred compensation program are described below.

### **Non-qualified Deferred Compensation Plan**

We provide the opportunity for executives to defer compensation through the Executive Deferred Compensation Plan, referred to as the EDCP. Under the EDCP, eligible executives may elect to defer a portion of their compensation each year as either stock credits or cash credits. Stock credit accounts reflect common stock equivalents and dividend equivalents. Common stock equivalents are the number of full shares of Macy's common stock for each calendar quarter that could be purchased based on the dollars deferred, and dividend equivalents are determined by multiplying the dividends payable upon a share of common stock to a shareholder of record during such calendar quarter by the number of stock equivalents in the participant's stock credit account at the beginning of each quarter, less the number of shares distributable or withdrawn during each quarter in which the credit is being made. Total value of the stock credits is determined at the end of each quarter based on the closing price of our common stock as of the last day of the quarter. Cash credit accounts reflect dollars deferred plus interest equivalents determined by applying to 100% of such participant's cash credits at the beginning of each quarter, less amounts distributable or withdrawn during such quarter, an interest rate equal to one quarter of the interest rate payable on U.S. 5-year Treasury Notes as of the last day of each quarter. Deferred compensation distributions begin in the fiscal year following the fiscal year in which termination of employment occurs.

**Table of Contents****2012 NONQUALIFIED DEFERRED COMPENSATION**

Name	Plan Name	Executive Contributions in last FY (\$)	Registrant Contributions in last FY (\$)	Aggregate Earnings in last FY(1) (\$)	Aggregate Withdrawals/Distributions (\$)	Aggregate Balance at Last FYE(2) (\$)
Lundgren	EDCP	0	0	0	0	0
Hoguet	EDCP	0	0	0	0	0
Adams	EDCP	0	0	15,283	0	1,189,411
Gennette	EDCP	0	0	433	0	30,478
Sachse	EDCP	0	0	0	0	0
Cole	EDCP	0	0	1,517	0	75,899

(1) These amounts are not included in the Summary Compensation Table.

(2) The compensation deferred by Mr. Cole is deferred as stock credits. A portion of the compensation deferred by Mr. Adams and Mr. Gennette is deferred as stock credits and a portion is deferred as cash credits. The portion of the aggregate balance that is attributable to their contributions was deferred in years prior to those reported in the 2012 Summary Compensation Table.

**Prospective Changes to EDCP.** In addition to the prospective changes described above with respect to the Retirement Program, we will introduce on January 1, 2014 a new non-qualified deferred compensation plan with features similar to the 401(k) Plan. Eligible participants will be able to defer compensation earned in excess of IRS compensation limits and select from among several reference investment funds where such compensation may be invested. We will match such deferrals at a rate similar to that of the 401(k) Plan. Accounts will be credited with earnings (losses) based on the performance of the applicable reference investment funds selected by the participants.

**Potential Payments Upon Termination or Change in Control*****Termination Payments under Executive Severance Plan***

On October 23, 2009, the CMD Committee (and the Non-Employee Directors with respect to Mr. Lundgren) approved the Executive Severance Plan, referred to as the ESP. The ESP replaced individual employment agreements with the Named Executives. Each of the Named Executives has elected to participate in the ESP.

To be eligible to participate in the ESP, generally a person must be an employee of the Company or one of its subsidiaries, divisions or controlled affiliates with a position at, equivalent to or above General Merchandise Manager or Senior Vice President and must sign a non-compete, non-solicitation and confidential information agreement (the restrictive covenant agreement). Pursuant to the restrictive covenant agreement, the executive would agree, among other things, not to engage in specified activities in competition with us following termination of employment. The non-competition period would extend for a period of two years if the executive voluntarily terminates his or her employment or is involuntarily terminated by us for cause (as defined in the ESP). Except as described below with respect to Mr. Lundgren,

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the non-competition period would not apply if the executive is involuntarily terminated without cause. Mr. Lundgren has elected to sign a restrictive covenant agreement that provides that the non-competition period would apply to him even if he is involuntarily terminated by us without cause. In addition to the non-competition requirement, the restrictive covenant agreement provides that participants will not solicit our employees for two years following termination of employment and will preserve the confidentiality of our confidential information. Eligible executives who elect not to participate in the ESP will be covered by our basic severance plan.

**Mr. Lundgren.** Under the ESP, upon (a) a voluntary termination of his employment if we fail to name him as our Chief Executive Officer or (b) an involuntary termination of his employment by us for reasons other than for cause (as defined in the ESP), Mr. Lundgren would be entitled to receive a lump sum severance payment equal to 54 months of base salary.

**Other Named Executives.** Under the ESP, upon involuntary termination of their employment for reasons other than a termination by us for cause, each of Mrs. Hoguet, Mr. Adams, Mr. Gennette, Mr. Sachse and Mr. Cole would be entitled to receive a lump sum severance payment equal to 24 months of base salary.

***Termination Payments under Change-in-Control Plan***

Effective November 1, 2009, we adopted a Change-in-Control Plan, referred to as the CIC Plan, covering, among other participants, each of the Named Executives. The CIC Plan replaced our individual change-in-control agreements, which expired as of November 1, 2009.

Under the CIC Plan, each of the Named Executives could be entitled to certain severance benefits following a change in control of Macy's. If, within the two years following a change in control, the Named Executive is terminated for any reason, other than death, permanent and total disability or for cause, or if the Named Executive terminates his or her employment for good reason, then the Named Executive is entitled to:

a cash severance payment (generally paid in the form of a lump sum) that will be equal to two times the sum of:

his or her base pay (at the higher of the rate in effect at the change in control or the rate in effect at termination) and

the average annual bonus (if any) received for the three full fiscal years preceding the change in control; plus

a lump sum payment of an annual bonus for the year of termination, at target, prorated to the date of termination (this feature applies to all executives in the Bonus Plan); plus

release of any restrictions on restricted stock or restricted stock units, including performance-based awards, upon termination following the change in control; plus

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acceleration of any unvested stock options upon termination following the change in control (this feature applies to all participants with stock options granted under the 2009 Omnibus Plan in fiscal 2010 and thereafter) or upon the change in control (this feature applies to all participants with stock options granted under the 1995 Equity Plan or the 1994 Stock Plan prior to fiscal 2010); plus

a lump sum payment of all deferred compensation (this feature applies to all participants in the deferred compensation plan); plus

payment of all retirement, supplementary retirement and 401(k) benefits upon termination or retirement in accordance with any previously selected distribution schedule (this feature applies to all participants in the retirement, supplementary retirement and 401(k) plans); plus

a retiree discount for life if at least 55 years of age with 15 years of vesting service at termination (this feature applies generally to all associates).

In addition to the above amounts, participants in the CIC Plan prior to December 9, 2011, including the Named Executives, would be entitled to an additional severance benefit equal to the value of the excess (if any) of (i) the lump sum value of his or her retirement benefits determined as if he or she had earned an additional two years of service, over (ii) the lump sum value of his or her retirement benefits determined as of the date of termination. This provision does not apply to executives who first become participants in the CIC Plan after December 9, 2011.

If the Named Executive does not engage in specified activities in competition with the Company during the first year following termination, he or she would be entitled to an additional noncompetition severance benefit at the end of the one-year period equal to:

a lump sum payment equal to one times (i) his or her base pay (at the higher of the rate in effect at the change in control or the rate in effect at termination), and (ii) the average annual bonus (if any) received for the three full fiscal years preceding the change in control; plus

the value of the excess (if any) of (i) the lump sum value of his or her retirement benefits determined as if he or she had earned an additional one year of service, over (ii) the lump sum value of his or her retirement benefits determined as of the date of termination. (This provision only applies to participants in the CIC plan, including the Named Executives, prior to December 9, 2011.)

All of the above severance benefits would be paid to the executive in accordance with, and at times permitted by Section 409A of the Internal Revenue Code.

A change in control occurs in any of the following events:

a person has become the beneficial owner of securities representing 30% or more of our combined voting power; or

individuals who, on the effective date of the CIC Plan, constitute our directors or whose election as a director after such effective date was approved by at least two-thirds of the directors as of the effective date cease for any reason to constitute at least a majority of the Board; or

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consummation of a reorganization, merger or consolidate or sale or other disposition of all or substantially all of our assets and, as a result of or immediately following such merger, consolidation, reorganization, sale or transfer, less than a majority of the voting power of the other corporation immediately after the transaction is held in the aggregate by the holders of the voting stock of Macy's immediately prior to the transaction; or

shareholders approve a complete liquidation or dissolution of the Company.

A change in control will not occur under the first bullet point above if the acquisition of stock is directly from us and has been approved by the Board or if we, an entity controlled by us or an employee benefit plan of ours discloses that it beneficially owns securities, whether more than 30% or otherwise.

Good reason under the CIC Plan means:

a material diminution in the executive's base compensation; or

a material diminution in the executive's authority, duties or responsibilities; or

a material change in the geographic location at which the executive must perform services to the Company; or

any other action or inaction that constitutes a material breach by us of an agreement under which the executive provides services.

The cash severance benefit payable under the CIC Plan would be reduced by all amounts actually paid by us to the executive pursuant to any other employment or severance agreement or plan to which the executive and Macy's are parties or in which the executive is a participant. In addition, the severance benefits under the CIC Agreements are subject to reduction in certain circumstances if the excise tax imposed under 280G of the Internal Revenue Code would reduce the net after-tax amount received by the executive.

The following tables summarize the amounts payable to the Named Executives upon termination under certain circumstances, assuming that:

the executive's employment terminated February 2, 2013;

the executive's salary continues as it existed on February 2, 2013;

the CIC Plan applies; and

the stock price for our common stock is \$39.51 per share (the closing price as of the last business day of fiscal 2012).

**Table of Contents****Payments and Benefits upon Termination as of the end of Fiscal 2012 (\$)**

<b>Lundgren</b>	<b>Voluntary</b>	<b>Involuntary Without Cause</b>	<b>Involuntary With Cause</b>	<b>After Change in Control</b>	<b>Death</b>	<b>Disability</b>
<b>Severance and accelerated benefits</b>						
Cash severance benefit (2 x salary plus bonus calculated per the CIC Plan)	0	0	0	14,771,667	0	0
Additional cash severance for non-competes (1x salary plus bonus calculated per CIC Plan)	0	0	0	7,385,833	0	0
ESP cash severance benefit	0	7,200,000	0	0	0	0
<b>Equity based incentive awards</b>						
a. Vesting of unvested stock options	0	0	0	11,303,240	11,303,240	11,303,240
b. Vesting of performance-based RSUs	0	0	0	12,452,722	6,764,665	6,764,665
Retirement benefits	0	0	0	0	0	0
<b>Total of severance and accelerated benefits:</b>	<b>0</b>	<b>7,200,000</b>	<b>0</b>	<b>45,913,462</b>	<b>18,067,905</b>	<b>18,067,905</b>
<b>Previously vested equity and benefits</b>						
Previously vested stock options	30,766,286	30,766,286	0	30,766,286	30,766,286	30,766,286
Non-equity based incentive award (2012 bonus)	0	1,907,200	0	1,907,200	1,907,200	1,907,200
Vested CAPP benefit	298,286	298,286	298,286	298,286	298,286	298,286
Vested 401(k) plan balance	465,223	465,223	465,223	465,223	465,223	465,223
Vested SERP benefit	18,137,663	18,137,663	18,137,663	18,137,663	18,137,663	18,137,663
Post-retirement medical/life benefits	0	0	0	0	0	0
Deferred compensation balance previously vested	0	0	0	0	0	0
<b>Total of previously vested equity and benefits:</b>	<b>49,667,458</b>	<b>51,574,658</b>	<b>18,901,172</b>	<b>51,574,658</b>	<b>51,574,658</b>	<b>51,574,658</b>
<b>Full Walk-Away Value:</b>	<b>49,667,458</b>	<b>58,774,658</b>	<b>18,901,172</b>	<b>97,488,120</b>	<b>69,642,563</b>	<b>69,642,563</b>

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Hoguet	Voluntary	Involuntary Without Cause	Involuntary With Cause	After Change in Control	Death	Disability
<b>Severance and accelerated benefits</b>						
Cash severance benefit (2 x salary plus bonus calculated per the CIC Plan)	0	0	0	5,099,667	0	0
Additional cash severance for non-compete (1x salary plus bonus calculated per CIC Plan)	0	0	0	2,549,833	0	0
ESP cash severance benefit	0	1,700,000	0	0	0	0
<b>Equity based incentive awards</b>						
a. Vesting of unvested stock options	0	0	0	2,227,611	2,227,611	2,227,611
b. Vesting of performance-based RSUs	0	0	0	2,128,957	1,156,510	1,156,510
Retirement benefits	0	0	0	29,447	0	0
<b>Total of severance and accelerated benefits:</b>	0	1,700,000	0	12,035,515	3,384,121	3,384,121
<b>Previously vested equity and benefits</b>						
Previously vested stock options	4,412,306	4,412,306	0	4,412,306	4,412,306	4,412,306
Non-equity based incentive award (2012 bonus)	0	506,600	0	506,600	506,600	506,600
Vested CAPP benefit	351,506	351,506	351,506	351,506	351,506	351,506
Vested 401(k) plan balance	844,422	844,422	844,422	844,422	844,422	844,422
Vested SERP benefit	4,516,756	4,516,756	4,516,756	4,516,756	4,516,756	4,516,756
Post-retirement medical/life benefits	179,613	179,613	179,613	179,613	179,613	179,613
Deferred compensation balance previously vested	0	0	0	0	0	0
<b>Total of previously vested equity and benefits:</b>	10,304,603	10,811,203	5,892,297	10,811,203	10,811,203	10,811,203
<b>Full Walk-Away Value:</b>	10,304,603	12,511,203	5,892,297	22,846,718	14,195,324	14,195,324

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<b>Adams</b>	<b>Voluntary</b>	<b>Involuntary Without Cause</b>	<b>Involuntary With Cause</b>	<b>After Change in Control</b>	<b>Death</b>	<b>Disability</b>
<b>Severance and accelerated benefits</b>						
Cash severance benefit (2 x salary plus bonus calculated per the CIC Plan)	0	0	0	5,059,667	0	0
Additional cash severance for non-compete (1x salary plus bonus calculated per CIC Plan)	0	0	0	2,529,833	0	0
ESP cash severance benefit	0	1,660,000	0	0	0	0
<b>Equity based incentive awards</b>						
a. Vesting of unvested stock options	0	0	0	2,227,611	2,227,611	2,227,611
b. Vesting of performance-based RSUs	0	0	0	2,128,957	1,156,510	1,156,510
Retirement benefits	0	0	0	0	0	0
<b>Total of severance and accelerated benefits:</b>	0	1,660,000	0	11,946,068	3,384,121	3,384,121
<b>Previously vested equity and benefits</b>						
Previously vested stock options	3,062,397	3,062,397	0	3,062,397	3,062,397	3,062,397
Non-equity based incentive award (2012 bonus)	0	494,700	0	494,700	494,700	494,700
Vested CAPP benefit	352,628	352,628	352,628	352,628	352,628	352,628
Vested 401(k) plan balance	646,029	646,029	646,029	646,029	646,029	646,029
Vested SERP benefit	5,590,058	5,590,058	5,590,058	5,590,058	5,590,058	5,590,058
Post-retirement medical/life benefits	174,695	174,695	174,695	174,695	174,695	174,695
Deferred compensation balance previously vested	1,189,411	1,189,411	1,189,411	1,189,411	1,189,411	1,189,411
<b>Total of previously vested equity and benefits:</b>	11,015,218	11,509,918	7,952,821	11,509,918	11,509,918	11,509,918
<b>Full Walk-Away Value:</b>	11,015,218	13,169,918	7,952,821	23,455,986	14,894,039	14,894,039



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Gennette	Voluntary	Involuntary Without Cause	Involuntary With Cause	After Change in Control	Death	Disability
<b>Severance and accelerated benefits</b>						
Cash severance benefit (2 x salary plus bonus calculated per the CIC Plan)	0	0	0	4,904,733	0	0
Additional cash severance for non-compete (1x salary plus bonus calculated per CIC Plan)	0	0	0	2,452,367	0	0
ESP cash severance benefit	0	1,700,000	0	0	0	0
<b>Equity based incentive awards</b>						
a. Vesting of unvested stock options	0	0	0	2,227,611	2,227,611	2,227,611
b. Vesting of time-based RSUs	0	0	0	991,701	991,701	991,701
c. Vesting of performance-based RSUs	0	0	0	2,128,957	1,156,510	1,156,510
Retirement benefits	0	0	0	107,248	0	0
<b>Total of severance and accelerated benefits:</b>	0	1,700,000	0	12,812,617	4,375,822	4,375,822
<b>Previously vested equity and benefits</b>						
Previously vested stock options	1,396,438	1,396,438	0	1,396,438	1,396,438	1,396,438
Non-equity based incentive award (2012 bonus)	0	506,600	0	506,600	506,600	506,600
Vested CAPP benefit	300,333	300,333	300,333	300,333	300,333	300,333
Vested 401(k) plan balance	401,844	401,844	401,844	401,844	401,844	401,844
Vested SERP benefit	2,870,199	2,870,199	2,870,199	2,870,199	2,870,199	2,870,199
Post-retirement medical/life benefits	0	0	0	0	0	0
Deferred compensation balance, previously vested	30,478	30,478	30,478	30,478	30,478	30,478
<b>Total of previously vested equity and benefits:</b>	4,999,292	5,505,892	3,602,854	5,505,892	5,505,892	5,505,892
<b>Full Walk-Away Value:</b>	4,999,292	7,205,892	3,602,854	18,318,509	9,881,714	9,881,714

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Sachse	Voluntary	Involuntary Without Cause	Involuntary With Cause	After Change in Control	Death	Disability
<b>Severance and accelerated benefits</b>						
Cash severance benefit (2 x salary plus bonus calculated per the CIC Plan)	0	0	0	5,005,000	0	0
Additional cash severance for non-compete (1x salary plus bonus calculated per CIC Plan)	0	0	0	2,502,500	0	0
ESP cash severance benefit	0	1,700,000	0	0	0	0
<b>Equity based incentive awards</b>						
a. Vesting of unvested stock options	0	0	0	2,227,611	2,227,611	2,227,611
b. Vesting of time-based RSUs	0	0	0	991,701	991,701	991,701
c. Vesting of performance-based RSUs	0	0	0	2,128,957	1,156,510	1,156,510
Retirement benefits	0	0	0	147,158	0	0
<b>Total of severance and accelerated benefits:</b>	0	1,700,000	0	13,002,927	4,375,822	4,375,822
<b>Previously vested equity and benefits</b>						
Previously vested stock options	3,781,649	3,781,649	0	3,781,649	3,781,649	3,781,649
Non-equity based incentive award (2012 bonus)	0	506,600	0	506,600	506,600	506,600
Vested CAPP benefit	208,577	208,577	208,577	208,577	208,577	208,577
Vested 401(k) plan balance	539,095	539,095	539,095	539,095	539,095	539,095
Vested SERP benefit	4,100,493	4,100,493	4,100,493	4,100,493	4,100,493	4,100,493
Post-retirement medical/life benefits	0	0	0	0	0	0
Deferred compensation balance previously vested	0	0	0	0	0	0
<b>Total of previously vested equity and benefits:</b>	8,629,814	9,136,414	4,848,165	9,136,414	9,136,414	9,136,414
<b>Full Walk-Away Value:</b>	8,629,814	10,836,414	4,848,165	22,139,341	13,512,236	13,512,236

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Cole	Voluntary	Involuntary Without Cause	Involuntary With Cause	After Change in Control	Death	Disability
<b>Severance and accelerated benefits</b>						
Cash severance benefit (2 x salary plus bonus calculated per the CIC Plan)	0	0	0	6,150,800	0	0
Additional cash severance for non-compete (1x salary plus bonus calculated per CIC Plan)	0	0	0	3,075,400	0	0
ESP cash severance benefit	0	2,000,000	0	0	0	0
<b>Equity based incentive awards</b>						
a. Vesting of unvested stock options	(1)	(1)	0	2,227,611	2,227,611	2,227,611
b. Vesting of performance-based RSUs	1,156,510	1,156,510	0	2,128,957	1,156,510	1,156,510
Retirement benefits	0	0	0	153,777	0	0
<b>Total of severance and accelerated benefits:</b>	<b>1,156,510</b>	<b>3,156,510</b>	<b>0</b>	<b>13,736,545</b>	<b>3,384,121</b>	<b>3,384,121</b>
<b>Previously vested equity and benefits</b>						
Previously vested stock options	5,583,106	5,583,106	0	5,583,106	5,583,106	5,583,106
Non-equity based incentive award (2012 bonus)	0	596,000	0	596,000	596,000	596,000
Vested CAPP benefit	651,192	651,192	651,192	651,192	651,192	651,192
Vested 401(k) plan balance	1,311,186	1,311,186	1,311,186	1,311,186	1,311,186	1,311,186
Vested SERP benefit	9,065,416	9,065,416	9,065,416	9,065,416	9,065,416	9,065,416
Post-retirement medical/life benefits	179,510	179,510	179,510	179,510	179,510	179,510
Deferred compensation balance previously vested	75,899	75,899	75,899	75,899	75,899	75,899
<b>Total of previously vested equity and benefits:</b>	<b>16,866,309</b>	<b>17,462,309</b>	<b>11,283,203</b>	<b>17,462,309</b>	<b>17,462,309</b>	<b>17,462,309</b>
<b>Full Walk-Away Value:</b>	<b>18,022,819</b>	<b>20,618,819</b>	<b>11,283,203</b>	<b>31,198,854</b>	<b>20,846,430</b>	<b>20,846,430</b>

- (1) Because Mr. Cole is over age 62, his unvested stock options would continue to vest following a voluntary termination or an involuntary termination without cause pursuant to the retirement provisions of his stock option agreements.

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**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934 (the Exchange Act ) requires our directors and executive officers, and certain persons who beneficially own more than 10% of our common stock outstanding, to file with the SEC and the NYSE initial reports of ownership and reports of changes in ownership of common stock. Executive officers, directors and greater than 10% shareholders are required by SEC regulation to furnish us with copies of all Section 16(a) reports they file.

To our knowledge, based solely on a review of the copies of reports furnished to us and written representations signed by all directors and executive officers that no other reports were required with respect to their beneficial ownership of common stock during fiscal 2012, all reports required by Section 16(a) of the Exchange Act to be filed by the directors and executive officers and all beneficial owners of more than 10% of the common stock outstanding to report transactions in securities were timely filed.

**COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

None.

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**POLICY ON RELATED PERSON TRANSACTIONS**

The Board of Directors has adopted a written policy for approval of transactions in which Macy's was or is to be a participant, in which the amount involved exceeds \$120,000 and in which any Director, executive officer or 5% or greater shareholder (or any immediate family member of any such person) has a direct or indirect material interest ( "Related Person Transaction" ). In addition to the requirements described above, the policy includes a list of categories of transactions identified by the Board as having no significant potential for actual or apparent conflict of interest or improper benefit to a person, and thus are not subject to review by the NCG Committee. These excluded transactions include, among other items, ordinary course transactions with other entities and charitable contributions that do not exceed certain dollar thresholds. A copy of this policy is available on our website at [www.macysinc.com/for-investors/corporate-governance](http://www.macysinc.com/for-investors/corporate-governance). In addition, Directors and executive officers annually complete, sign and submit a Directors' and Officers' Questionnaire that is designed to identify Related Person Transactions and both actual and potential conflicts of interest. We also make appropriate inquiries as to the nature and extent of business that we conduct with other companies for whom any of these individuals also serve as directors or executive officers. See "Further Information Concerning the Board of Directors" Director Independence. Our general counsel reviews any identified transactions and determines, based on the facts and circumstances, whether the Director or executive officer has a direct or indirect material interest in the transaction. If he determines that the individual has a direct or indirect material interest in a transaction he brings the matter to the attention of the NCG Committee for further review. Based upon records available to us, there were no Related Person Transactions in fiscal 2012.

In addition, under our Non-Employee Director Code of Business Conduct and Ethics and our Code of Conduct, we require all employees, including our officers and Non-Employee Directors, to avoid situations that may impact their ability to carry out their duties in an independent and objective fashion, including by having a financial interest in suppliers. Any circumstances that may compromise their ability to perform independently must be disclosed to the general counsel, or in the case of the Named Executives and the Non-Employee Directors, must be disclosed to the chair of the NCG Committee.

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**REPORT OF THE AUDIT COMMITTEE**

The Board has adopted a written Audit Committee Charter. All members of the Audit Committee are independent, as defined in Sections 303A.06 and 303A.07 of the NYSE's listing standards.

The Audit Committee has reviewed and discussed with Macy's management and KPMG LLP the audited financial statements of Macy's contained in Macy's Annual Report to shareholders for fiscal 2012. The Audit Committee has also discussed with KPMG LLP the matters required to be discussed pursuant to SAS No. 61, as amended (AICPA Professional Standards, Vol. 1, AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

The Audit Committee has received and reviewed the written disclosures and the letter from KPMG LLP required by applicable requirements of the Public Company Accounting Oversight Board regarding KPMG LLP's communications with the Audit Committee concerning independence, and has discussed with KPMG LLP their independence.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board that the audited financial statements be included in Macy's Annual Report on Form 10-K for fiscal 2012 filed with the United States Securities and Exchange Commission.

Respectfully submitted,

Joseph Neubauer, *Chairperson*

Stephen F. Bollenbach

Joyce M. Roché

Marna C. Whittington

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**SUBMISSION OF FUTURE SHAREHOLDER PROPOSALS**

**Proposals for the 2014 Annual Meeting.** You may submit proposals on matters appropriate for shareholder action at Macy's annual shareholders' meetings in accordance with Rule 14a-8 promulgated under the Exchange Act ( Rule 14a-8 ). For such proposals to be included in our proxy materials relating to the 2014 annual meeting of shareholders, you must satisfy all applicable requirements of Rule 14a-8 and we must receive such proposals no later than December 16, 2013.

Except in the case of proposals made in accordance with Rule 14a-8, our By-Laws require that shareholders intending to bring any business before an annual meeting of shareholders deliver written notice thereof to the Secretary of Macy's not less than 60 days prior to the meeting. However, in the event that the date of the meeting is not publicly announced by us by inclusion in a report filed with the SEC or furnished to shareholders, or by mail, press release or otherwise at least 75 days prior to the meeting, notice by the shareholder 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 shareholder set forth a description of the business to be brought before the meeting and certain information concerning the shareholder proposing such business, including such shareholder's name and address, the class and number of shares of our capital stock that are owned beneficially by such shareholder and any material interest of such shareholder in the business proposed to be brought before the meeting. The chairman of the meeting may refuse to permit to be brought before the meeting any shareholder proposal (other than a proposal made in accordance with Rule 14a-8) not made in compliance with these requirements. Similar procedures prescribed by the By-Laws are applicable to shareholders desiring to nominate candidates for election as directors. See Further Information Concerning the Board of Directors Director Nominations by Shareholders.

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**OTHER MATTERS**

The Board knows of no other business that will be presented for consideration at the annual meeting other than that described in this proxy statement. However, if any business shall properly come before the annual meeting, the persons named in the enclosed form of proxy or their substitutes will vote said proxy in respect of any such business in accordance with their best judgment pursuant to the discretionary authority conferred thereby.

The cost of preparing, assembling and mailing the proxy material will be borne by us. Our Annual Report for fiscal 2012, which is being mailed to the shareholders with this proxy statement, is not to be regarded as proxy soliciting material. We may solicit proxies otherwise than by the use of the mail, in that certain of our officers and regular employees, without additional compensation, may use their personal efforts, by telephone or otherwise, to obtain proxies. We will also request persons, firms and corporations holding shares in their names, or in the name of their nominees, which are beneficially owned by others, to send proxy material to and obtain proxies from such beneficial owners and will reimburse such holders for their reasonable expenses in so doing. In addition, we have engaged the firm of Georgeson, Inc., of New York City, to assist in the solicitation of proxies on behalf of the Board. Georgeson will solicit proxies with respect to common stock held by brokers, bank nominees, other institutional holders and certain individuals, and will perform related services. It is anticipated that the cost of the solicitation service to us will not substantially exceed \$9,000.

April 3, 2013

**PLEASE CAST YOUR VOTE BY FOLLOWING THE INSTRUCTIONS ON THE ENCLOSED  
PROXY CARD. IF YOU CHOOSE TO CAST YOUR VOTE BY COMPLETING THE  
ENCLOSED PROXY CARD, PLEASE RETURN IT PROMPTLY IN THE  
ENCLOSED ADDRESSED ENVELOPE, WHICH REQUIRES NO  
POSTAGE IF MAILED IN THE UNITED STATES.**



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**Appendix A**

**POLICY AND PROCEDURES FOR PRE-APPROVAL OF NON-AUDIT**

**SERVICES BY OUTSIDE AUDITORS**

**I. Authority to Approve Non-Audit Services**

Except as noted below, the Audit Committee (the Committee) will approve in advance all permitted non-audit services (the Permitted NAS).

A. The Committee may delegate to the Chair of the Committee the authority to pre-approve Permitted NAS; provided that any such pre-approval of Permitted NAS granted by any such delegee must be presented to the Committee at its meeting next following the approval.

B. Pre-approval is not required for any Permitted NAS if:

1. the aggregate amount of any such Permitted NAS constitutes no more than five percent (5%) of the total revenues paid by Macy's to its auditors during the fiscal year in which the Permitted NAS are provided;
2. the Permitted NAS were not recognized at the time of the auditor's engagement to be a Permitted NAS (*i.e.*, either a service indicated as an audit service at the time of the engagement evolves over the course of the engagement to become a non-audit service, or a non-audit service not contemplated at all at the time of the engagement is performed by the outside auditor after the engagement is approved); and
3. the Permitted NAS are promptly brought to the attention of the Committee (or its delegee) by management and approved prior to the completion of the audit.

**II. Disclosure of Permitted Non-Audit Services in Outside Auditor's Engagement Letter**

A. The Committee is to receive an itemization in the outside auditor's engagement letter of Permitted NAS that the outside auditors propose to deliver to Macy's during the course of the year covered by the engagement and contemplated at the time of the engagement.

1. In its submissions to management covering its proposed engagement the outside auditors are to include a statement that the delivery of Permitted NAS will not impair the independence of the outside auditors.

B. Whether a Permitted NAS is set out in the auditor engagement letter or proposed by the outside auditors subsequent to the time the engagement letter is submitted, the Committee (or its delegee as described

<sup>1</sup> The nine categories of prohibited non-audit services are: (i) bookkeeping or other services related to the accounting records or financial statements of the audit client; (ii) financial information systems design and implementation; (iii) appraisal or valuation services, fairness opinions, or contribution-in-kind reports; (iv) actuarial services; (v) internal audit outsourcing; (vi) management functions or human resources; (vii) broker or dealer, investment adviser, or investment banking services; (viii) legal services and expert services unrelated to the audit; and (ix) any other service that the Public Company Accounting Oversight Board determines, by regulation, is impermissible.

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above) is to consider, with input from management, whether delivery of the Permitted NAS impairs independence of the outside auditors.

1. The Committee is to evaluate, in making such consideration, the non-audit factors and other related principles (the Qualifying Factors ) set out below.

Whether the service is being performed principally for the Audit Committee;

The effects of the service, if any, on audit effectiveness or on the quality and timeliness of Macy's financial reporting process;

Whether the service would be performed by specialists (e.g., technology specialists) who ordinarily also provide recurring audit support;

Whether the service would be performed by outside audit personnel and, if so, whether it will enhance their knowledge of Macy's business and operations;

Whether the role of those performing the service (e.g., a role where neutrality, impartiality and auditor skepticism are likely to be subverted) would be inconsistent with the outside auditor's role;

Whether the outside audit firm's personnel would be assuming a management role or creating a mutuality of interest with Macy's management;

Whether the outside auditors, in effect, would be auditing their own numbers;

Whether the project must be started and completed very quickly;

Whether the outside audit firm has unique expertise in the service;

Whether the service entails the outside auditor serving in an advocacy role for Macy's; and

The size of the fee(s) for the non-audit service(s).

**III. Annual Assessment of Policy**

The Committee will determine on an annual basis whether to amend this policy.

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**VOTE BY INTERNET - [www.proxymvote.com](http://www.proxymvote.com)**

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time on May 16, 2013. Have your proxy card in hand when you access the Web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

**ELECTRONIC DELIVERY OF FUTURE STOCKHOLDER COMMUNICATIONS**

If you would like to reduce the costs incurred by Macy's, Inc. in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access stockholder communications electronically in future years.

**VOTE BY PHONE - 1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time on May 16, 2013. Have your proxy card in hand when you call and then follow the instructions.

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Macy's, Inc., c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717. Your proxy card must be received prior to 11:59 P.M. Eastern Time on May 16, 2013.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

M54367-P37374

KEEP THIS PORTION FOR YOUR RECORDS  
DETACH AND RETURN THIS PORTION ONLY

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**

**MACY'S, INC.**

**The Board of Directors Recommends a Vote For the Following Nominees:**

1. ELECTION OF DIRECTORS	For	Against	Abstain	The Board of Directors Recommends a Vote For Item 2.	For	Against	Abstain
1a. Stephen F. Bollenbach	..	..	..		..	..	..
1b. Deirdre P. Connelly	..	..	..	2. The proposed ratification of the appointment of KPMG LLP as Macy's independent registered public accounting firm for the fiscal year ending February 1, 2014.			
	..	..	..				

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1c. Meyer Feldberg

.. .. ..

1d. Sara Levinson

1e. Terry J. Lundgren

1f. Joseph Neubauer

.. .. ..  
.. .. ..

**The Board of Directors Recommends a Vote For Item 3.**

3. Advisory vote to approve named executive officer compensation.

1g. Joyce M. Roché

.. .. ..

4. In their discretion, upon such other business that may properly come before the meeting or any adjournment or adjournments thereof.

1h. Paul C. Varga

.. .. ..

1i. Craig E. Weatherup

.. .. ..

1j. Marna C. Whittington

.. .. ..

The shares represented by this proxy when properly executed will be voted in the manner directed herein by the undersigned Stockholder(s). **If no direction is made, and this proxy is returned, this proxy will be voted FOR Items 1, 2 and 3.** If any other matters properly come before the meeting, the person(s) named in this proxy will vote in their discretion.

For address changes and/or comments, please check this box and write them on the back where indicated.

.. For purposes of the 2013 Annual Meeting, proxies will be held in confidence (subject to certain exceptions as set forth in the Proxy Statement) unless the undersigned checks the box to the left and provides comments where indicated on the reverse side. This proxy is governed by the laws of the State of Delaware.

Please sign your name exactly as it appears hereon. When signing as attorney, executor, administrator, trustee or guardian, please add your title as such. When signing as joint tenants, all parties in the joint tenancy must sign. If a signer is a corporation, please sign in full corporate name by duly authorized officer.

Signature [PLEASE SIGN WITHIN THIS BOX]

Signature (Joint Owners)

Date

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**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:**

The Annual Report, Form 10-K and Notice and Proxy Statement are available at [www.proxyvote.com](http://www.proxyvote.com).

M54368-P37374

**MACY S, INC.**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

**ANNUAL MEETING OF STOCKHOLDERS**

**May 17, 2013**

The undersigned Stockholder(s) hereby appoint(s) Meyer Feldberg and Marna C. Whittington, or either of them, as proxies, each with the power to appoint his or her substitute, and hereby authorize(s) them to represent and to vote, as designated on the reverse side of this ballot, all of the shares of Common Stock of Macy's, Inc. that the stockholder(s) is/are entitled to vote at the Annual Meeting of Stockholders to be held at 11:00 a.m. Eastern Time on May 17, 2013, at the Macy's, Inc. corporate offices located at 7 West 7th Street, Cincinnati, Ohio 45202, and any adjournment or postponement thereof.

**THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED AS DIRECTED BY THE STOCKHOLDER(S). IF NO SUCH DIRECTIONS ARE MADE, AND THIS PROXY IS RETURNED, THIS PROXY WILL BE VOTED FOR THE ELECTION OF ALL NOMINEES FOR THE BOARD OF DIRECTORS LISTED IN ITEM 1 ON THE REVERSE SIDE AND FOR ITEMS 2 AND 3.**

**PLEASE MARK, SIGN, DATE AND RETURN THIS PROXY CARD PROMPTLY USING THE ENCLOSED REPLY ENVELOPE**

**Address Changes/Comments:** \_\_\_\_\_

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(If you noted any Address Changes/Comments above, please mark corresponding box on the reverse side.)

**CONTINUED AND TO BE SIGNED ON REVERSE SIDE**

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**VOTE BY INTERNET - [www.proxyvote.com](http://www.proxyvote.com)**

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time on May 15, 2013. Have your proxy card in hand when you access the Web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

**ELECTRONIC DELIVERY OF FUTURE STOCKHOLDER COMMUNICATIONS**

If you would like to reduce the costs incurred by Macy's, Inc. in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access stockholder communications electronically in future years.

**VOTE BY PHONE - 1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time on May 15, 2013. Have your proxy card in hand when you call and then follow the instructions.

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Macy's, Inc., c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717. Your proxy card must be received prior to 11:59 P.M. Eastern Time on May 15, 2013.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

M54369-P37374

KEEP THIS PORTION FOR YOUR RECORDS  
DETACH AND RETURN THIS PORTION ONLY

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**

**Macy's, Inc.**

**The Board of Directors Recommends a vote For**

**the Following Nominees:**

1. ELECTION OF DIRECTORS	For	Against	Abstain	<b>The Board of Directors Recommends a Vote For</b>	Item 2.	For	Against	Abstain
1a. Stephen F. Bollenbach	..	..	..					
1b. Deirdre P. Connelly	..	..	..					
				2. The proposed ratification of the appointment of KPMG LLP as Macy's independent registered public accounting firm for the fiscal year ending February 1, 2014.	..	..	..	



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1c. Meyer Feldberg           "       "       "

1d. Sara Levinson           "       "       "

1e. Terry J. Lundgren       "       "       "

1f. Joseph Neubauer       "       "       "

**The Board of Directors Recommends a Vote For Item 3.**       "       "       "

3. Advisory vote to approve named executive officer compensation.

1g. Joyce M. Roché       "       "       "

4. In their discretion, upon such other business that may properly come before the meeting or any adjournment or adjournments thereof.

1h. Paul C. Varga       "       "       "

1i. Craig E. Weatherup     "       "       "

1j. Marna C. Whittington   "       "       "

The shares represented by this proxy when properly executed will be voted in the manner directed herein by the undersigned Stockholder(s). **If no direction is made, and this proxy is returned, this proxy will be voted FOR Items 1, 2 and 3.** If any other matters properly come before the meeting, the person(s) named in this proxy will vote in their discretion.

For address changes and/or comments, please check .. this box and write them on the back where indicated.

For purposes of the 2013 Annual Meeting, proxies will be held in confidence (subject to certain exceptions as set forth in the Proxy Statement) unless the undersigned checks the box to the left and provides comments where indicated on the reverse side. This proxy is governed by the laws of the State of Delaware.

Please sign your name exactly as it appears hereon. When signing as attorney, executor, administrator, trustee or guardian, please add your title as such. When signing as joint tenants, all parties in the joint tenancy must sign. If a signer is a corporation, please sign in full corporate name by duly authorized officer.

Signature [PLEASE SIGN WITHIN BOX]   Date

Signature (Joint Owners)

Date

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**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:**

The Annual Report, Form 10-K and Notice and Proxy Statement are available at [www.proxyvote.com](http://www.proxyvote.com).

M54370-P37374

**MACY S, INC.**

**To: J.P. Morgan Chase Bank, as Trustee for the Macy s, Inc. 401(k) Retirement Investment Plan.**

**ANNUAL MEETING OF STOCKHOLDERS**

**May 17, 2013**

I acknowledge receipt of the Letter to Stockholders, the Notice of Annual Meeting of Stockholders of Macy s, Inc. to be held on May 17, 2013, and the related Proxy Instructions.

As to my proportional interest in any stock of Macy s, Inc. registered in your name, you are directed as indicated on the reverse side as to the matters listed in the form of Proxy solicited by the Board of Directors of Macy s, Inc. I understand that if I sign this instruction card on the other side and return it without otherwise indicating my voting instructions, it will be understood that I wish my proportional interest in the shares to be voted by you in accordance with the recommendations of the Board of Directors of Macy s, Inc. as to Items 1, 2 and 3. If my voting instructions are not received by 11:59 p.m. Eastern Time on May 15, 2013, I understand that you will vote my proportional interest in the same ratio as you vote the proportional interest for which you receive instructions from other plan participants.

If any such stock is registered in the name of your nominee, the authority and directions herein shall extend to such nominee.

**THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED AS DIRECTED BY THE STOCKHOLDER(S). IF NO SUCH DIRECTIONS ARE MADE, AND THIS PROXY IS RETURNED, THIS PROXY WILL BE VOTED FOR THE ELECTION OF ALL NOMINEES FOR THE BOARD OF DIRECTORS LISTED IN ITEM 1 ON THE REVERSE SIDE**

**AND FOR ITEMS 2 AND 3.**

**PLEASE MARK, SIGN, DATE AND RETURN THIS PROXY CARD PROMPTLY USING THE ENCLOSED REPLY ENVELOPE**

**Address Changes/Comments:**

(If you noted any Address Changes/Comments above, please mark corresponding box on the reverse side.)

**CONTINUED AND TO BE SIGNED ON REVERSE SIDE**